

# EU Leadership or Losership?

Time to beat the impasse on climate talks

## Summary

The world, and most of all, its poor people, desperately needs a fair and safe climate deal to be agreed in Copenhagen in December. But currently, negotiations are proceeding at a snail's pace, hamstrung by a yawning deficit of trust between developing and industrialised countries, and crucially lacking a global leader – one that can bridge this divide by leading by example with commitments to cut its own emissions and to finance adaptation and mitigation in the South.

The European Union can be this global leader. It is theirs to mess up. The EU must stand up on the global stage, perhaps – at first – alone, and fill the climate leadership vacuum. It is a historic opportunity that must be grasped with both hands if climate catastrophe is to be avoided, and if the EU is to fulfil its international ambitions and live up to its leadership rhetoric. Ambition and courage are the demands we make to Europe's leaders.

And the level of ambition needed is high. To get there, Europe must avoid repeating mistakes from the past: it must put aside internal budget wrangling, it must resist its industrial lobbies, and it must stop treating climate talks as if they were trade negotiations.

## Introduction

Climate change is already affecting the lives of people in the developing world. Increased floods and droughts; rising sea levels; changing patterns of rainfall; and falling crop yields are making it harder and harder for poor people to escape poverty. Oxfam is projecting that, on current trends, the average number of people affected by climate-related disasters each year may have risen by over 50 per cent by 2015 – potentially overwhelming the humanitarian system.<sup>1</sup>

When EU leaders meet for the European Summit on 18 and 19 June 2009, there will be just 172 days until Copenhagen. The absence of European leadership to help catalyse the global negotiations now is causing frustration and concern for all those who know that a deal at Copenhagen is vital to poverty reduction, justice, and the future of the planet. And to get to a deal in December we need progress in talks now. Mid-2009 is a moment of challenge but also of opportunity. Yet neither the EU nor the USA is stepping up to the mark.

This paper explains the politics behind the EU's position – both between Member States within the EU and in the EU's external approach to the negotiations – and shows how the impasse can be overcome.<sup>2</sup> The climate talks are hugely complex, but the stalemate in the talks, and its solution, is fundamentally political, not technical. As such, the impasse can, and must, be overcome. And quickly.

## Faltering EU leadership puts global climate deal at risk

Europe has its fair share of squabbles, but one area where EU politicians claim to agree with unwavering confidence is that Europe is leading the world on climate change.

At the end of last year, a jubilant Nicolas Sarkozy described new climate targets agreed under the French Presidency as 'historic', pointing out that 'you will not find another continent in the world that has given itself such binding rules'.<sup>3</sup> This year, with attention firmly focused on the crucial UN talks in Copenhagen in December 2009, Europe's leadership rhetoric has continued with similar zeal. After an informal meeting of Environment Ministers in April, Martin Bursik, the Czech Environment Minister, insisted that Europe remained 'the leader in the international debate', while his Swedish counterpart, Andreas Carlgren, declared that 'no other group in the negotiations so far have presented as ambitious targets as the EU'.<sup>4</sup>

This glowing consensus is not shared by all – far from it. For most development and environmental groups, including Oxfam International, Europe's claims to leadership are too much like smoke and mirrors.

The EU does deserve some credit for agreeing new emissions targets last December in the face of sliding stock markets. The climate and energy package was weakened badly, however, by ferocious industry lobbying and government backsliding in the face both of recession and hard-to-justify fears of how higher environmental standards might impact on jobs and competitiveness. At UN climate talks in Bonn earlier this year, some developing country representatives privately remarked on a spirit of more constructive engagement from their European counterparts, who for the first time were prepared to actively comment on developing country proposals.

But overall, Europe's current stance falls far short of the kind of political leadership required for a successful Copenhagen climate deal – one which ensures global warming is kept well below 2 degrees and protects the poorest, most vulnerable countries, who are already struggling to cope with climate impacts. There are three main aspects to Europe's flagging leadership:

1. **The EU is stalling on finance.** Europe is refusing to say how much money it will provide, from public finance and innovative market mechanisms, to developing countries to help them adapt to climate impacts and take a low-carbon development path, and is threatening to hold back any offer until the last minute. This is despite a very clear understanding from all political leaders that finance for developing countries is the sine qua non for a deal – as the EU's environment commissioner, Stavros Dimas himself likes to quip: 'no money, no deal'.<sup>5</sup> While there are plenty of discussions at the technical level, there is no political or technical agreement on how the money would be raised, whether it would be additional to aid already committed, and who would control its disbursement and use. All these are vital questions for developing countries and for getting international political support for an overall deal.
2. **Europe's emissions plans will cause dangerous climate change.** While European leaders quietly fume about political pragmatism in US mitigation plans, they conveniently ignore the fact that their current plan of a 20 per cent cut below 1990 emissions by 2020 would be expected to result in a 3 degree temperature rise if other industrialised countries were to do the same).<sup>6</sup> Moreover, the excessive dependence on carbon credits ('offsets') of dubious quality, means Europe can neither be sure it is delivering real reductions, nor exert effective pressure on the USA and other rich countries, all of which would much prefer to shift action on emissions offshore. With a 3 degree level of warming, experts predict all-year-round droughts across Southern Africa, water shortages affecting up to 4 billion additional people, the loss of many Pacific Islands, and up to 50 per cent of plant and land animal species facing extinction. The EU's offer of a 30 per cent cut if there is an adequate global deal is conditional – not definite. And science shows rich countries as a group need to cut to at least 40 per cent below 1990 emissions by 2020 for an acceptable chance of keeping below 2 degrees of warming.<sup>7</sup>
3. **First-step syndrome: Europe is playing 'chicken' in international**

**negotiations.** Europe's current strategy is to stand back and wait for the USA and China to make a move on mitigation before making any offer on finance. 'You first' is the current European negotiating stance – a case of 'first-step syndrome'. Leadership this is not. In fact, this narrow, slow-moving, 'national interest' approach is a classic of international negotiations, especially trade talks, but entirely inappropriate for the vital, large-scale deal needed to stop disastrous climate change.

The EU must wake up to its flaws. Its current approach seriously puts at risk the prospect of a safe and fair global deal in December. Without an offer of larger emissions cuts – and critically, without a serious proposal on money – the chronic lack of trust between developed and developing countries will persist, adding to the stalemate in negotiations as everyone waits for someone else to move.

This is disastrous for poor people around the world, who are most vulnerable to, and least responsible for, climate change. Almost 250 million people globally are already affected by climate-related disasters in a typical year, and this may grow by over 50 per cent to around 375 million people by 2015 – a scenario that would completely overwhelm humanitarian systems.<sup>8</sup> The EU must stop adding to this suffering. It must instead work to break the stalemate in global climate talks – rising to the leadership challenge and steering the world from its current collision course with climate catastrophe.

This paper examines the prospects for progress in Europe's stance on climate finance for developing countries, and the political dynamics behind the EU's faltering ambition and disturbing complacency.

## Money talks: progress by June?

A clear signal at the June 2009 summit on the EU's commitment to financing climate action in developing countries is key.

At their last summit in March, Europe's leaders were due to agree a broad position for the negotiations leading up to Copenhagen. In the event, they devoted just a few paragraphs to climate change in a twenty-one-page communiqué. The EU, announced its leaders, would pay its 'fair share' of financing mitigation and adaptation costs, especially for the most vulnerable developing countries. But 'fairness' was left undefined. No offers of money were put on the table, even in a contingent form.

Global estimates of annual costs were referenced in an accompanying statement by environment ministers – €175bn globally per year for mitigation by 2020, and €23–54bn per year for adaptation in developing countries by 2030. But there was no indication of what proportion industrialised countries – rich polluters, responsible for the problem – might cover, and a lack of clarity on whether this money would be additional to existing commitments on Official Development Assistance (ODA). Rather than making a clear decision on ways to raise the funds,

the conclusions simply indicate openness to the existing proposals made by others ('Mexican', 'Norwegian' etc. <sup>9</sup>). Following pressure from Poland and other new member states, Europe's leaders agreed to give some priority to deciding how any future financial contributions (for adaptation and mitigation) would be shared internally between member states, opening the door to extended budget wrangles, and providing a distraction from more important global issues.

These March summit statements are permeated with the sound of tough decisions being put off to the future. Europe's leaders gave assurances that the EU 'will determine well in advance of Copenhagen...the specifics of an EU contribution', and promised another discussion in June.

But for the past year, the prospects for far-sighted and skilled political leadership from the EU have been gloomy. Many member states think June, and perhaps even October, is too early to put a figure on the table. In capitals such as Berlin and Warsaw the view is only too commonly heard that an EU offer on numbers is 'something for the last night in Copenhagen.' The discussion on burden sharing threatens to turn into a messy and protracted, if familiar, EU row over who pays what. No leaders speak of a commitment in June that funds would be additional to existing aid targets, although that is precisely what is now needed for a breakthrough. Even the EU working group charged with preparing crucial talks by finance ministers is said to be moving at a snail's pace – held back in part by the steep learning curve faced by many finance ministry officials, who are new to climate debates.

Certainly there will be more talk at the EU's June summit – probably resulting in a 'roadmap' indicating what is yet to be decided. The danger is this might be accompanied by more detailed analysis of, but no decision on, the different mechanisms for raising money. Governance questions around which institutions should control and disburse the money may also be on the cards, but with a risk that the EU overlooks developing countries' preference for a fund under the UN, instead emphasising institutions like the World Bank, where rich countries have effective control.

The EU could do so much more, and better, than this and pick up the global leadership baton now. If the EU put forward a clear finance package by June, using public and market finance, it could create a breakthrough in the global talks, creating a dynamic of confidence and progress. This would be a substantial step forward even if it is an offer contingent on the final deal. The EU's June summit comes just ahead of the G8 and Major Economies Forum in early July, where climate finance is on the table for discussion. A finance proposal from the EU would demand a clear response from the USA and other industrialised countries there. It would also create confidence and trust among the G77. Europe's claim to leadership would then be genuine indeed.

## Political dynamics behind flagging leadership

Behind Europe's flagging leadership lies a complex pattern of political dynamics and battles within and across the member states – some specific to these climate change talks, but some strongly rooted in the EU's traditional and instinctive approach to the international negotiations.

Climate change has been pushed down the agendas of most politicians by the global economic crisis. Some leaders face the short-term challenge of fighting elections. Other member states are putting a higher, and parochial, priority on minimising their budget contributions rather than taking global leadership on climate change. Some, who should know better, are treating global talks like a 'balanced advantage' trade deal. And across almost all member states, the sound is audible of development, environment and finance ministers turf-fighting over details large and small.

And where is the Commission in all this – often the EU institution that can create a dynamic when political momentum is faltering? On climate, it has in many ways been a positive force, engaging internationally and producing important position and technical papers. Yet, these positions often get watered down, even within the Commission, before reaching Council or Parliament. In January, draft proposals from DG Environment that Europe make concrete finance commitments, additional to ODA targets, were deleted by other parts of the Commission. Now the Commission is approaching the end of its mandate and President Barroso is seeking re-election from member states. Barroso can now either show the leadership that the EU requires for the next five years by pushing forward new deals with member states, or he can play safe and watch the climate deal falter.

### Climate champions, no more: leadership vacuum at the top

A strong EU stance on all the main elements of a climate finance position can emerge if bigger member states, especially the trio of the UK, Germany and France – backed by other key supportive member states, notably the Netherlands and the Nordics – drive it forward.

Until late last year, such a scenario did not seem impossible. Europe's leaders were falling over themselves to show personal leadership. Angela Merkel was hailed as the 'climate chancellor', combining trips to Greenland with pressing the EU and G8 to agree climate protection goals, and philosophising on 'climate justice' with the Indian Prime Minister, Manmohan Singh. Gordon Brown championed the globally influential Stern Report, making the crucial economic case for climate action. And Nicolas Sarkozy drove through the EU's climate package.

Where did that visible bid for leadership go?

## Where have all the leaders gone?

In **Germany**, Angela Merkel seems to have swapped her scientific scruples and human concern for political pragmatism during the mean-spirited talks over the EU's December climate and energy package, caving in to industry scaremongering that strong rules would cost German jobs, and winning massive opt-outs for industry as a result. Germany's powerful Environment Minister, Sigmar Gabriel, may seem a champion, as he is one of few European ministers publicly to challenge the United States on the adequacy of its mid-term targets. But, high political ambitions mean he too is a pragmatist. This is clear in his recent defence of Germany's new car-scrapping scheme, a policy aimed more at pushing up car production and sales, than saving the environment.

More broadly, the deep recession and elections in September mean Germany is now playing a back-seat role in the EU climate finance debate. The short-term demands of winning public opinion through an election campaign, and uncertainty about who will be in power in the autumn, means there is little chance that Merkel and her coalition partners would back concrete figures on the table for the EU's June summit. And though Germany's elections are in late September, talks to form a new coalition mean that Germany's new government is unlikely to take office in time for the EU's October summit – which is when some, such as Sweden and the UK, think Europe may clarify belatedly its position on finance.

Whoever forms the new government, as the largest economy, Germany knows it will face one of the steepest bills. And as a big emitter, there are reservations about ideas to make countries' contributions based on a 'polluter pays' principle, which is central to many of the proposals on the table. If a Christian Democrat-Liberal coalition emerges, Germany would also be expected to press for more market-based approaches than public financing. But even if the incumbent Christian Democrat-Social Democrat grand coalition returns to power, rising unemployment and social security costs will create pressure to protect both the public and heavy industry from higher tax bills and to spend money at home, not abroad.

More positively, Germany does already set aside auction revenues from its emissions trading scheme (ETS) to support climate projects in developing countries, raising around €120m per year.<sup>10</sup> While the UK and Sweden seem violently opposed to EU ear-marking, Europe's leaders did agree a voluntary pledge last December, to use half their ETS revenues for climate projects at home and abroad. Some see an opportunity now for a revived push on auction revenues, whether at national or EU level, as a way to make Europe's declared willingness to provide funds for poor countries more credible. If Germany can rise above internal politicking – which sees development and environment ministries fighting over control of the auction proceeds – it would be well positioned to champion this in Europe, possibly backed by France

and Belgium, who have supported the idea previously.

In the UK, the Prime Minister Gordon Brown is increasingly embattled as the recession hits home and an ever-deepening political scandal over politicians' expenses is tarnishing both government and opposition. An election looms within 12 months that the polls say he will lose by a large margin. But Brown has led in the past on development and international issues, including most recently at the G20. Some argue he is ready to take a bigger interest in the climate talks – if domestic events allow it.

Meanwhile, within the UK's climate and development departments, there appears to be greater recognition that the EU should come forward with a clear finance offer sooner, not later, if it is to help catalyse the global talks in a constructive way. This would cover – if not a definitive EU contribution – certainly an assessment on the amounts needed and an indication of what the EU's fair share might be; preferred fundraising mechanisms; and the governance of finance structures. The prospect of Europe getting clearer on funding mechanisms has support elsewhere, including in France, whose nuclear-based energy sector makes it more relaxed than others about a 'polluter pays' approach to raising funds.

On governance, in particular, the UK seems more open, inching closer towards the position of developing countries, for whom questions of control over, and access to, money is crucial. While some in France support a reformed Global Environment Facility – an existing climate fund disliked by many poor countries – some in the UK acknowledge that the current climate financing architecture is complex, outdated and unfairly weighted towards rich-country control. Proposals being floated by the UK include equal representation of rich and poor countries in any new disbursement body, and a crucial oversight role for the UNFCCC. Sweden and the Netherlands are apparently warm to this approach, but the UK is not getting traction in the EU more broadly – perhaps given the cold shoulder by the Commission, which has its own blueprint for a financial architecture.

A major problem in the UK, as in most member states, is that climate and development departments are being held back by the finance ministry, which holds the purse strings. As well as indicating there should be no concrete figures on costs or commitments until October or beyond, the UK finance ministry appears reluctant to take positions on other aspects of the finance package.

The frequent line from finance ministries, in the UK and elsewhere in the EU, is that any commitment on finance now would be 'tactically naïve'. It would upset other industrialised countries, they all say, with whom the EU needs to coordinate globally first – particularly the USA, which is open to giving money for adaptation and forests, but hostile on mitigation finance for its perceived competitor China, and a legendary sceptic on channelling funds via the UN. Plus, it is argued that an offer now would mean developing countries just ask for more money later – and anyway these countries, the argument goes on, need

to be much clearer about how any money would be spent. Progress in talks, for many in Europe, means emerging economies making binding commitments to 'low-carbon strategies', before any money is offered by the EU, even contingently. Other excuses are that an EU offer is not central to a global deal – it is all about China and the USA now – and that more technical work on costings is needed.

These arguments are repeated with numbing predictability across Europe's capitals. Certainly **France** shows no signs yet of being more forward-thinking. Indeed, compared with its EU Presidency last year, when President Sarkozy drove through Europe's Climate and Energy Package, France has remained uncharacteristically quiet on finance issues. Some talk in Paris on the one hand of France wanting to play a leadership role, and on the other hand repeating the line that there is 'no point' to the EU agreeing figures until China and the USA make commitments. Apparently they are unaware of the deep contradiction in these two positions.

### Protecting and promoting EU competitiveness

While the financial crisis has undoubtedly sapped political will for commitments on climate finance, it is also being used as a cover for more traditional economic interests. Put simply, the big political fight looming on mitigation finance is because the EU – like other rich countries – does not want to pay China or India to be competitive in production of green technologies, losing EU businesses potentially lucrative markets, or even putting European companies at a competitive disadvantage.

Instead, Europe wants something for its money, demanding emerging economies make commitments on mitigation before the EU puts any money on the table, and even looking for ways to create new markets for European firms from green technology. As such, they are keener to talk more about 'enabling environments' – market liberalisation and protection for intellectual property rights – than the actual sharing of money and technology.

Many governments, like those of Sweden, Italy and Spain, appear to view the finance debate myopically – and mistakenly – through the lens of carbon markets. This is driven by their polluting industries, which want to avoid the costs of making cuts at home by buying in more cheap offsets. Spain, for example, is struggling to meet its Kyoto targets. This excessive focus on carbon markets is blurring the line between financial flows to help *developing countries* lower their emissions – the proper focus of a mitigation finance debate – and buying in offsets to help the *EU* meet its targets. This is a point understood by experts, but often not by politicians or finance officials.

### Can't pay, won't pay: enter Poland and Italy

If leadership is flagging in the big, old member states, it seems almost entirely absent from Italy and Poland. With limited political and media concern on climate change in both countries (and particularly in Poland

limited public concern too), they represent a real threat to the EU taking more leadership – as well as being a convenient excuse for others to hide behind.

**Italy** threatened to veto the climate and energy package last December, largely as a result of its influential business lobby, focused on short-term interests, not climate change challenges. It is proving similarly obstructive on finance for poor countries, as might be expected from a country which was cutting already dismally low development aid even before the recession took hold. **Poland**, meanwhile, is determined to see any contribution it ends up paying limited to an amount several times below that which any reckoning of its responsibility and capability, in terms of historic emissions and GDP per head, would indicate.

Of the two, Italy's stance is potentially more dangerous. While Poland will get backing from other central and eastern Europeans, it should be easier to strike a compromise with Poland than with Italy. This is for the simple reason that Poland's GDP is smaller, and any amounts richer member states pick up instead of Poland to get a deal are relatively small. More crudely put, at a stretch, and after a row, richer member states might buy off Poland to get a deal. They will not buy off Italy: if Italy does not come on board, there will be no EU climate finance offer at all.

**Italy's** strategy in finance discussions so far is essentially to oppose everything. For instance, in the run-up to a crucial meeting of EU Environment ministers in March, Italy sought to remove references to adaptation and mitigation costs, finance mechanisms, and governance from the draft Conclusions. With its finance and Europe ministers resistant to pressure, and a senate still questioning whether climate change exists and is caused by humans and will have negative impacts, campaigners see the only hope of a shift lying with Berlusconi himself. Berlusconi and his party, by showing leadership and a long term economic vision, have the potential to provide a major contribution in reaching a fair deal that will reduce effectively negative climate change impacts.

Italy's Presidency of the G8 may help here. The meeting in July – immediately followed by one of the Major Economies Forum – is seen as another potentially vital political moment for richer countries to breathe life into the global climate talks. Although Italy politically is not pushing for an ambitious outcome on climate, Berlusconi will at least want the G8 meetings to be seen as a success. Berlusconi can make a difference. Positive appeals from Merkel, Sarkozy or Brown, or soft influencing – as with UK's Prince Charles's efforts to interest Berlusconi in forest funds during the G20 – might also work.

**Poland**, meanwhile, is causing a major EU headache. Backed by some other central and eastern European countries, Warsaw is threatening to block any EU offer on finance until countries agree first on how that EU contribution would be carved up internally.

Poland's over-riding aim is not to pay anything close to the amount it would have to if the size of its emissions (mainly from its old coal power stations providing over 90 per cent of Poland's electricity) were taken into account. So a variety of ideas are being floated – from limiting contributions to member states' relative share of EU GDP or linking levels to ODA commitments, which for Poland and other central and eastern European countries results in a lower share of the burden. Officials in other countries suggest that if Poland won this one, they might pay only about one tenth of what their contribution would be under the so-called 'Norwegian proposal' (which would raise revenues by auctioning a percentage of countries' emissions rights).

If it does not get its way, Poland says that the current 'non-Annex 2' status of new Member States in the Convention, which means they have no formal obligations to provide climate finance for poor countries under the UNFCCC, must be preserved. Poland's approach has raised hackles in richer EU member states, not least Germany, France and Sweden. The Swedes want to resolve this through agreeing general principles, rather than fixed amounts or criteria, which they fear would lead to protracted in-fighting and little room for manoeuvre later on.

This is shaping up to be a classic EU budget row, which is the last thing that is needed if the EU is to make its way, however haltingly, towards bold leadership and a powerful EU negotiating position for Copenhagen. But a stable Polish government enjoys strong approval at home for defending Poland's interests against the 'threat' of EU climate policy. The Polish argument is that Poland remains a poor country and should not have to pay for climate change (especially when some very rich countries, like Saudi Arabia, are exempt under Convention) – ignoring the fact that Poland is much wealthier than the developing countries that are most heavily hit by climate change. Its coal industry is not only a bastion of Poland's trade unions, so vital to national and cultural identity, but also as one of the remaining big public industries with the chances for political involvement that may offer, it represents a very strong special interest lobby. Nor is Poland in any rush to shift from coal to alternative energy supplies – frosty relations with Russia do not encourage any move to gas, for instance: short term geopolitics win out over the urgency of climate change needs. With industry power entrenched, green activists largely sidelined, the Catholic Church not yet engaged, and no tradition of development aid, there is little demand within Poland on the government to lift its eyes to the global dimension. In Poland, 'solidarity' stays firmly at home.

### **'Winners' lose all: climate is not a trade negotiation**

In all this, there is little emphasis on Europe's historic responsibility for cumulative emissions, nor of its greater wealth. Instead, a 'you first' approach, dominated by competitiveness concerns, suggests Europe is approaching climate talks exactly as it would a trade negotiation.

This is a recipe for climate disaster. The EU typically runs a trade negotiation as a very tough bargainer, looking after a myriad of

national and sectoral lobbies and ready to do no deal, or a poor deal, rather than go against the wishes of its domestic interest groups. Minimalist, incremental offers and counter offers are made, based on what is considered economically and politically affordable – as developing countries know through bitter experience in the recent WTO negotiations.

This slow, Machiavellian-style brinkmanship may be rational when players have the luxury of time and the comfort that their mistakes can be corrected and their tactics do not risk an irreversible global catastrophe. But it is wholly inappropriate for climate change, which is a global emergency – potentially irreversible – requiring urgent and decisive action today. A climate deal defined by the narrow short-term special interests of EU domestic lobbies will be a disaster not only for the world's poor people, but also for Europe, just as the Common Agricultural Policy has been. The EU cannot make the same mistake again – especially not this time when the stakes are so much higher. Its leadership must flow from evidence-based policymaking and accountability to its citizens.

Appeasement of special interests, trade-style negotiation tactics and shoddy compromises will not deliver a fair or adequate deal that prevents runaway global warming and is acceptable to poor countries. Nor will it produce the pace, political will, and cumulative deals that have to start soon if Copenhagen is to succeed. Ambitious unilateralism, which motivates the highest response from others, is the only way to break the stalemate and avoid climate disaster.

### **Taking a step forward**

In all this, there seems to be a dearth of innovative political or technical thinking on alternative offers Europe could make to overcome the stalemate in talks. Yet there is much the EU can do, and do now. As well as seriously moving forward on funding sources and governance, Europe could make a contingent financing commitment now. Another possibility could be to split its funding offer, perhaps moving now on adaptation funding and later on the more politically difficult, mitigation funding.

At a political level, adaptation finance and the concerns of the poorest countries, seem to be viewed as a mere side show to the more 'important' issue of mitigation – seen in particular as a threat to EU competitiveness. Yet, for vulnerable developing countries, adaptation finance is needed now: their plans show at least €1.5bn (US\$2bn) is required for urgent adaptation measures.<sup>11</sup> And all developing countries are clear that climate finance should be additional to existing aid commitments to increase ODA to 0.7 per cent of GNI and achieve the Millennium Development Goals by 2015.

Concerns about recession mean most EU governments are either opposing or evading calls to make climate funding additional to ODA targets. Germany appears to see climate funding as part of the 0.7 per cent targets – citing tricky, but eminently soluble, questions about how

'adaptation' and 'development' can be separated for accounting purposes – even though doing so would divert development money needed to meet the Millennium Development Goals. Similarly, the UK raises concerns that adaptation and development interventions will be largely indistinguishable – but while it certainly makes sense to deliver adaptation and development together, it does not follow therefore that commitments for one cannot be additional to the other. Adaptation, even to already existing impacts of climate change, will make development much more expensive and cost the poorest countries money they don't have. For richer countries to suggest that they can rob development funds to pay for climate adaptation is at best cynical and at worst will, quite literally, cost lives in developing countries. Meanwhile, proposals made by the Commission in January to frontload adaptation funds before 2013 were rejected outright by member states.

Many can be heard to argue that neither adaptation finance, nor most of the developing countries, are central to a deal. This too is cynical – the political dynamism and goodwill in talks that could be generated from a serious and early EU offer cannot be underestimated. And if an early offer on adaptation is the easiest for the EU to reach, not to do so by declaring it ineffective in advance is the politics of defeatism.

### A smaller few could kick-start the EU engine

Sweden will hold the EU presidency for the second half of 2009, while its EU neighbour Denmark will host the Copenhagen talks in December. Is there a chance that, together with countries like the Netherlands, Belgium, Slovenia and Ireland, the EU could be forced, if not in June then soon after, towards leadership again? While there is still hope, the signs are not encouraging. All can claim some progressive credentials, but these countries are either not driving the agenda strongly enough – or lack support from others to do so.

For **Sweden** and **Denmark**, a successful Copenhagen deal is a priority, and both countries express concern that the EU must move forward on finance. Yet, rather than actively championing the cause, both seem to view their role more as 'neutral moderators' and are reluctant to take a firm stand on key issues. This is particularly a concern in Sweden's case, given its role as EU President from July. After a weak Czech Presidency, there is great expectation for Sweden to both deliver and lead, with the support of other ambitious Member States.

Despite Sweden's reputation as a climate leader, it is not forthcoming on the timing of a firm figure, and many in Sweden also follow the line that the EU should not show its hand too early. Also, on the crucial question of additionality to ODA, Sweden has remained in the shadows. Tepid assurances that Sweden will 'try' to pursue additionality with EU partners are made even less convincing when the view is added that anyway an EU position is 'unlikely'. The explanation may partly lie in Sweden's centre-right government, which took office two years ago. A proselytiser for offsets, the government prefers market solutions, which are cheaper for government and industry, over public financing.

There is room for optimism. Some in Stockholm insist that the EU must be ready to offer 'something' on finance soon, not least so they escape any nasty surprises when negotiating on Europe's behalf in Copenhagen. In May, an International Commission established by the Swedish government took the lead by making a clear call for \$2bn to be immediately allocated to respond to the most urgent adaptation needs of poor countries, and underlining that this money must be additional to existing ODA commitments. Once at the EU helm, the Swedish government will be responsible for converting this rhetoric into clear European commitments.

**The Netherlands**, backed by **Denmark** and sometimes by **Belgium**, is perhaps *the* progressive voice on finance for poor countries. It was the Netherlands, pushed by its own parliament, that led a successful effort in March to get the EU to promise it would clarify its finance offer 'well in advance of Copenhagen'. Working with Denmark, they also secured references that resources would be 'new and additional'. This is a step forward, but as some in the Netherlands themselves worry, such meek wording is being interpreted liberally by other countries – i.e. as additional just to existing aid spending, not the 0.7 per cent target. And herein lies the Netherlands' problem: as a small country, without the backing of powerful allies, it struggles to push this agenda and to build a coalition.

## Will the EU please stand up?

The middle of 2009 is a real moment of opportunity. We still have the time to stop runaway climate change and protect all those vulnerable against the most damaging impacts of climate change that we could face. But it is a moment that will pass if politicians around the world do not grasp it soon. The world – and the poorest countries and people – need a climate deal. And they need real progress towards that deal now. What it takes is political leadership.

But even with America's welcome return from the cold, talks are moving at a glacial pace. Europe is crucial to a successful deal but, at this vital moment, it has all but abdicated any ambition to leadership in favour of its special interests and complacency. Torn by disputes within and between member states, and distracted by the economic crisis and elections, the EU seems to be getting stuck on its two worst tracks: internal budget rows, combined with crude, trade-style negotiation tactics, which leave science and morality on the door step.

The EU can and must overcome this and put climate back at the top of its agenda. Its slow, technical talks must be kicked into top gear, political leaders must engage, and the EU must start to unfold a serious set of negotiating positions. Rather than convincing themselves of their own irrelevance to whatever the USA and China propose – an all-too-convenient cover for inaction – the EU's heads of government must become real leaders. The June Summit is a major opportunity to do this. This does not have to mean an open-ended, unconditional finance

offer. At its June EU summit, the EU's leaders must face up to the political challenge of the climate change talks and grasp the moment. At the June summit, the EU must:

- **Put forward a clear, specific figure** on the adaptation and mitigation finance that developed countries should provide to developing countries as part of a deal at Copenhagen (i.e. a figure contingent on a deal). This would likely have to be of the order of at least €110bn annually.<sup>12</sup> If this is too difficult, it can at least move forwards by specifying a total figure on adaptation finance. This would need to be at least €40bn annually;<sup>13</sup>
- Commit to providing Europe's '**fair share**' of this figure – Oxfam estimates this to be about one-third, based on responsibility and capability, conditional upon others also providing their fair share;
- Commit to making its adaptation and mitigation finance offer genuinely **additional** to ODA targets and existing funding;
- Specify the **mechanisms** it supports for raising funds, which could include a more binding commitment to ETS auction revenues;
- Make substantial **adaptation funds** immediately available for use pre-2012 – Least Developed Countries are currently calling for \$2bn to be provided for urgent adaptation needs. This would be a political move, to show the EU recognises the impacts climate change has already had and the richer countries' responsibility for this, and build up much needed trust with developing countries;
- Set out a clear position on **governance of climate change finance**, which must include support for a reformed system, and which moves away from donor-recipient mindsets and has the UN, and equal representation for developing countries, at its heart.

Agreeing all these is vital to inject good will, trust and political momentum ahead of the G8 and Major Economies Forum. There *is* enough technical knowledge; it is political will and leadership that is lacking. Europe has a historic opportunity to steer the world from its current collision course with climate catastrophe. It must grasp this if it is to be the global, value-driven, leader it says it seeks to be.

To steel their resolve, EU politicians and leaders should look to another set of crucial climate talks, held in April this year. These did not take place in a conference centre. No hotels were booked out. The international press were not there. By the side of the mighty Meghna River in Bangladesh, 2,500 farmers and families gathered to give their personal testimonies on how climate change is affecting them. Many had lost their homes and livelihoods as river erosion has taken hold.

Instead of clenching their fists and saying 'we want something for our money', Europe's political leaders would do better to ask themselves, 'what has our pollution *already* taken from others, and what do we now owe?' Instead of shrugging their shoulders and saying, 'it's not our turn', they should consider 'who has more negotiating room, wealthy Europe or the world's poorest citizens?'

Europe, it is time to stand up and lead. Here and now.

# Notes

- <sup>1</sup> Oxfam International (2009) *The Right to Survive: The humanitarian challenge in the twenty-first century*, Oxford: Oxfam International.  
<http://www.oxfam.org.uk/resources/papers/right-to-survive.html>
- <sup>2</sup> This briefing note focuses in on EU politics. This is not to detract either attention or responsibility from other key global actors who could, and must, do more to energise climate talks and move up several gears – not least, the USA.
- <sup>3</sup> 'Europe clinches deal to battle climate change', Reuters. 12 December, 2008:  
<http://www.reuters.com/article/environmentNews/idUSTRE4BB36720081212>
- <sup>4</sup> Informal Environment Ministers Meeting, Press Conference, 15 April 2009.  
<http://www.eu2009.cz/en/news-and-documents/news/eu-environment-ministers-discussed-the-way-to-copenhagen-in-prague-17176/>
- <sup>5</sup> 'EU pressures developing nations to cut emissions', *Euractiv*. 29 January 2009,  
<http://www.euractiv.com/en/climate-change/eu-pressures-developing-nations-cut-emissions/article-178927>
- <sup>6</sup> Oxfam International (2008) 'Climate, Poverty, and Justice: What the Poznań UN climate conference needs to deliver for a fair and effective global climate regime', pages 6–7.  
[http://www.oxfam.org.uk/resources/policy/climate\\_change/bp124\\_climate\\_poznan.html](http://www.oxfam.org.uk/resources/policy/climate_change/bp124_climate_poznan.html)
- <sup>7</sup> The Intergovernmental Panel on Climate Change has identified that in order to keep warming between 2.0 and 2.4°C, Annex 1 countries must reduce their emissions by between 25 and 40 per cent below 1990 levels by 2020. If we were to keep warming as far below 2°C as possible, it follows that Annex 1 countries must adopt the most stringent target assessed by the IPCC – at the very least. See Intergovernmental Panel on Climate Change, Fourth Assessment Report, Contribution of Working Group III. 2008.
- <sup>8</sup> *The Right to Survive, op. cit.*
- <sup>9</sup> The Norwegian proposal would raise finance via the auctioning of a set-aside proportion of assigned amount units (AAUs) under a post-Kyoto framework. The Mexican proposal would raise finance by national level contributions to a global fund based on an agreed set of effort-sharing criteria. Other ideas include instruments to raise money from aviation and maritime sectors, or other options such as using auction revenues for Europe's Emissions Trading Scheme (ETS)
- <sup>10</sup> The International Climate Protection Initiative raises about €120m annually from ETS auction revenues for spending on clean energy and adaptation in developing countries. See for example EDC2020 Working Paper No.3, January 2009, *Climate change challenges for EU development co-operation: emerging issues*, Bonn: European Association of Development Research and Training Institutes.
- <sup>11</sup> At the first UNFCCC Intersessional in Bonn this year, nearly 50 of the World's least developed countries called on rich countries to pledge \$2bn over five years to the LDC Fund to help them carry out urgent actions identified in their national adaptation programmes of action. See  
<http://enviroconserve.org/article.php?Article=66&Topic=3&Subtopic=1&Mag=2>
- <sup>12</sup> This consists of approximately €40bn for adaptation and €71bn for mitigation. Oxfam has estimated the costs of adaptation in developing countries to be at least \$50bn (approximately €40bn) per year. See Oxfam International (2007) 'Adapting to climate change: What's needed in poor countries, and who should pay'. The European Commission has estimated the incremental annual costs in developing countries in 2020 of achieving an emissions pathway consistent with keeping global warming below 2 degrees centigrade to be approximately €48bn for energy and industry (making no assumptions about how developed countries meet their own targets through carbon credits, nor about the extent to which any rents from carbon markets are captured by developing economies), €18bn for reducing emissions from deforestation and €5bn for reducing emissions from agriculture – totalling €71bn per year by 2020. See 'Towards a comprehensive climate change agreement in Copenhagen: Extensive background information and analysis Part 1', Commission staff working document accompanying the communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Brussels: Commission of the European Communities, 28 January 2009.
- <sup>13</sup> *Adapting to climate change, op. cit.*

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This briefing note has benefited from many background discussions across different EU member states and in Brussels with politicians, officials, NGOs, academics and others. We are grateful to all those who gave us their time – the views expressed here are solely the responsibility of Oxfam International

This paper was written by Sarah Best and Kirsty Hughes. Oxfam acknowledges the assistance of Robert Bailey in its production. It is part of a series of papers written to inform public debate on development and humanitarian policy issues.

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The information in this publication is correct at the time of going to press.



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