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**COMMUNICATION FROM THE COMMISSION TO THE COUNCIL AND THE
EUROPEAN PARLIAMENT**

**Building a Global Climate Change Alliance between the European Union and poor
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1. INTRODUCTION

Scientific data analysed by the Intergovernmental Panel on Climate Change (IPCC)¹ provide the international community with three alarming conclusions: firstly, climate change is happening; secondly, the recent acceleration in climate change is the result of human activity leading to the emission of greenhouse gases (GHG) into the atmosphere; and thirdly, most regions in the world, and especially those in the developing world, will be increasingly affected by climate change.

The European Union (EU) has taken a leadership role in promoting international action to tackle climate change. In March 2007 EU Heads of State and Government put forward proposals for a global and comprehensive post-2012 climate change agreement to limit global warming to 2°C above pre-industrial levels, and committing to significant cuts in the EU's GHG emissions, even in the absence of an international agreement.² The EU, as the largest provider of Official Development Assistance (ODA), has also taken a lead role in international development efforts, as reflected in the “European Consensus”³, in ambitious ODA commitments and in the promotion of aid effectiveness and coherence. Although the EU already highlighted the strong links between climate change and poverty in 2003,⁴ the urgency and magnitude of the challenge calls for a more collective initiative to match Europe’s responsibility and commitment in the fight against poverty.

Projections of the effects of climate change show that the Least Developed Countries (LDCs) and Small Island Developing States (SIDS) will be hit earliest and hardest. Moreover, these countries have the fewest resources to prepare for these alterations, and to adapt their way of life. Climate change is therefore likely to further delay the achievement of the Millennium Development Goals (MDGs) in many of these countries.

This Communication proposes to establish a Global Climate Change Alliance (GCCA) between the EU and poor developing countries most vulnerable to climate change, in particular the LDCs and SIDS, and outlines the objectives and functioning of the initiative.⁵ The Alliance will provide for a platform for dialogue and exchange as well as practical cooperation to tackle the combined challenge of the fight against poverty and climate change, in support of the international negotiations on a post-2012 climate change agreement and the adoption of effective action at national level.

1 IPCC. 4th Assessment Report: Climate Change 2007

2 COM (2007) 2, Limiting Global Climate Change to 2°C: The Way Ahead for 2020 and Beyond, 10.1.07, and European Council Conclusions (7224/07), 9.3.07

3 The European Consensus sets out common EU objectives and principles for development cooperation. See Council conclusions (14820/05), 22.11.05

4 COM (2003) 85, Climate Change in the Context of Development Cooperation, 11.3.03, and Council conclusions (15164/04), Climate change in the Context of Development Cooperation, 24.11.04

5 A Staff Working Paper detailing the implementation of the initiative is planned for Dec 07

This Alliance needs to be backed by a strong commitment from the EU to increase financial support for adaptation measures in LDCs and SIDS, and mitigation efforts which benefit these countries' poverty reduction agenda. The Alliance will constitute a key element of the EU's collective external action in the area of climate change, and will complement and reinforce other dialogues and cooperation activities.

2. RATIONALE FOR ACTION

The IPCC's 4th Assessment Report provides a regional analysis of the impacts to be expected from climate change. For Africa, home to the large majority of LDCs, the report concludes that it is one of the most vulnerable continents to climate variability and change because of multiple stresses and low adaptive capacity. Water stress, food insecurity through droughts and desertification, sea level rise, new health risks, extreme weather events and migration pressures are some of the projected impacts. Other parts of the world including Asia, Latin America and SIDS face similar challenges. In most cases, climate change superimposes itself on existing vulnerabilities. In many LDCs and SIDS, food security and safe water supply, for instance, are already challenged due to gradual erosion of natural resources. They are also often ill-prepared for disasters, which have many times left countries in a state of devastation.⁶ At the same time, due to their limited economic development, it is LDCs and SIDS that are least responsible for the accumulation of GHG in the atmosphere, and hence climate change.

In October 2006, the Stern report⁷ emphasised that the world does not need to choose between averting climate change and promoting growth and development. Not acting on climate change will, in the long term, be a lot more costly to the global economy than acting on it now. Stern elaborates explicitly on high costs of climate change for the poorest countries, and calls upon the international community to support them.

In the conclusions of the European Council in March 2007, the EU emphasised the need for alliance-building with developing countries. The proposals underline the importance of greater cooperation between the EU and LDCs in particular in the following areas: adaptation, monitoring of climate change, food security, disaster risk reduction, plus better access to the Clean Development Mechanism (CDM). The EU also calls for emissions resulting from deforestation in developing countries to be halted and then reversed within two to three decades. The G8 Heiligendamm Summit reiterated the importance of reducing emissions from deforestation and adaptation as priority areas for the G8's cooperation with developing countries in the area of climate change.⁸

The recently adopted Green Paper on the options for EU action for adapting to climate change in Europe⁹ contains a pillar on "integrating adaptation into EU external actions". The Paper explicitly calls for enhanced dialogue and cooperation between the EU and developing countries on climate change, through the building of a Global Climate Change Alliance.

6 For a detailed discussion of the impact of climate change on poor countries, see Inter-Agency Paper. Poverty and Climate Change, 2003

7 N. Stern, *The Economics of Climate Change*, London, Oct 06

8 G8 Summit Heiligendamm communiqué - Growth and Responsibility in the World Economy, 7.6.07

9 COM (2007) 354

3. BUILDING A GLOBAL CLIMATE CHANGE ALLIANCE (GCCA) BETWEEN THE EU AND POOR DEVELOPING COUNTRIES MOST VULNERABLE TO CLIMATE CHANGE

3.1. Overall objective

By fostering effective dialogue and cooperation on climate change, the Alliance will help to ensure that poor developing countries most vulnerable to climate change, in particular the LDCs and SIDS, increase their capacities to adapt to the effects of climate change, in support of the achievement of the MDGs. Where it benefits their poverty reduction objectives, the Alliance will also help such countries to participate in the global climate change mitigation effort, even if, as in the case of LDCs, they will not be required to make emission reduction commitments under a post-2012 agreement.

3.2. An Alliance for dialogue and exchange

The GCCA will provide for a platform for dialogue and exchange among the EU and poor developing countries most vulnerable to climate change, in particular the LDCs and SIDS, on practical approaches to realising the integration of development strategies and climate change. The results of this dialogue and exchange will feed into the development of a post-2012 climate agreement, supporting the converging of visions for the agreement between Europe and developing countries.

The GCCA is strictly complementary to and supportive of the ongoing process within the United Nations Framework Convention on Climate Change (UNFCCC) and the Kyoto Protocol. The EU believes that establishing a forum for the exchange of views and experiences with LDCs and SIDS outside the negotiating context will help to advance the implementation of the UNFCCC and related agreements.

Participation in the GCCA is intended for those countries effectively committed to taking measures to respond to climate change. It will provide for regular opportunities for meetings between the EU and these countries in view of the implementation of the Alliance, making use, whenever appropriate, of existing regional dialogue structures and partnerships such as the African Caribbean Pacific (ACP) group, the African Union (AU),¹⁰ SIDS and the Asia-Europe Meeting (ASEM). It will also support South-South dialogue and exchange.

3.3 An Alliance for effective cooperation

Beyond dialogue and exchange, the GCCA will provide technical and financial support for adaptation and mitigation measures, and for the integration of climate change into development strategies. Five priority areas and related actions are proposed below; these will have to be further discussed and refined in the GCCA dialogue. The last priority area, integrating climate change into poverty reduction efforts, is of cross-cutting nature, and therefore also relevant to the other priority areas.

(a) Adaptation to climate change

Objective: To help developing countries improve their knowledge base on the effects of climate change, to develop and implement adaptation strategies.

- In-depth research on the likely effects of climate change on a given country or region and reliable climate observation are needed for all adaptation measures. Findings need to be translated into practical information for use by policy- and decision-makers. Research is

¹⁰ The European Commission has recently proposed the launching of an EU-Africa Partnership on Climate Change, under the wider umbrella of the GCCA. See COM (2007) 357

key in the climate-sensitive sectors of water and agriculture in particular, as these are the basis for food security as well as on the possible effects of climate change on seas and oceans.

- For the LDCs, adaptation needs are identified in the National Adaptation Programmes of Action (NAPAs). So far, 20 LDCs have finalised such programmes,¹¹ and the process is ongoing in the majority of remaining LDCs, with the financial support of the Least Developed Country Fund (LDCF) managed by the Global Environmental Facility (GEF). The challenge is now to implement these programmes, while at the same time producing adaptation action plans in non-LDC countries that are equally vulnerable. Areas typically identified in the NAPAs are: assistance on water (e.g. increased water efficiency), agriculture (e.g. research on drought-resistant varieties), health (e.g. malaria prevention in newly exposed populations), sustainable energy production and use; non-sector-specific assistance e.g. awareness raising, knowledge dissemination, curriculum development and removing barriers to technology transfer.
- Adaptation to climate change provides ample opportunity for the EU, LDCs and SIDS to work together. The Commission's Green Paper on Adaptation aims to stimulate a debate on the most effective adaptation measures to be taken in Europe. The EU will share the outcome of its follow-up with its developing country partners, and support them in the development of equally comprehensive approaches to adaptation within the framework of the GCCA.

Proposed areas of intervention

- ▶ Supporting the development of adaptation action plans in vulnerable countries other than LDCs, through technical assistance, capacity support and facilitation of cooperation between stakeholders.
- ▶ Supporting the implementation of adaptation action plans in LDCs and SIDS effectively committed to taking measures to respond to climate change.
- ▶ Financing pilot adaptation projects focussing on the water and agricultural sectors, as well as on sustainable management of natural resources.
- ▶ Supporting international collaborative research on the impacts of climate change in developing countries and regions, as well as on the identification and design of innovative adaptation solutions, e.g. through the EU's 7th Research Framework Programme, and the Food Security Thematic Programme.

(b) Reducing emissions from deforestation

Objective: To decrease CO₂ emissions from deforestation in developing countries, by creating economic incentives for forest protection, while preserving livelihoods and ecosystems depending on forests.

- About 20% of global CO₂ emissions are caused by deforestation. In LDCs, 62% of total emissions originate in land-use change, primarily deforestation. The regions with the highest deforestation rates in the world are Africa, Latin America and South-East Asia/Pacific.¹² Deforestation has multiple economic, socio-political, demographic and

¹¹ For an updated list, see http://unfccc.int/national_reports/napa/items/2719.php

¹² FAO. State of the World's Forests, 2007

environmental causes: logging, agricultural expansion, infrastructure development, use of biomass as main energy resource, but also policy and institutional failures, and cultural factors.

- The importance of engaging in meaningful action to combat deforestation is recognised in the UNFCCC and Parties are discussing policies and approaches to reduce emissions from deforestation in a post-2012 international agreement on climate change. The discussions are directed towards voluntary commitments by developing countries, which would take action to reduce their current deforestation levels and be rewarded on the basis of avoided emissions. Parties are expected to agree in Bali in December 2007 to initiate pilot activities that will help countries to prepare for the future scheme to reduce emissions from deforestation.
- The EU Forest Law Enforcement, Governance and Trade (FLEGT) programme uses a powerful incentive – export to the EU of timber certified as having been legally harvested only – to address illegal logging activities and promote sustainable forest management, indirectly contributing to reducing emissions. Currently, FLEGT discussions are ongoing in some 15 timber-producing countries.

Proposed areas of intervention

► In the period leading up to 2012, helping to build up reporting systems and national capacities to monitor deforestation, strengthen institutions, and develop national strategies to combat deforestation.

► Supporting experimental, innovative performance-based mechanisms to provide positive incentives for the reduction of emissions from deforestation in developing countries.

► Expanding programmes such as the FLEGT initiative, which contribute to improving sustainable natural resources governance while reducing emissions, and preserving ecosystems and livelihoods.

(c) Enhancing participation in the Clean Development Mechanism

Objective: To help developing countries to participate in and benefit from the global carbon market, through the Clean Development Mechanism.

- The Clean Development Mechanism (CDM) makes it possible for companies or countries that have to reduce emissions under the Kyoto Protocol to invest in emission reduction projects in developing countries. Such projects must contribute to sustainable development. The CDM leads to significant long-term investment; it creates jobs and income, triggers transfer of technology and helps developing countries to adopt climate-sensitive low carbon development paths. CDM projects cover many sectors, including sustainable energy production and use, waste treatment, reforestation and biofuels.
- The geographic distribution of CDM projects remains uneven. The bulk of the projects are currently located in Asia and Central/South America.¹³ The reasons for this are multi-faceted, and include the complexity and high transaction cost of registration, but also weak institutional capacity and a poor investment climate. Both capacity building and technical support are needed to increase the participation of LDCs and SIDS in the CDM.

¹³ Only 22 out of a total of 766 registered CDM projects are in Africa and only two in LDCs, Uganda and Tanzania. See <http://cdm.unfccc.int/Statistics/index.html>

Proposed areas for intervention

- ▶ Increasing capacity-building for participation in the CDM, and providing technical support for cost-effective project development.
- ▶ Exploring options to showcase projects and project types that are better suited to the specific conditions in LDCs and SIDS, including through the development of methodologies for such projects.

(d) Promoting Disaster Risk Reduction (DRR)

Objective: To improve the preparedness of developing countries and societies for climate-related natural disasters, and to mitigate the risks and limit their impact.

- Climate change is projected to lead to more climate variability and increasingly extreme weather phenomena, such as typhoons, floods and drought as well as related hazards, such as avalanches, landslides and mudflows. The unpredictable nature of many hazards calls for a prioritisation of effective DRR measures in countries and regions most exposed to these risks. Special attention must be paid to measures that directly benefit vulnerable population groups.¹⁴
- The World Conference on Disaster Reduction in Japan in 2005 led to the adoption of the Hyogo Framework for Action 2005-2015: Building the Resilience of Nations and Communities to Disasters. The Framework includes demands for greater recognition of climate change concerns in DRR strategies given the important synergies between risk reduction and adaptation to climate change.¹⁵ The EU is fully committed to supporting the Framework and will define its contribution in the forthcoming EU Strategy on Disaster Risk Reduction in Developing Countries.

Proposed areas of intervention

- ▶ Improving and extending climate monitoring, forecasting, and information systems and the translation of collected data into effective preparedness measures, e.g. early-warning systems that benefit DRR strategies and other development policies.
- ▶ Strengthening regional capacity for climate-related DRR, including for information sharing, knowledge management, early warning, and contingency planning.
- ▶ Identifying measures to help disaster-prone developing countries implement the Hyogo Framework, including addressing underlying risk factors, building resilience and risk-sharing approaches (e.g. insurance schemes).

¹⁴ e.g. people in extreme poverty, women, children, the elderly and the disabled, ethnic minorities

¹⁵ Vulnerability and Adaptation Resource Group (VARG). Linking Climate Change Adaptation and Disaster Risk Management for Sustainable Development. 11/06

(e) Integrating climate change into poverty reduction efforts

Objective: To assist developing countries in systematically integrating climate change into development strategies and investments, and to systematically integrate climate change into development cooperation.

- Climate change affects many sectors, and needs to be integrated into poverty reduction efforts in order to ensure sustainability. The governments of LDCs and SIDS need support to comprehensively integrate climate change into existing and new policies. The cooperation portfolios between EU donors and partner countries must also integrate climate change concerns.¹⁶ If climate change is not taken into consideration, development investments made today could potentially contribute to global warming, or be undermined by changes in climate.
- A number of lessons are emerging from the current review¹⁷ of the EU Action Plan¹⁸ on Climate Change and Development. The policy profile and awareness of climate change among development actors have risen drastically. The European Commission and the EU member states are supporting a broad range of climate change related activities in partner countries. However, systematic climate risk assessment and mainstreaming of climate change into development strategies and programmes (“climate proofing”) are still at an early stage, both at developing country level and within development agencies.

Proposed areas of intervention

- ▶ Promoting the integration of adaptation action plans into Poverty Reduction and other development strategies.
- ▶ Supporting the development of institutional capacity in LDCs and SIDS for the mainstreaming of climate change into their policies.
- ▶ Screening EU-funded development projects and programmes, including at sector or budget support level, for potential environmental impacts and undertaking Strategic Environmental Assessments (SEAs). As to the European Commission, climate change considerations, both regarding mitigation and adaptation, will be systematically addressed at the occasion of the mid-term review of Country and Regional Strategy papers and fully considered when preparing Country and Regional Strategy papers for the next programming cycle starting in 2012.

¹⁶ This is part of a wider EU commitment to integrating environmental concerns into its external actions

¹⁷ The publication of the Progress Report is foreseen in September 2007

¹⁸ The EU Action Plan on Climate Change and Development (2004-08) sets out four strategic areas of mainstreaming climate change into poverty reduction efforts: (i) raising the policy profile of climate change; (ii) support for adaptation; (iii) support for mitigation and low greenhouse gas development paths; and (iv) capacity development. See Council conclusions (15164/04), 24.11.04

4. FINANCING THE GLOBAL CLIMATE CHANGE ALLIANCE

The European Commission is committed to mobilising substantial resources to implement the GCCA in the priority areas proposed above. It is very difficult to put exact figures to the cost of addressing climate change in LDCs and SIDS, but first estimates show that the resources required will be major.¹⁹

At the EC, the Thematic Programme "Environment and Sustainable Management of Natural Resources, including Energy" (ENRTP) is the key delivery instrument for the GCCA. €50 million of additional resources have been included into the ENRTP and specifically earmarked for the GCCA over the period 2008-2010. Other ENRTP funds that can contribute to the aims of the GCCA include parts of: the €25 million under the heading of the EU Action Plan on Climate Change and Development and the Communication *Limiting Global Climate Change to 2° Celsius: The way ahead for 2020 and beyond*²⁰; and the €70 million under the forest heading.

In addition to ENRTP funding, the EC will explore avenues of complementary support through geographic programmes. As regards the 10th European Development Fund (EDF), in addition to country and regional envelopes that may contribute to the GCCA, the following indicative amounts have been proposed for programmes covering all ACP countries:²¹ €100 million for climate change and the environment; €100 million for Disaster Risk Reduction. For Asia, Latin America and other regions covered by the Development Cooperation Instrument (DCI), possibilities to complement the aims of the GCCA will also be assessed.

EC resources can clearly only cover a very small share of total needs. The EU Member States have set themselves the ambitious target of raising ODA to 0.56% of GDP by 2010. For the EU, this means an increase of more than €20 billion. To make the GCCA an attractive and credible initiative, it is essential for Member States to contribute to it.

The European Commission calls on EU Member States to join forces on the GCCA, and to work towards common arrangements for delivery. This collective effort could take the form of a joint GCCA financing mechanism managed by the Commission and governed in such a way as to reflect the participation of the Commission and the Member States.

Disbursements made within the framework of the GCCA will be designed to support and complement other bilateral or multilateral initiatives and funds. Within the UNFCCC, several funds financing climate change-related projects have been created.²² These rely first and foremost on a project-based approach to funding incremental/additional costs incurred through addressing climate change. The GCCA is intended to build on and reinforce the

19 In its "Report on the analysis of existing and potential investment and financial flows relevant to the development of an effective and appropriate international response to climate change", the UNFCCC Secretariat estimates that additional investment and financial flows needed for adaptation in 2030 amount to several tens of billion USD. Dialogue working paper 8 (2007)

20 COM (2007) 2

21 Discussions between the EC and the ACP countries on the intra-ACP cooperation strategy for the 10th EDF are ongoing.

22 The Least Developed Countries Fund (pledges April 2007: USD 115.8 million), the Special Climate Change Fund (pledges April 2007: USD 62 million) and the Adaptation Fund, projected to attract around USD 400m up to 2012. Since 1991, the Global Environmental Facility has committed approximately USD 1.98 billion to climate change activities, most of it for mitigation activities. UNFCCC Handbook, 2006, <http://www.gefweb.org/>.

existing dialogue and cooperation on climate change between the EU and poor developing countries most vulnerable to climate change, particularly LDCs and SIDS, and to help the integration of climate change actions into national development strategies and investments, as well as development cooperation. Where appropriate, climate change could be comprehensively addressed through budget support.

5. CONCLUSIONS

The EU is the largest provider of ODA in the world and has put forward concrete proposals to reduce GHG emissions in view of containing temperature increases below 2°C. The GCCA will substantiate this vision with collective action to match the legitimate demand from LDCs and SIDS that climate change should not jeopardise their development efforts and the fight against poverty.

Through enhanced dialogue supported by substantial development assistance from the EC and Member States, the GCCA will provide the EU with a unique opportunity to show international leadership and re-affirm the principles of multilateralism and global responsibility that underpin its international relations.