



**COUNCIL OF  
THE EUROPEAN UNION**

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**NOTE**

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from : Council  
to : European Council (19-20 March 2009)  
Subject : International financing of climate change

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Delegations will find attached the conclusions on international financing of climate change of the Council (ECOFIN) on 10 March 2009.

**COUNCIL (ECOFIN) CONCLUSIONS**  
**ON INTERNATIONAL FINANCING OF CLIMATE CHANGE**

The Council (ECOFIN) RECALLS the European Council Conclusions of 19-20 June 2008 requesting a comprehensive strategy on financial aspects of climate change, and welcomes the Commission Communication "Towards a comprehensive climate change agreement in Copenhagen".

The Council (ECOFIN) REAFFIRMS the EU's determination to reach a global and comprehensive climate agreement in Copenhagen in December 2009. The general objective of such an agreement should be to limit the global temperature increase to below 2oC compared to pre-industrial levels. The Council (ECOFIN) RECALLS that the estimates of the global costs of tackling climate change by a coordinated international response remain far lower than the costs of inaction, provided that swift action is taken to make use of the lowest cost abatement opportunities available internationally. The Council (ECOFIN) STRESSES that cost effective action requires the implementation of negative cost abatement options in all major emitting countries which will minimize the amount of financing required at the international level.

The Council (ECOFIN) NOTES the existence of substantial opportunities to achieve multiple benefits by addressing the current global economic crisis, energy security and climate change in a coordinated manner. Accordingly, the efficiency and the effectiveness of the EU climate and energy package and the cost-efficient transition to a low carbon economy is to a large extent dependent on the conclusion of an ambitious and comprehensive global agreement.

The Council (ECOFIN) RECALLS the strong mitigation commitment and the contributions to climate protection already made by the EU and the importance of comparable efforts by all developed countries. The Council (ECOFIN) TAKES THE VIEW that developed countries should continue to play a leading role, however, STRESSES that all but the least developed countries (LDCs) and small island developing states (SIDS) should commit to measurable, verifiable and reportable (MRV) mitigation actions and related financial participation, based on dynamic assessment of individual levels of abatement potential and development, if climate change is to be tackled effectively.

The Council (ECOFIN) UNDERLINES that international financial assistance for developing countries in support of incremental costs that cannot readily be borne by the countries themselves needs to be efficient and therefore linked to effective results in terms of emission reductions induced by the implementation of concrete actions. In this regard, developing countries, except the LDCs and SIDS, should commit to adopting or updating by no later than 2012 low-carbon development strategies based on appropriate MRV mitigation policies, covering all key emitting sectors. This definition of national mitigation actions in developing countries should be a prerequisite for the delivery of international financial public support.

The Council (ECOFIN) HIGHLIGHTS that market-based instruments providing a high degree of flexibility are central to efficient and cost-effective responses to climate change, including the trade with Assigned Amount Units (AAU). The Council (ECOFIN) SUPPORTS the development of a robust incentives enhancing global carbon market by both linking equally ambitious emission trading schemes worldwide – within OECD countries by 2015 extended to more advanced developing countries by 2020 – and by providing support for the design and implementation of new crediting and trading mechanisms, and NOTES that economically more advanced developing countries should participate according to their common but differentiated responsibilities and respective capabilities.

The Council (ECOFIN) RECOGNISES that the Clean Development Mechanism (CDM) has played, and should continue to play, an important role in engaging in particular developing countries in the carbon market, facilitating cost-effective global abatement and providing financing for clean technology transfer. In order to enhance its contribution to sustainable development, ensure its environmental integrity and that only actions delivering real additional emission reductions are credited, the mechanism should be improved and sectoral and programmatic approaches should be promoted, also with a view to broadening the participation of developing countries. The Council (ECOFIN) NOTES that the implementation of the EU climate and energy package can deliver substantial financial flows from the EU to developing countries, in particular through the CDM.

The Council (ECOFIN) UNDERLINES that, for financing mitigation and adaptation actions, appropriate domestic and external sources of finance, both private and public, will be required and EMPHASISES that private funding will be, via appropriate policy frameworks, the main source of the necessary investments. Complementary public finance is needed in areas that cannot be adequately financed by the private sector to leverage private investments and to provide incentives for additional efforts.

The Council (ECOFIN) REITERATES that governance of mechanisms channelling international support must allow for effective and efficient decision-making and transparent follow-up. Public funding and international financing need to be governed by principles of effectiveness, efficiency and equity and subject to transparency and corresponding financial sound management practice. The Council (ECOFIN) HOLDS that financial assistance should be delivered by mechanisms which maximize the linkages and synergies with existing development aid, building on international financing and development experience, particularly lessons learned on aid effectiveness.

Being aware of the challenge of adaptation for developing countries and their possibly limited fiscal leeway in the near future, the Council (ECOFIN) STRESSES the important role of existing financial mechanisms and HOLDS that the creation of new instruments should be carefully assessed in terms of their value added to existing structures and their adequacy within a coherent financial architecture and should only be considered where a clear need is evident.

The Council RECOGNISES that international financial support is crucial for reaching an ambitious agreement in Copenhagen. The Council (ECOFIN) affirms that in the context of an international and comprehensive agreement, the EU stands ready to contribute its fair share. In the context of international agreement the Council (ECOFIN) RECALLS the willingness of Member States, which wish so, to use at least half of the revenues from auctioning emissions allowances for climate change related activities, including support to developing countries that will have ratified the Copenhagen agreement.

[The Council (ECOFIN) IS READY to develop in more detail the practical options for financing mitigation, adaptation, technology support and capacity building. Careful assessment will be given to the necessary level of public finance, addressing inter alia budgetary and macroeconomic implications. Both the EFC and EPC are invited to contribute further on financial architecture and the possible financial mechanisms for the post 2012-regime, and related economic aspects in preparation for the Copenhagen conference. It INVITES the European Commission to continue to work on the assessment of the need for private investment and international public funding.]