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NOTE

from:	The General Secretariat of the Council
to:	Delegations
Subject:	Financing climate change- fast start financing Report Preliminary state of play on EU and Member States fast start finance

Delegations will find attached a preliminary state of play on EU and Member States fast start finance, as prepared by the Economic Policy Committee and the Economic and Financial Committee and approved by Coreper.

Encl.:

ANNEX

Preliminary state of play on EU and Member States fast start finance

10 May 2010

FAST START FINANCE

I. INTRODUCTION

1. The Copenhagen Accord shows the willingness of a great number of countries to contribute to the global effort to tackle climate change and its consequences. It provides for support to developing countries approaching USD 30 billion for the period 2010-2012, with balanced allocation between mitigation and adaptation.

2. As announced by the European Council in December 2009 the EU and its Member States will contribute fast-start funding of EUR 2.4 billion on average annually for the years 2010 to 2012.

3. The purpose of this preliminary state of play report is to confirm the allocation of the amounts pledged by the EU and its Member States, and to provide the state of play on the implementation of the 2010 commitments. In addition, it sets out the overall fast-start financing priorities of the EU and its Member States including along geographic and thematic lines. The intent is to provide an overview of how much aggregate finance will flow from European donors to key thematic suggested areas and activities. It also outlines the EU's approach to reporting fast-start finance going forward.

4. Following this preliminary state of play report, the EU and its Member States will submit coordinated reports on implementation in Cancún in December 2010 and thereafter on an annual basis.

5. Fast-start finance complements substantial existing climate finance flows to developing countries. The EU and its Member States remain committed to these broader climate finance activities.

II. OVERALL PRIORITIES FOR THE EU AND ITS MEMBER STATES FAST-START FINANCE

6. Fast-start finance will support 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 forestry, and will have a special focus on adaptation in the poorest and most vulnerable countries.

7. Fast-start funding will include a focus on building capacities to support the integration of climate change considerations into national development plans, develop mechanisms to generate private financial flows, the collection of relevant data and other technical activities and arrangements needed to support an efficient MRV system, efficient use of scaled-up financial flows and the implementation of fully-fledged climate policies in developing countries after 2012.

8. The EU is taking a coordinated approach to reporting to ensure that the funds are channelled and disbursed as swiftly as possible and in a transparent and efficient manner.

9. All 27 Member States will contribute to this funding. Most of the funds have been committed by the individual Member States, according to national decisions, and disbursement is and will remain a national responsibility.

10. The EU itself will contribute through its general budget and possible joint initiatives with individual Member States.[1]

[1] In addition, the EIB stands ready to complement these budgetary resources for fast-start funding with (non-concessional) investment financing.

11. Fast-start funding is and will continue to be well targeted. It will support developing countries, follow environmental and sustainable development priorities, and take into account the level of ambition shown by developing countries. Proposed key thematic areas are:

Adaptation:

- Increase knowledge base on climate impacts (e.g. systematic observation systems, research, data and information management);
- Capacity-building for the integration of adaptation in planning processes;
- Early implementation of adaptation efforts and investments with special attention to priorities identified in NAPAs (National Plans of Action on Adaptation), national communications and other relevant planning documents;
- Build experience on DRR (disaster risk reduction).

Mitigation, focusing on early action, capacity-building and pilot projects:

- Capacity-building for design and implementation of actions and development strategies oriented towards low carbon development, i.e. the development of LEDS (low-emission development strategies) and NAMAs (nationally appropriate mitigation actions);
- Building capacity to MRV (Measure, Report and Verify) emissions and mitigation actions;
- low-carbon infrastructure including cooperation on renewable energies and energy efficiency;

- Readiness for existing and new carbon market mechanisms;
- REDD+ capacity building, including the establishment and implementation of effective and reliable frameworks for including REDD+ in LEDS;
- Actions above REDD+ capacity building;
- Supporting REDD pilot demonstration activities;
- Supporting sustainable management and conservation of forests, and enhancement of forest carbon stocks.

Technology cooperation, to support action on mitigation and adaptation, through:

- Capacity-building to develop enabling environments, to design mechanisms for knowledge sharing and improve know how, to adapt technologies to local environment and to establish national and regional road maps and action plans on the basis of LEDS and technology needs assessments;
- Pilot projects and participation in demonstration of emerging technologies;
- Energy efficiency and infrastructure.

12. The EU welcomes pledges already made by other developed countries and encourages those that have not yet pledged to do so, making it possible to deliver on the global commitment set out in the Copenhagen Accord of approaching USD 30 billion for the period 2010-12. The EU invites other developed countries to report annually on the implementation of their commitments.

13. The EU recalls that all fast-start contributions are voluntary pledges and not based on any distribution key. They do not prejudge any burden sharing for future global climate financing.

14. In parallel with delivery of climate finance all parties should commit that such financing will neither undermine nor jeopardize the fight against poverty and continued progress towards the Millennium Development Goals. While support to mitigation and adaptation in developing countries will require additional resource mobilization from a wide range of financial sources, including private sources, ODA will continue to play a role, particularly in support for adaptation, including disaster risk reduction, in the most vulnerable and least developed countries.

15. All ODA expenditure should take climate considerations into account with a view to making it 'climate-proof.' In this sense, synergies in the implementation of international climate finance and other assistance in developing countries should be used as much as possible. Furthermore, the experience of existing institutions, including multilateral, regional and bilateral development financial institutions, in delivering aid in developing countries should be used and the agreed principles of aid effectiveness established by the Rome and Paris Declarations and the Accra Agenda for Action should be applied.

Rapid disbursement and implementation

16. Every effort is being made to ensure that fast start funding is used to secure real improvements in national capacities, pilot mitigation efforts based on national needs for environmentally sound technologies and methods, including REDD+, and address urgent adaptation needs.

17. To be effective and avoid delaying action, fast-start funding will build on and take account of existing initiatives. Actions will to the extent possible complement and reinforce existing initiatives, including those of other donor countries, and should not lead to duplication of efforts. A substantial part of the EU and its Member States' fast-start funding will be implemented through existing initiatives), bilateral channels, in particular by Member States' own development cooperation programmes, or through international or regional institutions. Sustainable development, cost-efficiency, co-benefits and environmental integrity will be key objectives in the allocation of these funds.

18. Establishing a transparent reporting system for fast start finance, based on experience with existing accounting systems (such as the OECD-DAC), including its ultimate use in developing countries is essential.

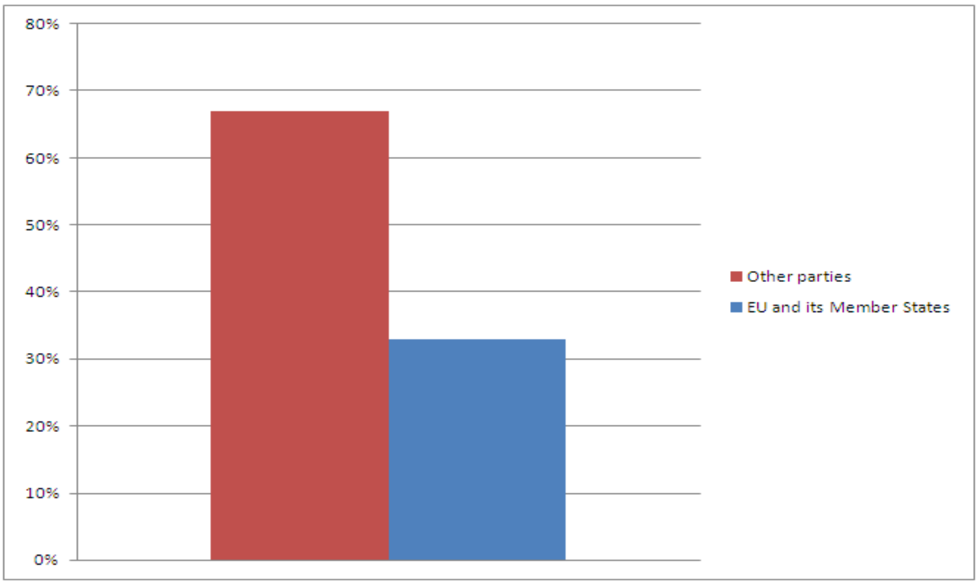
19. While a certain amount of EU fast start finance has already been programmed, a significant amount still needs to be allocated and some Member States will therefore be able to use the flexibility within exiting programming processes to direct funds on the basis of partner countries' priorities and full respect for their national ownership and primary responsibility for their own development Beneficiary countries are already and will continue to be involved in the identification of future activities.

20. In allocating these funds for bilateral projects in particular for adaptation, the EU and its Member States will give priority consideration to the most vulnerable and least developed countries, taking into account those countries showing a high level of ambitions in their actions and plans.

III. Preliminary State of Play of EU and its Member States Fast Start Finance Commitments

21. The overall volumes of EU Member States' fast start finance and details of its intended allocation for EU Member States where information is currently available are summarised below. This is followed by a brief description of the implementation of the part of the EU's fast start commitment that is being funded by the EU's general budget and managed by the European Commission.

22. The EU and its Member States will provide around 1/3 (or $10 billion) of the collective commitment by developed countries on fast start finance.



23. In spite of the context of great economic difficulties, 25 Member States and the Commission have integrated their individual pledges into their internal budgetary procedures, confirming that the EU is on track to meet its global pledge of EUR 2.4 billion on average annually for 2010-2012.

	Confirmed global pledge (2010-2012)	Confirmed 2010 pledges
Total	EUR 6.95 billion	EUR 2.18 billion

24. Estimates provided to date by Member States and the Commission, indicate that a substantial proportion of the funds pledged by the EU and its Member States will be addressed to project as having climate change as its 'principal' objective.[2]

[2] The information provided here is incomplete because some Member States have yet to decide on the allocation of their fast start funding (including which disbursement channels they will ultimately use).

25. Estimates provided to date by Member States and the Commission, indicate that the EU and its Member States will allocate funding to both mitigation and adaptation with an emphasis on the former. This funding will support immediate action on climate change and preparations for efficient and effective adaptation and mitigation actions in developing countries in the medium and longer term.

26. Estimates provided to date by Member States and the Commission indicate that the EU and its Member States will primarily use bilateral channels though multilateral channels will be used for a sizeable share. The top five destinations for confirmed multilateral support appear below.

Global Environment Facility
Climate Investment Fund
Forest Carbon Partnership Facility
Adaptation Fund
Inter American Development Bank

27. The European Commission pledged a total of EUR 150 million additional funds covering the 3 years 2010-2012. These funds will be used to bridge capacity gaps and prepare for larger scale financing from 2013 onwards. For 2010, the Commission has mobilised EUR 50 million of this total for climate action as its contribution to fast-start funding. Half of this funding is foreseen for capacity building related to low-emission development and technology cooperation, and half for adaptation (under the GCCA) with a focus on least developed countries (LDCs) and small island developing states (SIDS). Cooperation on climate change mitigation and technology cooperation will involve a wide range of developing countries in Africa, Latin America and Asia.

28. These resources will be used to strengthen climate policy capacities in developing countries and prepare for the effective and efficient implementation of a new climate regime.

IV. LONGER TERM PERSPECTIVE

Reporting going forward

29. While recognising the different accounting systems in use across the EU, the EU and its Member States are committed to report fast-start finance figures in a way that is consistent and compatible with the OECD-DAC system. This should facilitate reporting on   progress on implementation and ensure that EU figures are internationally comparable Consultations with developing countries should contribute to understand their expectations It is essential that both developed and developing countries can confirm that fast-start funding is being delivered and is supporting activities that are environmentally sound. Duplication and congestion effects should be avoided.

30. Following this preliminary state of play report, the European Commission will complement its annual report on EU progress in delivering finance for development commitments with figures on progress in implementing EU fast start finance commitments, beginning with its 2011 report.

Link to post-2012 financing

31. Mobilisation of long-term climate finance for mitigation will depend on meaningful mitigation actions, and 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. In the longer term, financing for both mitigation and adaptation will consist of a combination of domestic finance, private finance - including the international carbon market for mitigation - and international public finance, including innovative finance. Further improvements in the knowledge base on climate impacts and capacity building efforts will facilitate long-term adaptation actions.

32. The public finance contributions of individual countries to post-2012 financing have yet to be determined and should be agreed as part of the ongoing international climate negotiations. The study of the High-level Advisory Group of the UN Secretary-General on Climate Change Financing will be an important input on possible sources of finance.

33. There will of course be relevant lessons to be learned by all countries from fast start financing for longer term plans and the EU and its Member States will contribute their experience to this.

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