

## Financing the EU's global responsibility

In January 2009, the European Commission presented its 'Copenhagen communication'. The communication puts forward initial proposals on how to generate a flow of funds to developing nations under the future Copenhagen climate agreement, in order to support clean energy investments, protection of tropical forests and measures to adapt to the already unavoidable impacts of climate change.

European leaders meeting on 19 and 20 March are expected to come up with support for a robust funding mechanism and real financial numbers to back up global climate measures under the Copenhagen agreement.

Greenpeace presents in this paper a summary of its demands for EU leaders.

### **The EU's responsibility and capacity to act**

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The EU must take the lead and send a strong signal to the rest of the world if we are to reach a meaningful deal in Copenhagen. As EU environment Commissioner Dimas said in January: "No money, no deal". The financial needs of developing countries need to be recognised before they can start planning sustainable development strategies. Open and constructive negotiations can start in earnest only once the EU puts concrete numbers on the table.

Financial support for clean energy and adaptation technologies in developing countries will boost global demand for products such as irrigation systems, photovoltaic cells, biogas and coastal defence constructions. It will boost growth and employment in both developing and developed countries.

EU financial contributions to developing countries should in no way be seen as charity, but as repayment for a historical debt. Together, industrialised countries are jointly responsible for 64% of today's climate crisis, due to the large quantities of greenhouse gases they have emitted since their industrial revolutions in the 19<sup>th</sup> century. The largest portion of historic responsibility has to be attributed to the United States, followed closely by the EU.<sup>1</sup>

The EU and other industrialised countries therefore have a major responsibility to help developing countries adapt to the already unavoidable impacts of climate change and to support poorer countries develop in a more sustainable way. Greenpeace believes that newly industrialised countries (NICs)<sup>2</sup> should contribute their fair share to these efforts.

Poorer developing countries must also eventually take autonomous action and implement less financially burdensome measures that can deliver benefits, for example in terms of efficiency. But it is industrialised countries who must primarily take the lead in the intervening period up to 2020. The following sections on 'clean energy', 'forest protection' and 'adaptation measures' spell out what Greenpeace believes is required in terms of financial support in this period.

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<sup>1</sup> Müller et. al. (2007). 'Differentiating (Historic) Responsibilities for Climate Change' <http://www.oxfordclimatepolicy.org/publications/DifferentiatingResponsibility.pdf>.

<sup>2</sup> Newly Industrialised Countries (NICs) are those countries that had a per capita GDP above 15.000 USD (ppp) in 2005, excluding vulnerable island states.

## Clean energy

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The Intergovernmental Panel on Climate Change (IPCC) believes that developing countries should reduce their emissions by 15-30% by 2020 if we are to keep global warming under the crucial two-degree threshold to keep climate change within manageable levels.<sup>3</sup>

Developing countries already face tough times to make their societies more sustainable. The International Energy Agency (IEA) believes that the business as usual investments for electricity supply alone will cost US\$165 billion (€131 billion) annually until 2010. Less than half of this amount is available under current policies.<sup>4</sup> But much larger investments will be needed to keep climate change under control. This is not 'mission impossible', it is primarily an opportunity for investments in efficiency and clean energy to generate rapid and sustainable development, provided there is substantial financial assistance from industrialised countries.

The global market for renewable energy is growing steadily and has proven to be a pillar of stable and competitive economies. In 2007, the renewables industry had a global turnover of over US\$70 billion (€56 billion) globally, almost double the amount of the previous year. Renewable energy technologies vary widely in their technical and economic advancement, but the variety is certainly large enough to offer attractive options for both industrialised countries and the developing world. Greenpeace urges countries to invest in renewable energy technologies to reduce dependency on fossil fuels and create high-quality employment.

Although most of the capital to clean up energy and industrial sectors in developing countries should come from businesses themselves, industrialised countries should provide financial assistance to build capacity and create the conditions for a rapid development of renewable energy and energy efficiency technologies.

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.<sup>5</sup> The Stern Review indicates that public funding for energy R&D, demonstration and deployment should be US\$66 billion (€50 billion) annually by 2030.<sup>6</sup> The European Commission presented more detailed modelling results in the Staff Working Document accompanying the Copenhagen Communication. The Commission indicates that investment in the energy and industrial sectors in developing countries should amount to €71 billion annually by 2020 (in 2005 prices).<sup>7</sup> This figure includes revenue generated by carbon markets (€38 billion).

**Based on these studies, Greenpeace calls on the European Union, other industrialised countries and newly industrialised countries (NICs) to commit to at least €40 billion in annual public funding by 2020 for clean energy in developing countries (excluding money generated by international carbon market mechanisms).**

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<sup>3</sup> The IPCC also says industrialised countries should reduce emissions by 25-40% by 2020, compared to 1990 levels. Greenpeace urges the EU to commit to a 40% reduction target (including 30% domestic reductions).

<sup>4</sup> IEA (2006), World Energy Outlook.

<sup>5</sup> UNDP (2008), 'Human Development Report (HDR), Fighting Climate Change: Human Solidarity in a Divided World', page 153.

<sup>6</sup> Stern (2006), 'Stern Review on the Economics of Climate Change'.

<sup>7</sup> European Commission (2009) 'Commission Staff Working Document', page 13.

## Forest protection

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In order to achieve a significant deviation from business as usual growth of emissions in developing countries, forest protection must also be seen as a priority.

Deforestation is responsible for about 20% of global greenhouse gas emissions, more than the total emissions of the United States. Greenpeace has developed a plan showing that tropical deforestation in countries like Brazil can be halted by 2015.<sup>8</sup> Similar plans should be developed in other countries and regions affected by deforestation and forest degradation. Greenpeace calls on the EU to end gross deforestation in developing countries by 2020.

On forest protection, Greenpeace supports the European Commission's proposal to set up a multilateral forest fund replenished through increased public financial support and a new international financing scheme.<sup>9</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.

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. In a communication on deforestation in October 2008, the Commission estimated that halving deforestation by 2020 would cost €15-25 billion.<sup>10</sup> Halting deforestation within the same time frame would entail a significantly higher cost.

**Greenpeace calls on industrialised countries and newly industrialised countries to annually provide at least €30 billion by 2020 to halt gross deforestation in developing countries by 2020.**

## Adaptation measures

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Greenpeace believes industrialised countries and newly 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>11</sup>).

The European Commission presents a lower figure (€10 billion by 2020) because it assumes some of the costs of adaptation would be covered through the additional benefits brought by adaptation measures (such as increased food production due to irrigation), 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.

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<sup>8</sup> Greenpeace (2007), Agreement on Acknowledging the Value of the Forest and Ending Amazon Deforestation, [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>9</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>10</sup> European Commission (2007), 'Communication on Deforestation, 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), page 9.

<sup>11</sup> Oxfam International (2007) 'Adapting to Climate Change: What's needed in poor countries and who should pay'.

## **Who should pay what?**

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Adding up the needs for public financial support for clean energy (€40 billion annually by 2020), forest protection (€30 billion by 2020) and adaptation (€40 billion by 2020), Greenpeace believes the Copenhagen agreement should generate **at least €110 billion by 2020**. Greenpeace urges the governments of the EU and other industrialised countries to commit to providing most of these funds in the context of the Copenhagen climate negotiations. Newly industrialised countries should also be expected to contribute, according to their responsibility and ability to pay.

It is of high importance that the EU refers to concrete quantified figures in its Copenhagen position. Referring to concrete financial commitments is not synonymous with giving away EU bargaining chips. Opening the finance debate is about starting real and constructive climate negotiations.

**In total, the Copenhagen agreement should channel annual resources to developing countries of at least €110 billion by 2020. Based on responsibility and capacity to pay, this means the EU should contribute its fair share of about €35 billion annually by 2020.**

## **The missing link: a global financing mechanism**

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To adequately finance necessary climate measures it is crucial to provide certainty to governments and private investors in developing countries. Public financial support should be stable, reliable and additional to existing Official Development Assistance (ODA). The establishment of a new robust and independent financing mechanism is key to fulfilling these criteria. Greenpeace calls on EU member states to support, as the main **new global financing mechanism**, the purchasing of annual emission budgets at a price set by the international carbon market (this mechanism, which essentially asks countries to pay for the right to pollute, is known as the 'Norwegian proposal').

There is a strong need to build trust between industrialised and developing countries. An independent financing mechanism managed by an international body under the UNFCCC can manage the funds in line with agreed governance criteria, instead of putting international financing flows at the mercy of the day-to-day vagaries of national policy makers in both developed and developing countries.

**Greenpeace calls on EU member states to support the establishment of a new financing mechanism which makes countries pay for a part of their annual greenhouse gas emission budgets.**

**In summary, Greenpeace calls on EU member states to:**

- **Propose the establishment of a new robust financing mechanisms under the Copenhagen Agreement that makes countries pay for part of their annual greenhouse gas emission budgets.**
- **Recognise the financial gap in developing countries for investments in clean energy of at least €40 billion annually by 2020.**
- **Recognise the need for a fund providing at least €30 billion annually to deforestation protection by 2020.**
- **Take responsibility for damage caused in developing countries, and contribute to total funds of at least €40 billion annually by 2020 for climate adaptation.**
- **In total, the Copenhagen agreement should channel public resources to developing countries of at least €110 billion annually by 2020. Industrialised countries and newly industrialised countries should contribute their fair share. The EU should contribute about €35 billion annually by 2020.**

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## Annex: Indication of financial responsibility and capacity of EU member states

Country	RCI <sup>12</sup> (% of world total)	Financial Contribution (billions €)
Austria	0,53	0,8
Belgium	0,74	1,1
Denmark	0,38	0,8
Finland	0,35	0,8
France	3,25	4,2
Germany	5,47	7
Greece	0,63	0,8
Ireland	0,30	0,4
Italy	3,08	4
Luxembourg	0,08	0,08
Netherlands	1,16	1,5
Portugal	0,35	0,8
Spain	2,08	2,7
Sweden	0,49	0,8
United Kingdom	3,73	5
<b>EU 15</b>	<b>22,94</b>	<b>30,78</b>
Bulgaria	0,12	0,15
Cyprus	0,04	0,03
Czech Republic	0,53	0,8
Estonia	0,06	0,08
Hungary	0,30	0,04
Latvia	0,04	0,03
Lithuania	0,07	0,08
Malta	0,02	0,02
Poland	1,06	1,5
Romania	0,26	0,2
Slovakia	0,16	0,2
Slovenia	0,09	0,15
<b>EU 27</b>	<b>25,68</b>	<b>34,06</b>
<b>Industrialised countries</b>	<b>77,15</b>	<b>102</b>
<b>NICs<sup>13</sup></b>	<b>5,80</b>	<b>7,93</b>
<b>World Total</b>	<b>82,95</b>	<b>109,93</b>

<sup>12</sup> The “Responsibility Capacity Index” (RCI) measures capacity and responsibility of countries. This calculation is done for all Parties to the UNFCCC, based on country-specific income, income distribution, and emissions data. The precise numerical results depend on the particular values chosen for key parameters, such as the year in which national emissions begin to count towards responsibility (in this example 1990) and, especially, the development threshold (in this example 7.500 euro/y ppp), which defines the overall “progressivity” of the system.

<sup>13</sup> Newly Industrialised Countries (those countries that had a per capita GDP above 15.000 USD (ppp) in 2005, excluding vulnerable island states)