

Supporting the global battle against climate change

Briefing paper on the European Commission 'Copenhagen communication'

On 28 January 2009, the European Commission presented its 'Copenhagen communication.' This communication puts forward proposals ahead of international climate negotiations in Copenhagen in December. It focuses 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

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 2020.¹ 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

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 **€110 billion in annual public funding by 2020** for clean energy, forest protection and adaptation.

Clean Energy

The European Commissions indicated that investment in the energy and industrial sectors in developing countries should amount to €71 billion annually by 2020 (in 2005 prices).ⁱⁱ However, this figure includes revenues generated by carbon markets (€38 billion). Excluding carbon markets, the financial gap in developing countries is 33 billion annually by 2020. The United Nations Development Programme (UNDP) estimates that the development of low carbon energy systems in the developing world will cost US\$25-50 billion annually (€20-40 billion) by 2020.ⁱⁱⁱ The Stern Review indicates that public funding for energy R&D, demonstration and deployment should be US\$66 billion (€50 billion) annually by 2030.^{iv}

Although most of the capital to clean up energy sectors in developing countries should come from energy companies, Greenpeace demands industrialised countries and newly industrialised countries to 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.^v

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.^{vi} 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.^{vii} 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.^{viii} Halting deforestation within the same time frame would entail a significantly higher cost. Greenpeace calls on industrialised countries and newly 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^{ix}).

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 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. Greenpeace the EU to recognise a financial gap for developing countries of to at least €110 billion by 2020. Industrialised and newly industrialised countries should support clean energy, forest protection, and adaptation in developing countries.

This means EU member states should commit to concrete financial commitments and contribute about €35 billion of annual public funding by 2020.

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.

Carbon market 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.^x

Sectoral no-lose target crediting mechanism

Greenpeace supports the establishment of a new market mechanism for designed for advanced developing countries. This 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.

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.^{xi} It has become obvious that the current CDM structure is flawed and requires a complete overhaul.

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ⁱ 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.

ⁱⁱ The European Commission projects a financial gap of 48 billion under a scenario without carbon markets. Under a 'gradual carbon markets' scenario the financial gap is 33 billion euro annually (excluding the 38 billion benefits from carbon markets). European Commission (2009) 'Commission Staff Working Document', page 13.

ⁱⁱⁱ UNDP (2008), 'Human Development Report (HDR), Fighting Climate Change: Human Solidarity in a Divided World', page 153.

^{iv} Stern (2006), 'Stern Review on the Economics of Climate Change'.

^v 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).

^{vi} 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.

^{vii} Greenpeace, 2008: Forests for Climate: developing a hybrid approach for REDD, www.greenpeace.org/raw/content/international/press/reports/forestsforclimate2008.pdf.

^{viii} Commission communication on deforestation, page 9, October 2007, eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0645:FIN:EN:PDF.

^{ix} 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.

^x 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.

^{xi} 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.