

RE: EU Climate Finance Ahead of Lima COP20

Dear Minister,

We were happy to hear the most recent declarations on climate finance from the EU Member States France, Denmark, Czech Republic and Luxembourg at the UN Climate Summit in New York last week, adding to the list of EU Member States that have pledged this year – Germany and Sweden. It is encouraging to see more countries coming forward with financial pledges at the Climate Summit, particularly for the capitalization of the Green Climate Fund.

It is essential that the EU goes to COP20 in Lima with an ambitious position on climate finance, as part of its overall effort towards securing an ambitious and equitable climate deal by December 2015. Therefore, in addition to agreeing an ambitious post-2020 climate and energy policy framework for the EU, including binding targets for greenhouse gas emission reductions, renewable energy and energy-efficiency during the October European Summit, there are a number of success factors around climate finance that will strengthen the EU's position:

1) Scaling up of public finance

We expect the ECOFIN Council to build on the Warsaw decision on long-term finance and make a strong and explicit reference to the EU's commitment to scale up public climate finance from fast-start finance levels and to stress the EU's commitment to meet its fair share of the USD 100 bn per year by 2020. In addition, the ECOFIN Council should stress the need to agree on a roadmap for scaling up new and additional public finance towards this fair share.

2) More predictable funding for the Green Climate Fund

Now that the GCF is operational and ready to receive money, EU Member States should make good on their willingness to contribute, as agreed in the October 2013 ECOFIN Council conclusions. Developing countries have called for pledges amounting to USD 15 billion by COP20 as an initial resource mobilization. These pledges should be in the form of grants and be paid into the Fund over a maximum of three years. The EU's fair share is at least USD five billion. EU Member States should build on the pledges made at the Climate Summit with a view to agreeing long-term commitments to the GCF.

3) Innovative finance

Efforts to exercise alternative sources of climate finance have slowed down substantially while financial needs for climate action are increasing. Therefore, the ECOFIN Council should stress the need for concrete results in sourcing funds

from innovative sources such as carbon pricing of international transport and a financial transaction tax.

4) Stronger clarity on the role of private finance and safeguards

The ECOFIN Council should consider how private climate finance could deliver positive change given the demands for long-term action. This must include the implementation of relevant social and environmental safeguards. The Council should include references to the need for clearly defining the role and scope of private finance in the context of the UNFCCC, as well as recognizing the need for transparency and accountability of private finance. Member States must consider how reporting mechanisms can best be applied to this source of funding. It is important to note that private finance cannot replace the need for public finance, especially for adaptation.

5) Intended Nationally Determined Contributions (INDCs)

Finance is a key part of the EU's equitable share in the global effort and this should be reflected in the ECOFIN Council conclusions. The delivery of climate finance will allow developing countries to pursue additional mitigation and adaptation action. If finance is not included in the INDCs, it will not be possible to assess the EU's proposed commitments for adequacy and equity. Therefore, the ECOFIN Council should address the question of INDCs and give a broad mandate to engage in the discussions about the final format of the INDCs.

We look forward to positive outcomes from the ECOFIN Council this month, and hope that it provides clear signals on the elements that we have touched up on, both in advance of COP20 in Lima and thereafter.

Best Regards,



Wendel Trio,

Director, Climate Action Network Europe