Uachtaránacht na hÉireann ar Chomhairle an Aontais Eorpaigh
Irish Presidency of the Council of the European Union
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SUBMISSION BY IRELAND AND THE EUROPEAN COMMISSION ON BEHALF OF THE EUROPEAN UNION AND ITS MEMBER STATES

This submission is supported by Albania, Croatia, Bosnia and Herzegovina, the Former Yugoslav Republic of Macedonia, Montenegro and Serbia.

Dublin, 19 March 2013

Subject: Long-term finance

The EU and its member states will continue to provide climate finance support and will work in a constructive manner with other developed countries towards the identification of pathways for scaling up climate finance from 2013 to 2020 from a wide variety of sources, public finance and private sector finance, bilateral and multilateral, including alternative sources of finance, as needed to reach the international long term committed goal of mobilising jointly US$100 billion per year by 2020 in the context of meaningful mitigation actions and transparency on implementation. The EU recognises the role of means of implementation in reducing global greenhouse gas emissions so as to keep the increase in global average temperature below 2 °C compared to preindustrial levels and to support climate resilience. The EU and its member states in providing finance for adaptation will continue to take into account the needs of the particularly vulnerable developing countries.

The EU appreciated the efforts of the co-chairs in carrying out the Work Programme on Long term Finance over 2012. The work programme, including webinars, website interaction and workshops provided a valuable and innovative forum for sharing of information and experience in climate finance among party and non-party actors. They also played an important role in awareness raising and as a peer learning exercise for all Parties. The work programme and its report delivered on the tasks that were set in the mandate.

The EU sees the report by the co-chairs as a reflection on proceedings during 2012 under the Work Programme on Long term Finance. There are issues for consideration by both developed and developing country parties.

The report is very wide reaching with cross-cutting recommendations. Some of the recommendations contained therein should be prioritised for consideration in the broader context of work already moving forward both within and outside the UNFCCC. Recommendations in the report should be considered for their added value and efficiency.

A Response to Elements of the Co-Chairs' Report

1. The EU welcomes the report's consideration of a variety of sources; public, private, and innovative including bunker fuels, drawing on analysis from e.g. the AGF, G20 and the CPI. The recognition that no single source can address all climate financing aims is particularly welcome. We endorse the report's findings on the importance of the contribution of the private sector. The recognition of the role of targeted public policies to address barriers and to enhance private sector investment is important. The recognition of the role of bilateral and multilateral entities is also welcome. National, Bilateral and

Multilateral Development Banks and other public financial institutions play an important role in facilitating the mobilisation of climate finance flows.

2. The recommendation for further work on revenues from market-based measures on bunker fuels is welcome. Consideration is needed for how to pursue this at the IMO and ICAO respectively, considering all options on the table, in a way that does not compromise national budgetary rules and/or fiscal sovereignty of Parties, and that takes into account that the ICAO Council has recently established a High Level Policy Group on International Aviation and Climate Change to develop policy recommendations for the ICAO Council regarding elements for the 2013 Assembly Resolution, including on a market based measures framework and the feasibility of a global market based measure scheme. The primary objective of any such market based measures should be to reduce emissions from these sectors cost effectively.

3. The EU welcomes the focus on enabling environments, including regulatory and institutional factors, to facilitate increased climate finance flows, including private finance, and their effective use. We recognise that relevant capacity building support will be important for many developing countries in this regard. The EU is already supporting developing countries in the design and implementation of ambitious climate policies which will lead to improved enabling environments for mitigation and adaptation action.

4. In this context the EU appreciates the recognition that carbon pricing policies are broadly viewed as an effective mitigation instrument that could generate large financial flows including for climate finance, while the EU is of the view that any such policy should take into account national budgetary rules and fiscal sovereignty.

5. The EU welcomes the recognition of the potential for the removal of fossil fuel subsidies in creating accurate price signals, which can help unlock private investment and enable more efficient use of public finance. The EU is of the view that the use of revenues from reduction or removal of fossil fuel subsidies should take account of national budgetary rules and fiscal sovereignty.

6. The EU supports the call in the report for improved MRV of finance. The EU actively engaged in discussions at Doha that led to agreement of reporting tables for climate finance in the Biennial Reports. This will greatly improve the understanding of public flows of climate finance going forward. The EU will continue to actively engage on this issue in SBSTA, including on the review of guidelines. While the recently established improvements will need to be given sufficient time to be implemented, we also endorse the finding that better tracking of climate finance overall is needed and could be linked to work outside the UNFCCC, e.g. the ongoing OECD work on tracking public and private climate finance, and the joint MDB Climate Finance Tracking Approaches. We endorse the report's finding that better MRV is needed on the recipient side as well.

7. The EU acknowledges the role of financial support for adaptation activities in developing countries and wishes to re-emphasise the importance of this issue for further work of the work programme.

The Continuation of Work

8. The EU welcomes the decision in Doha to continue the Work Programme on Long-term Finance. We look forward to the outcome of the work programme with a view to /identify pathways for mobilising the scaling up of climate finance to USD 100bn per year by 2020 from public, private and alternative sources in the context of meaningful mitigation actions and transparency on implementation.

9. The EU also welcomes the Doha decisions on a joint SBSTA/SBI process and a Work Programme on financing and the coordination of support for REDD+, and emphasises that this work should inform and relate to the general work on long-term finance.

10. The EU looks forward to the appointment of the co-chairs for an early start to preparation of work and looks forward to participating in the activities.

11. The EU takes note of the invitation to developed country Parties to submit information on their strategies and approaches for mobilising scaled up climate finance to USD 100 billion per year by 2020 in the context of meaningful mitigation and transparency on implementation, from public and private sources, and recognises the role that the Work Programme on Long term Finance can have to facilitate knowledge-sharing between participants that can in turn inform Parties' submissions in this regard.

The Work Programme on Long-term Finance

In the context of the decision in Doha on the aim of the Work Programme, the EU believes the work programme could usefully explore the following avenues;

<u>Informing efforts to identify pathways for mobilising the scaling up of finance:</u>

12. Further analysis and exploration of the most promising sources of climate finance and when and how these can be mobilised effectively;
    - Public and private finance,
    - Public actions to mobilise private finance,
    - Innovative sources (including carbon markets and carbon pricing policies in the aviation and maritime sectors),
    - The role of multilateral, bilateral and national development banks.
    - The role of different financial instruments with regard to effective mitigation or adaptation actions.

13. Further analysis of how to mobilise finance for adaptation activities from various sources (public, private and multilateral).

14. Sharing real world examples of effective mobilisation and deployment of climate finance and the role of different financial instruments, including lessons learnt during the Fast Start finance period.

15. Work advanced so far in the construction of strategies and approaches towards the 2020 goal (e.g. examples given by countries, organisations on specific sources), challenges faced to design them, technical requirements, successful experiences; necessary analysis of current situation regarding sources and options.

Informing the enhancement of enabling environments and policy frameworks to facilitate the mobilisation and effective deployment of climate finance in developing countries

16. Sharing analysis and best practice including on lessons learnt during the Fast start finance period

17. Experiences from developed and developing countries on what elements constitute effective domestic and international enabling environments for mobilising and deploying. This could include consideration of conducive policy such as national low carbon policy planning, carbon pricing, removal of fossil fuel subsidies, institutional, fiscal and regulatory frameworks,

18. Examples by countries of challenges to achieving a good enabling environment and on ways to reduce the barriers e.g. phasing out of fossil fuel subsidies, and capacity building. Analysis of barriers and how to successfully address them would also be useful.

19. What can Parties learn from low carbon development strategies, NAMAs, NAPs / NAPAs as well as experience of EU and other developed countries?

Structure

In terms of the format of the 2013 work programme, there are elements of the 2012 work programme which the EU and its Member States found beneficial, and would endorse as elements of the format for this year:

20. Inclusion of a wider range of stakeholders and actors in climate finance (including Parties, national and multilateral development banks, project developers, private finance institutions, civil society)

21. Workshops including;
    - At least one in-session or back to back e.g. with SB38
    - small break out groups that are facilitated by experienced moderators
    - a focus on very concrete and practical issues regarding enabling environments, mobilising private finance, best practices for transformational activities and leveraging funding, and experiences and lessons learnt from public-private-partnerships in delivering climate finance,
    - targeted invitations for workshops in order to have relevant actors participating with the intention of attracting attendance beyond climate finance negotiators to include e.g. practitioners such as project managers in the public and private sectors

22. Analytical input from the UNFCCC secretariat and other international institutions to support discussion on pathways; Use of interactive media to carry out work, share information and enable wide participation

23. Connection with other initiatives like the Forum organised by the Standing Committee on Finance and the Work Programme on REDD+ finance under the SBI.