



Warsaw, 19 November 2013

An EU budget for low-carbon growth

At least 20% of the entire European Union budget for 2014-2020 will be spent on climate-related projects and policies, following the European Parliament's approval today of the 2014-2020 EU budget¹. The 20% commitment triples the current share and could yield as much as €180 billion in climate spending in all major EU policy areas over the seven-year period. The EU's development policy will contribute to achieving the 20% overall commitment, with an estimated €1.7bn for climate spending in developing countries in 2014-2015 alone. This is on top of climate finance from individual EU Member States. This budget marks a major step forward in transforming Europe into a clean and competitive low-carbon economy and helping developing countries adapt to the impacts of climate change.

Connie Hedegaard, EU Commissioner for Climate Action, said: *"Today is an incredibly important day for Europe and for the fight against climate change. At least 20% of the entire EU budget for 2014-2020 will be climate-related spending. This is a major step forward for our efforts to handle the climate crisis. Rather than being parked in a corner of the EU budget, climate action will now be integrated into all the main spending areas. This underscores yet again Europe's leadership in the fight against this crucial challenge. I believe the EU is the first region in the world to mainstream climate action into its whole budget."*

Climate action integrated into all the major EU policies

- Climate-relevant assistance should strongly increase in the **EU's development policy**. Thanks to a renewed focus on low-carbon energy as well as food security, resilience and adaptation, development assistance will therefore make a substantial contribution to reaching the 20% overall commitment, with €1.7bn estimated in the next two years alone. This is on top of climate finance from individual EU Member States.
- Under the **EU's common agricultural policy**, at least 30% of the rural development funds should be used for climate-related projects. This will create real opportunities for investing in climate-smart agriculture.
- In the **EU's regional cohesion policy**, specific earmarking for energy efficiency of 20% in the most developed regions and 6% for the less developed regions as well as for sustainable urban development should ensure a strong focus on climate change action
- The research and innovation programme (**Horizon 2020**) with an envelope of €63bn has the objective of 35% climate mainstreaming (over €22bn). The focus will be on research and innovation activities on energy, climate and clean technologies.
- The new infrastructure instrument (**Connecting Europe Facility**) will also be climate friendly and be distributed mainly through transport infrastructure of €23bn and energy infrastructure of €5bn (mainly transmission grids for renewable energy).

¹ The EU budget for 2014-2020 allows the EU to invest up to €960 bn up to 2020. Other instruments for unforeseen circumstances outside the budget represent an additional €36.8bn. This brings the total commitments to €996.8bn.

- **The LIFE programme** (the EU's Programme for the Environment and Climate Action) budget increases to over €3 billion. Within this overall envelope, a new sub-programme for climate action receives a budget allocation of €760 million.

A **common tracking methodology** for climate related expenditure based on Rio-markers has been integrated in the normal budgetary procedure for measuring performance of EU programmes. In this way, EU is able to set out clearly how much of its spending relates to climate action under the 2014-2020 EU-budget.

EU climate finance in 2013

Year on year, the EU is collectively building a pathway towards the USD 100 billion goal. As the world's biggest provider of Official Development Assistance, the EU and Member States continue to deliver climate finance to developing countries. The EU and Member States committed to provide €7.2 billion in 'fast start' finance for developing countries over 2010-2012 and exceeded this pledge by delivering a total of €7.34 billion, including €2.67 billion in 2012. Last year, at COP18 in Doha, the EU and a number of Member States announced voluntary contributions for developing countries amounting to €5.5 billion, and the latest assessment shows they are on track to deliver this amount in 2013.

Contributing to adaption finance

The EU acknowledges the need for (public) adaptation finance. The European Commission channels EU adaptation funding via the EU Global Climate Change Alliance (GCCA). In 2013 the European Commission committed €47 million for financing nine new projects in Chad, Comoros, Djibouti, Myanmar, Haiti, Malawi, Mauritania, Sao Tome e Principe and Tanzania. The GCCA portfolio has increased from 4 pilot projects in 2008 to supporting more than 45 national and regional programmes across 35 countries and 8 regions and sub regions, with a total budget envelope of close to €300 million.

Mobilising climate finance through international financial institutions

The European Investment Bank (EIB), owned by the EU Member States, is one of the largest multilateral providers of climate finance among the international financial institutions. Between 2008 and 2012, the EIB invested almost €80 billion in climate change mitigation and adaptation projects in Europe and in emerging and developing countries outside Europe. Support to climate projects outside Europe has expanded considerably, particularly since 2010. The EIB currently provides between €1.5bn and €2bn per year of climate finance for investments outside the EU.

Leveraging more climate finance for developing countries

Since 2007, the European Commission together with the EU Member States has established a number of EU Blending Facilities that combine grant funding with loans and cover different regions. In 2010 Climate Change Windows were announced in all Blending Facilities to improve the tracking and overall visibility of climate actions within these investment facilities. Since 2007 about €480 million in public grants has been committed under the Blending Facilities to more than 200 climate-relevant initiatives. This has leveraged €6 billion of loans from European public finance institutions and regional development banks. This corresponds to total project financing of more than €14 billion benefiting both low and middle income countries.

For more information about the EU's climate finance to developing countries in 2013: http://ec.europa.eu/clima/events/0086/funding_en.pdf

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