



European Development Cooperation to 2020: can Europe meet climate change challenges for development cooperation?

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Leo Peskett, Overseas Development
Institute

Introduction

Background:

- Part of wider project on future of European development cooperation
- Climate change work package – seeks to understand relationships between climate change and development cooperation to inform effective policy making
- First working paper focussed on identifying some key challenges
 1. Financing gap
 2. The ‘3Cs’ in a climate change context
 3. Mainstreaming of climate change into development cooperation

Workshop objectives:

1. Insights into two key challenges dominating CC and development debate in next few years
2. Better understanding of different perspectives being taken in overcoming these challenges
3. Shaping further dialogue and research over the next two years

Overview

- **Opening presentations:** Emerging challenges in the CC and development debates
- **Session 1:** The climate finance challenge: what role for Europe?
- **Session 2:** EC-member state relationships: coordination, complementarity and coherence of EU development cooperation on climate change
- **Summing up**

Climate change and development cooperation in Europe: emerging issues

Climate change and development

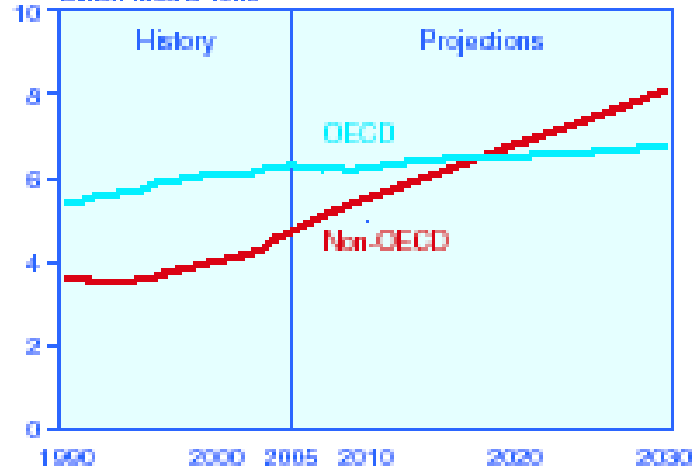
Climate change challenges to development:

1. Physical impacts, e.g. increased freq. and severity of droughts and floods, with most severe impacts in developing countries
2. Need for low carbon growth (especially in emerging economies) in order to stabilise T rise at 2 degrees Celsius whilst enabling poverty reduction

= increasing donor interest in incorporating climate change into development cooperation

2020 impacts (IPCC 2007)
Up to 250 million people in Africa could face greater stress on water supplies by 2020
Yields from rain-fed agriculture could fall by up to 50 percent by 2020 in some African nations

Figure 80. World Carbon Dioxide Emissions from Liquids Combustion, 1990-2030
Billion Metric Tons



Sources: History: Energy Information Administration (EIA), *International Energy Annual 2005* (June-October 2007), web site www.eia.doe.gov/iaa. Projections: EIA, *World Energy Projections Plus* (2008).

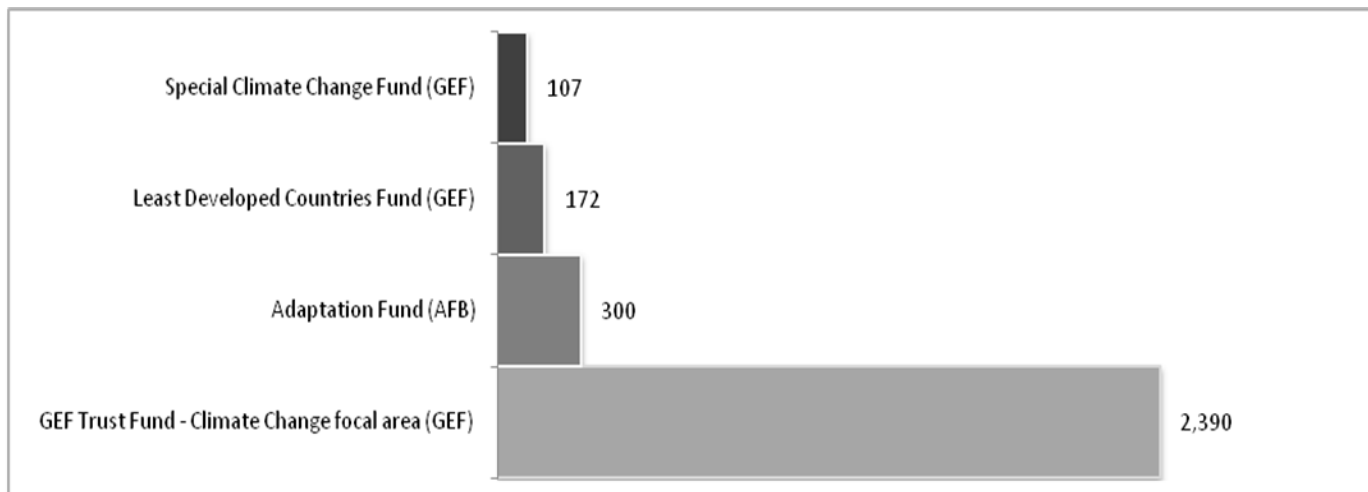
Climate change and development cooperation

Climate change challenges to development *cooperation*:

1. A large gap in funding available for supporting climate change responses
2. Ensuring coordination, complementarity and coherence (3Cs) between climate change initiatives and with other development processes
3. Mainstreaming climate change into development co-operation

Filling the funding gap

- Large gap exists, especially for adaptation measures:
 - USD28-67 billion incremental annual funding by 2030 for adaptation in developing countries and
 - USD 176 billion for mitigation by 2030
- Unknown percentage from European donors:
 - Lack of a standardized reporting system and definition of ‘climate change-related’ spending
 - Diverse financial channels being used
 - Overlapping involvement between the different DGs
- But global gap is huge



Filling the funding gap (2)

- Calls for much larger commitments from Europe:
 - EU Summit (Mar 2009) deferred decision on pledges until June
- Europe has potential advantage in some areas:
 - EU ETS auction revenues: Amended Directive provides that “at least 50% of the revenue generated from auctioning allowances should be used, inter alia for adaptation in Member States and developing countries” – BUT cannot earmark revenues for developing countries
 - GCFM – BUT robustness is unclear in current financial climate AND the recent ‘crisis communication’ (Apr 2009) hints at use of revenues from these types of instruments in other areas of development
 - CDM and carbon markets: could provide significant revenue but suffering from the credit crunch and do not work well for LDCs
- Europe is favouring the ‘Norwegian’ and ‘Mexican’ proposals for post-2012 finance regime (Post 2012 Communication 2009)
 - We know little about the political acceptability of these in practice
- A lot hinging on the carbon markets, but are they robust enough?

Coordination, complementarity and coherence (3Cs)

- 14 new international initiatives to support developing countries on CC emerged in 2007-2008
 - Some divergence from the aid effectiveness debate and Paris Declaration
 - Costs of “aid ineffectiveness” in mainstream aid could range from €25 to €35 billion until 2015
- Complex web of initiatives with some European donors investing in World Bank, others in the GEF and others in European funds
 - Additionality of ‘climate aid’ still a major issue across nearly all funds: “more of the difference in projected impact is due to future development than to climate change” (Parry 2009)
 - Limited investment into European flagship initiatives such as the GCCA
 - Internal political differences between and within Member States
- What is the ‘added value’ of Commission-led initiatives such as the GCCA?
 - GBS modality – more or less effective for addressing CC issues?
 - Clearinghouse system may enhance coordination?

Coordination, complementarity and coherence (3Cs)

- Policy coherence, especially with regard to domestic CC policies
 - More work done in this area on CC issues. Biofuels have been a focus
 - Post-2012 regime may breed more issues: e.g. Reduced Emissions from Deforestation and Degradation (REDD) – both positive and negative policy coherence aspects
 - Less work on the implications of development policies for climate change adaptation and mitigation
- Outstanding questions for 3Cs:
 - Why are donors investing in different options?
 - Is coordination an issue and how should it be handled?
 - What do we know about most effective approaches to financial architecture for cooperation on CC?

Mainstreaming

- Major theme in the CC and development debate for some years (e.g. EU Action Plan and strong theme in April 2009 White Paper)
- Tools exist for mainstreaming environmental issues:
 - EIAs and SEAs
 - Country Environment Profiles (CEPs)
- European Court of Auditors (ECA) found that “the environment had not been satisfactorily mainstreamed” into the 2002-2006 strategy papers
- Better progress apparent in the 2007-2013 CSP process – 44 out of 63 sampled delegations referenced CEPs
- Review of environmental integration strategy has highlighted areas where action can be taken, e.g:
 - Improving quality of environment integration tools
 - Better coordination of analysis and training between donors
 - Establishing environmental focal points in delegations
 - Develop with MS common procedures and methodologies with objective of joint aid programming

Mainstreaming (2)

- Slower progress with integration of CC
 - Likely to be more of a focus in preparation of the next phase of CSPs starting in 2012
 - How can the process be accelerated?
- Linking mainstreaming and the aid effectiveness agendas
 - How can we ensure the CC is kept high up the agenda e.g. within GBS modalities?
 - Dialogue mechanisms in GBS?
 - Better economic assessments of CC impacts and mitigation costs?

Outlook

- The climate finance challenge: what role for Europe?
- EC-member state relationships: coordination, complementarity and coherence of EU development cooperation on climate change