



Brussels / Helsinki, October 6<sup>th</sup> 2016

Dear Minister Orpo,

In advance of the upcoming ECOFIN Council on October 11<sup>th</sup>, Climate Action Network Europe calls on you to adopt an ambitious and forward-thinking position on climate finance. The Paris Agreement has indicated the need for rapid ramp up of climate finance in the pre-2020 period, where early action and support will result in long lasting positive benefits for all countries. We set out key recommendations towards delivering effective climate finance:

#### **Pre-2020 climate finance roadmap:**

The **agreement and publication of a climate finance roadmap towards the 100 billion US dollar by 2020 target** will be an important milestone for pre-2020 action. An ambitious roadmap will be an essential to solidify the EU's alliance with developing country partners that are at the forefront of climate change. CAN Europe emphasizes that the 2020 roadmap must include qualitative and quantitative scenarios of public and private finance to be mobilized by donor countries. It should also provide information on sources, types and channels of finance, and demonstrate how and when developed countries intend to scale up their financial support. It is therefore crucial that EU Member States push for the adoption of a 2020 roadmap that sets out detailed information about how support for action will continue and be increased for the years up to 2020, and beyond.

#### **Provision of public finance for adaptation:**

Critically, the upcoming ECOFIN position should champion increasing adaptation finance by setting a quantitative target in the roadmap or, if not, through a COP decision. This target should be established with a view to achieving a balance between finance for adaptation and mitigation as stated in the Paris Agreement. Planning for adaptation in tandem with 5 year review cycles of mitigation will improve the quality of adaptation financing and build resilience. The **ECOFIN council conclusions should explicitly mention the allocation of at least 50% of public finance to adaptation** as part of global efforts to close the adaptation finance gap.

#### **Accounting climate finance:**

Climate finance must be politically sustainable, transparent and subject to mutually-agreed systems for accounting and tracking flows to better assess progress towards meeting obligations but also to learn from experiences in the provision, mobilisation and use of climate finance. As the world's largest international donor, **the EU should lead the way in guaranteeing clear, transparent and coherent accountability standards and reporting requirements for climate finance**. Current reporting systems lack completeness, consistency and detail that is required to meet those objectives. The EU and all developed countries should progress efforts in the UNFCCC to define the modalities for accounting financial resources provided and mobilized through public interventions in accordance with the Paris Agreement. To this end, the EU should champion a work plan and timetable to complete this work by COP23 next year.

#### **Shifting investment patterns and flows:**

The EU should ensure all that its domestic policies and international development assistance are in line with objectives of Paris Agreement, in particular aligning financial flows with low greenhouse gas emissions and climate resilient development. **The EU should thus commit 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. **Finance ministers should also use the mid-term review of the Multiannual Financial Framework to properly integrate the Paris Agreement and overall climate and energy objectives into all EU funds and financing facilities**. Finance Ministers should consider how financial institutions can align the wider infrastructure agenda with the climate action and sustainable development, whilst also implementing measures to phase out domestic fossil fuel subsidies as soon as possible, and no later than 2020.

### Innovative sources of finance:

It is 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.<sup>1</sup> Furthermore, **the Financial Transaction Tax** should be operationalized as soon as possible, dedicating 50% of the 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.

### Private sector finance:

It is understood that the ECOFIN acknowledges that private sector finance is complementary to, but not a substitute for public finance. To this end, where public finance and EU-led instruments (eg. Blending) are 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 look forward to a constructive outcome from this year's ECOFIN council, particularly in light of the transformational agreement adopted in Paris last year. We thank you for your attention and remain at your disposal for any further information.

Kind Regards,



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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>