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*Committee on Development*

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## **DRAFT REPORT**

on building a Global Climate Change Alliance between the European Union  
and poor developing countries most vulnerable to climate change  
(2008/0000(INI))

Committee on Development

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## MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

### **on building a Global Climate Change Alliance (GCCA) between the European Union and poor developing countries most vulnerable to climate change (2008/0000(INI))**

*The European Parliament,*

- having regard to the Communication from the Commission to the Council and the European Parliament - Building a Global Climate Change Alliance (GCCA) between the European Union and poor developing countries most vulnerable to climate change (COM(2007)0540),
- having regard to the Council conclusions on Global Climate Change Alliance between the European Union and poor developing countries most vulnerable to climate change, of 20 November 2007 (15103/07),
- having regard to the Communication from the Commission to the Council and the European Parliament - Climate Change in the Context of Development Cooperation - Action Plan 2004-2008 (COM(2003)0085) of 11 March 2003,
- having regard to the Commission's first Biennial Progress Report (2004-2006) on the EU Action Plan on Climate Change and Development,
- having regard to the Paper from the High Representative and the European Commission to the European Council entitled "Climate Change and International Security" of 14 March 2008 (S113/08),
- having regard to the Green Paper from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions, Adapting to climate change in Europe – options for EU action (COM(2007)0354),
- having regard to the joint statement by the Council and the representatives of the governments of the Member States meeting within the Council, the European Parliament and the Commission on European Union Development Policy: "The European Consensus"<sup>1</sup>,
- having regard to the Paris Declaration on Aid Effectiveness adopted on 2 March 2005 following the High-Level Forum on Aid Effectiveness ("Paris Declaration"),
- having regard to the Joint Statement by the Council and the Representatives of the Governments of the Member States meeting within the Council, the European Parliament and the European Commission on the humanitarian aid of the European Union entitled "The European Consensus on Humanitarian Aid"<sup>2</sup>,

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<sup>1</sup> OJ C 46, 24.2.2006, p. 1.

<sup>2</sup> OJ C 25, 30.1.2008, p. 1.

- having regard to the Human Development Report 2007/2008 entitled "Fighting climate change: Human solidarity in a divided world" launched by the United Nations Development Program,
  - having regard to the Male' Declaration on the Human Dimension of Global Climate Change adopted in Male' (Republic of Maldives) in 2007,
  - having regard to the Bali Roadmap adopted at the United Nations Climate Change Conference on the island Bali (Indonesia) in December 2007,
  - having regard to the Fourth Assessment Report entitled "Climate Change 2007: Impacts, Adaptation and Vulnerability" prepared by the Working Group II of the Intergovernmental Panel on Climate Change (IPCC),
  - having regard to the report of Nicholas Stern entitled "The Economics of Climate Change. The Stern Review" ("the Stern Report") of 2006,
  - having regard to the Declaration on Integrating Climate Change Adaptation into Development Co-operation, adopted by the Development and Environment Ministers of OECD Member countries on 4 April 2006,
  - having regard to the Report made by the OECD in 2007 entitled "Stocktaking of Progress on Integrating Adaptation to Climate Change into Development Co-operation Activities",
  - having regard to the "Hyogo Framework for Action 2005-2015: Building the Resilience of Nations and Communities to Disasters " adopted by the World Conference on Disaster Reduction held in January 2005 in Kobo, Hyogo (Japan),
  - having regard to the biennial report of the UN Food and Agriculture Organization (FAO) entitled "State of the World's Forests 2007",
  - having regard to Rule 45 of its Rules of Procedure,
  - having regard to the report of the Committee on Development (A6-0000/2008),
- A. whereas climate change poses a serious threat to poverty reduction, human rights, peace and security, and the achievement of the Millennium Development Goals (MDGs) in many developing countries,
  - B. whereas developing countries have contributed least to climate change but will suffer most severely from its consequences and have the least capacity to deal with them,
  - C. whereas industrialized countries have a historical responsibility for climate change and are morally obliged to assist developing countries in their efforts to adapt to its consequences,
  - D. whereas international efforts in the field of climate change adaptation and disaster risk reduction (DRR) have so far been limited, fragmented, ill coordinated and in many cases difficult to access for developing countries, in direct contrast to the objectives outlined in

the European Consensus on Development and the Paris Declaration,

- E. whereas early action on climate change adaptation and DRR represent a clearly cost-effective solution; whereas estimates predict that one dollar spent on DRR has the potential to save up to seven dollars in disaster response, thereby also providing a strong argument for frontloading of aid spending,
  - F. whereas there is currently a huge gap as regards the financing of adaptation in developing countries; whereas while estimated annual adaptation costs range from USD 50 to 80 billion per annum, the total amount of funds committed through multilateral funding mechanisms in mid-2007 amounted to less than 0,5 % of these figures,
  - G. whereas agriculture, health, infrastructure, education as well as population policies must all be addressed in order to achieve effective mainstreaming of climate change adaptation and mitigation into development policies,
  - H. whereas the 2007 Review of the EU Action Plan on Climate Change and Development shows that progress on mainstreaming climate change into EU development policies, specifically in Country Strategy Papers (CSPs) and Regional Strategy Papers (RSPs), has been insufficient and much too slow,
  - I. whereas part of the GCCA funding will come from European Development Fund (EDF) and the Thematic Program For Environment and Sustainable Management of Natural Resources including Energy (ENRTP) (in line with Article 13 of the Development Community Instrument (DCI)),
  - J. whereas in accordance with Article 21 of the DCI on the adoption of strategy papers and multiannual indicative programs, which refers also to Article 35(2) of the DCI, the European Parliament has the right to scrutiny as laid down in Articles 5a and 7 of Decision 1999/468/EC,
1. Welcomes the Commission's initiative to launch a GCCA, which represents an important recognition of the effects of climate change on development; however, calls on the Commission to clarify further the distinct added value of the GCCA; in this context stresses that coordination and cooperation with other main actors must be an integral part of the GCCA's agenda, so as to ensure optimal complementarity among initiatives;
  2. Emphasizes that enhanced coordination and collaboration between the Commission and Member States is crucial in the area of EU policy on climate change and development; the GCCA representing a unique opportunity to live up to the principles underpinning the European Consensus and the Paris Declaration; furthermore is convinced that one of the key roles of the GCCA should be to provide a "clearing house" for Member State initiatives;
  3. Considers the EUR 60 million committed to the GCCA so far to be woefully inadequate; calls on the Commission to establish a long-term financing goal for the GCCA of at least EUR 2 billion annually by 2010 and EUR 5-10 billion annually by 2020;

4. Calls on the Commission to increase immediate funding for the GCCA through the ENRTP as well as the 10<sup>th</sup> EDF; stresses at the same time the urgent need for additional, non-Official Development Assistance (ODA) funds for adaptation and to develop innovative financing mechanisms for this purpose;
5. Stresses that EU Member States must take a much greater responsibility for the funding of and alignment of their development activities with the GCCA;
6. Calls on the Commission and Member States to agree to earmark at least 25 % of expected revenues from auctioning within the EU Emissions Trading Scheme (EU ETS) in the next trading period, for funding of the GCCA and other climate change measures in developing countries;
7. Calls on the Commission and Member States to implement urgently the idea of a global climate change financing mechanism, building upon the model of the International Finance Facility for Immunization and the concept of front-loading aid, in order to secure significant amounts of funding for the GCCA within a relatively short period of time;
8. Calls on the Commission to invite the private sector to become a close partner to the GCCA; specifically encourages the Commission to invest in developing Public-Private-Partnership (PPP) models in key areas such as providing infrastructure in vulnerable areas, where financing gaps are currently substantial;
9. Calls on the Commission to engage in partnerships with the private insurance industry and explore methods of scaling up pilot insurance schemes to finance adaptation/DRR, addressing both national/regional and individual levels of insurance;
10. Regrets that overall involvement of developing country governments, civil society and local communities has been inadequate throughout the programming process of the GCCA; calls on the Commission to ensure that decision-making throughout the implementation and fund distribution processes takes place in partnership with interested parties;
11. Stresses that the Commission in the context of the GCCA must devote significantly more resources to staff training on climate change adaptation and DRR in EU institutions, agencies and delegations, focusing particularly on enhancing practical know-how;
12. Insists that effective reporting mechanisms, including detailed indicators of progress and follow-up schemes, must adhere to the GCCA;
13. Stresses the need to accelerate efforts to mainstream climate change adaptation and DRR into both Commission and Member State development aid, particularly at the implementation stage; calls on the Commission to take advantage of the upcoming mid-term review of CSPs to make progress in this field;
14. Insists that the Commission, alongside the GCCA, must continue developing its response to the Review of the EU Action Plan on Climate Change and Development, containing many important elements which must not be lost, including the creation of on-the-field "clearing houses" to improve coordination and access to information;

15. Underlines that the development and implementation of National Adaptation Programs of Action (NAPAs) through the Global Environment Facility (GEF) funds has experienced several shortcomings, due to inadequate funding, underestimation of adaptation costs, weak links to human development, overly bureaucratic channels of access and a project-based bias; calls on the Commission to address fully these shortcomings when providing further support to NAPA implementation in Least Developed Countries (LDC) and Small Island Developing States (SIDS) through the GCCA; in this context welcomes the Commission's intention to explore program-based capacity building of governance institutions using budget support;
16. Stresses that successful use of budget support for development-oriented climate change adaptation depends on extensive use of all means available within budget support arrangements, including discussion of policy priorities, long-term monitoring, and technical assistance for budget formulation and execution; further stresses the need for active involvement of civil society and local communities; also urges the Commission to be prepared to utilize complementary measures where budget support is not appropriate or where it fails to benefit the poor and most vulnerable;
17. Welcomes the Commission's intention to propose an EU Strategy for DRR, signifying an important step in bridging the gap between DRR, development and adaptation efforts; in this context calls on the Commission to clarify how the GCCA can facilitate this integration on a practical level;
18. Stresses that a DRR strategy will not produce significant results without a concrete action plan and a major redirection of budget allocations to secure long-term funding for DRR and adaptation as a part of regular development aid, rather than, as is the case today, a short-term and poorly prioritized humanitarian concern;
19. To the extent that the GCCA entails action on mitigation, calls on the Commission not to focus exclusively on Clean Development Mechanism (CDM) as the ultimate policy tool, but also provide alternative support for mitigation action more suitable to the poorest countries, with priority given both to Land Use, Land Use Change & Forestry (LULUCF) activities and low-carbon technologies;
20. Calls on the Commission to develop urgently ambitious complementary policy initiatives, particularly in the fields of forestry and mitigation technology cooperation, where financial needs widely exceed what is provided for within the GCCA at present;
21. Calls on the Commission to develop urgently a comprehensive agenda to reduce deforestation in developing countries, including inclusion of forestry into the EU ETS and concrete proposals on funding mechanisms to present at the Conference of the Parties (COP) meeting in Poznan in December 2008; reiterates the importance of such mechanisms providing compensation not only for avoided Greenhouse Gas (GHG) emissions, but also for biodiversity and development benefits of forests;
22. Instructs its President to forward this resolution to the Council and Commission.

## EXPLANATORY STATEMENT

The Commission has proposed to launch a Global Climate Change Alliance between the EU and the LDCs (Least Developed Countries) and SIDS (Small Island Developing States). The objective is to strengthen EU external action on the joint challenges of climate change and poverty reduction, and is a step in the implementation of the EU Action Plan on Climate Change and Development (2004), building on an increased recognition that climate change must change the way we think about development aid.

The Global Climate Change Alliance has two main purposes: promoting a political dialogue on climate change between the EU and developing countries, and facilitating the integration of climate change concerns into poverty reduction plans on local and national levels.

The latter goal of the GCCA is explicitly dealt with in the Communication by a division into five main areas of work: Adaptation, Mitigation, Deforestation, DRR and Integrating climate change into development efforts.

The Commission has earmarked €60 million for the GCCA for the period 2008-2010, through the Thematic Program "Environment and Sustainable Management of Natural Resources, including Energy" (ENRTP), which falls under the DCI (Development Cooperation Instrument). Other sources of funding through the EU Budget, the 10th EDF as well as Member State contributions will also be explored.

The launching of the GCCA is much welcome and timely in several ways. Significantly, it has a potential to feed into the international climate change negotiations in Poznan 2008 and Copenhagen 2009. Mistrust between industrialized and developing countries has been one of the main barriers to agreement on a post-2012 climate change deal. Establishing a forum for dialogue between the EU and developing countries could play an important role in building new trust - provided that the EU simultaneously takes the lead globally with an overall ambitious strategy in UNFCCC negotiations, as well as substantially increases support to enhance the negotiating capacity of LDC & SIDS governments.

In addition, the GCCA has the potential of filling a huge gap in EU & international development communities: the gap between knowledge and action. Despite increased awareness of the linkages between climate change and development<sup>1</sup> - not least in key areas such as health, agriculture, forestry, and DRR, crucial for obtainment of the MDGs - development planning & spending still takes place without much regard to the changed conditions posed by climate change. As a result, development and poverty reduction efforts run the risk of long-term failure, at the expense of human lives, human rights, welfare, as well as peace and stability.

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<sup>1</sup> IPCC WGII Fourth Assessment Report: "Climate Change 2007: Climate Change Impacts, Adaptation and Vulnerability"; UNDP Human Development Report 2007/2008 "Fighting climate change: Human solidarity in a divided world"

By developing innovative and effective adaptation strategies, the GCCA can break new ground in efforts to mainstream climate change into development aid. In this context, bridging existing gaps between DRR, adaptation and development policies could be an important task for the GCCA. Natural hazards, which are likely to become both more frequent and severe as a consequence of climate change, must be tackled from the point of view of pro-active risk management and not primarily, as has been the case in the past, as humanitarian problems. New successful strategies in this field could be used as models not only for the Commission's own development aid, but also for Member States as well as other donors.

However, in order to be successful, the GCCA must confront a number of challenges currently obstructing effective international action on adaptation:

- There is a plethora of initiatives in the field of climate change adaptation/development, resulting in confusion on the level of developing countries, excessive administration and inefficiency.
- Donor country governments are increasingly competing to make their mark by launching new initiatives/ earmarking money for adaptation – which in itself is positive. However, often knowledge on how best to spend the money is lacking, leading to uncoordinated and ineffective efforts.
- Despite the large number of initiatives, there is a huge financing gap. Estimated annual adaptation costs in developing countries range between 50 and 80 billion USD. Current funding mechanisms are expected to generate not even 1% of these amounts.
- We are still lacking effective tools to provide adequate financing for the climate, ecosystem & development benefits provided by the world's tropical forests, resulting in widespread deforestation, a huge failure from both adaptation and mitigation perspectives.
- We are also lacking policy tools to encourage and strengthen mitigation actions in the poorest countries. The CDM has proven to be inadequate to address the specific needs of the poorest countries, while conventional aid does not properly take mitigation concerns into account.

Against this background, the GCCA has a potential of playing a key role specifically in the following fields:

- Being a “Clearing house” and promoting collaboration and coordination between Commission, MS and other adaptation/DRR initiatives.
- Mobilizing financial and political support for adaptation/DRR, as an indispensable element of a future post-2012 climate change regime.
- Launching innovative program-based support for adaptation/DRR, focusing specifically on strengthening LDC & SIDS macro-level governance structures, and establishing links from the national level to capacity building efforts in local communities.

- Speeding up climate & DRR screening of MS & Commission development aid and developing and spreading new methodologies in this field.
- Investing in development of innovative Public-Private-Partnership (PPP) models in key areas for climate change adaptation and DRR.
- Exploring and developing further risk transfer mechanisms, one important objective being to help bring people back to normal in the context of major disasters.
- Contributing to the merging of the poverty reduction and climate change adaptation agendas, on international as well as national and local levels.

In all the outlined areas, it is crucial that the GCCA is complementary – and not a copy – of what other actors in the field are already doing. There is a distinction between the politically attractive “creating a separate identity” and the slightly less glamorous “complementing & coordinating already existing initiatives”. The Commission should not be so enticed by the former so as to forget the importance of the latter. However, the GCCA can also potentially play an important role by developing adaptation/DRR policy and methodologies where gaps currently exist.

In addition to the focused actions identified above as key areas for the GCCA, the Commission must urgently develop ambitious complementary initiatives, particularly in the fields of forestry and technology cooperation, where financial needs widely exceed what is provided for within the GCCA at current.

It is fair to say that even when reduced to the limited set of objectives envisioned above, resources devoted to the GCCA so far are woefully inadequate. In order to be successful, the Commission must commit funding at a much larger scale. The responsibility to contribute financially however also lies on Member States, so far contributing only €5.5 million in total. To begin with, a long-term financing goal will be crucial to emphasize the extended focus and relevance of the GCCA.

In addition, innovative finance mechanisms must be developed urgently in order to even get close to the amounts required to meet adaptation needs. Earmarking auctioning revenues from the EU ETS is one option mentioned in the Communication which should be implemented urgently. Revenues are estimated to amount to as much as 75 billion € annually by 2020. An initial earmarking of 25 % of revenues for climate change action in developing countries, including for the GCCA, would represent a substantial and much needed financial contribution to these ends.

Another idea currently being explored by the Commission, which potentially could be combined with earmarking of auctioning revenues, is the "Global Climate Finance Mechanism" (GCFM), based on the model of the International Finance Facility for Immunization (IFFIm) and the idea of frontloading aid, in order to be able to obtain large amounts of funding in a relatively short period of time. The Commission should urgently seek full Member State support for the idea, and launch the GCFM as a strategic move to gain momentum for adaptation funding and action ahead of the 2009 UNFCCC summit in Copenhagen.