



**COUNCIL OF
THE EUROPEAN UNION**

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NOTE

From: Council Secretariat
To: Delegations
Subject: EU Fast start finance Report for Cancun

Delegations will find attached the EU Fast start finance Report for Cancun as prepared by the EPC and agreed by the EFC.

EU FAST START FINANCE REPORT FOR CANCUN

Key Messages

- In accordance with developed countries' commitments under the Copenhagen Accord, the EU and its Member States have mobilised **€ 2.2 billion** of fast start finance in 2010 as part of its overall commitment to provide **€7.2 billion** for the period 2010 – 2012.¹
- The swift and effective implementation of EU fast start finance is enabling developing countries:
 - to better protect themselves against severe weather events and other adverse effects of climate change, including by promoting national adaptation planning, and funding for science and analysis to support decision making;
 - to grow and develop on a sustainable low carbon path, including through supporting projects on low carbon energy, energy efficiency and low carbon transport;
 - to protect forests while also supporting economic development;
 - to prepare for the effective and efficient implementation of a new climate regime and scaled-up financial flows in the longer term.
- Most EU fast start finance is provided through Member State budgets and is allocated on the basis of national decisions. Despite the difficult economic situation and strong budgetary constraints, all 27 Member States and the European Commission are contributing to this funding. Member States' fast start contributions are voluntary and not based on any distribution key. They do not prejudice any burden sharing for future global climate financing.

¹ The EU encourages other developed countries to also demonstrate effective implementation of Fast Start finance and encourages those that have not yet pledged to do so, making it possible to deliver on the global commitment made in the Copenhagen Accord of approaching new and additional USD 30 billion for the period 2010-12, with a balanced allocation between mitigation and adaptation.

- Transparency in the delivery of fast start pledges is vital. The EU will continue to report annually on the implementation of its fast start finance commitments and invites other developed countries to do the same. In addition, the EU welcomes efforts to enhance the on-line availability of information on fast start finance commitments, and other efforts to promote transparency.

I. Delivering on our commitments

1. The EU Member States and the European Commission have confirmed €2.2 billion of fast start finance in 2010, thereby remaining on track to meet its overall commitment of €7.2 billion across the 2010-12 fast start period.¹
2. To be effective and to enable the fastest possible deployment of the available funds, the EU and its Member States are using existing bilateral and multilateral delivery channels as well as reinforcing existing initiatives. This facilitates access as developing countries are able to strengthen existing working relationships with bilateral agencies and multilateral institutions. EU fast start finance is also being provided to multilateral channels such as the Climate Investment Funds, the Global Environment Facility, the Adaptation Fund, the Least Developed Countries Fund, the Forest Carbon Partnership Facility, and the Multilateral Development Banks.²

Table 1: Bilateral and multilateral channels in 2010

BILATERAL	Total amount (billion €)	0,936
	% of total	42,5%
MULTILATERAL	Total amount (billion €)	1,265
	% of total	57,4%
NOT ALLOCATED	Total amount (billion €)	0,002
	% of total	0,1%
TOTAL		€2.2 billion

¹ The full results of the Member State reporting on fast start finance commitments (November 2010) are provided in annex.

² The annex provides a full list of the multilateral channels receiving Member States' fast start finance in 2010.

3. The EU continues to be the largest contributor of climate finance flows to developing countries and has been so since well before Copenhagen. These projects and activities targeted key areas of collaboration which are closely linked to the objectives for fast start finance. The EU and its Member States remain firmly committed to these broader climate finance activities.
4. In addition to fast start finance, the EU will continue to make available other funds for the period 2010-2012 in support of climate actions outside the EU, such as via the European Investment Bank (EIB) which provides diversified financing (with some elements of concessionality). This financing also helps leverage additional investments including those of the private sector.

II. Swift and effective disbursement

5. EU fast-start finance supports immediate action on climate change and preparations for efficient and effective adaptation and mitigation actions in developing countries in the medium and longer term, including sustainable forest management.
6. The EU is striving to allocate both bilateral and multilateral funding where it is most needed. In terms of new bilateral projects, in particular for adaptation, the EU and its Member States give priority consideration to most vulnerable and least developed countries. This includes support for capacity building efforts as well as for the development and transfer of technologies.
7. The EU underlines the importance of close dialogue and joint working with partner countries in assessing needs and setting priorities; EU fast-start finance is deployed with full respect for partner countries' national ownership and primary responsibility for their own development.
8. Furthermore, the experience of existing institutions, including multilateral, regional and bilateral development financial institutions, and national implementing agencies in delivering aid in developing countries is being fully utilized. The agreed principles of aid effectiveness established by the Rome and Paris Declarations and the Accra Agenda for Action are fully respected.

9. While the EU encourages all countries to associate themselves with the Copenhagen Accord, access to EU fast start funding for developing countries does not depend on having done so.
10. The EU is committed to ensuring that fast start funding and other climate finance neither undermines nor jeopardises the fight against poverty and continued progress towards the Millennium Development Goals (MDGs). The European Council of 17 June 2010 reaffirmed its commitment to achieve development aid targets by 2015 as set out in its June 2005 Conclusions. The EU remains the world's leading provider of official development assistance (ODA), responsible for almost 60% of all ODA in 2009.
11. Climate issues have become increasingly integrated in broader development strategies (making ODA 'climate resilient') so that actions to mitigate and adapt to the negative effects of climate change often support efforts to reach other MDGs and vice versa, e.g., by delivering actions to support climate resilient development and access to clean energy.

III. Transparent and consistent reporting

12. The EU's fast start finance "package" amounting to **€2.2 billion in 2010** includes finance to support: adaptation; mitigation; reductions in emissions from deforestation and forest degradation in developing countries; technology cooperation and capacity-building, including for MRV and design of mitigation measures.
13. **Adaptation : €735 million in 2010 to accelerate action to help poor and vulnerable countries adapt to and build resilience to the adverse effects of climate change**, particularly in the least developed countries, small island developing states, and African countries that will be most seriously affected. Funding will help developing countries protect their infrastructure, industry and agriculture from changing weather patterns and rising sea levels, support investment water management, drought-resistant crops, disaster risk reduction and in improved scientific analysis for decision making, and national planning. Adaptation efforts will take into account the priorities identified in National Adaptation Plans of Action (NAPAs), National Communications and other relevant planning documents. In the area of adaptation, particular attention needs to be paid to enhancing partner countries' absorption capacities, increasing national ownership, and to verifying the viability and added value of initiatives in the longer term.

14. **Mitigation** : €1,060 billion in 2010 to accelerate the transition to a low-carbon global economy and to reduce greenhouse gas emissions by promoting the deployment of clean energy technologies. Funding will promote projects on: low carbon energy; energy efficiency; low carbon transport; the development of Nationally Appropriate Mitigation Actions (NAMAs) and low emission development strategies; capacity building to measure, report and verify emissions and on new carbon market mechanisms.
15. **REDD+**: €362 million in 2010 to reduce greenhouse gas emissions by reducing deforestation and forest degradation in developing countries and enhancing the sustainable management and conservation of forest and carbon stocks. Funding will demonstrate ways of changing the economics, build capacity to monitor effectively, report and verify emissions and removals from land-use activities; support necessary policy and governance reforms; work to enhance sustainable management and conservation of forests, and enhancement of forest stocks. Particular attention will be paid to improving forest governance (including land tenure reforms and forest law enforcement), and to ensuring benefits for local communities and indigenous peoples.

V. Longer term perspective on post-2012 financing

16. Fast start climate finance marks the beginning of a longer term commitment to mobilise USD 100 billion per year by 2020 as part of a balanced, comprehensive and legally binding international agreement.
17. The mobilisation of long-term climate finance for mitigation will depend on meaningful mitigation actions, transparency on implementation, and that a robust governance system ensuring measurement, reporting and verification is in place, taking into account the particular situation of LDCs. Further improvements in the knowledge base on climate impacts and capacity building efforts will facilitate long-term adaptation actions.
18. The EU will continue to work closely with the recipient countries and with the international community to learn from the implementation of these fast start finance commitments as we move toward operationalising the longer term financing provisions of the Copenhagen Accord.

19. Over the longer term, support for mitigation and adaptation in developing countries will require additional resource mobilization from a wide range of financial sources, including private and innovative sources. ODA will also continue to play a role, particularly in the most vulnerable and least developed countries.

20. The public finance contributions of participating parties to post-2012 financing have yet to be determined and should be agreed as part of the ongoing international climate negotiations. In this regard, the Final Report of the UN Secretary General's Advisory Group on Climate Finance (AGF) provides an important starting point for further consideration, in particular the conclusion that it is challenging but feasible to meet the Copenhagen Accord goal of mobilising \$100bn per annum by 2020 for climate change in developing countries, subject to meaningful mitigation actions of developing countries and transparency on implementation through a combination of innovative, public and private sources.

21. A comprehensive set of statistics for climate financing is clearly needed. This should be built on experiences with existing reporting systems such as the OECD-DAC system for monitoring financial flows to developing countries and avoid developing competing reporting systems. Also in this context Member States should consider experience with fast start funding when addressing post-2012 climate financing and support.

RESULTS OF MEMBER STATE REPORTING ON FAST START FINANCE

COMMITMENTS, OCTOBER 29, 2010

1. PLEDGES/ CONFIRMED CONTRIBUTIONS FOR 2010 - 2012

	EU CONTRIBUTION (2010-2012) (billion €)	EU CONTRIBUTION 2010 (billion €)
NUMBER OF RESPONSES	27+ COM (28)	27+ COM (28) ¹
TOTAL AMOUNT PLEDGED	7,200	2,400
TOTAL CONTRIBUTION	6,843	2,203
% OF TOTAL AMOUNT PLEDGED	95,0%	91,8%

2. FSF / OVERALL CLIMATE FINANCING IN 2010²

Number of Member States reporting on this question		12 / 28
Total FSF amount of reporting MS (billion €)		0,944
Overall Climate Financing in 2010 not counted as FSF	Total amount (billion €)	3,580
	% of total reported amount	379%

3. PRINCIPAL AND SIGNIFICANT CLIMATE OBJECTIVES IN 2010

Number of Member States reporting on this question		26 / 28
Total reported amount of reporting MS (billion €)		2,196
Overall reported amount as % of EU FSF Contribution in 2010		99,7%
Climate is principal objective	Total amount (billion €)	1,791
	% of total reported amount	81,6%
Climate is significant objective	Total amount (billion €)	0,405
	% of total reported amount	18,4%

¹ 4 MS reported a zero contribution in 2010 for a number of reasons. This did not change their underlying commitment for the period as they will meet that across 2011-12.

² Fast start finance is only a part of a much bigger climate finance commitment by the EU and its Member States. For example, across the 12 MS that provided information on their climate finance not counted as fast start, this amount was almost four times that of the fast start finance element.

4. TYPES OF INVESTMENTS IN 2010

Number of Member States reporting on this question		27 / 28
Total reported amount of reporting MS (billion €)		2,190
Total reported amount in % of EU FSF Contribution in 2010		99,5%
Grants	Total amount (billion €)	1,050
	% of total reported amount	47,9%
Loans, equities or others ¹	Total amount (billion €)	1,140
	% of total reported amount	52,1%

5. BILATERAL & MULTILATERAL CHANNELS IN 2010

Number of Member States reporting on this question		28 / 28
Total reported amount of reporting MS (billion €)		2,203
Total reported amount in % of EU FSF Contribution in 2010		100,0%
BILATERAL	Total amount (billion €)	0,936
	% of total reported amount	42,5%
MULTILATERAL	Total amount (billion €)	1,265
	% of total reported amount	57,4%
NOT ALLOCATED	Total amount (billion €)	0,002
	% of total reported amount	0,1%

6. OBJECTIVES AND SECTORS IN 2010

Number of Member States reporting on this question		28 / 28
Total reported amount of reporting MS (billion €)		2,203
Total reported amount in % of EU FSF Contribution in 2010		100,0%
ADAPTATION	Total amount (billion €)	0,735
	% of total reported amount	33,4%
REDD+	Total amount (billion €)	0,362
	% of total reported amount	16,4%
MITIGATION (excluding REDD+)	Total amount (billion €)	1,060
	% of total reported amount	48,1%
NOT ALLOCATED	Total amount (billion €)	0,046
	% of total reported amount	2,1%

¹ Most loans reported were confirmed as being concessional in nature.

7. OVERVIEW OF MULTILATERAL CHANNELS USED FOR FSF IN 2010

Number of Member States using multilateral channels	21 / 28
Number of Member States providing details on multilateral channels	19 / 21
Total reported amount for multilateral channels(billion €)	1,253
Total reported amount in % of EU FSF Multilateral contribution in 2010	99,0%
MULTILATERAL AND REGIONAL INSTITUTIONS (million €)	
World Bank: Clean Technology Fund	410,7
World Bank: Strategic Climate Fund	373,9
World Bank: Forest Carbon Partnership Facility	38,8
World Bank: others	22,2
WB IFC Indonesia	2,0
African Development Bank: CBFF	40,0
Inter American Development Bank	28,0
EBRD	12,1
Global Facility For Disaster Reduction and Recovery	1,0
CGIAR	5,5
IUCN	1,6
Others	77,0
Subtotal	1012,9
UNFCCC and KYOTO PROTOCOL FUNDS (million €)	
GEF	131,6
ADAPTATION FUND	67,0
UNFCCC	0,8
LEAST DEVELOPED COUNTRIES FUND	11,0
SPECIAL CLIMATE CHANGE FUND	4,0
Subtotal	214,4
UN Initiatives / funds (million €)	
UN REDD PROGRAMME	6,4
UNESCO	0,6
FAO	4,9
UNEP	10,0
ISDR	4,0
Subtotal	25,9
TOTAL	1253,2