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| **ENVE-VI/024** |
| **125th plenary session, 9-10-11 October 2017** |

**OPINION**

**Climate finance:
an essential tool for the implementation of the Paris Agreement**

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| THE EUROPEAN COMMITTEE OF THE REGIONS:* highlights the fact that climate change is a global problem, but that in order to address it in the most effective way possible a multi-level, multi-stakeholder governance approach is needed. In light of this, the Committee calls on the European Commission to recommend, including under the UNFCCC, that the role of local and regional governments be recognised and enhanced with a view to achieving the objectives of the Paris Agreement more effectively;
* given the scant ambition displayed by some States in the current international context, considers the role of local and regional bodies to be essential in involving the general public and raising awareness of climate change issues, in attracting investments and in implementing specific projects. In this regard, calls on the Commission to strengthen the Covenant of Mayors initiative and to promote the Global Covenant of Mayors, providing financial and technical assistance, especially in countries where national ambition is lacking;
* proposes, with regard to the discussions on the new post 2020 EU Multiannual Financial Framework (MFF), that climate change and sustainability issues become a dominant cross-cutting trend across all funding programmes, and that minimum allocation targets for climate be included both for the MFF as a whole and for the main funding programmes;
* suggests that *ex ante* impact assessments of EU legislative proposals be accompanied by a climate impact assessment and an assessment of how they will contribute to the Paris Agreement objectives;
* stresses that sometimes the rules on state aid and/or European accounting rules for public bodies can make environment and climate investments more difficult; therefore asks the Commission to check whether there is room for making these investments more appealing in accounting terms;
* suggests to establish an instrument to improve the capacity of regions and cities to navigate between the various existing initiatives, access climate financing and obtain appropriate technical support; offers its support to the Commission in drawing up a manual that will offer a map of European and international funding opportunities specifically for local and regional authorities.
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| Rapporteur: **Marco** **Dus** **(IT/PES),** Member of Vittorio Veneto Municipal Council, TrevisoReference documentOwn-initiative opinion |

**Opinion of the European Committee of the Regions –
Climate finance: an essential tool for the implementation of the Paris Agreement**

1. **POLICY RECOMMENDATIONS**

THE EUROPEAN COMMITTEE OF THE REGIONS

# observes that there is incontrovertible scientific evidence indicating that global warming is occurring and that this change will have significant and growing effects on the economy and on society as a whole. In particular, climate change has a major impact on the areas run by local and regional authorities. In many cases local and regional authorities find themselves in the front line in mitigating damage caused by increasingly extreme natural phenomena and investing in adaptation measures;

# voices its concern over the effects of climate change beyond the EU's borders as well, where there is often limited capacity to deal with extreme environmental events and to adapt territories to the changes under way. Notes that this can also have a direct impact on migration;

# believes that local and regional authorities in the EU have ample scope to improve their investment capacity (and to attract outside investment) in the area of climate change despite difficulties relating to budgetary constraints, long-term planning capacity and the management of complex projects. This commitment is essential in order to further improve the good overall performance of the EU, which is currently responsible for 9.6% of global CO2 emissions;

# stresses that enormous investment is necessary to deal with the challenges of climate change and that this cannot be covered by local and regional resources, or even with public resources alone. That is why the Committee welcomes international, European and national initiatives aimed at mobilising private investment;

International action

# highlights once again the fact that climate change is a global problem, but that in order to address it in the most effective way possible a multi-level, multi-stakeholder governance approach is needed. In light of this, the Committee calls on the European Commission to recommend, including under the United Nations Framework Convention on Climate Change (UNFCCC), that the role of local and regional governments be recognised and enhanced with a view to achieving the objectives of the Paris Agreement more effectively;

# holds the view that despite the relatively impressive ambition and commitment shown by some developing countries, the slow pace at which some countries are implementing the Paris Agreement is no longer acceptable and the intention of the United States of America to withdraw from its commitments cannot be endorsed. The CoR strongly reiterates that upholding the aims of the Agreement is not an option but a necessity. That is why the Committee encourages the Commission and Member States to take all measures necessary to ensure that the EU can become the true international leader in the fight against climate change, exploiting to the full opportunities for innovation and development arising from the gradual transition towards a new economic and financial model;

# believes that the next COP23 in Bonn should be more than a meeting between experts, leading instead to substantial progress towards fully implementing the Paris Agreement, in particular with regard to aspects related to climate financing (need to boost long-term climate financing, review of the Financial Mechanism, etc.);

# proposes that, in the run-up to the future COP24 in Katowice, an international discussion be launched in the UNFCCC on which indicators might be used alongside the concept of greenhouse gas emissions in order to propose more effective climate change measures;

# given the scant ambition already displayed by some States in this international context, considers the role of local and regional bodies to be essential both in involving the general public and raising awareness of climate change issues, in attracting investments and in implementing specific projects. However, in order to achieve this, local and regional authorities require awareness, readiness to act and financial management capacity. In this regard, the Committee highlights the excellent results that the Covenant of Mayors is obtaining and its recent expansion beyond the EU's borders. The Committee therefore calls on the Commission to strengthen this initiative and to promote the Global Covenant of Mayors as much as possible, providing financial and technical assistance, especially in countries where national ambition is clearly lacking;

# recognises that part of the solution lies in operating the global financial markets more efficiently. For this reason, the Committee considers it a priority to raise investor awareness of the risks and opportunities linked to climate change – so that they are able to move towards more sustainable investments – and welcomes the final recommendations by the Financial Stability Board's Task Force on Climate-related Financial Disclosures. However, the CoR calls on the Commission to assess the impact of disclosing climate risks, with a view to being able to put a cost mitigation tool in place for local and regional authorities if, for instance, insurance costs were to increase rapidly;

# welcomes the initiative by the OECD to set up a Centre on Green Finance and Investment, with the aim of supporting the transition to a green, low-carbon, climate resilient economy and calls for coordination between international and European initiatives;

European action

# recognises that the EU has launched various laudable initiatives in the area of climate finance, such as the European Commission's High-Level Expert Group on Sustainable finance, the European Energy Efficiency Fund, the European Investment Bank's Climate Awareness Bond (CAB), the European Local ENergy Assistance programme (ELENA) that provides technical assistance, the LIFE financial instrumentsand many others. In particular, the Committee welcomes the references to the issue of environmental sustainability in the Commission's action plan on the Capital Markets Union (CMU).While welcoming all these very positive initiatives, the CoR recommends avoiding any overlaps and paying full attention to coordination between all policies and initiatives at European level;

# particularly recommends that, in order to better coordinate the initiatives in progressand ensure greater consistency between European policies, the Commission assess the possible synergies between the High Level Expert Group on Sustainable Finance and the new Support to Circular Economy Financing Expert Group;

# proposes, with regard to the discussions on the new post 2020 EU Multiannual Financial Framework (MFF), that climate change and sustainability issues become a dominant cross-cutting trend across all funding programmes, and that minimum allocation targets for climate be included both for the MFF as a whole and for the main funding programmes (starting with the Structural Funds and the new framework programme for research and innovation), and calls for these priorities to be consistent with the objectives of economic, social and territorial cohesion in the EU;

# suggests that *ex ante* impact assessments of EU legislative proposals be accompanied as a matter of course by a climate impact assessment and an assessment of how they will contribute to the Paris Agreement objectives. This exercise should pave the way for developing a long-term uniform, sustainable climate strategy allowing greater investment in climate adaptation, as recently recommended by the European Court of Auditors[[1]](#footnote-1);

# calls on the Commission to authorise the European Banking Authority to prepare – as soon as possible, but following appropriate consultation with the relevant stakeholders and duly involving the private sector – a precise classification of sustainable assets that includes clear and binding definitions of "climate finance", "green finance", "sustainable finance" and "circular finance", building on existing initiatives (such as, for example, the European Investment Bank's CABs). Moreover, a common European taxonomy should be flanked by guidelines for investors and a specific labelling system based on appropriate performance indicators, providing a simple and concise assessment of the quality of the assets;

# calls on the Commission and the Member States, in cooperation with local and regional authorities, to create a predictable and stable regulatory system for climate change related investments. This is of outmost importance to foster private sector involvement in climate finance;

# urges the European Parliament and the Council, when reviewing the banking prudential regulation, to give serious consideration to the possibility of including a "green supporting factor" – based on the model of the infrastructure supporting factor proposed by the European Commission during the ongoing revision of the Capital Requirements Regulation (CRR) – in order to free up resources for private investments, with a reduction in capital requirements for institutions that grant loans for sustainable investment and climate-related purposes;

# recognises that an efficient greenhouse gas emissions permits market, regulated by the European Emissions Trading System (ETS), could offer a partial solution to the problem of climate change, if implemented together with an ambitious energy efficiency and renewable energy policy. Regrets, therefore, that the proposal for amending the ETS presented by the European Commission in 2015 is still awaiting final approval, while the prices for emissions permits are still too low. The Committee reiterates that a minimum percentage of ETS auction revenues should be managed directly by local and regional authorities to invest in improving local resilience. The Committee also calls on the Commission to assess special measures, such as setting a minimum carbon price or re-assessing the idea of a European carbon tax;

# calls on the European Commission to tackle uncertainty surrounding investment in biofuels which arises due to the fact that the Commission has only granted temporary derogations for biofuels from the rules on state aid for energy and carbon taxes, and — equally important — to reduce the administrative burden on renewable energies so that it is not greater than that on fossil fuels;

# calls on the Commission to improve the share of the budget earmarked for climate and environmental sustainability measures under its development aid programmes for third countries, in line with the European Parliament's recently approved regulation establishing the European Fund for Sustainable Development (EFSD), which set a climate investment target of 28% of the total budget. Calls, moreover, for projects to involve local and regional authorities in the EU to a greater extent, with a view to sharing their successful experiences with their counterparts in third countries, thereby developing their skills. The principles of "climate justice" should be at the centre of the international engagements to ensure that investments are human-rights based and assist communities most vulnerable to climate change, not least by creating a climate of cooperation between public and private actors, in keeping with Goal 17 of the United Nations' Sustainable Development Goals[[2]](#footnote-2);

# stresses that sometimes the rules on state aid and/or European accounting rules for public bodies, which are often strict, can make environment and climate investments more difficult; therefore asks the Commission to check whether there is room for manoeuvre to make these investments more appealing in accounting terms;

# is of the view that it would be helpful to establish an ad hoc instrument to improve the capacity of local and regional authorities to navigate between the various existing initiatives, access climate financing and obtain appropriate technical support. For this reason, the CoR offers its support to the Commission in drawing up an operating manual that will offer a simple and comprehensive map of funding opportunities at European and international level specifically for local and regional authorities. Suggests, moreover, that a concise version of this map could be made available to all stakeholders via a web portal. This would offer a single source of information providing an overview of all the funds available to finance climate action;

National and local action

# calls on Member States to involve local and regional authorities to a greater extent in drawing up national energy and climate plans in order to encourage coordination between national plans and local and regional ones, in line with Article 4 of the Paris Agreement governing national contributions to greenhouse gas emissions reductions;

# refers once again to its proposal to increase the involvement of local and regional authorities, set out in its opinion on the communication from the European Commission on Delivering the benefits of EU environmental policies through a regular Environmental Implementation Review COM(2016) 316[[3]](#footnote-3). In this opinion, the Committee calls on the European Commission to work closely with the relevant national, regional and local authorities, the CoR itself, the EU Covenant of Mayors, the Global Covenant of Mayors for Climate and Energy and the International Council for Local Environmental Initiatives (ICLEI) on developing the concept of and methodologies for introducing Local and Regionally Determined Contributions. Pathfinding local and regional authorities would initially be involved on a voluntary "proof of concept" basis;

# suggests that the national plans on climate and energy include medium-term climate investment plans covering the main measures planned, listed according to the relevant level (national or sub-national) and the type of support needed to fill any funding gaps, and also assessing for this purpose the use of innovative financial instruments;

# bearing in mind the importance of the sustainable energy action plans as a means of achieving national and EU contributions on reducing greenhouse gas emissions, suggests endeavouring to involve local and regional authorities effectively by simplifying the implementation, reporting processes and monitoring systems of these plans. Alignment between national strategies and local authority Sustainable Energy and Climate Action Plans (SECAP) should be given consideration in this respect. Resources for SECAPs, in line with Covenant of Mayors methodology, should be further promoted by the Commission and supported by national governments;

# recognises that local and regional authorities should be helped to gain a clear understanding of climate risks in their own area, in order to be able to take the best possible decisions. Improving socio-economic assessment, reporting and communication would help articulate the impact of climate action on society, informing local decision-making and resource allocation. The map of environmental risks available on the European Climate Adaptation Platform (Climate-ADAPT)[[4]](#footnote-4) is a positive and useful initiative, even although it is still little-known and made up of fragmented information with regard to regional and local data. There is an overall need to raise awareness of EU action and tools for climate adaptation at local level.For this reason, the Committee would ask the Commission to increase its support for the platform with a view to completing the data collection process and disseminating the resultswith more attention given to the regional and local level as first responders in crises;

# emphasises, furthermore, that creating new instruments such as green bonds and collective guarantees is important to facilitate financing. They can be developed by local and regional authorities, in cooperation with/supported by national and European institutions. There are many good current examples of this;

# calls on Member States to reward climate financing measures taken by local bodies via specific programmes (e.g. as provided for by the Luxembourg Climate Pact[[5]](#footnote-5),which guarantees additional resources for local bodies that commit to implementing certain energy efficiency measures) by removing potential internal constraints on public finances or by providing other forms of support;

# urges all policy-makers and national governments in particular to put forward and implement bold measures, which do not focus primarily on short-term electoral returns but on the consequences of action (or inaction) on future generations, both as regards health and environmental quality and economically. The CoR therefore suggests that subsidies to economic activities with a high environmental impact (therefore characterised by high emissions), bearing in mind the risk of carbon leakage, be gradually phased out until they disappear completely, within a reasonably short time-scale and in any event by 2035;

calls for the development of common and integrated general packages on making old and new buildings more energy efficient and reducing their carbon footprint, implementing minimum energy efficiency and performance requirements for new buildings, and allocating more resources to making existing buildings more energy efficient.

Brussels, 10 October 2017

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| The Presidentof the European Committee of the Regions**Karl-Heinz Lambertz** |  |
|  | The Secretary-Generalof the European Committee of the RegionsJiří Buriánek |

1. **PROCEDURE**

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| **Title** | Climate finance: an essential tool for the implementation of the Paris Agreement |
| **Reference** | – |
| **Legal basis** | Article 307(4) TFEU |
| **Procedural basis** | Rule 41(b)(ii) |
| **Date of Council/EP referralDate of Commission letter** | – |
| **Date of Bureau/President's decision** | 10 May 2017 |
| **Commission responsible** | Commission for the Environment, Climate Change and Energy (ENVE) |
| **Rapporteur** | Marco Dus (IT/PES) Member of Vittorio Veneto Municipal Council |
| **Analysis** | 19 July 2017 |
| **Discussed in commission** | 18 September 2017 |
| **Date adopted by commission** | 18 September 2017 |
| **Result of vote in commission****(majority, unanimity)** | Majority |
| **Date adopted in plenary** | 9-10-11 October |
| **Previous Committee opinions** | COR 5780/2016; COR 2430/2016; COR 1412/2016; COR 5368/2015; COR 1535/2015; COR 2691/2014; COR 5810/2013 |
| **Date of subsidiarity monitoring consultation** | – |

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1. Landscape review: EU action on energy and climate change 2017. Available at: <http://www.eca.europa.eu/en/Pages/DocItem.aspx?did=41824> [↑](#footnote-ref-1)
2. Goal 17: Revitalize the global partnership for sustainable development: <http://www.un.org/sustainabledevelopment/globalpartnerships/> [↑](#footnote-ref-2)
3. Draft opinion ENVE-VI/021 Environmental Implementation Review (EIR), which will be voted on at the October 2017 plenary session. [↑](#footnote-ref-3)
4. <http://climate-adapt.eea.europa.eu/> [↑](#footnote-ref-4)
5. <http://www.pacteclimat.lu/fr> [↑](#footnote-ref-5)