Capacity Building in the New Member States and Accession Countries on Further Climate Change Action Post-2012

(Service Contract N° 070402/2004/395810/MAR/C2)

Project Recommendations

29 November 2007

Almost all New Members States (NMS) have reduced their greenhouse gas emissions dramatically over the last two decades, as a result of their economic transformations. The economies and societies of the NMS have paid a high price for this transformation, but it is also clear that the NMS have a great potential to reduce their emissions substantially at relatively low cost. Low energy efficiency and current investments in infrastructure provide a great opportunity to reduce greenhouse gas emissions while making the economies of the NMS more competitive and less dependent on imported and increasingly costly fossil fuels. The challenge is now to seize these opportunities and to reduce emissions while achieving economic and social standards similar to the EU 15.

Against this backdrop and on the basis of the project's discussions, a number of findings and recommendations have emerged for policy makers in the EU, NMS and Civil Society. The following paragraphs provide a summary of these findings and recommendations. EU Member States, the European Commission and Parliament as well as business and civil society are invited to take these recommendations into account when adopting policies designed to combat climate change. It is hoped for that these recommendations will help to inform European climate change policies in regard to the specific needs and circumstances of the NMS and Candidate Countries (CC).

A. Benefits and Costs of Climate Change Policies

Over the course of this project, there was general agreement that climate change policies provide an opportunity for economic and technological innovation and modernisation. It was considered very likely that the most energy and resource efficient economies will be the most competitive ones in the future. In this context, NMS and CC still have much greater potential than the EU-15 for addressing energy efficiency at relatively low cost.

Despite this great potential, various barriers to the implementation of energy efficiency measures and the wider uptake of renewable energies persist. The NMS, and in particular many local authorities within NMS, have only limited capacity to pursue energy efficiency or renewable projects. The link between energy policy and climate change is still not obvious for many decision-makers. In addition a new challenge has emerged over the last few years, as the investment plans of the NMS, accepted by the European Commission for support through structural funds, are now forecast to further increase greenhouse gas emissions.

Recommendations:

- Improved **energy efficiency** should be a priority for climate change mitigation strategies in the short- and medium-term. Changes on the energy demand side will be particularly crucial to achieve greater cuts in emissions.
- Since adequate energy prices are crucial for making progress on energy efficiency, there should be a **shift away from general subsidisation of energy** use toward more

targeted subsidies for poor households. Governments could subsidise energy conservation measures, e.g. the purchase of energy-efficient household appliances.

- In many countries, **effective legislation for the promotion of renewable energies**, such as guaranteed feed-in tariffs, is not yet in place, although role models exist which could be adapted to individual national situations. In this context, NMS should step up their efforts to use these tools.
- **Agencies promoting energy efficiency and/or renewable energies** should be adequately funded and staffed, to allow their work to have a long-term and sustained impact. The NMS and CC could benefit from the experience of energy agencies in the EU-15, other highly developed countries and international organisations. In this context, a more comprehensive exchange of best practice examples is desirable.

B. Awareness-raising and public involvement

General awareness on climate change issues is still lacking in the NMS. In most of the NMS, the general public as well as many politicians believe that their countries have done their homework regarding climate protection and have paid a high price. Other challenges currently occupy a higher priority in public perception. The level of public debate and awareness related to climate change issues is still considerably lower in the NMS and CC than in the EU-15. In particular, the relevance of international negotiations and their impact on national policies is not widely appreciated.

Recommendations:

- For a better and detailed understanding of the relevance of specific climate change policies and measures in achieving emission reductions, NMS governments should **improve consultations** with all relevant stakeholders on climate change policies and their implications. These consultations must be an exercise driven by the NMS and not the European Commission or other external players. However, external input is occasionally needed to give more weight to climate change considerations in national debates.
- The NMS often lack a full appreciation of the impact of international and European negotiations on the NMS, i.e. a "**culture of awareness for international negotiations** / **issues and their impact on national economies and societies"**. In order to overcome this gap, positions and interests of NMS in the European and international negotiations should be regularly communicated to the public and relevant stakeholders. As an illustration, there should be a routine consultation process in the context of European events, COP/MOP and SBs sessions. Possibly with the support from the European Commission, a constant dialogue among all relevant stakeholders should take place **in each NMS capital and in light of the European and international agendas**.
- The climate debate should be **linked to the practical aspects of climate change that affect people's everyday lives**, such as energy bills, air pollution, weather extremes and

business opportunities. The economic benefits of climate change policies for companies as well as individuals should be clearly spelled out.

- For a lasting impact, continuity is important. Multiple **series of activities** are recommended over single efforts. In light of the gaps previously identified, such series should particularly focus on
  - integrating climate change policies in other policy areas through specific measures, such as taxation, subsidies and funding;
  - adaptation issues, such as sea level rise, agriculture, biodiversity water resources, health, tourism and others;
  - successful awareness raising / media campaigns;
  - development cooperation and the responsibility of NMS towards developing countries, an issue that currently receives only limited attention in the NMS, which need to be aware of how the EU's commitments (i.e. on adaptation support to developing countries) may be carried forward.

C. Integrated Approach: Structural Funds

EU structural and cohesion funds constitute an important source of funding for new Member States, although few countries recognise the important role of structural funds for climate policy. These funds offer great opportunities for climate-friendly investment, but also raise the risk of less-climate friendly investment where consistent strategies are lacking. The latter was the case in the previous funding period, where those countries of the EU-15 that received the bulk of EU funding were also those that experienced the largest increases in greenhouse gas emissions.

Recommendations:

- **A share of EU funds** should be earmarked for energy efficiency, renewables and sustainable transport modes. In addition, climate change policies need to be better integrated into the Lisbon process and National Reform Programmes.
- **Transport** was highlighted as a policy area of particular importance for any climate strategy. Increasing emissions from this sector threaten to undo emission reductions achieved in other sectors. Greater efforts to preserve and modernise infrastructure and public services should be made through structural funds.
- In the NMS, **agriculture** is responsible for approximately 80% of methane emission and 40% of N_20 emissions. At the same time, agriculture offers great potential for greenhouse gas reduction or carbon storage. It is therefore crucial that EU funds help to increase the capacity of the agricultural sector to protect the climate

D. The New Member States in International and European Climate Change Policies and Negotiations

Concerning the second commitment period, there was consensus that further cuts in greenhouse gas emissions are required and that the EU should continue to take the lead in the global efforts to fight climate change. In light of projected increases in greenhouse gas emissions from the NMS, NMS should not refrain from further action to address climate change. Most NMS are in compliance with their current reduction commitments under the Kyoto Protocol, and a general readiness to accept further cuts in greenhouse gas emissions is high, provided the EU's next burden sharing agreement is fair and takes into consideration the specific national circumstances of each country. There was consensus that substantial further emission reductions should be achieved in the EU-15.

Recommendations:

- NMS have increasingly contributed to the international climate change negotiations; however, to participate successfully, climate change policies need to be treated as a **top priority** of NMS governments.
- **It is important to further build up capacities in NMS and CC.** In many cases, NMS and CC still lack the capacity to take an active part in the international negotiations and even in decision-making processes within the EU. Apart from constraints associated with levels of economic development, the political weight of the climate change problem in these countries is still too low to stimulate an expansion of capacities at the national level. The NMS and European Commission should make more resources available to address existing gaps in capacities. At the same time, NMS should themselves endeavour to identify ways to make the best use of their limited capacities, for example, by **identifying niches and expertise in the negotiating process** that will allow them to contribute actively despite their limited resources.
- The EU should **make full use of those capacities that already exist** within NMS and CC, and give these countries adequate opportunity to contribute these capacities to negotiations as an equal partner, e.g. the specific understanding and relations of many NMS concerning Russia and other countries of the former Soviet Union.
- **Regional alliances**, such as among the Baltic states or south-eastern European states, should be strengthened or newly-built. They could be serve as a powerful tool to jointly develop and negotiate strategies, as well as to design and implement common policies.

E. Joint Fulfilment of Commitments

Given the conclusions of the European Council of March 2007, there is a common expectation that a new burden sharing agreement will be established in the near future. It was emphasised that the principles of cost-effectiveness and solidarity do not allow for an approach other than the EU's acting as one entity and accepting one common target. On the other hand, many differences between old and new MS will continue to exist and will require a differentiated approach.

Recommendations:

- A new **burden sharing agreement needs to be made in a fair and transparent way**. To this effect it must be based on a set of criteria that allow for appropriate differentiation among Member States.
- Given the specific historical experiences of most NMS and low capacities in all NMS, it is crucial that NMS are not confronted with individual and specific reduction targets under a future burden sharing agreement **at the 11th hour**.
- A clear **analysis of reduction potentials** in NMS, as well as socio-economic implications of possible reduction targets, is a prerequisite for active participation in the negotiations over a post-2012 regime if timing permits. There is an urgent need for the NMS and CC to catch up with the "old" Member States in developing long-term climate strategies, which requires additional research as well as a comprehensive and informed public debate.

F. Future of EU Emission Trading and the Kyoto Flexible Mechanisms

There was consensus that the current flexible mechanisms should continue. It was agreed that the first phase of the EU ETS should be considered as a learning phase, which has yielded only mixed results. The first phase of EU ETS has shown that markets can function and that a cap on allowances is crucial for the mitigation and innovation effect of any trading scheme.

Recommendations:

- The principle of grandfathering was questioned by stakeholders. It was recommended that grandfathering should be replaced – at least in part – by **benchmarking**. In addition, a greater share of allowances should be **auctioned.** It was suggested that the European Commission could be tasked with allocating allowances, and noted that the use of revenues from auctioning requires a harmonised approach.
- The importance of clarifying the future role of Joint Implementation (JI) was highlighted. It is expected that JI will continue to play an important role in Russia, Belarus and Ukraine but will most likely cease to operate in the NMS, due to the need to avoid double counting and additionality problems resulting from NMS participation in the EU ETS and adoption of other EU environmental legislation. A greater role was expected for International Emissions Trading (IET) in connection with Green Investment Schemes (GIS – a concept meaning that revenue from sold surplus allowances under the Kyoto Protocol is reinvested in mitigation measures). However, the application of IET and GIS is still at an early stage, and developing appropriate rules for GIS is still an important challenge.

G. The Role of Adaptation

In general terms, there was consensus that the issue of adaptation will play a greater role in the future. However, discussions have also shown that adaptation in its complexity is not yet

a prominent issue in NMS and CC, aside from the engagement of a few experts. There is a weak recognition of negative impacts of climate change, in particular on water, harbour infrastructure, agriculture, construction, forestry, health, and tourism. Consultations on the EU's Green Paper on Adaptation have only begun in a few NMS. Clearly, greater attention to adaptation issues is needed.

Recommendations:

- While calculations of mitigation costs have become more detailed and precise over the last few years, there is very **little information available at present on the exact costs of adaptation**. The NMS in particular will benefit from more detailed analyses of these costs.
- Awareness of **NMS responsibility** to developing countries on adaptation is important, and options for north-south cooperation should be explored.
- **Communication** between interested parties on adaptation needs to be drastically improved and awareness of climate change issues among private citizens and the business community needs to increase dramatically if climate change policies are to be able to engage.