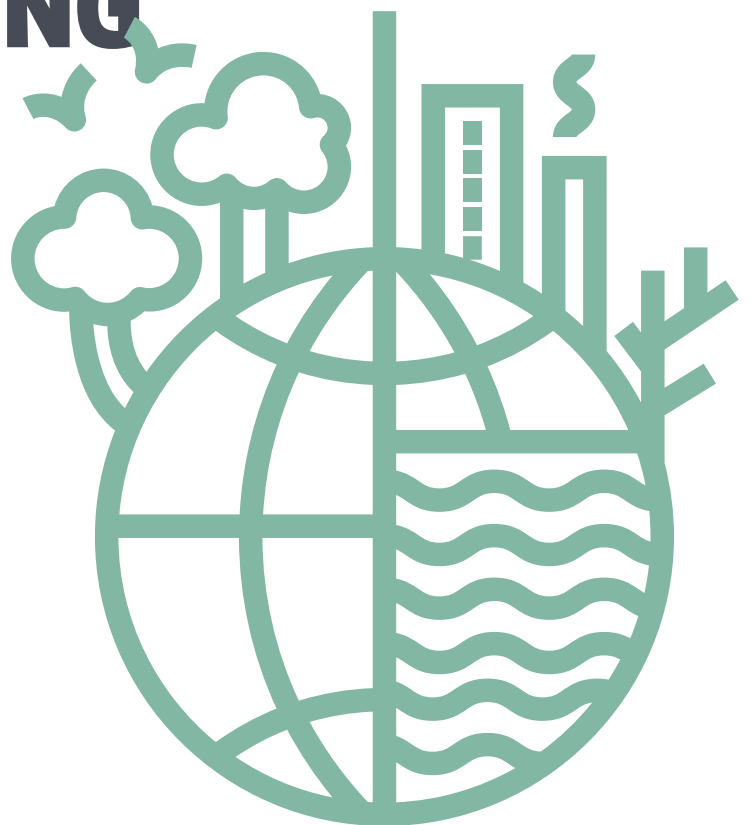


FALLING SHORT:

**SEVEN WAYS IN
WHICH THE EU
SHOULD IMPROVE ITS
CLIMATE SUPPORT
TO DEVELOPING
COUNTRIES**



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Foreword

There is consensus. Scientists, governments, companies, organisations, and people around the world continue to call for climate action. However, action is only possible if the necessary investments are made, and investments will only become reality if finance is available.

Developed countries, including the EU, have committed to mobilise climate finance, to enable climate action in developing countries. This commitment is formalised through the Paris agreement on climate change, and there is no doubt the money is needed.

This paper assesses how EU institutions are delivering on the EU promise to mobilise and scale up climate finance. Unfortunately, the result is disappointing. Even if the total amount of support seems to increase, the analysis points at a number of shortcomings.

Lack of transparency makes it difficult to monitor if the support is delivered. Support delivered as grants is going down, while non-concessional loans, which increase the risk for climate debt, are increasing. At the same time the support is shifting away from the least developed countries towards richer countries. Least developed countries, many of which are feeling the worst effects of climate change right now, have the least capacity to deal with climate change, but also have done the least to cause it.

With this paper we want to highlight a number of concerns related to the climate finance delivered through the EU institutions. We believe that the current practice can be improved, and we offer seven recommendations for how EU decision makers can proceed. We hope they will listen.

Floris Faber

ACT Alliance EU Representative

Key points

- **While overall commitments to climate finance by the EU institutions increased in 2018, it did so at a much slower rate than in previous years.** In fact, while climate finance loans and equity from the European Investment Bank increased, climate finance grants managed and delivered by the European Commission (from the EU annual budget and the European Development Fund) decreased slightly from 2017 to 2018.
 - **Data on the disbursement of climate finance (the amount actually paid out) is not accessible.** The lack of proper reporting of climate finance disbursements makes it difficult to monitor if finance commitments have been fulfilled, which undermines trust.
 - **Loans are reported by the EU to the UN as directly equivalent to grants, even though loans must be repaid, and have the potential to lead to climate debt.** A loan is not a gift. It must be repaid, usually with interest. It should not be reported as if it were equal to a grant.
 - **Less than one-third of climate finance reported by EU institutions went towards adaptation in 2018.** Adaptation funding is desperately needed by some of the poorest, as they contend with the effects which climate change is already having in their countries. But mitigation gets 68% of climate finance as reported by the EU institutions in 2018, up from 67% in 2017. This is due to the share of climate finance reported by the European Investment Bank, which is overwhelmingly focused on mitigation. Adaptation only accounted for 8% of the EIB's climate finance to developing countries.
 - **The share of allocated climate finance going to least developed countries in 2018 fell, while the share going to upper middle-income countries increased.**
- The purpose of global climate finance is that developed countries (who bear the greatest responsibility for causing climate change) should assist developing countries (who bear the least, and are often suffering the worst consequences). But the share of allocated climate finance going to the least developed countries declined from 20% in 2017 to 14% in 2018, and the percentage going to upper middle-income countries increased from 18% to 23%. In 2018, the total amount going to countries in Europe, including Turkey, was higher than the total going to least developed countries.
- **Figures showing the mobilisation of private sector finance by the EU are not transparent, and are available only in aggregate.** This is problematic, because the EU states that these will be used towards the collective USD100 billion per year goal of climate finance flowing from developed to developing countries, but we have little insight into how these figures are calculated or who is receiving the funding.
 - **The commitment to provide 'new and additional' funds should represent funds that go beyond pre-existing commitments to provide development assistance, rather than merely funds that have not been double-counted.** In reporting to the UN, the EU asserts that the financial resources reported are 'new and additional', because they were not already reported in previous years. But when the developed countries committed to providing 'new and additional funds' to combat climate change, this was an acknowledgement that the scale of the problem would require significant scaling up of financial resources. Climate change represents a challenge which goes beyond pre-existing development commitments- and which inevitably makes those efforts more difficult. ■

Recommendations

One: Climate finance by the European Commission, including the European Development Fund, is vital for developing countries, as it is 100% grant based, targeted more towards adaptation, and better targeted towards least developed countries than European Investment Bank funding. The decline in grant funding should be reversed.

Two: The EU institutions should improve their reporting to ensure that data about disbursements is accurate and publicly available.

Three: The proportion of concessional loans provided by the EIB to developing countries as climate finance should be increased, and non-concessional loans should not be reported as grant equivalent. Only the 'grant-equivalent' of concessional loans should be reported, in line with new OECD reporting guidelines.

Four: Grant-based adaptation funding is vital for developing countries, and should be strongly prioritised by the EU institutions. The EU institutions must deliver on the Paris Agreement, and provide a better balance between mitigation and adaptation in their total support.

Five: The EU must ensure that the poorest and most vulnerable countries, including the least developed countries, receive adequate support. The EU should ensure that climate finance allocation is transparent, so that receiving countries are identified.

Six: Private finance should be transparent and accountable, and grant equivalent amounts should be included in the reporting. Private finance mobilised through EU public climate finance should be subject to human rights due diligence. Private investors must demonstrate that they are undertaking human rights due diligence on their investments, in line with the UN Guiding Principles on Business and Human Rights.

Seven: Climate finance needs to go beyond the existing commitments from developed countries to provide official development assistance. This means that climate finance should be counted separately from, and in addition to, official development assistance. ■

Introduction

The richest countries are home to 16% of the world's population, and emit 38% of its greenhouse gases. The very poorest countries, home to 9% of the world's population, only account for 0.5% of the world's emissions, but are already being devastated by climate change in many cases.¹ At the UN climate conference in Copenhagen in 2009, developed countries pledged to collectively mobilise USD100 billion in climate finance per year to developing countries by 2020.

The EU is rightly proud to be a global leader in the provision of climate finance to developing countries. Collectively, the EU, its member states and the European Investment Bank are the largest providers of public climate finance globally to developing countries, as the EU highlights in its reports to the United Nations.²

However, it is essential that these financial flows are **adequate, sustained, and reach those who need it most**. ACT Alliance EU members are working in countries where, every day, the worst effects of climate change are already being felt by those who did the least to cause it.

The following report considers the climate finance which is delivered by institutions of the European Union – specifically, the European Commission, (which manages both the annual EU budget and the European Development Fund), and the European Investment Bank. It is based on research by INKA Consult, and the background data is provided in the technical annex. ■

Methodological note:

Our study relies on two data sets. Firstly, the EU's Biennial Reports on climate finance to the United Nations Framework Convention on Climate Change (UNFCCC), which track its commitments in relation to the collective USD100 billion per year climate finance target. These Biennial Reports use the Rio marker methodology (indicators for climate related assistance) for the European Commission (EC) and the European Development Fund (EDF), and use the joint methodology developed by the multilateral development banks for the European Investment Bank.

The EU also reports to the Organisation for Economic Co-operation and Development (OECD) on its development assistance, of which climate finance is a part. The research for this report calculated climate finance for the EC and EDF using a similar methodology to the one used in the UN Biennial Reporting, using the Rio markers. Rio markers are only applied to EC and EDF projects, so for climate finance from the EIB, we used climate project data provided directly by the EIB for 2013-2016. For 2017-18, we used OECD data, as this was almost directly comparable. Since we only have data from 2013 on for the EIB, most of the tables in this report are for the period 2013-18.

These two resulting data sets are similar, although not identical (see Figure A-2 in the technical annex), due to the differences in the way data is reported. We have used the data reported to the UN where possible. However, in some instances, the OECD gives us more data, so we have used those data sets in some of the sections below.

One: Tracking climate finance by the EU institutions

The scaling up of EU institutions' climate finance slowed in 2018.

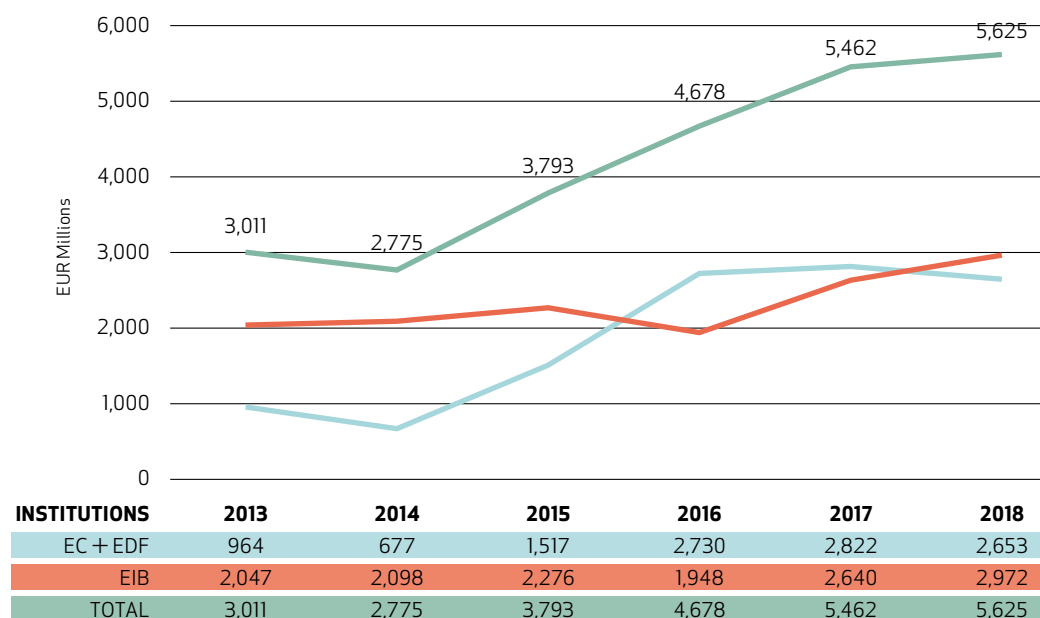


Figure 1: EU institutions' climate finance, as reported to the UN. See Figure A-1 in technical annex.

As shown in the graph above, total contributions by the EU institutions to climate finance began to rise from 2014, in line with UN commitments. However, this began to level off in 2018. This is worrying, since the EU should be redoubling efforts, not scaling them back, if developed countries are to meet the collective target of USD100 billion in climate finance per year to developing countries by 2020. This figure is to continue to be the yearly goal until 2025. Many point out that the actual scale of financial interventions needed is likely to be much greater.³

The slowing of climate finance is happening at a time when the EU is continuing to get richer (see Table A-1 in the technical annex). If the climate finance of the EU institutions is considered in relation to the combined Gross National Income (GNI) of the EU member states, climate finance expressed as a percentage of GNI has actually decreased.

Furthermore, if climate finance managed by the European Commission as a grant-providing institution, is considered separately from the European Investment Bank, which provides loans and equity investments, we can see that while loans and equity continue to rise, grant financing actually decreased in 2018.

In 2013, climate finance reported by the European Investment Bank was more than double that of the

European Commission's grant-based funds, including the European Development Fund.. From 2014, the commitments of the EC and EDF increased significantly, from EUR 677 million to EUR 2.8 billion in 2017. This, however, started to level off in 2017, and decreased in 2018.

The European Investment Bank, however, after a dip between 2015 and 2016, overtook the EC and EDF again in 2018 in terms of reported climate finance. This is significant, because while all of the climate finance delivered by the European Commission including through the European Development Fund is delivered as grants, the European Investment Bank delivers its finance in the form of loans and, to a small extent, equity.

Although loans have a part to play in climate finance, they cannot be considered as equal to grants, as they must eventually be repaid, and this is discussed in Section Three below. The rise in loans is therefore concerning, as climate finance should not bring with it the burden of additional debt.

Recommendation: Climate finance by the European Commission and the European Development Fund is vital for developing countries, as it is 100% grant based, targeted more towards adaptation, and better targeted towards least developed countries than European Investment Bank funding. The decline in grant funding should be reversed. ■

Two: EU climate finance: commitments versus disbursements

Climate finance is committed, but it is uncertain if the funds are disbursed

Information on the commitments made by the EU institutions is readily available. However, there is a worrying lack of accurate data on disbursements – the amount actually paid out. There are currently no reports made on disbursements to the UN, although in its Fourth Biennial Report, the EU notes that it is ‘working towards tracking climate relevant disbursements in the near future’.⁴

Data on disbursements available through the OECD reporting system is apparently not complete, in that it appears to fall far short of commitments. For example, OECD figures indicate that in 2018, EUR 2,810 million was allocated for climate finance by the European Commission and the European Development Fund, but the disbursement figures for the same year are only EUR 1,185 million.

It is inevitable that there will be a difference in any given year between the funds committed by the EU institutions, and the amounts actually paid out. However, this startling difference cannot only be attributed to such variation. Further research indicated that OECD data was not complete but no further data was available from the institutions, and it was thus not possible to verify the numbers. A similar challenge was faced with the EIB where there was no information about how the EIB’s loans and equity investments, included at face value as climate finance, are disbursed.

The lack of accurate disbursements data is particularly problematic within the context of global flows of climate finance, which routinely show that disbursements of funds significantly lag behind commitments.⁵ This greatly increases the importance of accurate figures showing the amounts of finance actually reaching recipient countries and communities.

Recommendation: The EU institutions should improve their reporting to ensure that data about disbursements is accurate and publicly available. ■

Methodological note:

Disbursements are not reported on in the UNFCCC Biennial Reports, although in its Fourth Biennial Report, the EU notes that it is ‘working towards tracking climate relevant disbursements in the near future’.

The OECD data for the European Commission and European Development Fund does include information about disbursements, which can be calculated using the Rio markers. However, these figures could not be confirmed by the European Commission. Since the multilateral development banks do not use Rio markers, the data concerning disbursements of EIB funds is not available.

Three: Reporting on EU climate finance loans

EU climate finance as reported to the UN is vastly overstated, because loans are reported as equivalent to grants.

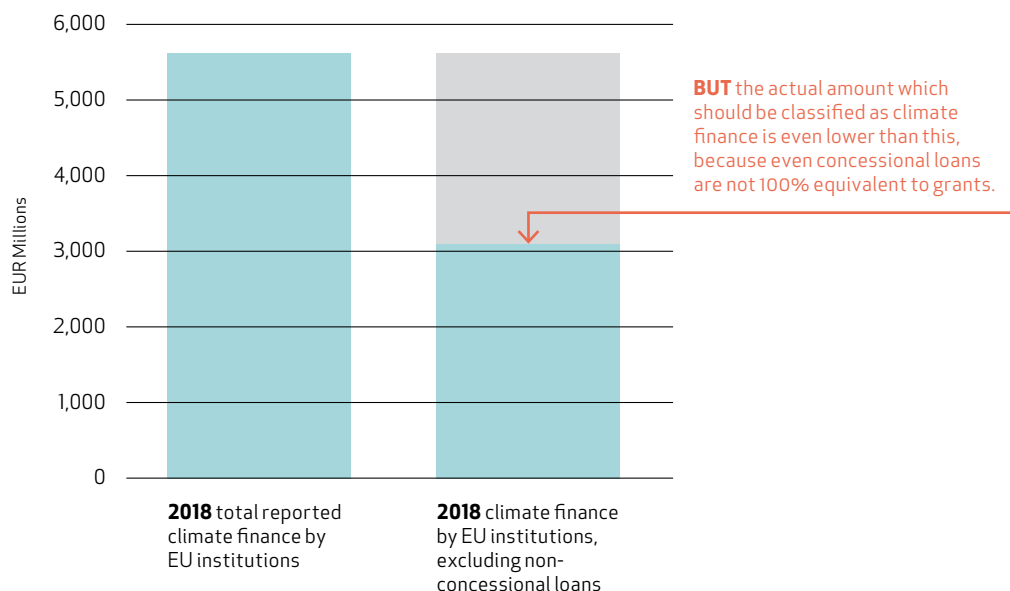


Figure 2: Climate finance using data reported to the UN. Data on concessional vs non-concessional loans as reported to the OECD. See Table A-4 in technical annex.

EU climate finance, as reported to the UN, consists of grants, loans and equity investments. Including loans is controversial, and each party to the UN Framework Convention on Climate Change, among them the EU, can decide to report its own mix of climate finance instruments, with some choosing not to report loans.

However, if the decision is taken to report loans, as the EU institutions have done, then there needs to be a measure of the ‘gift’ portion of that loan, in order to compare grants with loans. It needs to be taken into account that, unlike grants, loans must be repaid at some stage, and this also bears with it interest. For this reason, assessing the ‘grant equivalence’ of loans is an important and well-established concept, and one which the OECD has agreed to apply to member countries’ development loans from 2018. It is explained clearly in an OECD working paper aimed at understanding the new rules: ‘A loan offered at market terms has a grant element of zero percent. This becomes a positive percentage if the lender adds an element of generosity. But it can never reach 100%, for only grants are pure “gifts”.’⁶

But in the EU’s most recent report to the UN, the 2018 figures are reported for loans in exactly the same way as grants – almost EUR 3 billion in loans and equity investments from the European Investment Bank, plus EUR 2.6 billion in grants from the European Commission and

the European Development Fund equals EUR 5.6 billion in climate finance, as shown in Section One above.⁷

This EUR 3 billion in loans and equity investment is reported at face value – without any consideration of disbursements, or how generous or otherwise the terms may be. Loans that are particularly generous in their terms are termed ‘concessional’ loans, and by looking at the OECD statistics, we find that only 8% of the EIB’s climate finance were classified as ‘concessional and primarily developmental’ loans, down from 19% in 2019.

Non-concessional loans fall below a certain grant threshold agreed by the OECD, and so should not be counted towards grant aid at all. So from a total of EUR 5.6 billion in climate finance commitments in 2018 from the EU institutions, such loans immediately reduce the total that might conceivably be considered as grant aid, to just over EUR 3 billion. But, as the OECD working paper states, only grants are pure gifts, so even the more generous ‘concessional’ loans cannot be regarded as 100% grant equivalent.

Recommendation: The proportion of concessional loans provided by the EIB to developing countries as climate finance should be increased, and non-concessional loans should not be reported as grant equivalent. Only the ‘grant-equivalent’ of concessional loans should be reported, in line with new OECD reporting guidelines. ■

Four: Adaptation and mitigation

Less than one-third of climate finance reported by EU institutions went to adaptation in 2018.

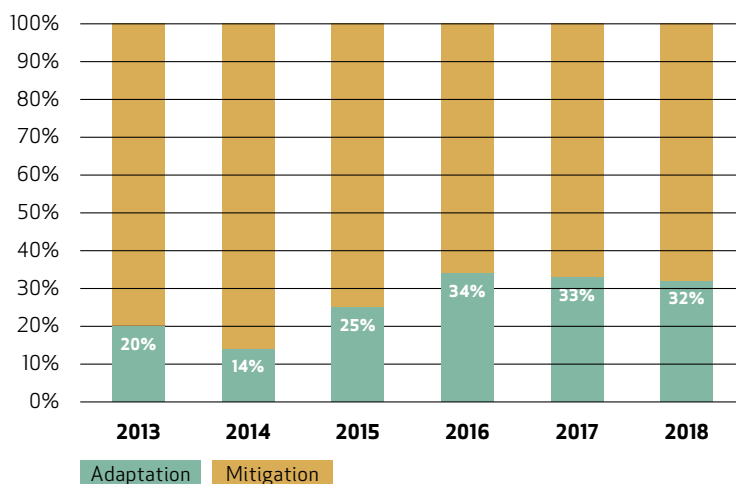


Figure 3: Share of EU climate finance going to adaptation, using data reported to the UN. Cross-cutting funds have been counted as 50% adaptation, 50% mitigation. See Table A-5 in technical annex.

Globally, the vast majority of support has been for climate change mitigation (actions to reduce greenhouse gas emissions). However, many countries most in need of climate change support are already facing some of the worst effects of climate change right now. This means that adaptation finance (to allow countries to adapt to current or inevitable climate change) is urgently needed. The Paris Agreement acknowledges the need for public and grant-based resources for adaptation, particularly for least developed countries and small island developing states, and says that a balance must be struck between mitigation and adaptation.⁸

Adaptation has consistently and increasingly been prioritised by the European Commission and the European Development Fund. Funding is reported as either adaptation, mitigation or cross-cutting (addressing both adaptation and mitigation). If we count cross-cutting funds as half for mitigation and half for adaptation, the share of funds going to adaptation in 2018 in the EC+EDF is 58%. This is an increase from an approximately 50/50 divide between mitigation and adaptation in the years 2013-2015, increasing thereafter.

However, the EIB's climate finance remains overwhelmingly geared towards mitigation. Between 92 and 96% of its climate finance each year is devoted to mitigation. In 2018, 8% of its climate finance targeted adaptation, compared to 92% on mitigation.

As we have seen above, the share of EU climate finance provided by the European Investment Bank has been

increasing, while EC+EDF funds have decreased. Even though the increased focus on adaptation from the EC and EDF has led to a more balanced overall mix of climate finance, the recent increase in committed climate finance from the EIB means that overall, only one-third of EU institution climate finance is going to adaptation.

Recommendation: Grant-based adaptation funding is vital for developing countries, and should be strongly prioritised by the EU institutions. The EU institutions must deliver on the Paris Agreement, and provide a better balance between mitigation and adaptation in their total support. ■

Methodological note:

As mentioned above, climate finance from EU institutions can be divided into what is provided for mitigation, for adaptation, and for cross-cutting projects, i.e. projects in pursuit of both mitigation and adaptation objectives. While the EIB records very little as cross-cutting finance (and none at all since 2013), the EC and EDF record large amounts as cross-cutting (see Table A-5 in the technical annex).

While cross-cutting climate finance can be considered positive for climate mainstreaming purposes, it makes it more difficult to assess the balance between adaptation and mitigation. For purposes of comparison, where a grant is marked as cross-cutting, we have counted it as 50% mitigation and 50% adaptation.

Five: Who is receiving the support?

The share of allocated climate finance going to least developed countries in 2018 fell, while the share going to upper middle income countries increased.

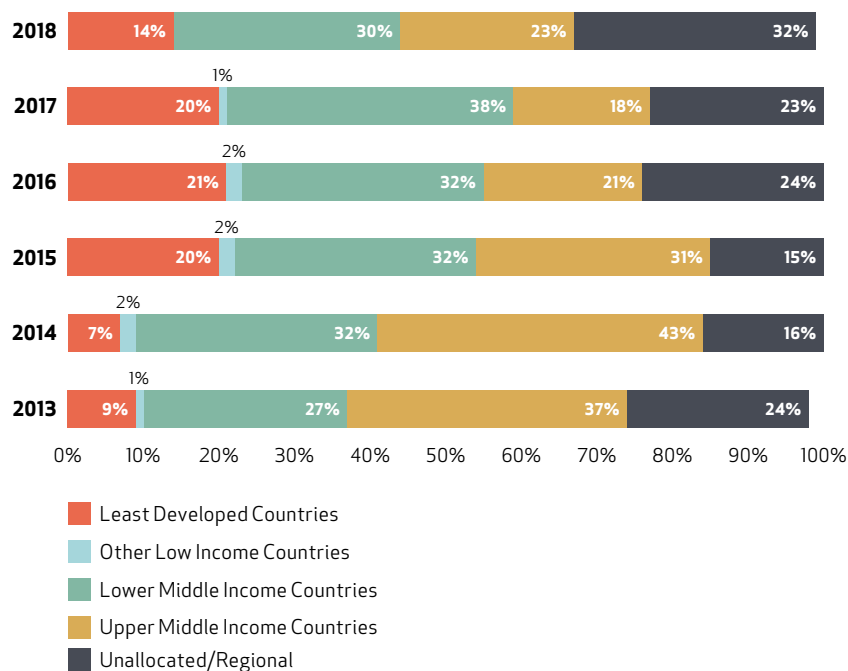


Figure 4: Climate finance provided by the EC, EDF, and EIB between 2013-2018, broken down by income group of recipient countries. Figures are based on data reported to the OECD and data provided by the EIB (for 2013-2016).

Climate finance needs to address the needs of the most vulnerable to climate change, especially the poorest. This is acknowledged in the Paris Agreement, which aims to address the ‘priorities and needs of developing country Parties, especially those that are particularly vulnerable to the adverse effects of climate change and have significant capacity constraints, such as the least developed countries and small island developing States.’⁹

However, as the chart above shows, according to the data from the OECD, the EU institutions’ focus on least developed countries declined from 2017 to 2018, while the percentage allocated to upper middle-income countries rose. Part of this is due to the increased share of climate finance provided by the European Investment Bank, which consistently gives a large proportion of its climate finance to upper middle-income countries. However, the share of allocated grants from the EC and EDF to least developed countries has also fallen from 31% in 2017 to 20% in 2018, while the share going to upper middle income countries has gone from 9% to 14% (see Table A-7 in technical annex). In fact, the total amount going to countries in Europe,

including Turkey, in 2018 was higher than the total going to least developed countries (See Table A-9 in technical annex). Serbia, Turkey and Ukraine each received more than any one least developed country. Only one least developed country (Bangladesh) featured among the top ten recipients of climate finance by the EU institutions in 2018, and it ranked at number nine (See Table A-8 in technical annex).

It must also be noted that a large and growing percentage of climate finance is marked as ‘unallocated by income’. This can happen when finance goes to a group of countries, and it is not specified which countries receive which proportion of the finance. In 2018, this amounted to almost a third of total finance.

Recommendation: The EU must ensure that the poorest and most vulnerable countries, including the least developed countries, receive adequate support. The EU should ensure that climate finance allocation is transparent, so that receiving countries are identified. ■

Six: Private Finance

Private finance is not transparent nor accountable.

In its Fourth Biennial Report to the United Nations, the EU states that it will harness private as well as public financing to meet the collective goal of developed countries to mobilise USD 100bn per year in climate finance to developing countries by 2020, and that is using ‘innovative ways’ to do so.¹⁰

There is no doubt that the private sector has an important role to play in tackling climate change. But many of the difficulties we have seen above with the European Investment Bank are true for private sector finance also. Private investors are also likely to be focused on mitigation, and on upper middle-income countries.

In mobilising private sector financing for climate finance, the hope is always to achieve a ‘win-win’: the investor makes money, and the recipient country gains much-needed investment in climate adaptation or (more likely) mitigation. But when they invest in developing countries, private investors have no particular responsibility to further that country’s development. If the investment ceases to be profitable, they may withdraw their investment, and the inflow may turn to an outflow.

Furthermore, investing in countries with weak governance can be challenging. Indeed, the European Investment Bank has been criticised with regard to its weak human rights due diligence with regard to its development investments, and the European Parliament has called for the EIB to establish a human rights strategy and to enhance its due diligence at project level.¹¹

If it is difficult to ensure proper human rights due diligence from a financing body like the EIB, which is publicly owned and under democratic scrutiny, then it will be even more challenging to ensure that proper human rights due diligence is undertaken by private sector investors who are being ‘mobilised’ with the use of public finance.

Another difficulty is the lack of transparency around private sector financing figures. In its Fourth Biennial

Report to the UN, it is stated that: ‘The EU mobilised the aggregated sum of €144 million of private climate finance in 2018, following investments of €152 million from the European Commission. In 2017, the EU mobilised the aggregated sum of €734 million of private climate finance, following investments of €222 million from the European Commission.’¹²

That is the extent of the information provided. It is stated that: ‘The nature of these projects is direct investment in companies as well as investments or shares in collective investment vehicles, going towards mitigation and adaptation, including the energy and agriculture sectors’, but no information is given on how the aggregated sum is arrived at, nor anything about where that private sector finance went. According to these figures, furthermore, European Commission funding was successful in 2017 in mobilising over three times as much private finance as it invested, but in 2018, the ratio was less than one to one.

Even less information is available about how the European Investment Bank mobilises private sector investment for climate finance to developing countries. In 2018, the European Investment Bank reported “Private direct mobilisation” of USD 365 million and “Private indirect mobilisation” of USD 6,971 million in climate co-finance.¹³ That includes climate finance in both developed and emerging countries, however – for example, finance flowing to the 12 most recent members of the European Union are counted here.

Recommendation: Private finance should be transparent and accountable, and grant equivalent amounts should be included in the reporting. Private finance mobilised through EU public climate finance should be subject to human rights due diligence. Private investors must demonstrate that they are undertaking human rights due diligence on their investments, in line with the UN Guiding Principles on Business and Human Rights. ■

Seven: Ensure climate finance is new and additional

In the Cancun Agreements in 2010, developed countries reiterated their commitment to jointly mobilise USD 100 billion per year by 2020, and to provide “scaled up, new and additional, predictable and adequate funding...to developing country Parties.”¹⁴

The problem is that there is no internationally agreed definition of what constitutes “new and additional” resources. In the EU’s latest report to the UN, it is asserted that the resources reported are considered ‘new and additional’, in that they were not included in previous reports. In this sense, new and additional simply means that funds have not been double-counted in the climate finance reports. However, this interpretation is questioned

by the majority of countries. The Least Developed Countries Group put it this way: “Climate change is a challenge which is both additional to and exacerbates existing development challenges, so to ensure all countries have the tools and resources to reduce their emissions and protect their communities it is important that the finance counted towards the \$100bn minimum target represents new and additional finance that goes beyond Official Development Assistance.”¹⁵

Recommendation: Climate finance needs to go beyond the existing commitments from developed countries to provide official development assistance. This means that climate finance should be counted separately from, and in addition to official development assistance. ■

Conclusion

Ethiopia, like much of East Africa, is currently in the grip of a protracted desert locust crisis. These insects travel in giant swarms and devastate crops and livelihoods.

Climate change has clearly contributed to the magnitude of this outbreak, which is entering its second year. A hotter climate is linked to more damaging locust swarms, and the last five years have been hotter than any other since the Industrial Revolution. More rain also encourages their rapid reproduction, and rains in the Horn of Africa in the last quarter of 2019 were up to 400 per cent above normal rainfall levels.¹⁶ In August 2020, heavier than normal rainfall once again favoured the breeding of desert locusts, leading to forecasts of increased swarms from

mid-September on.¹⁷ Such unprecedented catastrophes in countries like Ethiopia, which lack adequate capacity to respond, will only get worse. And yet, Ethiopia emits **67 times less CO2 per person** than the European Union.¹⁸

As major contributors to our global climate change disaster, we have an urgent responsibility to help those who are suffering the most. The European Union is a world leader in the provision of global finance and as such, needs to ensure that we are setting the best possible example in providing adequate and well-targeted funds. Our report has identified seven ways in which the institutions of the European Union could improve their funds. Together, we can plan for a better future. ■

Technical Annex

Table A-1: Climate finance commitments reported to the UNFCCC

Table A-1 below presents the amounts reported by the EC as climate finance to the UN Framework Convention on Climate Change (UNFCCC), to measure progress towards the target of USD 100 billion in climate finance from developed countries to developing countries each year by 2020.

Climate finance reported to the UNFCCC by EC - Commitments, EUR millions		BR1		BR2		BR3		BR4	
		2011	2012	2013	2014	2015	2016	2017	2018
European Commission + European Development Fund	Mitigation	86	185	292	195	525	892	708	557
	Adaptation	89	79	318	187	537	1,190	1,238	1,002
	Cross-cutting	470	470	354	295	455	649	876	1,094
	Total EC + EDF	628	734	964	677	1,517	2,730	2,822	2,653
European Investment Bank	Mitigation	-	-	1,874	2,002	2,092	1,868	2,509	2,739
	Adaptation	-	-	23	24	184	80	131	234
	Cross-cutting	-	-	150	73	0	0	0	0
	Total EIB	0	0	2,047	2,098	2,276	1,948	2,640	2,972
Total reported		628	734	3,011	2,775	3,793	4,678	5,462	5,625
Total GNI of EU member states		13,172,955	13,417,862	13,536,989	13,921,700	14,621,241	14,790,681	15,285,090	15,886,713
Reported		0.0048%	0.0055%	0.0222%	0.0199%	0.0259%	0.0316%	0.0357%	0.0354%

Table A-1: Climate finance commitments reported by the EU to the UNFCCC in the first, second, third, and fourth biennial reports (2011-2018). Climate finance by the EIB was not reported in the First Biennial Report. All climate finance provided by the EIB in the Fourth Biennial Report (BR4) was classified as “Other”, rather than with a specific objective breakdown. These finances have been attributed an objective using Table 10-1 and Table 10-2 in the technical annex of the written BR4. Total GNI by EU member states as reported by the EU.¹⁹

As an institution, the EU does not have a Gross National Income (GNI), and the GNI of EU member states are not directly reflected in budgets of EU institutions. However, it is still instructive to look at the total GNI reported by the Member States, and to calculate climate finance as a percentage of that. This shows us that climate finance as a percentage of total GNI of EU member states actually declined in 2018, as is shown in Figure A-1 below.

Figure A-1: Comparing EU climate finance to member states' GNI.

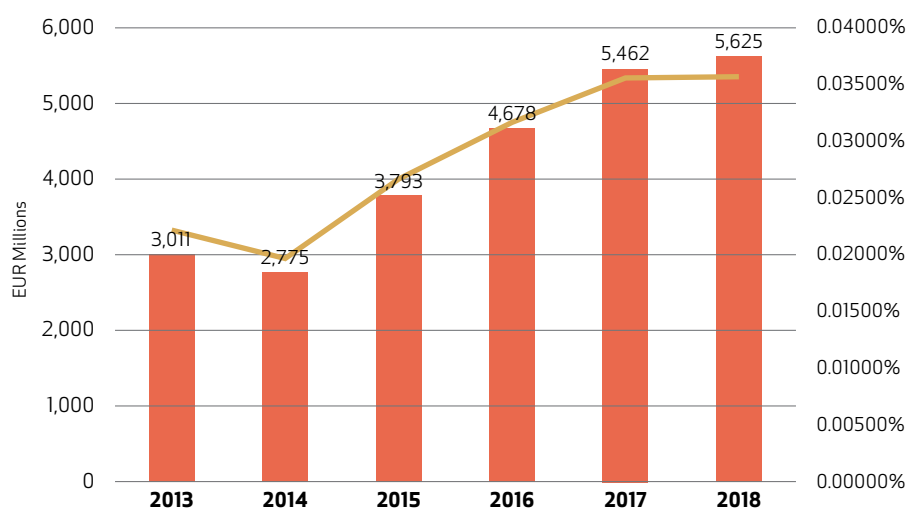


Figure A-1: EU climate finance, as reported to the UN, plotted against total EU member states' GNI

Table A-2: Climate finance commitments reported to the OECD

As discussed in the introduction, while where feasible we have relied on the data reported by the UNFCCC, in many cases we can get better information from the data reported to the Organisation for Economic Cooperation and Development (OECD), which tracks development aid from developed countries to developing countries, through the Creditor Reporting System for Aid Activities. The calculation follows a method similar to the one used by the EC in its biennial reporting to the UNFCCC, where projects are counted as either 0%, 40% or 100% climate finance, depending on the Rio markers assigned to them.

Rio markers in the CRS system are only applied to projects funded by the EC and EDF, and not to those funded by the EIB. Climate finance from the EIB is instead calculated based on climate project data provided directly by EIB for 2013-2016. OECD data has been used for 2017-2018, as the EIB own data and OECD data was directly comparable. This includes climate shares of loan commitments assessed using the joint methodology developed by the MDBs for the years 2013 to 2018.

Climate finance based on CRS and EIB data- Commitments, EUR millions		YEAR									2013 - 2018 aver.
		2010	2011	2012	2013	2014	2015	2016	2017	2018	
European Commission + European Development Fund	Mitigation	319	194	246	309	262	525	892	590	485	510
	Adaptation	158	162	285	389	199	522	1,191	911	898	685
	Cross-cutting	74	297	427	371	220	468	649	1,445	1,428	763
	Total EC + EDF	551	654	959	1,068	681	1,515	2,732	2,946	2,810	1,959
European Investment Bank	Mitigation	-	-	-	2,006	1,872	1,869	1,838	2,447	2,653	2,114
	Adaptation	-	-	-	98	52	184	72	130	230	127
	Total EIB	-	-	-	2,103	1,923	2,053	1,910	2,576	2,883	2,242
Total	-	-	-	2,775	3,793	4,678	5,462	5,625	5,625	5,625	

Table A-2: Climate finance commitments by EU institutions between 2010 and 2018, calculated based on data reported to the OECD, and EIB data.

Figure A-2: Differences between the data reported to the UNFCCC, and the OECD

While the figures for climate finance commitments reported to the UNFCCC are very similar to those calculated from the OECD dataset, the totals are not identical. While it is not possible to calculate the exact reason for these differences, the UNFCCC data are based solely on what countries report, while the OECD, in cooperation with the reporting country, further scrutinises the data, so is often a more reliable dataset.

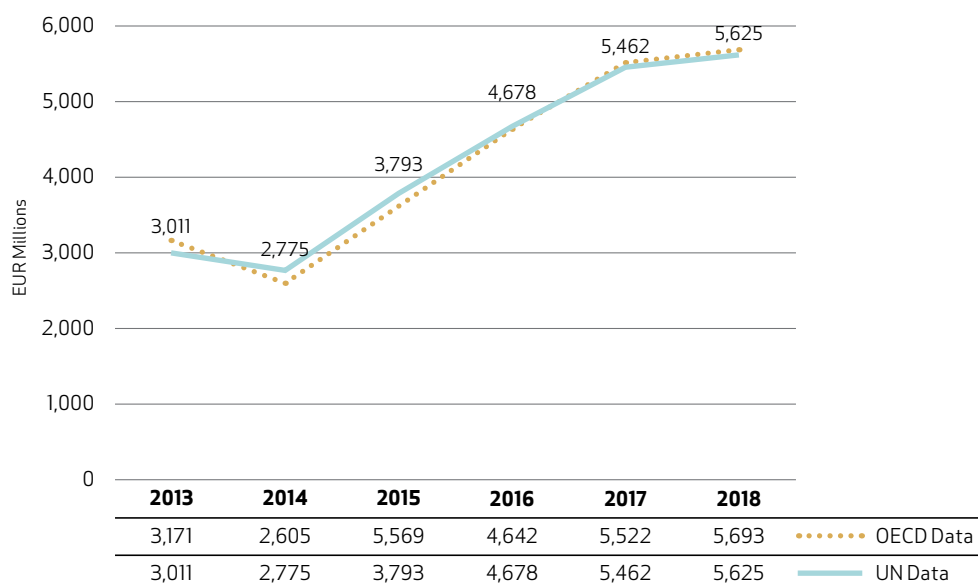


Figure A-2: EU climate finance commitments by the European Commission, the European Development Fund and the European Investment Bank, taken as a whole. The blue line represents data reported to the UN, the dotted line represents data reported to the OECD.

Table A-3: Climate finance disbursements

Table A-3 below shows the disbursements figures for the EC and the EDF for the period 2010-2018, as stated in the OECD. However, as mentioned in the text above, these figures have not been confirmed by EC and EDF, and there may be additional funds which are not included in the OECD reporting. It is very likely, therefore, that the table does not present the full amount of disbursements from EC and EDF.

It is only possible to identify climate-related disbursements when a project has been assigned a climate-related Rio Marker. As the MDBs (including EIB) does not adhere to the Rio Marker methodology, it is not possible to provide any information on EIB climate-related disbursements.

Climate finance reported to the UNFCCC by EC - Commitments, EUR millions		YEAR									2010 - 2018 aver.
		2010	2011	2012	2013	2014	2015	2016	2017	2018	
European Commission + European Development Fund	Mitigation	231	257	142	173	162	185	229	250	353	283
	Adaptation	34	52	295	163	252	225	343	362	410	305
	Cross-cutting	68	121	165	193	256	275	426	369	422	328
	Total EC + EDF	333	431	602	529	670	685	998	981	1,185	607

Table A-3: Climate finance disbursements by EU institutions between 2010 and 2018, calculated based on available data reported to the OECD.

Table A-4: Calculating the grant equivalent share of loans for climate finance

Calculating the grant equivalent share of loans is not simple, and we do not have the data available to correctly estimate this for the European Investment Bank. We do know, however, what proportion of its climate finance loans are classified as concessional.

Since the reporting practice to the OECD from 2018 now includes grant equivalent estimations of loans, we can use this to calculate the “Grant-equivalent share”. “Grant-equivalent share” is calculated based on all reporting countries’ projects grant-equivalent budget/total reported budget, where available (this is not available for the EC, EDF or EIB). The 49.8% therefore represents the average ratio between ‘reported grant equivalent budget’ to ‘reported total budget’ for all projects where the grant equivalent budget has been reported per OECD new guidelines. This factor is used only on the concessional loans, as the grant equivalent of a non-concessional loan is taken to be 0%, and grants and equity investments to be 100%.

Grant Equivalent 2018	Reported Climate Finance (EUR millions)	Grants	Non-concessional loans	Concessional loans	Equity	Other	Grant-equivalent share	Estimate of grant equivalent of concessional loans and equity (and 50% of other)	Grant and grant equivalent	Grant share of reported climate finance
EIB	2,972.44	0%	85%	8%	7%	0%	49.8%	326.38	326.38	11%
EC (+EDF)	2,652.49	100%	0%	0%	0%	0%	49.8%	-	2,652.49	100%

Table A-4: Climate finance reported to the UN and grant-equivalent share for 2018, using data reported to the OECD. Grant-equivalent share for the EIB is calculated based on the average grant element of provided ODA loans, while the grant-equivalent share for EC+EDF is the average grant element from all bilateral donors in 2018, as EC+EDF did not report grant-equivalent funding

Table A-5: Shares of mitigation, adaptation and cross cutting finance

The Paris Agreement seeks to achieve a “balance” between adaptation and mitigation finance. Climate finance from EU institutions can be divided into what is provided for mitigation, for adaptation, and for cross-cutting projects, i.e. projects in pursuit of both mitigation and adaptation objectives. For climate finance provided by the EC and EDF, this breakdown is defined based on the Rio markers given for mitigation and adaptation respectively. Regarding climate finance from the EIB, the mitigation and adaptation shares of each loan is assessed by the EIB using the joint MDB methodology, with only minor amounts classified as cross-cutting (none in BR3 and BR4). While cross-cutting climate finance can be considered positive for climate mainstreaming purposes, it makes it more difficult to assess the balance between adaptation and mitigation. For purposes of comparison, where a grant is marked as cross-cutting, we have counted it as 50% mitigation and 50% adaptation in the overall totals below.

Climate finance reported to the UNFCCC by EC - Commitments, EUR millions		BR2		BR3		BR4		2013 - 2018 aver.*
		2013	2014	2015	2016	2017	2018	
European Commission (EC) + European Development Fund (EDF)	Mitigation	30%	29%	35%	33%	25%	21%	28%
	Adaptation	33%	28%	35%	44%	44%	38%	39%
	Cross-cutting	37%	44%	30%	24%	31%	41%	33%
European Investment Bank (EIB)	Mitigation	92%	95%	92%	96%	95%	92%	94%
	Adaptation	1%	1%	8%	4%	5%	8%	4%
	Cross-cutting	7%	3%	0%	0%	0%	0%	3%
Total (EC + EDT + EIB)	Mitigation	80%	86%	75%	66%	67%	68%	75%
	Adaptation	20%	14%	25%	34%	33%	32%	25%

Table A-5: Shares of mitigation, adaptation, and cross-cutting finance for the EC+EDF and EIB. Figures are based on data reported to the UN. Overall, cross-cutting grants have been counted as 50% mitigation and 50% adaptation. This table corresponds to percentage shares of the figures in Table 3-1.

Table A-6: Climate finance by recipient country income group (figures)

Table A-6 below, which is based on OECD data, shows the climate finance from the EC + EDF and EIB between 2013 and 2018, broken down by income group of recipient countries. However, a large proportion of finance are marked as 'unallocated by income' meaning that projects were not assigned by recipients/regions. This can happen where funding is allocated to a group of countries, and a country-by-country breakdown is not possible.

Recipient country income group -		YEAR					
		2013	2014	2015	2016	2017	2018
Commitments, 2013 - 2018							
European Commission (EC) + European Development Fund (EDF)	LDCs	131	53	413	960	920	554
	Other LICs	47	14	73	82	0	4
	LMICs	116	117	217	335	623	311
	UMICs	206	93	273	252	255	382
	Unallocated/Regional	563	404	538	1,103	1,148	1,558
European Investment Bank (EIB)	LDCs	169	132	291	11	209	255
	Other LICs	0	50	0	0	72	0
	LMICs	749	717	940	1,156	1,452	1,415
	UMICs	975	1,025	823	743	743	950
	Unallocated/Regional	210	0	0	0	100	263
Total (EC + EDT + EIB)**	LDCs	300	185	704	971	1,129	809
	Other LICs	47	64	73	82	72	4
	LMICs	864	833	1,157	1,491	2,074	1,726
	UMICs	1,181	1,118	1,096	994	998	1,332
	Unallocated/Regional	773	404	538	1,103	1,249	1,822

Table A-6: Climate finance provided by the EC, EDF, and EIB between 2013-2018, broken down by income group of recipient countries. Figures are based on data reported to the OECD and data provided by the EIB. Loans and investments have been counted at *face value*.

Table A-7: Climate finance by recipient country income group (percentage)

The following table, based on data from OECD, shows the distribution of climate finance amongst recipient countries by income group in percentage terms.

Recipient country income group -		YEAR						2013 - 2018 average
		2013	2014	2015	2016	2017	2018	
Commitments, 2013 - 2018								
European Commission (EC) + European Development Fund (EDF)	LDCs	12%	8%	27%	35%	31%	20%	26%
	Other LICs	4%	2%	5%	3%	0%	0%	2%
	LMICs	11%	17%	14%	12%	21%	11%	15%
	UMICs	19%	14%	18%	9%	9%	14%	12%
	Unallocated/Regional	53%	59%	36%	40%	39%	55%	45%
European Investment Bank (EIB)	LDCs	8%	7%	14%	1%	8%	9%	8%
	Other LICs	0%	3%	0%	0%	3%	0%	1%
	LMICs	36%	37%	46%	61%	56%	49%	48%
	UMICs	46%	53%	40%	39%	29%	33%	39%
	Unallocated/Regional	10%	0%	0%	0%	4%	9%	4%
Total (EC + EDT + EIB)**	LDCs	9%	7%	20%	21%	20%	14%	16%
	Other LICs	1%	2%	2%	2%	1%	0%	1%
	LMICs	27%	32%	32%	32%	38%	30%	32%
	UMICs	37%	43%	31%	21%	18%	23%	27%
	Unallocated/Regional	24%	16%	15%	24%	23%	32%	23%

Table A-7: Climate finance provided by the EC, EDF, and EIB between 2013-2018, broken down by income group of recipient countries in percentage terms. Figures are based on data reported to the OECD and data provided by the EIB. Loans and investments have been counted at *face value*.

Table A-8: Top ten recipient countries of climate finance from the EU institutions, 2018

Recipient countries	Total received in 2018 (EUR millions)
India	430
Morocco	429
Serbia	320
Turkey	244
Egypt	208
Argentina	155
Ukraine	119
Uzbekistan	115
Bangladesh	110
Cameroon	82

Table A-8: Top ten recipient countries of climate finance provided by the EC, EDF, and EIB in 2018. Based on data reported to the OECD. Loans and investments have been counted at *face value*.

Table A-9: European countries in receipt of climate finance from the EU institutions, 2018

The following table, based on data from OECD, shows countries in Europe which are classified as recipients of climate finance, the total amount spent in Europe (including regional projects), and the percentage of total climate finance which this represents. The top recipient country in Europe, Serbia, receives nearly three times as much funding as the top least developed country recipient of EU institution funding, Bangladesh – even though Bangladesh has a population over 20 times greater.

Recipient countries	Total received in 2018 (EUR millions)
Serbia	320
Turkey	244
Ukraine	119
Moldova	23
Albania	17
Kosovo	16
Georgia	14
Montenegro	5
Armenia	1
Bosnia	1
Europe, regional	116
Total	876
as % of total EU climate finance	15%

Table A-9: Climate finance provided by the EC, EDF, and EIB in 2018 to countries in Europe. Based on data reported to the OECD. Loans and investments have been counted at *face value*.

End notes

1. High income countries vs least developed countries. Hannah Ritchie and Max Roser, CO₂ and Greenhouse Gas Emissions, Our World in Data, May 2017 (revised December 2019), available at: <https://ourworldindata.org/co2-and-other-greenhouse-gas-emissions#global-inequalities-in-co2-emissions>
2. European Commission, Fourth Biennial Report from the European Union under the United Nations Framework Convention on Climate Change, December 2019.
3. See, for example, Sophie Yeo, 'Where climate cash is flowing and why it's not enough', Nature 573, 328-331 (2019), available at: <https://www.nature.com/articles/d41586-019-02712-3>
4. European Commission, Fourth Biennial Report from the European Union under the United Nations Framework Convention on Climate Change, December 2019, p112.
5. See, for example, Georgia Savidou and Aaron Atteridge, 'Why is it so hard to spend climate finance?', 30 November 2019, SEI Aid Atlas, available at: <https://www.sei.org/perspectives/why-is-it-so-hard-to-spend-climate-finance/>
6. OECD Working Paper no 339: The grant element method of measuring the concessionality of loans and debt relief, 18 May 2017.
7. Figure 2-6 on p114 of the Biennial Report shows a graph very similar to that in Section One here. European Commission, Fourth Biennial Report from the European Union under the United Nations Framework Convention on Climate Change, December 2019, p114.
8. United Nations Paris Agreement 2015, Article 9(4).
9. United Nations Paris Agreement 2015, Article 9(4).
10. European Commission, Fourth Biennial Report from the European Union under the United Nations Framework Convention on Climate Change, December 2019, p106 and 107.
11. European Parliament resolution of 17 January 2019 on the Annual Report on the control of the financial activities of the EIB for 2017 (2018/2151(INI), P8_TA(2019)0036).
12. European Commission, Fourth Biennial Report from the European Union under the United Nations Framework Convention on Climate Change, December 2019, p108.
13. Table 12 on page 23 in MDBs (2019): 2018 - Joint Report on Multilateral Development Banks' Climate Finance.
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17. UN Food and Agriculture Organisation (FAO), Ethiopia- Desert locust situation report 18 August 2020, available at: https://reliefweb.int/sites/reliefweb.int/files/resources/fao_ethiopia_-_desert_locust_situation_update_10_-_19_aug_2020.pdf; Ethiopia Ministry for Agriculture et al Joint Assessment Findings, Impact of Desert Locust Infestation on Household Livelihoods and Food Security in Ethiopia. <http://www.fao.org/emergencies/resources/documents/resources-detail/en/c/1273539/>;
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19. Downloadable from this site: https://ec.europa.eu/budget/graphs/revenue_expenditure.html