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Prospects for Africa – Europe's Policies
The EU Presidency Project of VENRO

The 2 degree challenge and a "New Global Deal" for energy policy.

What role for multilateral banks and the EU?

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Responsible:
Jürgen Maier

Author:
Germana Canzi[1]

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Monika Brinkmöller

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The German NGO Forum on Environment and Development was founded 1992 after the UN Conference on Environment and Development. It coordinates activities of German NGOs in international policy processes on sustainable development. Legal representative is the German League for Nature and Environment, umbrella organization of German conservation and environmental protection associations (DNR) e.V.

[1] Germana is an independent journalist and energy policy analyst. Contact details available on http://web.mac.com/gcanzi. This paper is based on a literature review, an analysis of multilateral bank papers, and conversations with a variety of experts in global energy issues.

Executive summary

The European Union is formally committed to keeping global climate change below a 2 degree Celsius increase over preindustrial temperatures. Around the world, a variety of governments and stakeholders are now arguing that this needs to become a global goal. A crucial step forward on this was taken in Gleneagles in 2005, when G8 and other participating countries asked the World Bank and other multilateral development banks to work on a Clean Energy and Development Investment Framework (referred to here as CEIF).

The World Bank was the first to prepare report on energy, climate change and poverty reduction. Other banks are also working on their CEIFs. For example, the African Development Bank has now started revising its energy sector policy to increase renewable energy and energy efficiency funding, to develop adaptation screening tools and national adaptation programmes of action for African countries. The Asian Development Bank has been working on a parallel review of transport policy in Asia. Its own research recognises that the bank has given only limited attention to climate change impacts of its transport investments, and that a major "paradigm shift" is needed.

A variety of civil society groups have been very critical of the work done so far. Many have made suggestions on how it could be improved in order to help achieve a 2 degree goal. This paper finds that the CEIF process so far has undoubtedly led to some useful change in language from the leaders of the multilateral banks. However, this rhetoric has not necessarily been matched with sufficiently fast changes in the way these institutions work on energy. In particular, there appears to be no sign of any willingness to match the promised increase in renewable and efficiency lending with a parallel gradual reduction in fossil fuel lending. In some cases, the opposite seems to be happening.

German think tank WBGU recommends measures that could help create a turnaround in the global energy system in order to achieve the 2 degree target. In order to do this, the WBGU says G8 countries need to put in place a variety of measures, including promoting decarbonisation partnerships with newly industrialised countries, the creation of national road maps for emission reductions, agreements for technology transfer, etc. The organisation also says the G8 should promote micro-credits for small-scale investments, e.g. to promote energy efficiency in the developing world.

The WBGU also suggested a series of steps for the European Union. The launch of the Energy Policy for Europe earlier in 2007 – setting targets for emissions reductions of 20-30% by 2020 and ambitious targets for renewables and efficiency – was a major milestone. But to what extent the EU is "putting its money where its mouth is" remains to be seen. There is a need for comprehensive analysis of where precisely Europe is spending its money on climate, energy and adaptation, particularly in third countries.

One related issue is whether or not the European Investment Bank's policies are starting to reflect the EU's new energy priorities, such as its ambitious renewable energy and energy efficiency targets. Many say this is not the case – or at least not yet. The European Bank for Reconstruction and Development could also play a major role, but needs to do far more to play its part in keeping the world below 2°C and has been repeatedly criticised for not doing enough.

There is a huge potential to revise The EU's policies in many more areas, such as the way it spends its Budget, and the EU's imminent spending review can be an important chance to have a debate on where taxpayers' money should really go in the light of 21st century climate security concerns.

Many observers also believe the EU should improve its efforts to achieve its climate goals through external cooperation. It has already put in place agreements with a variety of countries and groups of countries, such as Russia, China, Latin America, OPEC, ACP countries and India. Again, the EIB has a role to play here. The bank says it is working in partnership with the EU through a new Trust Fund to promote sustainable energy solutions for Africa. The bank also

has a set of other instruments for Greenhouse gas mitigation including a 1 billion Euro financing facility. It has also started working on adaptation screening tools.

However, a closer look at the figures reveals that "not all that shines is gold". The EIB has in fact been harshly criticised over the years by many environmental and development organisations.

Meanwhile, the EU has launched another initiative, which many see as an important first step. In October 2006 the EU Commission said it would create a € 100 million global risk capital fund for developing countries to help mobilise private investment in energy efficiency and renewables in developing countries and countries in transition. The Global Energy Efficiency and Renewable Energy Fund would be kick–started with a Commission contribution of up to € 80 million into in 2007-2010.

Some say that one of the most effective things Europe could do in order to make sure its stated EU policies are translated into real-life infrastructure changes would be to work in a more coordinated way at institutions like the World Bank. Surprisingly enough, coordination of EU member states at this level is at an embryonic stage.

As for adaptation efforts, many observers argue that current measures are absolutely insufficient. It says the EU should advocate the creation of an international "lighthouse project" to develop new global mechanisms for generating funding to compensate for climate damages and to fund adaptation. It is likely to require thousands of billions of Euros in accumulated payments by the end of the century.

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1.0 – The G8 and Clean Energy Investment Frameworks (CEIF)

The European Union is formally committed to keeping global climate change below a 2 degree Celsius increase over preindustrial temperatures. Around the world, a variety of governments and stakeholders are now arguing that this needs to become a global goal.

One key process to create a global energy policy started at the Gleneagles G8 summit in 2005. This process was not driven, at the time, by explicit calls to stay below 2 degrees but was rather more influenced by concerns about energy security. However, what is happening in this context, as we will see, is extremely crucial in order to have a reasonable change of achieving a 2 degree goal.

In Gleneagles, participating countries asked the World Bank and other multilateral development banks to work on a Clean Energy and Development Investment Framework (CEIF). The World Bank was the first to prepare report on energy, climate change and poverty reduction[2]) which was discussed at its Spring Meeting in April 2006. An updated version of this paper – including a progress report – was prepared for the Annual Meeting in Singapore in September 2006[3] . The proposed CEIF is divided into three pillars:

Pillar 1: energy access for poor people, energy as poverty reduction.
Pillar 2 : cost–effective transition to a low carbon economy.
Pillar 3: resilience to climate variability and change, especially for vulnerable poor.

The Bank has carried out an analysis of the available financial instruments to achieve these goals. Existing financial instruments used by multilateral banks are considered sufficient in theory to achieve Pillar 1. However, there is a need for energy sector reform[4] to attract public and private investment in electricity generation, and an increase in grants and concessional funding to increase access to energy for the poor. The Bank is also discussing the possibility of stepping up its International Development Assistance funding and scaling up analytical work. It is planning to select 6 policy–sound countries in Sub Saharan Africa, and prepare specific projects.

The World Bank says existing financial instruments are not sufficient to achieve Pillar 2 and that there is a need for new financial mechanisms to bring costs down and reduce risks. The scale of the Global Environment Facility (GEF) is considered too small and its funds would have to be increased on a scale of 10 to 100; lack of post 2012 framework is clearly also an issue. The best hope is placed on development of carbon market, with a recognition of the need to establish a 2050 target with intermediate ones and differentiated responsibilities.

The World Bank has proposed to set up two new financial instruments. These include the

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2 "Clean energy and development. Towards an investment framework," 5 April 2006. The report can be accessed here: http://siteresour ces.worldbank.org/DEVCOMMINT/Documentation/20890696/DC2006-0002(E)-CleanEnergy.pdf

3 "An investment framework for clean energy and development: a progress report," September 2006. The report can be accessed here: http://sitere sources.worldbank.org/DEVCOMMINT/Documentation/21046509/DC2006-0012(E)-CleanEnergy.pdf

4 according to what can be inferred from the World Bank's document, this is mainly relating to the rule of law and property rights, while transparency and disclosure are also mentioned elsewhere – but may also entail other reforms that may be controversial, such as privatisation and market liberalisation (although these are not specifically mentioned). The World Bank progress report says (p.5) that private sector participation is no panacea if badly managed, mentioning negative experience in the Dominican Republic and Georgia in the 1990s.

Clean Energy Financing Vehicle and the Clean Energy Support Fund[5]. The Bank also says it will work to refine existing instruments, including enhancing products currently offered by the World Bank's carbon business, and the introduction of Multilateral Investment Guarantee Agency (MIGA) insurance for Carbon Emission Reductions (CER)-based project finance.

As for Pillar 3, the Bank says adequate instruments exists, but this part of the project needs much more funding. The report recognizes that 20% to 40% of Official Development Assistance and public concessional finance is subject to climate risk and that only a small portion takes this risk into account in project planning. It says major changes are needed to establish "climate proof investments".

Other banks[6] are also working on their CEIF, in parallel to the World Bank. They are trying to coordinate their work better, and to share expertise. The initial results of this work was presented at a major conference in London in mid-March 2007, in a background report which will be referred to here as the MDB paper. The findings and recommendations of the working groups formed at this conference – and which will continue working over the coming months – will be presented at the ministerial meeting in Germany in September 2007 and at a finance ministers event concurrent with the World Bank annual meeting in October 2007.

The MDB paper states that private investment flows will account for an increasing share of financing in all areas of the CEIF. The main role for MDB is to provide policy dialogue and institutional development, risk mitigation and financing, carbon finance and supporting innovation.

The **African Development Bank's** (AfDB) energy work has traditionally focused on promoting energy infrastructure in Africa, to create regional markets by building interconnection and transmission lines. The AfDB has now started revising its energy sector policy to increase work on renewable energy and energy efficiency, which the MDB paper recognises has been very limited so far[7]. The AfDB is also working on developing adaptation screening tools with the World Bank and national adaptation programmes of action for African countries. Also with the World Bank, the AfDB is working on an Africa Energy Action Plan. It is also working with the Netherlands to help achieve a goal of connecting 10 million people to electricity by 2015. It is working with the German government on a plan to support biofuels development, and with UN agencies to develop access to CDM finance. An internal task force is currently reviewing the latest CEIF for the bank.

The **Asian Development Bank** (ADB) has been working on a parallel review of transport policy in Asia. It aims to share the expertise it is developing on sustainable transport with other banks. In June 2006 it issued a paper called "Energy efficiency and climate change considerations for on-road transport in Asia"[8]. The paper recognises that an analysis of ADB lending over the years 2000–2005 to the transport sector ($11 billion) shows the bank gave limited attention to climate change impacts of transport. It says that a major "paradigm shift" is needed. The paper suggests that four complementary approaches should be followed: improving the efficiency of vehicles, promoting a modal shift, promoting urban design that reduces the need for travel and changing to fuels with lower emissions.

The bank is working on a Sustainable Transport Initiative, as well as a Carbon Market Initiative and an "Energy for All" strategy over the next 2 years. The 40th annual meeting of the ADB was be held in May 2007 in Kyoto, Japan. Despite some useful commitments to invest more in clean energy, the meeting disappointed environmental campaigners, who

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5 The CEFV would have an initial capitalization of $10 billion, with annual disbursements of up to $2 billion. Its function is to assist in scaling up and commercialising low carbon technologies; buy down their incremental costs; mitigate technology risks and stimulate continuity in the carbon market. The CESF would be more of a subsidy mechanism for specific projects, that would be therefore made financially viable and would generate carbon credits to be pledged to the CESF.

6 The information on these banks' activities is drawn from the World Bank paper, from the banks' websites, and from what is referred to here as the "MDB Paper": "Multilateral Development Banks – Clean Energy Investment Framework. Acting on the G8 Gleneagles Climate Change Agenda," March 2007. This was prepared by MDBs as a background briefing for the EBRD conference on "Financing Clean Energy: building public and private partnerships to address climate change", held in London on 13-24 March 2007.

7 In 2005, the bank approved one project classed as renewable energy, and one project classed as efficiency, for a total of $380 million.

8 http://www.adb.org/Documents/Papers/Energy-Efficiency-Transport/default.asp

accused the bank of not recognising that coal investments need to be phased out[9].

The **Inter-American Development Bank** (IADB) has been focusing most of its CEDIF work on biofuels. The bank has developed a Sustainable energy and climate change initiative which was approved by its policy and evaluation committee of the board of director on 1 March 2007.

The European Investment Bank and the European Bank for Reconstruction and Development's CEIFs are covered below, in a separate section on Europe.

1.1 – Can the CEIF deliver?

The CEIF process so far has led to some useful change in language from the leaders of the MDBs. For example, the World Bank states it wants to increase poor people's access to energy from 23% today to 47% by 2030 and has identified the need for concessional support to double to $4 billion a year. All MDB CEIF reports recognise that without appropriate policy changes and instruments, developing countries will follow a carbon intensive path. They suggest that to decarbonise power production in developing countries incremental investments of up to $30 billion per year would be required – and start to identify ways in which this capital could be mobilised.

An important barrier for uptake of renewables in developing countries has been the lack of financing, which as these technologies can be highly capital intensive and compete with conventional projects which can have a lower capital cost[10]. The CEIF recognises the financing gap and attempts to provide some solutions – whether these are sufficient and adequate is obviously a matter for discussion.

The World Bank recognises the option to promote mini-grid and off-grid supply in developing countries, although it appears to consider this viable only for rural communities and not for urban areas. It recognises the need to a avoid the annual death toll caused by indoor pollution based on biomass burning in inefficient stoves, and suggests some solutions.

The MDBs recognise the huge potential for energy efficiency. The World Bank reports recognise that primary energy use in developing countries can be cut by 30-50%, and that the cost of doing this is a fraction of that needed to increase supply. It says that by 2015 half of China's urban, residential and commercial buildings would have been built since 2000 and this stock would remain in use for 50 to 100 years. The World Bank also suggests that recent advances in lighting systems, including super-efficient light emitting diodes (LEDs) can offer a solution to provide modern lighting systems that poor people can afford. For example, replacing 600,000 bulbs in Uganda with more efficient Compact Fluorescent Lightbulbs would reduce demand by 25-30 Megawatts (MW) in a system where estimated peak demand is 350 MW[11]. Stakeholders, especially those representing civil society, should now be given the opportunity to come forward with specific ideas on what precisely should be done about these issues.

The recognition in Pillar 3 that multilateral banks and other financial institutions have a major role to play to ensure that public and private investments in developing countries become more climate resilient is new, and is potentially very useful.

However, the CEIF rhetoric has not necessarily been matched with sufficiently fast changes in the way these institutions work on energy. The president of the European Bank for Reconstruction and Development (EBRD) Jean Lemierre conceded at the London MDB conference in March 2007 that "if we are in the current situation it's because we haven't done enough in the past. We still have a lot to learn…But the speed is not there yet."

Many observers feel that there are also other areas for concern. For example, there is a danger that energy efficiency work will focus on technologies such "clean coal" (a technology mentioned in the MDB report, in the EBRD section) that bankers are more familiar with, rather than demand side efficiency which has traditionally been more marginal in their work. There is also a major risk that mega pilot projects, biofuels and even nuclear in some cases may distract from more simple, decentralised energy, renewables and demand side energy efficiency. Energy efficiency in

[9] Greenpeace was present at the meeting. The organisation's statement on the outcome of the meeting can be found here: http://www. greenpeace.org /seasia/en/press/releases/adb-and-japan-dishonor-kyoto

[10] E.Usher, M. Touhami, "Engaging the banks. Financing small scale renewables in the developing world," Renewable Energy World, May–June 2006.

[11] World Bank progress report, page 12.

some banking circles appears mainly to mean supply side efficiency measures, including coal plant refurbishment, rather than demand side measures.

1.2 – Criticism from some NGOs

Various NGOs have been arguing that multilateral banks do not have a good track record of transparency, and may allegedly be using misleading or unverified numbers to prove they are investing more resources in renewables and efficiency. In particular, there appears to be no sign of any willingness to match an increase in renewable and efficiency lending with a reduction in fossil fuel lending. The opposite seems to be happening. In a very recent analysis of the World Bank's data for its lending in 2006, the Washington-based Bank Information Center showed lending to the fossil fuel industry rose by a whopping 93% in 2006, compared with an increase of only 46% in lending for renewable energy and conservation projects.[12]

The focus on transport and the build environment also appears to be very weak, also given the fact a lot of hope is pinned on the carbon market which does not normally invest in these sectors. There is hardly any mention of problems that may be associated with aviation emissions.

A variety of civil society groups, including the Bretton Woods project, CEE Bankwatch and Friends of the Earth International issued a report in reaction to the CEIF[13]. This report presents a scathing critique of the work done so far, mainly based on the first two World Bank documents. In particular, it focuses on the following issues:

- The World Bank continues to invest $2 to $3 billion a year in greenhouse gas-producing energy projects
- Financing for renewable energy projects made up less than 5 percent of the Bank's overall energy financing in fiscal year 2005
- The World Bank has broken many promises over the past 15 years to "green" its energy lending and the new framework is unlikely to lead to any change
- The April 2006 version of the CEIF is based on scenarios for global greenhouse gas emissions at levels that would allow "dangerous climate change" as defined by the Intergovernmental Panel on Climate Change
- The CEIF promotes additional funding for controversial energy technologies such as CCS, and large hydro projects.
- The CEIF does not catalyse the necessary massive shift to renewable energy technologies that could create the double dividend of environmental benefits and poverty reduction
- The World Bank's record as an emission credit broker is poor
- The World Bank's lack of transparency in decision-making procedures and the fact that voting power at the World Bank is dominated by Northern countries make it an inappropriate institution to devise global strategies to combat climate change.

The report's suggestions are that:

- Public funding flowing from North to South must be redirected away from fossil fuel extraction (these subsidies should stop), towards renewable energy and energy efficiency and meeting the basic energy needs of the poor.
- This should happen "via an appropriate multilateral framework or agency" such as the United Nations rather than the World Bank
- Efforts to meet the basic energy needs of the poor should be stepped up.

On March 5 2007, around sixty organisations from 16 countries across Europe launched a campaign urging European governments to demand an end to World Bank spending on fossil fuels and a scaling up of energy efficiency and renewable energy. These include ActionAid International, Christian Aid, the Jubilee Debt Campaign, Friends of the Earth, Norwegian Church Aid, World Vision UK and France, WWF Italy and EURODAD[14].

In addition to energy funding provided by multilateral banks, other observers say in order to achieve a 2 degree energy strategy, there are a number of other distorting energy subsidies around the world that would need to be looked

[12] Figures available here: http://www.bicusa.org/IFC_spreadsheet

[13] "How the World Bank Energy Framework sells the climate and poor people short," Bank Information Center, Bretton Woods Project and seven others, September 2006. The report can be found here: http://www.ifiwatchnet.org/uploads/e66573a01f5e8e9cf2a1e942b0f 4141a/WORLDBANK_EnergyReport FINAL_1.pdf

[14] Campaign statement and accompanying material: http://www.worldbankcampaign europe.org/

into, and possibly phased out. The available cash could be potentially redeployed for other, more climate-friendly purposes.

Doug Koplow of Earth Track, a company devoted to research and analysis of energy subsidies, has compiled a list of the world's most distorting energy subsidies[15].

A study by the OECD shows that global carbon-dioxide emissions would be reduced by more than 6% and real income increased by 0.1% by 2010 if all subsidies on fossil fuels used in industry and the power sector were removed everywhere in the world. Another study by the IEA shows that the removal of consumption subsidies in eight of the largest non-OECD countries would reduce emissions by 16%.??Removing subsidies that are both economically costly as well as harmful to the environment could be a win-win policy reform – although of course this may not be possible overnight or without accompanying measures to reduce what in some cases would be major social implications, e.g. on employment[16].

1.3 – Proposals for a 2 degree energy strategy

A paper presented to the Gleneagles Dialogue ministerial in Monterrey, Mexico[17] also criticises the weakness of the CEIF process and other obvious shortcomings. However, it makes more suggestions on how it could be improved. The paper outlines the need for the adoption of a "2 degree energy strategy" and a global adaptation strategy.

Key steps for the Gleneagles Dialogue process to produce a "2 degree energy strategy" consist of:

- Promoting global energy efficiency standards
- Accelerating R&D for technologies such as Concentrating Solar Power (CSP), marine power and CCS as a way to tackle fast–growing emissions from coal[18]
- Setting global renewable energy targets
- Preparing technology roadmaps for countries where infrastructure is growing fastest
- Setting clear pathways for emission reductions for electricity, transport and the built environment
- Setting policies that help to change the investment flows from current practice to one consistent with a 2 degrees energy strategy
- Moving away from an energy and climate strategy mostly based on assessing the supply side and towards a more decentralised approach, which can work better in the least developed countries
- Promoting national policy frameworks and institutional capacity that will help to drive investment into Least Developed Countries through carbon finance and other means (carbon finance alone cannot do this)
- Framing the CEIF within the current debate of energy security, energy poverty and climate change and not continue the old trends of separating these issues from each other.
- Taking into account South-South cooperation over technology and policy experience as an important part of the equation. Policies in China and India are already creating new enterprises with export opportunities
- In addition, the paper advocates a global adaptation strategy, including a range of financing instruments, support for technology transfer strategies and insurance-related instruments. There should also be an integration of disaster management and international relief community expertise. The paper says the CEIF should go further than it does on adaptation.

[15] D. Koplow, Ten most distortionary energy subsidies, EarthTrack, January 2007. http://www.earthtrack.net/earthtrack/library/EgySubsTopTen.pdf
Few studies have attempted to quantify global subsidies. An outdated, but prominent study carried out by the World Bank itself estimated annual fossil fuel consumption subsidies at around $230 billion. Other studies have followed and provided similar figures. However, a look at the figures provided by Koplow for the world's most damaging subsidies, would indicate a much higher figure.

[16] See also http://www.globalsubsidies.org

[17] J. Morgan (ed. P. Ritchie), "Ensuring a secure climate and energy future: views from civil society", 2006

[18] The paper recognises that for a number of civil society actors, CCS remains controversial because of a number of unanswered questions such as potential leakage and biodiversity impacts. However, it argues that accelerated research is needed in both developed and developing countries to build a number of integrated full-scale demonstration plants while ensuring that increased research funds are also available for renewable energy and energy efficiency.

2.0 – Recommendations on a new "global deal"

2.1 – The "Bonn Statement"

International NGOs met in Bonn on March 23-25 2007 to discuss the CEIF and more generally, the emergence of a global energy policy. The groups present at the meeting issued a statement.

A global deal for a below 2°C energy vision expresses concerns about the fact that energy demand is rising rapidly with projections for energy investments in business as usual scenarios to be in the range of $20 trillion by 2030, and an increase of energy demand by 53% by 2030, resulting in a 55% increase in fossil CO2 emissions.

The present trend of annual record growth clearly can't continue, the groups say. Global emissions must peak and decline in the next 10 to 15 years to ensure a reasonable chance of staying below 2 degrees with a further 50% global reduction below 1990 by mid-century, the paper says.

Proposals to make this happen include:

- Improved use of existing processes, such as the G8+5, the UNFCCC and Kyoto Protocol, the governing boards of the international financial institutions or the various bi-lateral relationships which can take the decision for a way forward
- Rejection of the World Bank's CEIF because it failed to set a target for atmospheric concentrations of greenhouse gas emissions that would avoid dangerous climate change, and also vastly underestimated the potential for renewable energy and energy efficiency
- Creation of a "new global deal" that matches the scale of the crisis and responds in the size and time period in order to avoid disaster

The elements of that global deal, which should be agreed by the G8+5 and other relevant fora include:

Reducing pollution: Industrialised countries on an aggregate basis must agree to much deeper absolute mandatory targets of at least 30% below 1990 levels, by 2020 in the post-2012 climate change regime. Heads of state should support the launch of the next round of climate negotiations, through a Bali Mandate in December 2007 to be completed in 2009.

Getting the price right: Currently fossil fuels are neither priced to reflect their full costs nor are utilised in many economies without massive subsidies. Both domestic subsidies, and the use of foreign assistance to subsidise the fossil fuel industry, must be phased out immediately. Action towards these ends should be taken by national governments, the G8+5, OECD, regional bodies and the international financial institutions.

Shifting Investments: Clear and reliable policies, including "long, loud and legal" regulations for public and private investments. Examples of successful market regulation include: feed-in laws for renewables, the "top runner approach" in Japan, environmental taxes, cap and trade emissions trading systems. Revenues from environmental taxes and/or auctioning of emissions allowances as part of the post-2012 agreement should support the clean energy transition, adaptation, energy for the poor and reducing deforestation in developing countries.

Ensuring Efficiency: It is possible to decrease the energy demand, as measured against the IEA reference scenario, by about 50% by 2050. G8+5 leaders should adopt a goal to decrease energy intensity of the global economy by at least 2.5% per annum. Dynamic targets should be established in key sectors, such as building sector and energy consuming products, transportation sector, power sector and industry. Energy efficiency audits should become mandatory in all multi-lateral development banks and private financial institution investments, as well as public procurement. Sectoral agreements for energy intensive industries (such as cement, steel, chemicals, aluminum, paper and pulp etc) and power

production should be agreed upon in order to bring about the efficiency improvements needed. Some of the financing for these improvements in developing countries could occur through new innovative carbon market mechanisms. Sectoral targets for industrial sectors shall not replace national GHG caps for developed nations.

Scaling up Renewables: Countries must redouble efforts to scale up safe and domestically available sustainable renewable energies. The best mechanism to do so is through the adoption of a series of targets which can then reflect the national circumstances. This set of targets, on the national and regional levels should add up to at least 25% of primary energy by 2025 and 50% by 2050 with earlier targets of 10% by 2015. International agreements setting binding sustainability criteria for bioenergy and hydro power are needed. This is to prevent the destruction of tropical rainforests or the spreading of intensively farmed monocultures at the cost of the growing of foodstuffs and smallholder agriculture and to prevent indigenous and traditional land rights and livelihoods of the local population from being restricted.

Reducing deforestation: Deforestation must be reduced and halted in the next two decades. We must explore the vast options, sectorally, nationally, regionally and internationally, that exist to do this in a sustainable way appropriate for each country. Synergies with the Convention on Biological Diversity and the Convention to Combat Desertification should be explored and strengthened. An effective framework to fund reduction deforestation and degradation of tropical forests urgently needs to be developed

Moving away from counterproductive "solutions": Investments in technologies such as coal to liquids, tar sands and methane hydrates are not appropriate under any circumstances and should be halted. Nuclear power is externalising massive risks on current and future generations. This non-internalised risks are amounting to a huge subsidy in addition to the explicit public subsidies that continue to be handed out by governments. This must be stopped as nuclear energy is not part of the sustainable and secure energy future

[19] "New impetus for climate policy: making the most of Germany's dual presidency", policy paper, 2007. http://www.wbgu.de/wbgu_pp2007_engl.pdf

Promote transparent debate about CCS among all stakeholders. This is a precondition for political decisions about CCS.

The "global deal" should also tackle the need to provide access to energy to the 1.6 billion people currently lacking it. Therefore global leaders should:

Reduce the number of people without access to energy services by half by 2015. This must be done using multiple supply options where decentralised renewables play a key role. The financial mechanisms discussed above need to produce at least $100 billion in order to lift 1 billion people out of energy poverty by 2018

Promote innovative financing mechanisms involving multiple actors are required. Resources must be mobilized from multiple stakeholders that include central and local governments, civil society and the private sector

Acknowledge that micro lending institutions should play a role. The Grameen Bank is one example of an institution which is well positioned to provide loans and grants for sustainable clean energy to rural areas, acknowledging women as traditional energy managers in rural areas and enhancing opportunities for small and medium-sized enterprises (SMEs) to develop renewables. To achieve this goal, capacity building is essential.

Ensure that Kyoto mechanisms such as the CDM should be structured in such a manner that the benefits are equitably distributed between and within regions

Ask large development banks and export credit agencies to ensure equitable distribution of benefits on a community level from their investments. For example, they should devolve key finance activities to micro lenders.

The deal should also tackle the need for **adaptation** to climate change:

Climate proofing: Energy infrastructure plans must be able to withstand climate impacts. This will also represent additional costs to actors in developing countries.

Funding for adaptation should be expanded greatly: The World Bank has estimated costs of new development investments at $10 to 14 billion annually and UNDP has indi-

cated that the costs of adaptation will be far higher, at $50 to 100 billion. New financing for adaptation must be separate and additional to ODA (although it may need to be channelled through existing institutions and mechanisms).

2.2 – Further reccomendations for a global deal

In a recent report[19], the German Advisory Council on Global Change (WBGU) recommends measures that could help create a turnaround in the global energy system in order to achieve the 2 degree target. This turnaround should be aimed at greatly boosting energy efficiency and renewables, plus the most efficiency use of fossil fuels – including through the use of CHP and CCS technologies.

In order to do this, the WBGU says G8 countries need to put in place a variety of measures, including:

- promoting decarbonisation partnerships with newly industrialised countries, the creation of national road maps for emission reductions, and agreements for technology transfer.
- encouraging private sector investment in decarbonisation through the use of Private Public Partnerships and the integration of this sector in MDB clean energy investment frameworks
- promoting micro-credits for small-scale investments, e.g. in energy efficiency in the developing world.

The organisation also suggested a series of steps for the EU – which are covered below.

3.0 – Europe's potential role in a 2 degree global deal

There is no doubt that the European Union has started to put in place one of the most ambitious international climate and energy policies in the world. The launch of the Energy Policy for Europe earlier in 2007 – setting targets for emissions reductions of 20–30%, plus 2020 targets for renewables and efficiency – was a major milestone.

But to what extent the EU is "putting its money where its mouth is" remains to be seen. There is a need for comprehensive analysis of where precisely Europe is spending its money. This related to climate, energy and adaptation, particularly in third countries.

Many observers feel that Europe's efforts also need to be stronger in 2 areas:

1) domestic implementation of its current policies, and putting in place new policies, e.g. on where money is spent (through subsidies, multilateral bank funding, the budget of the Union, etc)
2) promoting a global deal on 2 degrees, and strengthening its advocacy within the G8, multilateral banks and other financial institutions to make sure that funding patterns are consistent with this goal. More should also be done on global adaptation efforts.

3.1 – Domestic efforts needed in Europe

One very interesting issue is whether or not the **European Investment Bank's (EIB)** policies are starting to reflect the EU's new energy priorities, such as its ambitious renewable energy and energy efficiency targets. Many say this is not the case – at least not yet. And this reflects the general lack of a truly coordinated strategy in Europe on energy policy. Something that should urgently be addressed.

The EIB is the European Union's financing institution. According to its website, its stated role is to "contribute towards the integration, balanced development and economic and social cohesion of the Member Countries." The bank says it raises substantial volumes of funds on the markets,

which it directs "on the most favourable terms towards financing capital projects according with the objectives of the Union." Outside the Union, the EIB "implements the financial components of agreements concluded under European development aid and cooperation policies."

In October 2006, the bank issued an energy review[20] which was mostly a response to the EU Green Paper on Energy. The bank stated in this document that it wants to continue increasing its investment in renewables, help convergence in energy intensity between old and new Member States, support Combined Heat and Power, district heating regeneration and other energy efficiency project, including the development of a "energy efficiency quality stamp" for all EIB projects. More controversially, it appears to give high priority to biofuels, clean coal and CCS, and infrastructure projects to import oil and gas. It says the nuclear issue is "still very open".

In shorter, and more recent briefing[21], the EIB says that it is adjusting its targets in order to take into account the most recent developments in EU energy policy, and in particular the Energy Policy for Europe.

In order to support the energy objectives of the EU, the EIB has set some new targets:

- a global annual amount in the order of € 4 billion for sustainable energy projects in five priority areas (renewables, energy efficiency, research and development, diversification of supplies, external security and economic development)
- an annual sub-target of € 600-800 million for renewable energy projects. 50% of EIB lending to electricity generation should be associated with renewable energy technologies

A look at the figures from 2006 reveals that much needs to be done. That year, the EIB signed loans totalling nearly €3 billion for projects within the EU in the energy sector. Renewable energy projects totaled only a small part of that – €463 million (only slightly up from €460 million in 2005).

The bank has in fact come under harsh criticism from the environmental organizations that are monitoring its activities. IFI watchdog CEE Bankwatch Network recently called on the EIB to put an end to its "planes, loans and automobiles culture".

The *Lost In Transportation* report[22] examines the transport projects funded by the EIB in 1996-2005, and find that the report lends three times more to the car industry than to other industrial sectors. According to the report, 31% of EIB industry loans worldwide support car manufacturing. Bankwatch says this means the bank is ignoring the most progressive EU policies meant to move traffic onto railways and addressing transport growth. The EIB should instead increase support for rail, urban public transport, inter-modal transport and transport management, Bankwatch says.

The **European Bank for Reconstruction and Development** (EBRD) could also play a major role, but needs to do far more to play its part in keeping the world below 2°C. The bank has launched the Sustainable Energy Initiative (SEI) in 2006, through which it says that it plans to double its investments in energy efficiency and clean energy, and to develop carbon markets in the countries where it operates[23]. The EBRD has been working the energy efficiency aspects of the CEIF. It has developed energy efficiency as its main area of sustainable energy expertise, and says it has a process to identify energy efficiency opportunities in all its projects. But the bank has also been repeatedly criticised for NGOs for not doing enough. In particular, the EBRD's SEI has also come under attack for not going far enough[24].

There is also a huge potential to revise the EU's policy in many more areas, such as the way it spends its **Budget**. A UK-based think tank, E3G – Third Generation Environmentalism, argues that Europe is currently failing to make the political choices the are necessary to ensure security and prosperity for its citizens and must urgently create a rejuvenated sense of purpose – outlined in the organisation's pamphlet *Europe and the World* [25].

A key recommendation – very relevant for climate and energy related spending – is that the

[20] http://www.eib.org/Attachments/thematic/energy_review_2006_en.pdf

[21] "Promoting competitive, sustainable and secure energy," Briefing note n. 6, 8 February 2007. http://www.eib.org/cms/htm/en/eib.org/attachments/general/events/briefing2007_06_energy_en.pdf

[22] http://bankwatch.org/documents/lost_in_transport.pdf

[23] http://www.ebrd.com/country/sector/energyef/sustain.pdf

[24] "One step forward, two steps back," March 2006. http://www.bankwatch.org/documents/NGOs_statement_EBRD_Energy_Policy.pdf

[25] available in various languages here: http://www.e3g.org/index.php/programmes/europe/

EU should use the 2008-09 spending review to generate a genuine debate among EU citizens on where money should be spent.

E3G's Tome Burke, for example, argues that the EU should move away from spending huge sums of money on outdated food security tools such as agricultural subsidies, and spend much more of its budget on ensuring climate security[26].

3.2 – External efforts for Europe

What Europe does in third countries, and how it spends its money there is obviously crucial for the EU's success in achieving the 2 degree goal. The importance of enhancing work with third countries in order to achieve climate change objectives has been highlighted in all Commission documents of the past few years, and repeated in the Commission's Energy Policy for Europe documents in 2007.

Some of the tools at the EU's disposal in order to achieve its climate and energy goals in third countries are:

- external cooperation, including bilateral agreements
- development aid and cooperation
- funding by the EIB
- other, new and innovative mechanisms for promoting private sector investment

3.2.1 External cooperation and bilateral agreements

So far, most of the focus of external cooperation has been to put in place agreements with a variety of countries and groups of countries, such as Russia, China, Latin America, OPEC, ACP countries and India[27].

The EU-India agreements have so far focused largely on clean coal and nuclear fusion as well as renewables and energy efficiency. The agreements between the EU and China focus on clean coal and CCS, energy efficiency and renewables, and transport strategies. This is supported by EIB funding facilities aimed at generating around •500 million of investments in support of these objectives. The EU and China want to establish a "near zero" emission coal plant by 2014 and have signed initial Memoranda of Understandings potentially leading to €10 million in investment.

3.2.2 Development aid

Another area the EU has at its disposal in order to achieve the 2 degree goal is EU **development aid**. European development cooperation is based on the 2000 Cotonou agreement with 78 countries in the Africa, Pacific and Caribbean region. This set a 20-year legal framework for trade and development between the EU and these countries. Cotonou provides for EU donor aid to be invested through the so-called European Development Fund. For the 10th European Development Fund, some 22 billion euros has been allocated for the period 2008-13.

In this context, the European Consensus on Development is particularly important. This is a legal framework that applies not only to ACP states but to all EC partner countries and for the first time introduces the fight against poverty 'in the context of sustainable development' as the objective of EU development co-operation. This new commitment places environmental development at the same level as economic and social development[28] .

There is also a special role the EU could play in **Africa**. The European Council approved a strategy for Africa in December 2005, which is meant to guide the EU's relationship with that continent.

The Strategy has been criticised by development groups as being too unilateral and failing to consult African countries and civil society. It did, however, include some useful statements on climate change. For example, Member States agreed to "support Africa in countering the effects of climate change in accordance with the EU Action Plan on Climate Change and Development; and in protecting its environment,

[26] Burke made this point in an article published on Opendemocracy.net. http://www. opendemocracy.net/globalization-climate_ change_debate/climate_change_3939.jsp, Other UK organisations, such as Green Alliance, are also working on this issue.

[27] For more detailed information on these agreements, see A. Koehne, New Arenas for Climate Policy: Energy & Climate issues in EU foreign relations", 2006. Available here: http://www2.kyotoplus.org/uploads/koehne_kyotoplus_fin.pdf

[28] Development cooperation is rolled out through a series of country strategy papers. In 2006, the 2006 revised Common Framework for Country Strategy Papers has been updated to take into account the new EU commitments on sustainable development and environmental integration.

through a range of policies, by combating desertification and ensuring the sustainable management of its forests, land and biodiversity fisheries and water. Such support includes, for example, €500million for the EU Water Facility and € 220 million for the Energy Facility under EDF9."

The European Commission and EU Member States, are now keen to develop a Strategy jointly with the African Union in preparation of the next EU-Africa summit. Many feel this could represent another window of opportunity.

Within the limited scope of this paper, it is not possible to assess in detail to what extent these processes are leading to increased investment in clean energy and energy efficiency, and climate change adaptation. What is known, however, is that an ACP–EU energy facility was agreed in 2006 and includes around €220 million for the delivery of energy services to Sub-Saharan Africa, and for energy efficiency and renewable energy in the Caribbean and Pacific Islands[29].

A coalition of UK development NGOs, BOND, has suggested that the EU should agree that a significant part of the revenues raised by auctioning allocations under the European Emissions Trading Scheme and any carbon taxation should be used to fund the clean energy development of Africa. BOND also suggested in a submission to a consultation on the EU Africa Strategy that the EU could introduce "emergency measures to allow African countries to manufacture patented clean development technology". These would "ensure that the proposed Energy Partnership with Africa will both help address energy poverty and help avoid the problem of rapidly rising emissions in poor countries as they grow."[30]

3.2.3 The EIB and third countries

Decisions the **EIB** takes on external spending will also have an enormous impact on whether EU policies, and its stated target to keep climate change below 2 degrees globally will succeed. In November last year the EIB was granted an enhanced mandate for its lending in the next seven years outside the EU, which covers its operations in pre-accession countries, the Mediterranean region, eastern Europe, southern Caucasus, Russia, Latin America, Asia and South Africa. The new mandate gives the EIB up to €28.7 billion additional resources. It also adds to its activities in African countries under the Cotonou agreement and the new trust fund for infrastructure.

As part of its work on the CEIF, the EIB says it is working in partnership with the EU through a new Trust Fund to promote sustainable energy solutions for Africa. The bank also has a set of other instruments for Greenhouse gas mitigation including a €1 billion financing facility. It has also started working on adaptation screening tools.

However, EIB has been harshly criticised over the years by many environmental and development organisations. A coalition of NGOs, including Bankwatch, Amis de la Terre and Campagna per la Riforma della Banca Mondiale recently issued a critical statement about the bank's insufficient environmental safeguards in project lending[31]. These groups argue that without rapid phasing in of stronger procedures and safeguard policies, that they claim are currently drastically lacking at the EIB, there is a real risk of an increased number of environmentally and socially detrimental projects outside the EU. An NGO report from 2006 entitled "EIB in the South: In whose interests?"[32] presents a range of deficiencies observed in EIB financed projects in southern countries.

NGOs were particularly critical of an interview that EIB president Philippe Maystadt gave to the Financial Times in November 2007, where the EIB's president appeared to call on other similar financial institutions to water down their standards in order to compete with Chinese banks[33]. Many feel that the EU should take a closer look at the way the EIB operates and makes decisions on funding, in order to make sure that this is genuinely compatible with reaching the 2 degree goal.

[29] Information in this paragraph and the next is from a presentation given by a EU Commission official in 2006 which can be accessed here: http://unfccc.int/files/adaptation/adverse_effects_and_response_measures_art_48/application/pdf/jrgen_lefevere__article_3.14_the_eus_implementation_ and_ reporting _part_ii_emissions_trading_and_ relations_with_third_countries.pdf

[30] The BOND EU–Africa submission to the ECDPM consultation is available here: http://www.bond.org.uk/eu/submissions.html

[31] http://www.bankwatch.org/project.shtml?apc=147578-189109—1&x=1967909&d=r

[32] available here: http://www.bankwatch.org/newsroom/documents.shtml?x=1375783

[33] EIB accuses China of unscrupulous loans, FT, November 29, 2006 http://www.ft.com/cms/s/added3c2-7f4e-11db-b193-0000779e2340.html

3.2.4 Mechanisms to attract private invesment

Meanwhile, the EU has launched another initiative aimed at attracting **private investment** into clean energy initiatives in developing countries. In October 2006 the EU Commission said[34] it would create a €100 million global risk capital fund for developing countries to help mobilise private investment in energy efficiency and renewables in developing countries and countries in transition. The Global Energy Efficiency and Renewable Energy Fund (GEEREF) would be kick–started with a Commission contribution of up to €80 million into in 2007-2010. The first contribution for 2007 was expected to be around €15 million. The Commission then hoped to reach total initial funding from public and commercial sources of around €100 million, with the expectation that this would mobilise additional risk capital of at least €300 million and possibly up to €1 billion in the longer term.

Despite improving prospects, energy efficiency and renewable energy projects face significant difficulties in raising commercial funding, the Commission said. The problems are complex but one of the key concerns is the lack of risk capital, which provides important collateral for lenders. The need for risk capital in developing countries and transition economies is estimated at over €9 billion, far above current levels. Mobilising private sector finance is therefore essential, and the purpose of GEEREF is to overcome barriers that stop this capital from being mobilised.

GEEREF will also stimulate the creation of regional sub-funds tailored to regional needs and conditions, rather than investing in projects directly. The focus would be on investments below €10 million as these are mostly ignored by commercial investors and international finance institutions, the Commission said. Corporate finance would be offered to support small and medium-sized enterprises as well as project finance.

According to Commission estimates, investment amounts at the top end of this range could bring almost 1 Gigawatt of environmentally sound energy capacity to third country markets, serving 1-3 million people with sustainable energy services and saving 1-2 million tonnes of CO_2 emissions per year.

The Commission appointed Triodos International Fund Management in conjunction with E+Co, to facilitate the implemention of the GEEREF in close co-operation with the European Investment Bank, the European Bank for Reconstruction and Development, and other interested parties.

Are all these existing these measures and proposed new ones leading to real infrastructure changes? And what is the answer for emerging economies like China and India? There, the incentives may not lie in more development assistance, but rather in helping these countries enjoy a share in the boom that renewables and energy efficiency technologies are likely to enjoy in the coming years (the boom in renewable energy having already started).

Dresdner Bank recently said the global renewables market will grow sixfold until 2020 to an annual volume of €250bn[35]. So who will make the profits in this big boom? Currently German companies supply around half of global wind turbines. But India's Suzlon - to name one example - is growing quickly. Some say getting companies from emerging economies more heavily involved in these booming markets is the kind of incentive that could make a government in Delhi getting interested in a global deal for 2 degrees.

Are there ways to re-design multilateral bank funds in a way that emerging economies could benefit from them, not as aid recipients but as market participants in a big booming market, like suppliers of wind turbines etc?

In addition, there are other areas that analysis say should be looked into. A recent report published by the International Institute for Sustainable Development for the Danish government makes some additional suggestions on what the EU should do in order to make sure global policies are consistent with the 2 degree goal[36].

The report recommends among other things, that:

- climate change should be reframed as an investment and development issue
- climate change elements should be included in all aid-for-trade agreements

[34] http://europa.eu/rapid/pressReleasesAction.do?reference=IP/06/1329

[35] http://www.dresdner-bank.com/content/03_unternehmen/03_presse/01_archiv/20070329.html

[36] Climate Change and Foreign Policy: An exploration of policies for further integration, IISD, 2007. Available here: http://www.iisd.org/publications/pub.aspx?pno=843

- World Trade Organisation outcomes should be screened for their impact on climate policy, and ensuring consistency
- the EU should promote climate-relevant common standards for investment in third countries
- these standards should then be incorporated in the Export Credit Agencies agreements (which currently finance a large amount of fossil fuel projects, including coal)

The report also raises another issue. In order to use the multilateral bank system to achieve the EU's stated energy policy goals, it could be argued that much more must be done to make sure **EU countries coordinate their efforts**.

Surprisingly, the idea that Member States should coordinate, for example at the World Bank, is actually very recent. A report carried out for European development organisations found that European coordination in the World Bank is currently carried out solely in Washington between Member State representatives. This trend only started in 2003 at the initiative of an Italian representative. However, on crucial and core issues, national capitals (and national interests) still have the last word. There is no permanent structure of coordination in Brussels[37]. This is clearly an area where the EU could do more work in order to achieve its stated climate and energy objectives.

3.3 – The EU's role and adaptation in third countries

The EU also has an important role to play in adaptation funding.

There are currently 3 adaptation funds within the UNFCCC and the Kyoto Protocol.

1) the Special Climate Change Fund
2) the Least Developed Countries Fund and
3) the Adaptation Fund. This is financed through a levy on all CDM projects[38]

The Special climate change fund and the LDC fund are voluntary in nature, and have so far received very small contributions from developed countries to date. Total pledges by industrialised countries to the LCDF are around $116 million, and around $62 million have been pledged to the SCCF. EU country contributions are listed in Annex 1.

The German WBGU has clearly argued that the current UNFCCC measures for adaptation are absolutely insufficient. This is very clear if the figures mentioned above are compared against the estimates by the World Bank on the total cost of adaptation of NEW investments to potential climate damages (climate proofing, which is clearly only part of what needs to be spent). The World Bank says between $10 and $40 billion will be needed annually.

The WBGU has suggested that the German presidency of the EU, and consequently the EU itself, should advocate the creation of an international "lighthouse project" to develop new global mechanisms for generating funding to compensate for climate damages and to fund adaptation. It is likely to require thousands of billions of Euros in accumulated payments by the end of the century.

As for the EU, UK-based BOND has argued that The EU needs to make significant funding available to enable poor, vulnerable African countries to adapt to sea level rises, deprivation, increased drought and more extreme weather. It added that this money cannot simply be channelled from existing aid budgets. Instead, the payments should be additional and compensatory.

[37] C. Nicolas et al., "European coordination at the World Bank and International Monetary Fund. A question of Harmony?", ADS Insight, 2006 http://eurodad.nvisage.uk.com/uploadedFiles/Whats_New/Reports/Eurodad%20EUIFIgovernance.pdf

4.0 - Conclusions

This paper has provided a rough analysis of the state of the debate on a global deal for 2 degrees within multilateral banks and European Union institutions, and the policy mechanisms that are needed to achieve this goal.

A number of key recommendations have been put forward by various organisations in order to improve the multilateral banks' role in financing clean energy and adaptation, and on how to ensure that the EU's role is consistent with its stated objectives. These can be roughly summarised as follows:

- There is a need for a "paradigm shift" in multilateral banks on all energy and transport investments. Far more money needs to be invested in energy efficiency and renewables and sustainable transport. Multilateral banks should devise and implement new financial instruments that can help to achieve a cost-effective transition to a low carbon economy and energy access for poor people. The CEIFs have so far produced some useful changes in language, and some tentative new ideas, and an admission that much work needs to be done in order to face the climate crisis. However, there is widespread concerns that the efforts made so far appear to be insufficient for the global 2 degree challenge.

- Private investment flows are crucial, and they account for a growing proportion of financing in multilateral development bank's projects. In order to make sure these investments go in the right direction, it is important to devise ways in which developing countries and their companies can benefit from the rapid expansion e.g. of renewable energy markets. It's important to devise ways in which the multilateral bank funds and other financing mechanisms can help in this effort. Rich countries should enter into decarbonisation partnerships with newly industrialised countries, including national roadmaps for emission reduction and technology transfer. The EU's Global Energy Efficiency and Renewable Energy Fund is also a step in the right direction.

- The vast amounts of subsidies that fossil fuels have enjoyed for decades are seen by many as incompatible with the need to tackle the climate change crisis. There is no sign of any real, deep discussion within multilateral banks and even in the European Union on whether this level of public subsidy for these energy sources is still appropriate, given the urgent climate challenge. This debate needs to move out of NGO and academic circles and into the mainstream. A shift away from fossil funding, whether gradual or otherwise, could help to mobilise the capital for the needed energy transition the world needs in order to achieve the 2 degree goal.

- Among civil society organisations, there are also widespread concerns on the transparency and governance of many multilateral banks, and the "cultural bias" that these organisations have towards large, cetralised power stations vs more innovative, decentralised energy systems.. These issues must urgently be tackled if these institutions are to manage to make the "paradigm shift" that is needed. Other existing processes, such as the G8+5, the UNFCCC and the Kyoto Protocol also need to be improved.

- Many stakeholders and governments feel the time is right for a "new global deal" on climate change and energy that goes well beyond the modest CEIF and G8 efforts made so far and actually matches the scale of the crisis.

- Europe needs to step up the implementation of its own climate policies, and introduce new measures. In particular, it should analyse carefully where it spends its money (through subsidies, the EIB, the Budget, development aid, etc) and whether this is appropriate for the century's challenges.

- Globally, the EU should promote a deal on 2 degrees. It should strenghen advocacy within the G8 and multilateral banks to make sure that funding patterns are also consistent with this goal. It should vastly improve its coordination within multilateral banks, and the World

Bank in particular. The EIB's role needs to be improved. The EU needs to make sure this institution's funding is genuinely in line with the 2 degree target.

- The EU should ensure that World Trade Organisation outcomes are screened for their impact on climate policy, and ensuring consistency with its 2 degree goal. It should also promote climate-relevant common standards for investment in third countries. These standards should then be incorporated in the Export Credit Agencies agreements (which currently finance a large amount of fossil fuel projects, including coal).

- Current structures within the UNFCCC for adaptation are considered vastly inadequate. The CEIF proposals to create "climate proofing" system on all multilateral bank investments are seen by many as a useful first step. But some now advocate going much further, and creating an international "lighthouse project" to develop new global mechanisms to generate funding. This should be used to compensate for climate damages and to fund adaptation. Thousands of billions of Euros in accumulated payments are likely to be required by the end of the century.

Annex 1

EU countries have so far pledged to contribute the following amounts to the UNFCCC's Least Developed Country Fund and the Special Climate Change Fund. All figures in US$ equivalent[39].

LDCF:	
Denmark	15,543,580
Finland	2,680,760
France	14,682,722
Germany	20,420,388
Ireland	4,647,894
Italy	1,000,000
Luxembourg	4,120,000
Netherlands	15,813,963
Portugal	64,065
Spain	727,081
Sweden	886,747
UK	19,979,621

SCCF:	
Denmark	4,123,307
Finland	1,395,007
France	n/a
Germany	6,626,178
Ireland	1,075,000
Italy	10,000,000
Luxembourg	n/a
Netherlands	3,128,880
Portugal	1,299.099
Spain	2,598,000
Sweden	1,432,552
UK	18,619,327

[39] The information is from: http://thegef.org/uploadedFiles/Documents/LDCFSCCF_Council_Documents/LDCFSCCF2June_2007/LDCF.SCCF.2.Inf.2%20Status%20report%20on%20the%20Climate%20Change%20Funds.pdf

German NGO Forum on Environment & Development

Six months after the UNCED in Rio, on December 16, 1992, thirty-five organizations founded the German NGO Forum on Environment & Development in order to promote the following objectives:

- Taking seriously the outcome of Rio and to try to do whatever possible to eradicate poverty world-wide and to protect the environment
- Lobbying both at national and international level to implement the decisions passed in Rio, particularly Agenda 21
- Establishing working groups which, for example, develop position papers on the most pressing issues in the Rio follow-up
- Coordinating education and information programs
- Increasing pressure on government and legislative bodies by joint NGO actions
- Acting as a contact for international partners.

The major purpose of the Forum on Environment & Development is to prepare joint NGO position papers and strategies which can help open new political perspectives and coordinate the input of German NGOs into the international process. Therefore, working groups were established, in which every member organization of the Forum can participate. The Secretariat in Bonn is in charge of coordination and information.

Legal representative of the German NGO Forum on Environment and Development is the German League for Nature and Environment, umbrella organization of German conservation and environmental protection associations (DNR) e.V.

Contact: German NGO Forum on Environment and Development/ Forum Umwelt und Entwicklung | Am Michaelshof 8-10 | 53177 Bonn | Tel.: +49 (0) 228 35 97 04 | Fax: +49 (0) 228 92 39 93 56 | E-Mail: info@forumue.de | www.forumue.de

VENRO

VENRO, the Association of German development non-governmental organisations (NGOs), is the umbrella organisation of independent and church-related NGOs working in the fields of development cooperation, emergency relief, development education, and advocacy. Currently, VENRO has more than 100 member organisations. In addition to the member organisations, about 2 000 local initiatives and small NGOs are represented in VENRO through regional NGO networks.

The association aims at strengthening the work of NGOs towards poverty eradication, the realisation of human rights and the conservation of natural resources. VENRO

- represents the common interests and positions of the member organisations vis-à-vis the public, the government, the European Commission and other international organisations,
- strengthens the role of NGOs and civil society in development cooperation,
- engages in advocacy for the interests of developing countries and poor sections of society,
- raises public awareness of development cooperation issues.

VENRO – Verband Entwicklungspolitik deutscher Nichtregierungsorganisationen e.V.
www.venro.org