José Manuel Barroso
President
European Commission
Rue de la Loi 200
B - 1049 Brussels
Belgium

March 6th , 2009

SUBJECT: Harnessing the EU Recovery plan for green investments into clean energy in the North and the South

Dear President Barroso,

The unprecedented economic crisis has the potential to provide a significant boost to the environment. Today, investing in a green economy and green jobs is seen as one of the top priorities for moving beyond the crisis. The practical implementation, however, remains weak if not financially motivated, and this unique window of political opportunity for the promotion of green investments should not be missed.

Therefore, CEE Bankwatch Network and Friends of the Earth Europe urge you to take into consideration and take action on the following points during the upcoming Spring European Council on March 19-20, 2009:

1. Economic and financial situation

In a time of resource scarcity when the EU is facing its largest economic crisis in the last 50 years, the EU cannot afford to make poorly thought-out investments in large transport and energy projects but should instead be investing in "smart" spending such as energy efficiency and renewable energy projects. In order to ensure this, we urge you to build safeguards for the efficient and accountable use of EU public money into the Council's conclusions, such as:

- ***Provision for increased transparency and publicity of major projects and advanced payments***

Increased transparency and publicity of accelerated public money for large infrastructure projects is urgently needed in member states for the application, assessment, selection and monitoring of these projects. The need for this is fully in line with the EC commitments within the European Transparency Initiative[1] for improved transparency over EU funds. This is also a way to enforce more effective scrutiny over EU spending and prevent misuse and conflicts of interests over EU spending. Our concerns with this issue are of particular relevance for the new member states, where a number of corruption cases and undue use of the Structural and Cohesion Funds have been registered.

- ***Provision for a mid-term assessment of the changes in EU funds regulations***

Facing resource scarcity and economic crisis requires urgent action but also an evaluation of the effectiveness of remedies. Short-term interventions should be "smart" and must guarantee long-term positive effects for the EU economy, employment opportunities and the well-being of all people living in

[1] European Trasparency Initiative - http://ec.europa.eu/commission_barroso/kallas/doc/etik-communication_en.pdf

Europe. A mid-term assessment should be carried out against criteria such as sustainable job creation, compliance with environmental law, climate impact and resource efficiency. We realise that large infrastructure projects are the standard recipe for boosting public spending, but EU taxpayers' money should ultimately be channeled into sound and justified projects which will reap the desired development effects.

2. Energy and climate change

We urge you to incorporate the following proposals into the Council's conclusions:

- ***Obligatory 15% allocation of EU funds for energy efficiency/ renewables (EE/RES)***

In the current financial perspective 2007-2013, EU funds for EE/RES across the EU-27 account for only 9 billion euro (less than 3 percent). In the new member states this figure is 4.2 billion (ca. 2.4 percent). Considering also the weak share of RES investments in direct EU budget spending as part of the Recovery Plan (just EUR 500 million) the allocations for RES/EE from the EU funds are now even more vital. The political commitment towards a low carbon future and green jobs must be financially supported by at least **15 percent allocation** from EU funds for EE/RES. For our countries facing both an economic and gas crisis, EE/RES measures will reap numerous benefits for regional development, securing energy independence, job creation, business opportunities, reducing energy bills and curbing CO2 emissions. Without **concrete action plans for the stimulation of RES/EE investment from EU funding sources, the investment potential in these vital areas cannot materialize.**

- ***Financial aid to auto industry tied to environmental criteria***

Financial aid to automakers should be seen as an opportunity to increase the fuel efficiency of cars and green the industry, thereby ensuring longer-term sustainability. Criteria for meeting environmental targets need to be included in any financial package given to the car industry, such as greater reductions in CO2 emissions and increases in fuel efficiency. Furthermore, we do not support proposed scrapping schemes, which have little environmental benefit and may actually do more harm in the long run. The adoption of any such schemes must be linked to the purchase of replacement vehicles with lower CO2 emissions.

- ***Redirecting fossil fuel subsidies as a way to generate resources for mitigation and adaptation to climate change***

Global fossil fuel subsidies amount to about USD 300 billion per year. Subsidies in the 20 largest non-OECD countries have been estimated to be around USD 170 billion[2]. This has a significant effect on global CO_2 emissions. In 2000, the OECD estimated that eliminating all subsidies that lower the price of fossil fuels for industry and energy production would **reduce** global CO_2 emissions by more than 6 per cent by 2010, while raising real incomes by 0.1 percent[3].

A strong example of such subsidies to the multi-billion profit-making hydrocarbon sector is provided by the European Investment Bank (EIB), the world's largest lender and the EU's house bank. The EIB has invested EUR 17 billion into oil and gas projects since the adoption of the Kyoto protocol. The Council must show a commitment to phasing out support for fossil fuels. **We urge you to consider as a first step a moratorium on fossil fuel investments from public sources and redirecting these means into clean energy support for developing countries.**

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[2] International Energy Agency, *World Energy Outlook* (2006); UNEP, Reforming Energy Subsidies: Opportunities to Contribute to the Climate Change Agenda (2008).

[3] OECD, *Environmental Effects of Liberalising Fossil Fuels Trade: Results from the OECD GreenModel*, Unclassified Document No. COM/TD/ENV(2000)38/FINAL (2000); UNEP, Reforming Energy Subsidies: Opportunities to Contribute to the Climate Change Agenda (2008).

- ***The EU's fair share to finance mitigation and adaptation***

A future global agreement where developed but also developing countries agree on reducing together global emissions can only take place if developed countries acknowledge their historical responsibility and make financial efforts to mitigate in the North as well as in the South, where the consequences of industrialisation hit people and the environment most. In addition, finances need to be made available to help developing countries adapt to the impacts of climate change, caused by industrialised countries in the first place. Given developed countries' responsibility and their capacity to act, overall additional financing requirement in developing countries is very likely to **be in the order of EUR 210bn per year by 2020.** Europe should pay its fair share of the total requirement based on the EU's financial capacity and share of historic emissions **– therefore we urge you to make a minimum commitment now in the order of EUR 52bn per year in the post-2012 regime**[4]. This includes EUR 42bn/year for mitigation (clean energy and forest protection) and at least EUR 10bn/year for adaptation[5]. An important part of these finances could be covered by **redirecting fossil fuel subsidies.**

- ***Resource governance***

In order to fulfil the adaptation and mitigation needs, the amount of resources currently available in UNFCCC will need to be scaled up ninefold. Efficient management, disbursement and control of increased resources are of the utmost importance for both developed and developing countries. If the financial and technical assistance is meant to fulfill the objectives of the Convention, it needs to be **channeled and controlled by the UNFCCC**. Climate funds raised and disbursed by the World Bank are unacceptable for developing countries as they cannot decide on these and fear that they would be burdened with yet more conditionality. Moreover, the World Bank's record in substantive lending to coal and oil provide little hope that the Bank is now in a position to act as a climate protector.

Sincerely yours,

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[4] These calculations have been done based on the concept of the Greenhouse Development Right. "A Call for leadership. A Greenhouse Development Rights analysis of the EU's proposed 2020 targets". Sivan Kartha, Tom Athanasiou, Paul Baer, Eric Kemp-Benedict. Stockholm Environment Institute, Eco Equity. November 2008.

[5] Oxfam International has estimated at least €40 billion is needed annually to cope with climate impacts in developing countries, more if emissions are not cut fast and far enough. Under the GDRs burden-sharing approach, the EU would also be responsible for 25% of global adaptation costs and the EU's fair share is at least €10 billion annually for adaptation.