COUNCIL OF
THE EUROPEAN UNION

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# Council conclusions on key issues/ and next steps in international climate finance

*3088th ECONOMIC and FINANCIAL AFFAIRS Council meeting*
*Brussels, 17 May 2011*

The Council adopted the following conclusions:

*"3 May 2011*

The Council:

1. RECALLS the commitment under the Cancún Agreements to submit information on the resources provided to fulfill the fast start finance commitment by developed country parties to the UNFCCC Secretariat by May 2011, 2012 and 2013; ENDORSES the updated final report from the EFC/EPC on fast start finance provided in 2010 and details of specific actions supported by this finance; and EMPHASISES that this report confirms that the EU and its Member States have mobilised EUR 2.34 billion in fast start finance in 2010 as part of a broader commitment to provide EUR 7.2 billion cumulatively over the period 2010-12.

2. TAKES NOTE of the Final Report of the UN Secretary General's Advisory Group on Climate Finance (AGF); RECALLS the invitation to Commission and the EFC/ EPC for further work on the basis of the AGF; TAKES NOTE of the Commission's staff working document 'Scaling up international climate finance after 2012'; CONCURS with the overall conclusion that it will be challenging but feasible to meet the commitment by developed countries to jointly mobilising USD 100 billion per year by 2020, in the context of meaningful mitigation action and transparency on implementation, to enable and support enhanced action on mitigation, including substantial finance to reduce emissions from deforestation and forest degradation (REDD-plus), adaptation, technology development and transfer and capacity-building; and CALLS on the current and incoming COP Presidencies to ensure that the conclusions of the AGF and other relevant reports are discussed within the UNFCCC process; and seeks agreement on a process for taking forward the conclusions and recommendations in an open and transparent manner to secure progress at COP17.

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3. EMPHASISES that a combination of public finance, including innovative sources, and private sources, alongside increased lending and leveraging by financial institutions (multilateral and bilateral) is essential to delivering this amount of funding and RECALLS that private funding will be, via appropriate policy frameworks, a major source of the necessary investments; RECOGNISES that a robust carbon market is required, which drives the carbon price necessary for low-carbon investment, to achieve global mitigation objectives in an efficient way and to support the level of private and public sources required.

4. HIGHLIGHTS that in the above context it will be important to strive for predictability and continuity in international climate finance, and to work towards the identification of a path for scaling up climate funding from 2013 to 2020; UNDERLINES that this path will depend on climate actions taken in developing countries as well as further progress in the international negotiations.

5. RECOGNISES the importance of public finance in supporting climate-related investments in developing countries; ACKNOWLEDGES the fiscal difficulties for governments that increased public funding may involve; and UNDERLINES that new and innovative sources of revenue, including some of those considered in the AGF report, may be necessary to scale-up public finance in light of budgetary constraints while recognising that these sources come at an opportunity cost; ACKNOWLEDGES the need for further consideration of the different sources, including on how best to implement and combine them; and STRESSES that it will be up to each Member State to determine the use of such revenues in accordance with national budget rules and policy.

6. HIGHLIGHTS that some instruments, such as the expansion of a robust and transparent global carbon market, including sectoral carbon market mechanisms, and carbon pricing of global aviation and maritime transportation have the potential to generate large financial flows; UNDERLINES that effective implementation of these instruments would require significant coordination in the relevant international fora; WELCOMES the initiative taken by G20 Finance Ministers to conduct further analysis on mobilising sources of climate change finance.

7. CONSIDERS that the carbon pricing of global aviation and maritime transportation is a potential source of revenues that would also generate the price signal necessary to efficiently achieve emission reductions from these sectors; CONSIDERS that further work is needed in IMO and ICAO to develop without delay a global policy framework that avoids competitive distortions or carbon leakage.

8. CONFIRMS the important role that the private sector already plays in providing finance for climate-related investments in developing countries and STRESSES that this role should be strengthened; EMPHASISES that the main prerequisite for further scaling up such private flows will be improved general business and policy frameworks in developing countries.

9. HIGHLIGHTS that as a complement to these improvements, public instruments may be needed to leverage private finance for climate actions in developing countries and that further work will be needed to improve their design where appropriate, in particular a further assessment of the possible risks to government budgets and taxpayers and options to minimise or cap these risks; WELCOMES the information note on the 12 April Joint JWG-EGIF workshop on leveraging private finance and ENCOURAGES a continuation of this public-private sector dialogue in collaboration with the relevant public and private sector stakeholders.

10. UNDERLINES the important role of multilateral development banks and other public financial institutions, including the EIB, in broadening the sources of and access to climate finance; RECOGNISES their catalysing role in channelling funds from public and private sources to important climate investment projects ("crowding-in"), and their provision of technical assistance as well as financial and sector expertise alongside funding; LOOKS FORWARD to the establishment of an effective and efficient Green Climate Fund.

11. UNDERLINES that a public finance contribution to the commitment made needs to be consistent with sound and sustainable public finances and delivered within a sound governance framework which ensures an efficient implementation on the basis of performance-based parameters.

12. RECALLS that in order to ensure effectiveness and efficiency, climate finance should continue to apply the principles of aid effectiveness as reflected in the Paris Declaration on Aid Effectiveness; UNDERSCORES that it will be important to have a single climate-compatible development strategy covering both adaptation and mitigation aspects, including REDD+; STRESSES that the scaling up of climate finance will require that recipient countries are able to effectively absorb increased funding, in particular in terms of administrative capacity; EMPHASISES that, to this end, climate finance should continue to be used to support administrative and institutional capacities for implementation, most notably in terms of planning and public finance management capacities.

13. RECOGNISES the monitoring of public finance and estimation and accounting of private financial flows as major challenges in the context of long-term climate finance and ENCOURAGES further proposals from the Commission and relevant international organisations, notably OECD and other relevant organisations regarding methodological options.

14. INVITES the EFC and EPC to continue working on these issues in cooperation with other relevant working groups, notably analysing the possible contribution from the different sources under consideration, as well as a potential pathway for scaled up finance after 2012, and to report back as needed, to prepare the EU position for the UNFCCC COP17 from 28 November – 9 December 2011.

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