Building a post-2012 global climate regime

European Union COP-15 information sheet

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Scaling up climate finance for developing countries

- *The additional cost to developing countries of mitigating and adapting to climate change under an ambitious global deal is estimated at €100 billion annually by 2020*
- *The EU is ready to pay its fair share of the additional €22-50 billion in international public finance that is expected to be needed each year by 2020*
- *'Fast-start' financing for the period 2010-2012 is essential to help developing countries build up their capacities for adaptation and mitigation as soon as possible*
- *Global market-based instruments to cut GHG emissions from international aviation and maritime transport could become a source of significant additional finance*

A significant scaling up of public and private financial flows is needed to help developing countries tackle climate change through adaptation, GHG mitigation, deforestation reduction, technology and capacity building.

The Copenhagen agreement must ensure that developing countries receive adequate, predictable and timely financial support. This financing should not undermine or jeopardise the fight against poverty and continued progress towards the Millennium Development Goals.

This information sheet covers the scale of finance needed and the main sources. For governance of financial arrangements, see the information sheet Effective governance of international climate finance*.*

The European Commission estimates the total net incremental costs of mitigation and adaptation in developing countries – ie the additional costs compared with business as usual - at around **€100 billion** annually by 2020 under an ambitious global agreement.

The EU considers that these costs should be met from **three principal sources**: developing countries' own financial resources, the international carbon market and international public finance.

Mitigation goals for developing countries

- To keep global warming below 2°C, developing countries need to hold their aggregate emissions growth to 15-30% below projected levels in 2020.
- More advanced developing countries that are at comparable levels of wealth to developed countries should consider making similar emission commitments to Annex 1 nations.

Total **international public finance** required by developing countries is estimated by the European Commission to be in the range of **€22-50 billion** per year by 2020 under a global agreement that is in line with the EU's level of ambition.

The EU wants contributions to international public finance to be shared fairly on the basis of a comprehensive global key reflecting contributing countries' emission levels and ability to pay (GDP). All countries except the least developed should contribute, but developing countries would be net beneficiaries. Emission levels should have a considerable weight in the contribution key and this should increase over time.

The EU and its Member States are ready to take on their resulting fair share. The European Commission has estimated that a contribution key based on a combination of emission levels and ability to pay could mean an EU contribution to international public finance of between **€2 billion and €15 billion** per year by 2020 under an ambitious global agreement. The actual amount will depend on the relative weighting given to the two criteria under the agreement.

> The EU supports the introduction of **global market-based instruments to reduce emissions from international aviation and maritime transport.** These could become an innovative source of significant additional international public finance (see EU information sheet *Reducing emissions from specific sectors and sources*).

The European Union also stresses the need for a deal in Copenhagen on **'fast start'** international public financial support for developing countries, particularly the least developed countries, as an essential part of a comprehensive, balanced and ambitious global agreement.

This financing should enable capacity building and early action by developing countries over the period 2010-2012. Such action should include developing low-carbon growth plans, getting ready for REDD, preparing emission inventories and addressing urgent adaptation concerns.

The European Commission estimates that fast-start financing totalling **€5-7 billion** annually could be needed by developing countries over the next three years provided an ambitious Copenhagen agreement is reached.

The EU and its Member States are ready to take on their fair share of these costs provided other key players make comparable contributions. The EU will determine its contribution in the light of the Copenhagen outcome.

Regarding the other two main sources of finance for developing countries:

- The European Commission estimates that an **enlarged international carbon market** based on an ambitious Copenhagen deal could contribute up to **€38 billion** per year for developing countries by 2020 (*see* EU information sheet *Reforming international carbon market mechanisms*). Increased financial flows generated by the carbon market will reduce demand for international public finance.

> Financing provided through the carbon market should be recognised separately and not counted towards the fulfilment of developed countries' international public finance commitments, unless offset credits are not used to comply with these countries' emission commitments.

- **Domestic public and private finance** in developing countries could provide an estimated **€20-40 billion** a year by 2020. Domestic financing should be directed to low-cost measures which are already commercially viable, such as improving energy efficiency. Revenues from the sale of carbon market credits to developed countries should be used to finance more costly actions.

For reducing emissions from deforestation and forest degradation (REDD), a specific performance-based financial mechanism should be established to reward developing countries for verified emission reductions (see EU information sheet *Cutting forest CO_2 emissions through action on deforestation in developing countries (REDD+)*

Media contacts:
Barbara Helfferich, European Commission
+32 496 583 829
Lennart Bodén, Swedish EU Presidency
+46 709 50 22 45