

Brussels, 30 October 2015

Dear Minister,

In advance of the upcoming ECOFIN Council, Climate Action Network Europe calls on you to guarantee a robust climate finance package as part of a fair and transformational agreement to be adopted at COP21 in Paris. Several Member States have made positive steps in commitments of public climate finance and that needs to be followed through to ensure consistent and effective action to combat climate change

The **adoption of a climate finance roadmap towards the 100 billion US dollar by 2020 target** will be a pre-condition to a successful agreement at COP21 in Paris. It is therefore crucial that EU Member States endorse a climate finance roadmap that sets out detailed information about how support for action will continue and be increased for the years up to 2020, and beyond.

Post-2020 climate finance

The upcoming ECOFIN position should champion a strong architecture for the financial support that will be part of an ambitious and durable Agreement, building in elements of predictability and transparency on climate finance.

CAN Europe recommends the following key elements that will allow such support to happen:

Provision of public finance for adaptation:

The EU should support an agreement that adaptation financing will be delivered in the context of real temperature trajectories as defined by mitigation action. Planning for adaptation in tandem with 5 year review cycles of mitigation will improve the quality of adaptation financing and build resilience. The EU should specifically commit to enhanced support to the most vulnerable countries. Therefore, **the ECOFIN council conclusions should explicitly mention a specific goal of public finance for adaptation and push for the allocation of at least 50% of public finance to adaptation** as part of global efforts to close the adaptation finance gap.

Shifting investment patterns and flows:

In order to maximize international momentum to shift investment flows, the EU should ensure all development assistance is made climate resilient by 2020, whilst also ensuring that development finance does not lock-in high-emission development pathways in developing countries. **The EU should also commit to eliminate the provision of public financing for coal-related projects**, including aid, export credits and guarantees, except in extreme cases where there is clearly no other viable option for increasing energy access to the poor.

Innovative sources of finance:

Public climate finance for developing countries has so far been raised mostly from stagnant aid budgets. And even if climate finance commitments are made from rising aid budgets, they will not be sufficient to meet the needs in developing countries. It is now time to mobilise innovative sources of public finance and give a strong signal to developing country partners that public climate finance will continue to increase, beyond aid budgets.

The ETS is currently being revised for the 2021-2030 period, providing a key opportunity for the EU to implement innovative sources of climate finance. Through the revision countries can direct a portion of the revenues from auctioning directly into the Green Climate Fund, as suggested by the European Parliament.¹ Furthermore, **the Financial Transaction Tax** should be operationalized as soon as possible, dedicating 50% of the

1. European Parliament Resolution on 'Towards a new international climate agreement in Paris', October 2015;
<http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//NONSGML+TA+P8-TA-2015-0359+0+DOC+PDF+V0//EN>



funds generated to climate action; **levies on international transport**, to end the sector's tax-free fuel status, should be advanced, using the Paris Agreement as an impetus for progress in ICAO and IMO; and **a fossil fuel extraction levy** should be further explored. The ECOFIN Council should communicate its intention to develop and utilize the innovative sources of public finance that are available.

Monitoring Reporting and Verification (MRV):

The ECOFIN Council should make a commitment to develop a common methodology for the MRV of climate finance flows that captures information from both developed and developing countries in light of their national capabilities. A list of inclusive or exclusive criteria must be commonly agreed internationally to define financial streams which can be accounted as climate support in order to avoid double-accounting and other miscalculations as shown in the recently published OECD report. It will be most beneficial to develop this common methodology through the UNFCCC Standing Committee on Finance for agreement at COP21 and further development in 2016.

Private sector finance:

In reflecting the role of the private sector, the Paris Agreement needs also to assert that private sector finance is complementary to, but not a substitute for public finance. To this end, where public finance is used to leverage private finance, clear and transparent criteria must be agreed in advance on high environmental and human rights standards and safeguards, accountability mechanisms and evaluation of results. Strengthening domestic industries within the low-carbon sectors is vital, and will create the space for enhanced use of domestic resources for adaptation and mitigation purposes, further allowing for social and community development.

We thank you for your attention and remain at your disposal for any further information.

Kind Regards,
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