

## Supporting the global battle against climate change

### Briefing paper on the European Commission 'Copenhagen communication'

On 28 January 2009, the European Commission will present its 'Copenhagen communication.' This communication puts forward proposals ahead of international climate negotiations in Copenhagen in December. It is expected to focus on how to reduce emissions worldwide and how to generate a flow of climate funds from the European Union and other industrialised countries to developing nations. The overall ambition of global emission reductions will depend heavily on the adequacy and credibility of this funding.

After a final agreement by EU member states (expected in March), the measures will demonstrate to the world the degree of Europe's commitment and leadership in the global effort to prevent dangerous climate change, end deforestation and support clean energy. In this briefing paper Greenpeace presents a first analysis of the Commission proposal and recommendations on how to strengthen its environmental effectiveness and climate ambition, in particular on **financial assistance for the transition to a clean energy economy in developing countries**, and on **forest protection** measures.

#### **Reduction targets: sharing efforts and opportunities**

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The European Commission proposes to increase the EU emission reduction target to 30% by 2020, compared to 1990 levels. EU member states recognised in October 2008 the need for industrialised countries to reduce greenhouse gases by 25-40% by 2020.<sup>1</sup> The EU has so far committed to at least a 20% cut under its domestic climate and energy package, and to 30% in the context of an international agreement.

However, both targets are insufficient to keep global warming below the dangerous climate change threshold of two degrees Celsius. Greenpeace calls on the EU to **reduce emissions by at least 40% in 2020, compared to 1990 levels (with at least 30% domestic reductions and a commitment to support 10% additional reductions in the developing world)**. This will increase the certainty level of keeping global warming within the threshold of a two degree temperature increase. Any 'offsetting' by the EU and other industrialised countries (for example through the purchase of credits obtained under the UN's Clean Development Mechanism, CDM) has to come on top of the 15-30% reduction in developing countries advised by the Intergovernmental Panel on Climate Change (IPCC).

#### **Finance: support for actions in developing countries**

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The European Commission proposes that developing countries should commit to a significant deviation of 15-30% from business-as-usual emission growth. In order to support these actions, the Commission proposes new public funding for clean energy, forest protection and adaptation in the developing world. The Commission says the funding should be on top of existing Official Development Assistance (ODA) commitments.

**Greenpeace regrets that the Commission has backtracked at the last minute and removed any mention of specific amounts of financial support.** Concrete financial commitments are necessary to build trust and to carefully plan potential mitigation and adaptation options in developing countries. Greenpeace calls on industrialised countries to commit to at least **€10 billion in annual public funding by 2020** for clean energy, forest protection and adaptation.

### ***Clean Energy***

The International Energy Agency (IEA) indicated in 2008 that “the incremental investments in commercial technologies for the period 2010 to 2050 amount to an annual average of US\$1,000 billion” (€800 billion).<sup>ii</sup>

Although most of the capital to clean up energy sectors in developing countries should come from energy companies, industrialised countries should provide **€40 billion in annual public funding by 2020** to build capacity and create conditions for a rapid development of renewable energy and energy efficiency technologies in developing countries.<sup>iii</sup>

### ***Forest Protection***

Deforestation is responsible for about 20% of global greenhouse gas emissions, more than the total emissions of the US. Greenpeace has developed a proposal showing that tropical deforestation in countries like Brazil can be halted by 2015.<sup>iv</sup> Similar plans should be developed in other countries and regions affected by deforestation and forest degradation.

On forest protection, Greenpeace supports the Commission’s proposal to set up a multilateral forest fund replenished through increased public financial support and a new international financing scheme.<sup>v</sup> Public control on the allocation of financial resources is vital to determine which policy actions are most urgently required to protect forests and which measures have clear net benefits for biodiversity and forest-dependent people.

In a communication on deforestation in October 2008, the Commission estimated that halving deforestation by 2020 would cost €15-25 billion.<sup>vi</sup> Halting deforestation within the same time frame would entail a significantly higher cost. Greenpeace calls on industrialised countries to provide **at least €30 billion annually to support efforts to halt deforestation in developing countries.**

The EU must follow the Commission recommendation to oppose the trading of forest offset credits in carbon markets. Reducing emissions from deforestation should be performed in addition to (not instead of) reducing emissions in industrialised countries.

### ***Adaptation***

Greenpeace believes industrialised countries should contribute at least €20 billion to climate adaptation measures (such as coastal defences and irrigation systems) by 2013, increasing gradually to at least **€40 billion annually by 2020** (US\$50 billion<sup>vii</sup>).

The Commission originally come up with a lower figure because it assumed the gap between the costs of adaptation (for example to build coastal defences and irrigation systems) would be covered through the additional benefits of adaptation actions (such as the economic activity created by building coastal defences), private sector funding and contributions from taxpayers in developing countries. Greenpeace believes adaptation efforts are a public responsibility which experience has shown cannot be carried out effectively by the private sector. Governments and households in the developing world should also not be expected to pay for adaptation measures that are largely caused by the emissions of industrialised countries.

### ***A robust financing mechanism***

To adequately finance developing country action, EU member states should support, as the main new global financing mechanism, the purchasing of annual emission

budgets for each industrialised country at a price set by the international carbon market (known as the 'Norwegian proposal'). This is one of two options proposed by the Commission.

**In conclusion, Greenpeace welcomes the proposals of the European Commission. However, EU member states should commit to concrete financial commitments and contribute at least €25 billion of annual public funding by 2020.**

**Greenpeace urges the governments of industrialised countries to commit to at least €110 billion in annual public funding by 2020 to support clean energy, forest protection, and adaptation in developing countries.**

### **Carbon market mechanisms: bridging the gap for clean energy**

Under last year's climate and energy package, EU member states agreed to achieve a significant amount of their emission reductions by purchasing carbon credits in developing countries.

Greenpeace supports the Commission's proposal that the purchase of carbon credits should result in reductions on top of the 15-30% domestic cuts in developing countries. The 15-30% reduction will be mostly made up of cost-efficient and low cost emission reduction actions. If credits could be obtained from these projects and flow into the EU emissions trading system, this could crash the EU's internal carbon market price, taking away the financial incentive to restructure the EU economy.

Greenpeace agrees with the Commission that new sectoral carbon crediting mechanisms need to be designed. Existing mechanisms do not contribute to real sustainable development and do not achieve sufficient additional emission reductions. In order to make sure that carbon market mechanisms result in actual and bold emission reductions (unlike is the case for the existing CDM), the new schemes must support the establishment of a renewable energy infrastructure and industry in developing countries. Greenpeace advocates the following mechanisms:

#### ***Sectoral no-lose target crediting mechanism***

Designed for advanced developing countries, the so-called 'sectoral no-lose target crediting mechanism' would reduce emissions on top of existing and planned domestic measures for a specific sector (for instance the power sector). It would be 'no-lose' in the sense that there would be no compliance penalties if the planned additional reductions did not take place. Additional emission reductions would however generate income in the form of carbon credits which can be traded on the international market. This mechanism would encourage positive structural changes and large emission reductions on a sectoral level instead of small ad hoc reductions (such as projects under the CDM). It would allow national governments of developing countries to create long-term national policies supporting clean energy and energy efficiency technologies.

#### ***Feed-in support mechanism***

A second option Greenpeace proposes for some developing countries is the establishment of an international fund to facilitate the implementation of feed-in laws. This *Feed-in Support Mechanism* (FSM) links international carbon markets directly with the uptake of renewable energy and uses grants and loans within the existing infrastructure of international financial institutions to secure investment and lower the risk factor for renewable energy projects. Feed-in tariffs would provide bankable and long term financial support for the development of renewable energy markets in

developing countries. The tariffs would cover the cost difference between conventional power generation and renewable energy generation, where renewable is more expensive. The fund will guarantee the payment of the total feed-in tariffs over a period of 20 years if the project is operated properly. Every 1,000 kWh of renewable electricity generated could for instance earn a credit equivalent to 1 tonne of CO<sub>2</sub>.

### ***Project-based emission reductions***

The UN's Clean Development Mechanism (CDM), the existing project-based mechanism for emission reductions in developing countries, could be continued as a tool for the least developed countries but only if sufficient improvements are made to the mechanism. However, its overall usage will have to be substantially limited within the context of a new, larger mix of different mechanisms. Currently, approximately 40% of CDM projects do not achieve additional greenhouse gas emission reductions, according to the German Oeko Institut.<sup>viii</sup> It has become obvious that the current CDM structure is flawed and requires a complete overhaul.

### ***Sustainability criteria for credits***

Crediting mechanisms agreed under a Copenhagen deal must ensure real and additional emission reductions and contribute to sustainable development. Governments must not undermine climate protection by wasting time and taking resources away from more effective and clean solutions. This means that costly, unreliable and ineffective technologies such as nuclear power, carbon capture and storage (CCS) and unsustainable agrofuels should not be eligible for carbon credits.<sup>ix</sup>

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<sup>i</sup> Council conclusions on preparations for the UN climate meeting in Poznan, 20 October 2008, [www.consilium.europa.eu/ueDocs/cms\\_Data/docs/pressData/en/envir/103479.pdf](http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/envir/103479.pdf).

<sup>ii</sup> Quoted in UNFCCC, 2008, Investment and financial flows to address climate change: an update, [unfccc.int/resource/docs/2008/tp/07.pdf](http://unfccc.int/resource/docs/2008/tp/07.pdf).

<sup>iii</sup> The global additional annual investment required to clean up the power sector is €110 billion (US\$140 billion) according to the Greenpeace Energy [R]evolution Scenario. (Greenpeace, 2008: Energy [R]evolution, a sustainable energy outlook, [www.energyblueprint.info](http://www.energyblueprint.info)).

<sup>iv</sup> Agreement on Acknowledging the Value of the Forest and Ending Amazon Deforestation, 3 October 2007, [www.greenpeace.org/raw/content/international/press/reports/amazon-deforestation-agreement.pdf](http://www.greenpeace.org/raw/content/international/press/reports/amazon-deforestation-agreement.pdf).

<sup>v</sup> Greenpeace, 2008: Forests for Climate: developing a hybrid approach for REDD, [www.greenpeace.org/raw/content/international/press/reports/forestsforclimate2008.pdf](http://www.greenpeace.org/raw/content/international/press/reports/forestsforclimate2008.pdf).

<sup>vi</sup> Commission communication on deforestation, page 9, October 2007, [eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0645:FIN:EN:PDF](http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0645:FIN:EN:PDF).

<sup>vii</sup> Oxfam 2007: Financing Adaptation: What's needed in developing countries and who should pay, [http://www.oxfam.org/en/policy/briefingpapers/bp104\\_climate\\_change\\_0705](http://www.oxfam.org/en/policy/briefingpapers/bp104_climate_change_0705).

<sup>viii</sup> Oeko Institut, 2007: Is the CDM fulfilling its environmental and sustainable development objectives? (study prepared for WWF), [www.oekoinstitut.de/oekodoc/622/2007-162-en.pdf](http://www.oekoinstitut.de/oekodoc/622/2007-162-en.pdf).

<sup>ix</sup> Greenpeace, 2008: Clean Development Mechanism: no place for carbon capture and storage (Poznan conference position paper); Greenpeace, 2008: Getting serious about nuclear power (Poznan conference position paper). For both documents see [www.greenpeace.org/kyoto](http://www.greenpeace.org/kyoto).