



**COUNCIL OF
THE EUROPEAN UNION**

GENERAL SECRETARIAT

Brussels, 5 October 2009

13834/09

LIMITE

**ENV 616
ONU 80
DEVGEN 256
ECOFIN 602
ENER 314
FORETS 94
MAR 138
AVIATION 158**

NOTE

from: General Secretariat
to : Permanent Representatives Committee

No. prev. doc.: 12729/2/09 ENV 526 ONU 68 DEVGEN 221 ECOFIN 535 ENER 274
FORETS 78 MAR 118 AVIATION 131 REV 2

Subject: **PREPARATION OF THE COUNCIL MEETING (ENVIRONMENT) ON
21 OCTOBER 2009**
EU position for the Copenhagen Climate Conference (7-18 December 2009)
- Draft Council conclusions

During the last two years, the EU has progressively developed its position on a global and comprehensive post-2012 climate agreement, focusing on the various building blocks of the Bali Action Plan: Shared vision, mitigation, adaptation, financing, technology and capacity building. In this context, on 10 September 2009, the Commission adopted its communication "Stepping up international climate finance: A European blueprint for the Copenhagen deal ¹".

¹ 13183/09.

The Council (Ecofin) is also expected to adopt conclusions covering the financing of a post-2012 agreement in Copenhagen in its meeting on 20 October 2009.

Against this background, the Presidency prepared a set of conclusions reflecting the latest state of play of the negotiations after the UNFCCC negotiating session which took place in Bonn in August 2009 and outlining areas where further work is needed, including areas where the EU needs to further refine/update its position. With this in mind, the Presidency identified a number of key issues that have been discussed more particularly at meetings of the Committee of Permanent Representatives. These issues are: bunker fuels, options for the EU target in a Copenhagen agreement, transition from Clean Development Mechanism (CDM) to sectoral mechanisms, surplus of AAUs, LULUCF, REDD and technology cooperation and transfer.

So far, the Working Party on International Environment Issues (Climate change), on 3 and 16-17 September 2009, and the Working Party on the Environment, on 1 October 2009, discussed the present set of conclusions, with the exception of the key issues. The Presidency compromise text seems now to be broadly acceptable to delegations, even though some adjustments could still be necessary.

The Committee of Permanent Representatives has had the opportunity to discuss the key issues in its meetings on 4, 18, 22 and 29 September and 2 October 2009.

On the basis of these discussions, the Presidency has now prepared a revised consolidated text, which appears in the Annex to this note. In this text, the Presidency is translating into specific language the main outcomes of the discussion on key issues and introduces some further adjustments to the text in a number of other paragraphs. Further adjustments and additions to the text will be necessary in view of the forthcoming conclusions by the Council (Ecofin) and in order to reflect the latest state of play following the UNFCCC negotiating session in Bangkok, currently in progress. (NB: *The future location of these adjustments and additions following the Council (Ecofin) is clearly indicated in the current text by means of special placeholders placed within square brackets.*)

The Permanent Representatives Committee is invited to consider the consolidated text and resolve outstanding issues as far as possible, with a view to forwarding the conclusions for consideration and adoption by the Council (Environment) on 21 October 2009.

**EU position for the Copenhagen Climate Conference
(7-18 December 2009)
- draft Council conclusions -**

The Council of the European Union

I. INTRODUCTION

1. RECALLS the conclusions of the Council (Environment) on 3 March 2009, of the March and June Councils (Ecofin), the March Council (GAERC) and the March and June European Councils.
2. RECOGNIZES that preventing dangerous climate change requires sustainable economic growth and social development with a minimum of greenhouse gas emissions; EMPHASISES that such a low-emission development path is possible but that it requires a concerted global cooperative effort enabled and supported by a comprehensive international regulatory framework under the United Nations Framework Convention on Climate Change (UNFCCC).
3. RECOGNIZES in this context the right to sustainable development in developing countries; ACKNOWLEDGES that climate change is seriously undermining efforts to reduce poverty and hunger and is a major threat to achieving the Millennium Development Goals; RECALLS its intention to strengthen its alliances and partnerships with developing countries, in particular with Africa, the Latin American countries, the Least Developed Countries (LDCs) and the small island developing states (SIDS) in this regard; REAFFIRMS its commitment to reaching a global, ambitious and comprehensive climate agreement in Copenhagen in December 2009 building on the Bali Roadmap.

4. STRESSES the mutual co-benefits for developed and developing countries of reaching such an agreement; and that gender as well as social and employment aspects needs to be integrated into efforts to combat climate change; RECOGNIZES that a successful outcome in Copenhagen is important for securing biodiversity and ecosystem services in the future; HIGHLIGHTS the role which local authorities will play in implementing mitigation and adaptation actions and CALLS for recognition of that role in the Copenhagen agreement.
5. WELCOMES the determination expressed by many leaders at the UNGA high level event to urgently speed up negotiations and for reaching an ambitious and comprehensive agreement in Copenhagen. [*Placeholder for progress from UNFCCC in Bangkok.*]
6. WELCOMES declarations on climate change by the Major Economies Forum on Climate and Energy (MEF) and G8 in L'Aquila; WISHES especially to highlight the importance of the outcome in MEF where participating countries, including key developing countries, recognized the scientific view that global warming ought not to exceed 2°C above the pre-industrial level and that peaking of global and national emissions should take place as soon as possible, the recognition by G8 of a global goal of achieving at least a 50% reduction of global emissions by 2050 and that developed countries should reduce their emissions in aggregate by 80% or more by 2050 as part of that goal; WELCOMES ALSO the willingness of all MEF countries to promptly undertake actions whose projected effects on emissions represent a meaningful deviation from business as usual in the mid-term, to prepare low-carbon growth plans, to take steps to reduce emissions from deforestation and forest degradation and to establish a Global Partnership to drive transformational low-carbon, climate-friendly technologies.
7. WISHES TO CLARIFY that the EU intends to preserve the environmental integrity of its policies taking effective steps to prevent potential carbon leakage in compliance with international trade rules.

II. MITIGATION

8. REITERATES that the Copenhagen agreement must be based on the best available scientific evidence as presented by the Intergovernmental Panel on Climate Change (IPCC) in its Fourth Assessment Report (AR4) as well as by scientific studies published since then; RECOGNIZES that meeting the 2°C objective requires that global greenhouse gas emissions peak by 2020 at the latest and be reduced by at least 50% as compared with 1990 levels by 2050 and continue to decline thereafter; CONCLUDES that these goals require that all Parties take bold, cost effective and expeditious action so as to create the basis for a successful outcome in Copenhagen.
9. RECOGNIZES that the 2°C objective sets the level of ambition for global mitigation action; UNDERLINES that, in accordance with the findings by the IPCC in its AR4 and more recent studies, developed countries as a group should reduce their GHG emissions below 1990 levels through domestic and international efforts by 25 to 40% by 2020 and by 80 to 95% by 2050 while developing countries as a group should achieve a substantial deviation below the currently predicted emissions growth rate, in the order of 15-30% by 2020.
10. CALLS upon all Parties, as part of the Copenhagen agreement, to embrace the 2°C objective and to agree to global emission reductions of at least 50%, and an aggregate developed country emission reductions of at least 80-95%, by 2050 compared to 1990 levels; such objectives should provide both the aspiration and the yardstick to establish mid-term goals, subject to regular scientific review.
11. NOTES that, based on available elements such as current population projections, global average greenhouse gas emissions per capita should be reduced to around two tonnes CO₂ equivalent by 2050, and that, in the long term, gradual convergence of national per capita emissions between developed and developing countries would be necessary, taking into account national circumstances.

12. REAFFIRMS that developed countries should take the lead in combating climate change and the adverse effects thereof and RECALLS the EU proposal that aggregate emission reduction commitments of developed countries should be in the order of 30% below 1990 by 2020; NOTES with CONCERN that the sum of proposals by developed country Parties for mid-term emission reductions remains insufficient to meet the abovementioned scientifically-based requirements and therefore URGES developed country Parties to announce more ambitious proposals for emission reductions ahead of Copenhagen.
13. WELCOMES the fact that the latest inventories for the year 2007 clearly show that the EU's aggregated emissions continue to decline, demonstrating the successful decoupling of emissions from economic growth due to the implementation of an increasing number of emission reduction policies and measures; UNDERLINES that the EU is on track to meet its targets under the Kyoto Protocol's first commitment period.
14. REAFFIRMS its commitment to move to a 30% reduction as its contribution to a global and comprehensive agreement for the period beyond 2012, provided that other developed countries commit themselves to comparable emission reductions and that developing countries contribute adequately according to their responsibilities and respective capabilities.
15. STRESSES that the EU will conduct further analysis of all other Parties' proposed actions and contributions based on a balanced combination of criteria contained in the March 2009 (Environment) Council conclusions in order to step up to a 30% emission reduction commitment; UNDERLINES that the EU will also be using the 2°C objective as yardstick.
16. SUPPORTS an EU objective to reduce emissions [by 80-95%] by 2050 compared to 1990 levels, in line with necessary reductions by developed countries as a group.

17. REITERATES that at least all Parties listed in Annex I to the UNFCCC and all current EU Member States, EU candidate countries and potential candidate countries that are not included in Annex I to the UNFCCC should commit to ambitious binding quantified emission limitation or reduction commitments; CALLS UPON other non-Annex I Parties that are at levels of development and GDP/capita comparable to those of the group of developed countries, notably OECD member countries and candidates for membership thereof, to consider making similar commitments commensurate with their responsibilities, capabilities and national circumstances.
18. ACKNOWLEDGES that many developing countries are already making strong and increasing efforts to limit their greenhouse gas emissions; CONSIDERS that developing countries' proposals for action will need to be further substantiated, encouraged and strengthened; UNDERLINES that there is considerable scope to combine mitigation actions with sustainable economic growth, especially in the advanced developing countries and that an ambitious global deal could bring significant financial flows to developing countries through a scaled up carbon market; URGES advanced developing countries to come forward, already before Copenhagen, with proposals for ambitious mitigation actions as part of their contributions to the global effort, consistent with the level of global ambition required to keep the 2°C objective within reach; CALLS in particular on advanced developing countries to include in their low-carbon growth plans ambitious mitigation actions, including through the adoption of sectoral thresholds and targets, and to indicate how emission growth will be decoupled from economic growth and make these actions, thresholds and targets part of an international agreement; IS CONVINCED that in several advanced developing countries such actions combined could lead to reduced emissions by as much as 30% or more below the currently predicted emissions growth rate by 2020.

19. REITERATES that global emission reduction targets for international aviation and maritime transport, consistent with a global reduction path towards meeting the 2°C objective, should be incorporated into the Copenhagen agreement and that Parties should commit to work through ICAO and IMO to enable an agreement that does not lead to competitive distortions or carbon leakage, that is agreed in 2010 and approved by 2011; CONSIDERS that global reduction targets for greenhouse gas emissions from international aviation and maritime transport should be set by UNFCCC to [-10] per cent for the aviation sector and to [-20] per cent for the maritime sector below 2005 levels by 2020 to be implemented in a manner that ensures a level-playing field; REAFFIRMS that the EU supports the use of market-based instruments to reduce emissions from these sectors and that global instruments should be developed within ICAO and IMO, respectively.
20. [Placeholder Ecofin: Depending on the outcome of the preparation of the Council (Ecofin) conclusions text the following may be added (based on the latest draft): [REITERATES that based on levels of ambition decided by UNFCCC, the International Civil Aviation Organisation (ICAO) and International Marine Organisation (IMO) respectively would be appropriate forums to develop global frameworks, which should provide a flag-neutral, un-distortive coverage of each sector to avoid carbon-leakage. Moreover, to reflect different circumstances and respective capabilities, part of potential revenues could be directed to the benefit of climate change purposes in developing countries, and international financing contributions stemming from such global frameworks would be welcome.]]
21. RECOGNIZES that the accelerated phase-out of HCFCs mandated under the Montreal Protocol may lead to a rapid increase in the use of HFCs, many of which are very potent GHGs; REITERATES its proposal to include an HFC emissions reduction arrangement in the Copenhagen agreement, whereby HFCs remain in the basket of gases covered by the Kyoto Protocol or its successor; CONSIDERS that such an arrangement should be elaborated in close cooperation with the Montreal Protocol, aiming to make use of its existing implementing structures and mechanisms.

22. WISHES TO HIGHLIGHT the potential of mitigation actions in agriculture; UNDERLINES the significant linkages between reducing deforestation, reducing poverty and ensuring global food security; STRESSES therefore the need to adequately consider agriculture in the Copenhagen agreement, also in the long term; UNDERLINES in this context the need to encourage mitigation and adaptation in the agricultural sector in developing countries; COMMITTS itself to further exploring the relevant options for such encouragement, taking into account MRV requirements.

III. ADAPTATION

23. RECOGNIZES that climate change is already occurring, that many vulnerable countries are already experiencing the impact of climate change and that the ability to cope with adverse climate change effects varies considerably among countries; UNDERLINES that adaptation is a necessary complement to mitigation; REITERATES therefore that adaptation must be comprehensively addressed by all Parties in the Copenhagen agreement; and in this context RECALLS its proposal to create a Framework for Action on Adaptation as part of this agreement, with the aim of building a more climate-resilient society through effective adaptation actions as integral part of sustainable development in all parts of the world; STRESSES the need to effectively integrate adaptation into national and sectoral planning, sustainable development policies and strategies at all levels and into development co-operation, fostering a decentralised bottom-up approach building on existing and if necessary reformed institutions and developing countries' own structures, and promoting enhanced regional cooperation, cross-sectorial approaches as well as stakeholder involvement; RECOGNIZES that adaptation needs and responses are context-specific and should be addressed in line with specific circumstances and priorities.
24. [Placeholder Ecofin: Depending on the outcome of the preparation of the Council (Ecofin) conclusions text the following may be added (based on the latest draft): [REITERATES that international support should also assist adaptation to climate change in especially the poorest and the most vulnerable developing countries.]

25. RECALLS the Bali Action Plan, in particular on enhanced action on the provisions of new and additional financial resources; RECOGNIZES that development cooperation has an important role to play in supporting developing countries that are particularly vulnerable to the adverse impact of climate change, especially the LDCs and SIDS, and countries in Africa affected by drought, desertification and floods as is stated in the Bali Action Plan, and that such cooperation should build on support currently provided through bilateral and multilateral channels (including UNFCCC funds); and EMPHASIZES the need for a shift towards a long-term strategic approach to integrating climate resilience into national policies, supported by public finance as necessary.
26. NOTES WITH CONCERN that unavoidable climate change impacts will affect the delivery of ecosystem services which can be crucial for resilience against and adaptation to climate change as well as of the regulatory role of ecosystems in the climate system; UNDERLINES coherence and linkages with other international, regional and national programmes, bodies and stakeholders that are implementing adaptation, risk assessment and management and related activities; EMPHASISES in this respect the prompt implementation of the EU strategy on Disaster Risk Reduction in developing countries; RECOGNIZES the potential impacts of climate change on, inter alia, water resources and management, sustainable forest management, land management, health, soil conditions, agricultural production, food security and efforts on disaster risk reduction; therefore STRESSES the need to step up efforts to further exploit synergies between the UNFCCC and other UN Conventions, as well as between the UNFCCC and processes and programmes carried out by United Nations Agencies and other organisations; and URGES all international stakeholders, bodies and institutions involved in adaptation, risk assessment and management and related activities, to cooperate and integrate effects of climate change in their work in line with the Copenhagen agreement.

27. FURTHER STRESSES the need to continue to cooperate to improve research and systematic observation and to strengthen capacities in vulnerable developing countries, and to develop and transfer technology and knowledge on adaptation, including climate systematic observation and development of regional climate scenarios; and to enable the provision of high quality climate services; in this context SUPPORTS, the establishment of a Global Framework for Climate Services, as recently decided by the World Meteorological Organization's 3rd World Climate Conference.
28. WELCOMES the operationalisation of the Kyoto Protocol Adaptation Fund and looks forward to the disbursement of funds to support concrete adaptation actions; RECOGNIZES that further financing will be needed to support adaptation in developing countries and therefore UNDERLINES the need to scale up support for adaptation in developing countries, until and beyond 2012, focusing on countries and regions that are particularly vulnerable to the adverse impacts of climate change, especially SIDS, LDCs and African countries prone to drought, desertification and floods; STATES that such support would be first provided for urgent needs, as identified in NAPAs and other relevant documents, making effective use of both UNFCCC and non-UNFCCC institutions and channels by inter alia building capacity in partner countries to start integration of adaptation into national development planning, improving the knowledge base for adaptation and building up experience in areas such as designed pilot programmes on insurance as a tool for risk management.
29. REITERATES the need to monitor and review adaptation action and support involving all stakeholders to allow the sharing of information and lessons learned with a view to continuously improving the effectiveness and efficiency of adaptation actions and ensuring the adequacy of support provided; and PROPOSES that the financial support provided and received for adaptation should be reported in Parties' National Communications.

IV. REDUCED DEFORESTATION AND DEGRADATION (REDD), ACCOUNTING OF LAND USE, LAND USE CHANGE AND FORESTRY (LULUCF), ASSIGNED AMOUNT UNITSs (AAUs), COMMITMENT PERIODS

30. REAFFIRMS its conclusions of 8 December 2008; RECALLS the importance of action to reduce deforestation and forest degradation (REDD) and also to promote conservation, sustainable forest management and enhancement of forest carbon stocks in developing countries (REDD+), as well as the EU's objectives of reducing gross tropical deforestation by at least 50% by 2020 compared to current levels and to halt global forest cover loss by 2030 at the latest.
31. UNDERLINES that, in general, assistance to developing countries will be necessary in order to produce accurate data and build capacity to establish and implement an effective and reliable framework for including REDD+ in their low carbon growth plans. In this context NOTES the contribution of initiatives such as Forest Law Enforcement Governance and Trade (FLEGT).

32. TAKES THE VIEW that a step by step approach is appropriate; CONSIDERS that the preparatory phase should involve, inter alia, the development of REDD+ strategies, the establishment of forest inventories and monitoring and pilot phase projects, and that some countries should soon be ready for a second phase which could involve measures related to forest governance, such as land tenure reforms and forest law enforcement primarily accommodated through public funds; NOTES that a third phase should include a performance-based mechanism where emission reductions are based on comparison against an independently reviewed and verified national reference level which needs to take into account historical trends and projections; CONSIDERS that any verified emission reductions could in the medium term be used for compliance, and could in the medium to long term be phased into the international carbon market under the condition that market disturbances can be properly managed; FURTHER CONSIDERS that the EU should be open to the use of simplified reporting requirements combined with conservative estimates of emission reductions in the initial phase of such a performance-based mechanism; STRESSES that REDD activities must take into account and avoid creating conflicts with practices of indigenous peoples and local communities and should ensure biodiversity and social co-benefits.
33. REITERATES that the accounting rules for the treatment of land use, land-use change and forestry in developed countries in future commitments should stimulate actions to ensure permanence and the environmental integrity without penalising early action; EMPHASIZES that IPCC in its AR4 concludes that in the long-term, a sustainable forest management strategy aimed at maintaining or increasing forest carbon stocks, while producing an annual sustained yield of timber, fibre or energy from the forest, will generate the largest sustained mitigation benefit; UNDERLINES in this context the role of sustainably produced wood products as a climate friendly material and therefore proposes to include harvested wood products in the accounting modalities of a Copenhagen agreement.

34. CONSIDERS that accounting for forest management should at least, in the long term, become mandatory for all Parties taking on QUELROs; RECOGNIZES that future accounting rules for forest management should provide further incentives for sequestration while avoiding perverse effects on the expansion of biomass energy; STRESSES the need for future accounting rules to secure that the environmental integrity of a Copenhagen agreement is preserved; ACKNOWLEDGES that there are still difficulties associated with methodologies for measuring and predicting LULUCF GHG flows with a high degree of accuracy; WELCOMES further discussions with other Parties on accounting rules for forest management where the EU looks preferably upon schemes based on gross-net accounting with a discount and on the use of a reference level (bar) which could include a limited interval (band); IS CONSCIOUS that national circumstances may require some flexibility for countries regarding the choice of reference level including allowing for historic data or robust forward-looking projections.
35. EMPHASIZES that the length of the commitment period depends on the overall level of ambition of a Copenhagen agreement; STRESSES that any setting up of commitment periods must include a mechanism for incorporating regular reviews of commitments and actions, both with regard to the scale of reduction targets and the nature of commitments for advanced developing countries, including a comprehensive review to be finalised by no later than 2016 with consideration of future emission reduction requirements and targets in light of the IPCC's Fifth Assessment Report.

36. UNDERLINES the importance of AAUs in the common accounting framework under the current commitment period within the Kyoto Protocol (2008-2012); NOTES that, during the current commitment under the Kyoto Protocol a significant amount of unused AAUs are likely to accrue; NOTES WITH CONCERN that the unrestricted banking and the use of unused AAUs at its full value for compliance with commitments beyond 2012 could undermine the environmental integrity of a Copenhagen agreement; EMPHASISES the need to preserve a robust incentive to reduce emissions and induce the necessary financial flows to developing countries by excluding the use of AAUs in the emerging OECD-wide carbon market; STRESSES that banking and use of unused AAUs need to be reflected in the ambition level of commitments in a Copenhagen agreement.
37. RECOGNIZES that the starting level for determining allocation of assigned amounts for future commitment periods is important for environmental integrity; CONSIDERS that ambitious emission reduction pathways are needed for all Parties and that the starting level, as well as the treatment of AAU surplus have significant implications for the comparability of efforts by developed countries and should therefore be considered alongside broader criteria for comparability.

V. LOW CARBON DEVELOPMENT STRATEGIES/GROWTH PLANS (LCDS/LCGP) AND NATIONALLY APPROPRIATE MITIGATION ACTIONS (NAMAs)

38. WISHES TO CLARIFY its view that, in accordance with the principle of common but differentiated responsibilities and respective capabilities, all countries, except LDCs, should commit themselves to preparing ambitious, credible and country-owned low-carbon development strategies/growth plans (LCDS/LCGP); UNDERLINES that the EC and its Member States will develop such strategies / plans, building on the energy and climate package, in 2011.

39. EMPHASIZES that LCDS/LCGPs play a crucial role in providing the basis for effectively and efficiently matching actions by developing countries with financial and technological support; NOTES that Nationally Appropriate Mitigation Actions (NAMAs) contained in the plans of developing countries, would provide the information for identifying the needs for financial, capacity-building and technology support to developing countries. LCDS/LCGP should provide a basis for independent assessment of the adequacy of the level of ambition of actions.
40. UNDERLINES the need for measuring, reporting and verification (MRV) of mitigation actions in order to ensure transparency, accountability and enhance public and private confidence for the achievement of global and national objectives.
41. EMPHASISES that regular, internationally reviewed National Communications and annual national emission inventories provide a foundation for strengthened mutual responsibility and accountability in line with the concept of MRV; HIGHLIGHTS that national emission inventories from developed and developing countries should have the best possible coverage of global emissions; PROPOSES that developing countries, except for LDCs, should put forward national emission inventories, which for economically advanced developing countries and other developing countries with a sufficient capacity should be produced on an annual basis, starting at the latest in 2011; in this context, EMPHASIZES the need to develop common inventory reporting guidelines for developed and developing countries; RECOGNIZES that these guidelines may initially allow for flexibility for the preparation of inventories by developing countries; UNDERLINES the need for capacity building in developing countries to assist them in preparing LCDS/LCGP and national inventories.

VI. CARBON MARKET

42. RECALLS the crucial importance of carbon markets and, in this context, REITERATES that putting a price on GHG emissions through cap-and-trade systems and other market-based mechanisms is imperative for driving low-carbon investments and for achieving global mitigation objectives in a cost-efficient manner; in this context, WELCOMES the continued development of cap-and-trade legislation in a number of OECD countries; REITERATES its call for an OECD-wide carbon market through the linking of cap-and-trade systems comparable in ambition and compatible in design as soon as practicable and preferably by no later than 2015 and the extension of this market to more advanced developing countries by 2020 as important steps towards achieving a fully integrated global carbon market which at the same time will promote a level-playing field.
43. RECALLS that maintaining a continuing strong role for the project-based mechanisms CDM and JI, including programmatic approaches, is important for broadening carbon markets and maintaining the trust of carbon market investors; EMPHASISES the importance of reforming the CDM and JI mechanisms, including through enhancing their effectiveness, efficiency, environmental integrity and governance; CONSIDERS to this end that the use of ambitious standardised benchmarks for baseline setting and additionality testing for specific CDM project types should be adopted where possible; FURTHER EMPHASIZES the importance of enhancing the contribution to sustainable development and to global emission reductions of the CDM and the importance of strengthening the participation of the Least Developed Countries.

44. REITERATES its proposal that the economically more advanced developing countries should identify, as part of their low-carbon growth plans, ambitious thresholds and targets for specific sectors, subject to agreed international governance procedures, with a view to participating in sectoral crediting and sectoral trading mechanisms, obtaining financing and promoting large-scale emissions reductions as well as facilitating their progressive participation in internationally linked carbon markets based on cap-and-trade systems by 2020; UNDERLINES the importance of strong requirements for measuring, reporting and verification as part of such sector-specific mechanisms.
45. TAKES THE VIEW that, in light of the importance of the creation of sector-specific mechanisms, an orderly transition to such mechanisms should be initiated in a Copenhagen agreement to provide, as soon as possible, clarity to investors and ensure the continuing stability of the market; EXPRESSES therefore its willingness to work with developing country Parties, particularly with economically more advanced developing countries, in identifying sectors, such as key emitting sectors and sectors vulnerable to international carbon leakage, that could be appropriate for a sectoral crediting or trading mechanism; PROPOSES that such a process should, by COP 16, also give an indicative time-line for the sectors and countries concerned, including a date by which new CDM registration would no longer be eligible in these sectors and countries, while taking into account the need to honour existing CDM investments until the end of their current crediting periods; EXPRESSES its willingness to facilitate the sectoral carbon market mechanisms by recognizing the use of sectoral credits and units in the EU ETS.
46. CONSIDERS that additional assistance is needed to further enhance the capacity of developing countries to participate in the carbon market and its mechanisms, including on measuring, reporting and verification of data, in particular for sectoral mechanisms in advanced developing countries and capacity building for CDM in countries currently underrepresented, particularly the LDCs.

47. CONSIDERS that projects involving existing HFC-23 emission reductions from HCFC-22 production should not be eligible for the CDM after their first crediting period, that no new projects should be available and that other incentives for HFC-23 destruction should be found, while existing agreements should be honoured.

VII. CLIMATE FINANCE, GOVERNANCE AND DELIVERY

48. RECOGNIZES that a Copenhagen agreement will require a gradual but significant scaling up of both public and private financial flows to developing countries – including through the carbon market – for adaptation, mitigation, deforestation reduction, technology and capacity-building activities and that current institutional arrangements for climate finance were not designed to handle the disbursement of finance at the pace and scale that will be necessary post 2012; ACKNOWLEDGES that one key to a successful outcome in Copenhagen is to design a more efficient institutional system that is acceptable to all; PROPOSES to draw on the experiences and principles of development cooperation and make use of institutions and channels both inside and outside the UNFCCC, reforming these where necessary; STRESSES that the overall governance structure should be decentralised, country-driven, transparent, allowing effective monitoring, and should fulfil standards for aid effectiveness; WELCOMES the publication of the Commission's communication "Stepping up international climate finance: A European blueprint for the Copenhagen deal".
49. [Placeholder for Ecofin: Depending on the outcome of the preparation of the Council (Ecofin) conclusions text, the following may be added (based on the latest draft): [REITERATES that the Commission estimates that the total net incremental cost of mitigation and adaptation in developing countries could amount to about EUR 100 billion annually by 2020 to be met by a combination of their own efforts (public and private domestic finance), the international carbon market (driven by the access to offsets in the context of ambitious mitigation targets in developed countries) and international public finance. [Placemaker and suggested text: CONFIRMS this estimate as a benchmark for overall efforts to be shared, but also the uncertainty in, and aggregate level of, such estimates.]

50. UNDERLINES that adequate, predictable and timely financial support for implementation of a Copenhagen agreement is crucial and that the EU is prepared to take on its fair share, in the framework of a global and comprehensive Copenhagen agreement which entails appropriate and adequate contributions by Parties; [STRESSES that financing through the carbon market will need to be monitored and recognized separately, and that procurement of offset credits can be counted as support only to the extent that they are not being used for compliance with quantified emission limitations or reduction commitments.]
51. [Placeholder Ecofin: Depending on the outcome of the preparation of the Council (Ecofin) conclusions text, the following may be added (based on the latest draft): [CONFIRMS that international public financing should be based on a comprehensive global distribution key covering delivery through multilateral and bilateral channels and subject to MRV. The distribution key should be based on emission levels and on GDP to reflect both responsibility for global emissions and ability to pay. The weight on emission levels in the key could increase over time to allow for adjustments of economies. The least developed countries should be exempted from contributions based on the key, on the basis of objective criteria.]
52. [Placeholder Ecofin: Depending on the outcome of the preparation of the Council (Ecofin) conclusions text, the following may be added (based on the latest draft): [REITERATES that a global distribution key would increase the overall amount of financing raised including by ensuring trust in the fair distribution of financing, and it would increase global ownership and take into account developments in the world economy. At the same time it would ensure more stable levels of support and a benchmark against which financing deliveries can be verified. Developing countries would be net beneficiaries with magnitudes depending inter alia on their capabilities and mitigation potential. [Placeholder and suggested text: CONFIRMS a global key with XX% weight on emission levels and 1-XX% weight on GDP, starting from 2013 whilst providing quantified thresholds for exempting LDCs, and thereby REAFFIRMS its readiness to take on its resulting fair share of total international public finance.]

53. [Placeholder Ecofin: Depending on the outcome of the preparation of the Council (Ecofin) conclusions text, the following may be added (based on the latest draft): [REITERATES that countries should finance their contributions based on national priorities and in accordance with budgetary frameworks and national budgetary principles. Countries may want to consider the use of revenues from specific sources, such as auctioning of a share of national emission allowances (AAUs). Revenues from specific sources should be recognised as contributions under the global distribution key to the extent such contributions unambiguously can be referred back to a country of origin. [Placeholder and suggested text: CONFIRMS that contributions from global sources could complement other public finance contributions and could be directed through global accounts. Financing flows through global accounts should be channelled through existing institutions to implement support, maximised synergies and limit administrative costs. Such financing could focus on closing gaps in international financing.]]
54. [Placeholder Ecofin: Depending on the outcome of the preparation of the Council (Ecofin) conclusions text, the following may be added (based on the latest draft): [The Council CONFIRMS [Placeholder and suggested text: that the overall level of global public support could be [in the range] EUR x billion by 2020, subject to a fair burden sharing at the global level in line with the distribution key a governance arrangement as outlined and delivery towards specific ambitious action. In the absence of full participation in global financing the global level of support will be accordingly lower.]]
55. SUPPORTS the establishment of a high-level body to inter alia provide a consolidated overview of international sources for financing climate-related investments in developing countries, review the balanced distribution of international public finance across priorities, involve all relevant actors, and encourage synergies with other environmental agreements; PROPOSES that this body should be created under the guidance of the UNFCCC and involve all relevant actors; EMPHASISES the need for balanced representation in such a body; PROPOSES also that a coordination mechanism be established that includes a registry of NAMAs to facilitate operationally the matching between finance and needs as identified in developing countries' NAMAs and LCDS/LCGPs.

56. [Placeholder Ecofin: Depending on the outcome of the preparation of the Council (Ecofin) conclusions text, the following may be added (based on the latest draft): [RECALLING March and June Council conclusions, the Council REAFFIRMS that the most important components of the governance framework for financing of mitigation should be:

- Submission of ambitious and robust country-owned Low Carbon Growth Plans (LCGPs) by all countries except the least developed. Countries. LCGPs should describe their current mitigation and energy policy frameworks, including regulation and pricing. Developed countries should outline their plans for implementing economy-wide reduction targets and providing international support. Developing countries should describe their intended emission trajectories and reductions below business-as-usual, identify broad areas and types of possible action to this end, and set out expectations for domestic and international financing.
- There should be an independent, international technical assessment of these country-owned plans. This would help to facilitate access to support for specific actions.
- Support for specific nationally appropriate mitigation actions (NAMAs) at sectoral or programmatic level would come from multiple multilateral and bilateral channels. [Where mutually agreed, smaller countries with sufficient administrative capacity may receive direct support for their LCGP rather than for specific NAMAs]. Coherence and consistency of the support system would build on MRV and the two global functions of registry and matching support and mitigation action:
 - Unsupported actions could be **measured, reported, and verified** (MRV'ed) domestically on the basis of internationally agreed standards. Supported and carbon-market related action should be measured, reported and verified internationally. The MRV of supported action would verify that financing as well as action is delivering in full towards commitments.
 - All mitigation action would enter an **international registry**. LCGPs and the registry of all NAMAs will ensure full transparency about the context in which individual NAMAs are supported.

- Governance at the global level should rely on principles of effectiveness, efficiency and equity. Institutional anchoring of global functions must rely on a clear separation of political and operational levels with guidance being given at the political level, decision making and implementation being done at a highly professional technical level. Both levels could be informed by advice from internationally recognized experts. Balanced representation at political level is needed.]

57. STRESSES the need for enhancing efforts to prepare for effective action and avoiding delay of ambitious action due to capacity constraints and to facilitate the integration of climate change issues into national development planning and strategies, EMPHASIZES that capacity building should be a country-driven process and respond to national circumstances; RECOGNIZES that fast-start financing will be required pre-2013, financing to enable capacity building and early actions, including for developing LCDC/LCGPs, readiness for REDD, annual emission inventories, pilot projects, cooperation in technology research, development and demonstration and immediate adaptation concerns including disaster risk reduction; WELCOMES the establishment of the Climate Investment Funds administered by the World Bank that contributes to such fast start finance.

58. [Placeholder for Ecofin: Depending on the outcome of the preparation of the Council (Ecofin) conclusions text, the following may be added (based on the latest draft): [Placeholder and suggested text: The Council CONSIDERS the Commission's estimate of an overall financing need of EUR 5-7 billion per year during the period 2010-2012 serves as a useful benchmark and UNDERLINES that the EU in this context is ready to contribute [x per cent/ its fair share] of these costs.]

59. STRESSES that all official development assistance (ODA) expenditure should take climate considerations into account with a view to making it climate-proof; EMPHASISES that synergies in the implementation of international climate finance and other assistance in developing countries should be used as much as possible, that the experience of existing institutions, including multilateral development banks, in delivering aid in developing countries should be used and the agreed principles of aid effectiveness should be applied.

60. [Depending on the outcome of the preparation of Council (Ecofin) conclusions text, the following may be added (based on the latest draft): [REAFFIRMS that in parallel with deliveries of climate financing all international parties should commit that such financing would not undermine or jeopardize the fight against poverty and continued progress towards the Millennium Development Goals.]
61. [UNDERLINES that while support to mitigation and adaptation in developing countries will require additional resource mobilization from a wide range of financial sources, ODA will continue to play a role, particularly for support to adaptation, including disaster risk reduction, in the most vulnerable and least developed countries; UNDERLINES that developed countries should honour their respective commitments of ODA contributions and REAFFIRMS its commitments in this respect as set out in the European Council conclusions of June 2005.]
62. REAFFIRMS the Global Environment Facility's role as the operational entity of the financial mechanism of the Convention, and WELCOMES the progress in the fifth replenishment negotiations; STRESSES the need for reforms to improve the GEF's effectiveness and efficiency.

VIII. TECHNOLOGY

63. REITERATES the importance of development, deployment and diffusion, including transfer of safe and sustainable technologies, for mitigation and adaptation; PROPOSES that developing countries perform national assessments of their needs and barriers related to technology and use those assessments in order to make strategic choices in their LCDS/LCGPs; EMPHASISES that LCDS/LCGPs should set out what support is needed to implement actions and policy frameworks that lead to enhanced technology development and deployment; RECALLS that the design and implementation of national policy frameworks are essential to provide enabling environments with a view to re-directing and scaling up private investments as well as playing a major role in driving research, development, demonstration, deployment and diffusion, including transfer of technologies at the scale needed, STRESSES the importance of creating in all countries, developed as well as developing, incentives and mechanisms to engage the private sector in technology cooperation; UNDERLINES the important role that carbon markets should play; COMMITTS to support developing countries in capacity building for developing LCDS/LCGPs and the implementation of policies and measures to develop, deploy, diffuse and transfer technologies.

64. RECOGNISES the need for further international cooperation to promote promising safe and sustainable technologies for mitigation and adaptation, including increased R&D cooperation and information sharing; WELCOMES in this context actions and support outside the UNFCCC such as the MEF initiative of establishing a “Global partnership to drive transformational low carbon climate-friendly technologies”, as well as actions taken in IRENA, IEA and other fora; UNDERLINES that these actions should be recognized and built upon in a Copenhagen Agreement; CALLS ON all parties to agree global technology objectives to guide national and international development towards low carbon and climate resilient economies; PROPOSES that the establishment and monitoring of these objectives, through inter alia roadmaps, as well as cooperation and capacity building on climate technologies should be facilitated by a body under UNFCCC; ACKNOWLEDGES the importance of innovation centres in developing countries for research collaboration, capacity building, information sharing and training of experts and PROPOSES to explore together with other parties how this function should best be established.
65. REAFFIRMS the importance of increasing private and public energy-related RD&D compared to current levels, working towards at least a doubling of global energy related RD&D by 2012 and increasing it to four times its current level by 2020 with a significant shift in emphasis towards safe and sustainable low greenhouse-gas-emitting technologies, especially renewable energy and energy efficiency; and STRESSES the necessity of protecting and enforcing intellectual property rights (IPRs) for promoting technological innovation and incentivising investments from the private sector.

66. RECALLING IEA’s assessment that the three most important technologies for combating climate change are; energy efficiency, renewable energies, and carbon capture and storage. SUPPORTS further initiatives for international cooperation on demonstration and deployment of safe and sustainable technologies and renewable energy sources inside or outside a Copenhagen Agreement. WELCOMES the Communication by the European Commission “Demonstrating Carbon Capture and Geological Storage (CCS) in emerging developing countries: financing the EU-China Near-Zero Emissions Coal Plant (NZEC) project”; and the European Commission pledge of €57m to the project; RECOGNIZES the importance of public-private partnerships and access to carbon market financing to increase demonstration and deployment of safe and sustainable technologies in developing countries; PROPOSES to enter the next phase of the EU-China cooperation on a near-zero emission coal-fired demonstration plant with a view to further development of environmentally safe CCS and finding ways for financing such demonstration cooperations.

IX. LEGAL ISSUES

67. EMPHASIZES the need for a legally binding agreement for the period starting 1 January 2013 that builds on the Kyoto Protocol, including the structure for the EC and its Member States commitments, and ensures inclusion of all elements that the EU considers necessary, as an outcome from Copenhagen in December 2009.
68. CONSIDERS that a single legally binding instrument would provide the best basis for ensuring consistency in the application of the international climate regime post-2012 and facilitating ratification by Parties with a view to achieving universal participation but expresses its willingness to an open discussion with other Parties on different options to the same ends.
69. EMPHASIZES the importance of a strong and effective compliance regime, building on the Kyoto Protocol’s approach.

=====