

## FACT SHEET ON THE GLOBAL CLIMATE CHANGE ALLIANCE (GCCA )

The European Commission put forward on 18 September 2007 an initiative on a Global Climate Change Alliance between the European Union and poor developing countries most vulnerable to climate change.<sup>1</sup>

With the GCCA we want to deepen our dialogue and step up cooperation with the developing countries that are most vulnerable to climate change. They are the ones who are hit earliest and hardest and have the least capacity to react. They are typically Least Developed Countries (LDCs) and Small Island Developing States (SIDS). The Alliance is proposed to be based on two pillars:

1) Improved dialogue on and exchange of experiences with addressing climate change. The results of the dialogue will feed into the discussions on a post-2012 climate agreement under the UN Framework Convention on Climate Change. The idea is to support the converging of visions between Europe and developing countries on the shape of an ambitious agreement.

2) Concrete support for adaptation and – where beneficial for the achievement of poverty reduction aims - mitigation measures and for the integration of climate change as outlined above. Five priority areas for cooperation are being proposed:

(i) support for adapting to the effects of climate change without prejudice to achieving the Millennium Development Goals. Adaptation (particularly in the water and agriculture sectors) is of vital importance for the most vulnerable.

(ii) reducing emissions from deforestation: About 20% of global greenhouse gas emissions are caused by deforestation. In LDCs, 62 % of total emissions originate in land-use change, primarily deforestation. The GCCA will both support innovative solutions to avoid deforestation and expand existing initiatives such as the FLEGT initiative, which while tackling illegal logging is also reducing emissions and preserving ecosystems and livelihoods.

(iii) enhancing participation in the global carbon market through the Clean Development Mechanism (CDM): The CDM has the potential to bring significant foreign investment to poor countries given that it costs less for industrialised countries to invest in emission abatement in developing countries than at home. At the same time, developing countries receive advanced technologies helping them in their own sustainable development efforts. So far, however, the poorest countries have attracted only few CDM investors. By building capacities and providing technical support, the GCCA will try to level the playing field and promote a more equitable geographic distribution of CDM projects.

(iv) promoting Disaster Risk Reduction: there has clearly been an increase of natural disasters linked to extreme weather events, resulting from climate change. The GCCA will assist the most disaster prone countries in building their capacities to prepare for, mitigate and prevent natural disasters.

(v) integrating climate change into poverty reduction efforts. Climate change affects many sectors and needs to be integrated or "mainstreamed" into poverty reduction efforts to ensure sustainability. The Alliance will strengthen the on-going implementation of the EU Action Plan on Climate Change and Development (focussed on mainstreaming) in the most vulnerable countries.

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<sup>1</sup> Commission Communication on Building a Global Climate Change Alliance between the European Union and poor developing countries most vulnerable to climate change - COM(2007)540.

The European Commission is making available € 60 million in additional funding over the period 2008-2010 (10, 25 and 25 over the three years) to start up the GCCA. A significant share of Commission existing geographic funding also serves the objective of the initiative. Under the intra-ACP funding for the 10<sup>th</sup> EDF €40 million is earmarked for the GCCA as well as €100 million for Disaster Risk Reduction. The initiative is being discussed with EU Member States, which have been asked to contribute resources to the GCCA.<sup>2</sup>

The GCCA was discussed with the EU Member States, which endorsed its objectives, indicating that support should be complementary to existing initiatives. The Council of the EU invited the Commission to consider innovative means of financing.<sup>3</sup>

At the European Development Days in November 2007, Louis Michel announced his intention to explore possibilities for an innovative financing instrument (Global Climate Change Financing Mechanism GCFM) to frontload support to climate related investments through the issuing of bonds on the international financial market. Repayment of such bonds would be guaranteed by supporting countries from their own budgetary resources, including ODA and possibly resources derived from the future carbon market. The feasibility of such a bond is studied in collaboration with the World Bank. It would draw on the lessons of other innovative financing instruments (such as the UK initiated International Finance Facility for Immunisation) and would be focused on providing grant financing to climate related investments for the poorest and most vulnerable countries. The GCFM can increase the funding for the GCCA, but also for other (multilateral) initiatives to assist developing countries with climate change.

### ***GCCA work in progress and next steps***

We are now working out the details of the initiative. A Commission Staff Working Paper detailing the operational/implementation modalities of the GCCA is in preparation and will be presented to the Council in June/July 2008. We intend to start as soon as practicable adaptation pilot activities in a few countries; the idea is to explore together with partner countries more comprehensive and innovative ways to climate changes issues' implementation, for example through additional budget support. We will collaborate closely with the Member States and other international organisations on the selection of pilot countries (starting with 3 to 6 countries in 2008) and activities and on methodology. As more resources will become available in 2009 and 2010 we shall increase the number of beneficiary countries.

The GCCA shall act also as a platform for political dialogue between the EU, LDCs and SIDS on climate change, at the global, regional and national levels. While the political dialogue shall take place outside the context of the international negotiations it shall however help to advance the implementation of the UNFCCC and related agreements. This dialogue and exchange is intended to create the conditions for an ambitious outcome of the negotiations within the UN framework for establishing a post-2012 climate agreement.

At the global and regional levels, the purpose of the dialogue would be to promote climate change as one of the key issues for discussion and action between the EU and those countries, building confidence, and to initiate greater regional dialogue on climate change. At national level, the GCCA dialogue focuses first and foremost on initiating promptly meaningful work for the effective integration of climate change into national development strategies, plans and budgets, identifying concrete measures and help materialise opportunities for cooperation.

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<sup>2</sup> Sweden is contributing with € 5.5 million in 2008

<sup>3</sup> See Council Conclusions on GCCA of 20 November 2007.