Resolution on an EU strategy for a comprehensive climate change agreement in Copenhagen and the adequate provision of financing for climate change policy

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The Council held an exchange of views on the international financing of climate change measures and adopted conclusions to be submitted to the European Council, with a view to the spring meeting of the European Council (19 and 20 March).

In its conclusions, the Council stresses the following points:

- the EU's determination to reach a global and comprehensive climate agreement in Copenhagen in December 2009. The general objective of such an agreement should be to limit the global temperature increase to below 2°C compared to pre-industrial levels;
- the global costs of tackling climate change by a coordinated international response remain far lower than the costs of inaction, provided that swift action is taken to make use of the lowest cost abatement opportunities available internationally;
- cost effective action requires the implementation of negative cost abatement options in all major emitting countries which will minimize the amount of financing required at the international level;
- the efficiency and the effectiveness of the EU climate and energy package and the cost-efficient transition to a low carbon economy is to a large extent dependent on the conclusion of an ambitious and comprehensive global agreement;
- the strong mitigation commitment and the contributions to climate protection already made by the EU and the importance of comparable efforts by all developed countries. All but the least developed countries (LDCs) and small island developing states (SIDS) should commit to measurable, verifiable and reportable (MRV) mitigation actions and related financial participation. The definition of national mitigation actions in developing countries should be a prerequisite for the delivery of international financial public support;
- market-based instruments providing a high degree of flexibility are central to efficient and cost-effective responses to climate change, including the trade with Assigned Amount Units (AAU);
- the Council supports the development of a robust incentives enhancing global carbon market by both linking equally ambitious emission trading schemes worldwide – within OECD countries by 2015 extended to more advanced developing countries by 2020 – and by providing support for the design and implementation of new crediting and trading mechanisms;
- in order to enhance its contribution to sustainable development, ensure its environmental integrity and that only actions delivering real additional emission reductions are credited, the Clean Development Mechanism (CDM) should be improved;
- for financing mitigation and adaptation actions, appropriate domestic and external sources of finance, both private and public, will be required. Private funding will be, via appropriate policy frameworks, the main source of the necessary investments. Complementary public finance is needed in areas that cannot be adequately financed by the private sector;
- governance of mechanisms channelling international support must allow for effective and efficient decision-making and transparent follow-up. Public funding and international financing need to be governed by principles of effectiveness, efficiency and equity and subject to transparency and corresponding financial sound management practice;

- financial assistance should be delivered by mechanisms which maximise the linkages and synergies with existing development aid. The creation of new instruments should be carefully assessed in terms of their value added to existing structures and their adequacy within a coherent financial architecture and should only be considered where a clear need is evident;
- in the context of international agreement, Member States are willing to use at least half of the revenues from auctioning emissions allowances for climate change related activities, including support to developing countries that will have ratified the Copenhagen agreement.

The Council is ready to develop in more detail the practical options for financing mitigation, adaptation, technology support and capacity building. Careful assessment will be given to the necessary level of public finance.

Both the Economic and Financial Committee (EFC) and the Economic Policy Committee (EPC) are invited to contribute further on financial architecture and the possible financial mechanisms for the post 2012-regime, and related economic aspects in preparation for the Copenhagen conference. The European Commission is invited to continue to work on the assessment of the need for private investment and international public funding.