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**COMMUNICATION FROM THE COMMISSION  
TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN  
ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE  
REGIONS**

**Towards a comprehensive climate change agreement in Copenhagen**

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**Towards a comprehensive climate change agreement in Copenhagen**

**1. EXECUTIVE SUMMARY**

The successful conclusion of the international climate change negotiations at Copenhagen at the end of 2009 is a key priority for the EU. Now that the Climate and Energy package has been adopted, the EU must step up its contacts with third Countries, both in the UN context and beyond.

This Communication sets out concrete proposals to achieve this goal. It addresses three key challenges: targets and actions; financing; and building an effective global carbon market. It also responds to the request made by the European Council in June 2008 to present a comprehensive strategy for scaling up finance and investment flows for both emission reduction and adaptation.

In order to limit the global average temperature increase to not more than 2°C above pre-industrial levels, developed countries as a group should reduce their emissions to 30% below 1990 levels in 2020. The EU has set the example by committing to a 20% reduction in its emissions compared to 1990 levels by 2020, irrespective of whether or not an international agreement is concluded. This is by far the most ambitious commitment by any country or group of countries in the world for the post-2012 period.

The EU is willing to go further and sign up to a 30% reduction target in the context of a sufficiently ambitious and comprehensive international agreement that provides for comparable reductions by other developed countries, and appropriate actions by developing countries. Developing countries as a group should limit the growth of their emissions to 15 to 30% below business as usual. Significantly increased financial resources will be needed to support the necessary action in developing countries: this should come from domestic sources, from the global carbon market, but also by contributions from developed countries. Much of these investments will have both rapid and long term benefits in terms of climate change, economic recovery and should in any case be less than the costs of inaction.

A global carbon market can and should be built by linking comparable domestic emissions trading systems. This will promote cost-effective emission reductions. The EU should reach out to other countries to ensure an OECD-wide market by 2015 and an even broader market by 2020.

## 2. INTRODUCTION

The EU's agreed objective is to limit the average global temperature increase to less than 2°C compared to pre-industrial levels. Going beyond 2°C will mean increasing food and water scarcity and severe weather events and significantly increase the threat to unique ecosystems. If current emission trends continue, the 2°C threshold may already be crossed in 2050. Even staying below 2°C would still require significant adaptation efforts. In the light of some new research findings, an increasing number of scientists are calling for the level of greenhouse gases (GHG) in the atmosphere to be stabilised at a significantly lower level than previously recommended, i.e. as low as 350 ppmv CO<sub>2</sub> equivalent. It is imperative to secure an ambitious outcome in Copenhagen that leaves the door open for a lower stabilisation level.

The basic physical inertia of the global climate system means that ignoring scientific warnings will lead to unprecedented, costly and potentially unmanageable consequences. At the same time, there is an opportunity to address climate change, energy security and the current economic recession together. Tackling climate change will necessitate significant private and public investment, and will help secure the transition to the low-carbon economy, opening up new possibilities for growth and jobs and promoting sustainable development. Globally, governments are announcing major investment programmes that encourage low-carbon investments, foster innovation and growth and increase energy security, such as the recently adopted European Economic Recovery Plan. Actions to tackle the financial crisis can help to use the narrow window of opportunity that remains to stay below a 2°C increase.

At the **international level**, the 2007 Bali Action Plan started a process to conclude a new international climate agreement for the period after 2012 at the UN conference in Copenhagen in December 2009. This agreement needs to set concrete new targets and actions to reduce GHG emissions and to provide the basis for sustainable development by strengthening countries' ability to adapt to inevitable climate change while triggering innovation and economic growth, reducing poverty and providing access to sustainable energy services (the 'shared vision'). Following the UN conference in Poznan in December 2008, talks have shifted into full negotiating mode.

At the **domestic level**, both developed and developing countries are stepping up action. Targets are being set and carbon markets are being established. In December, the EU adopted its ambitious climate change and energy package, implementing the EU's independent target to reduce its GHG emissions to 20% below 1990 levels by 2020 and expanding and improving the EU emissions trading system (EU ETS). The new US Administration has made tackling climate change a major priority. At the same time, Australia has also announced its mid-term climate commitments, with a strong focus on emissions trading. These trading systems could form the nucleus of a truly global carbon market.

## 3. TARGETS AND ACTIONS

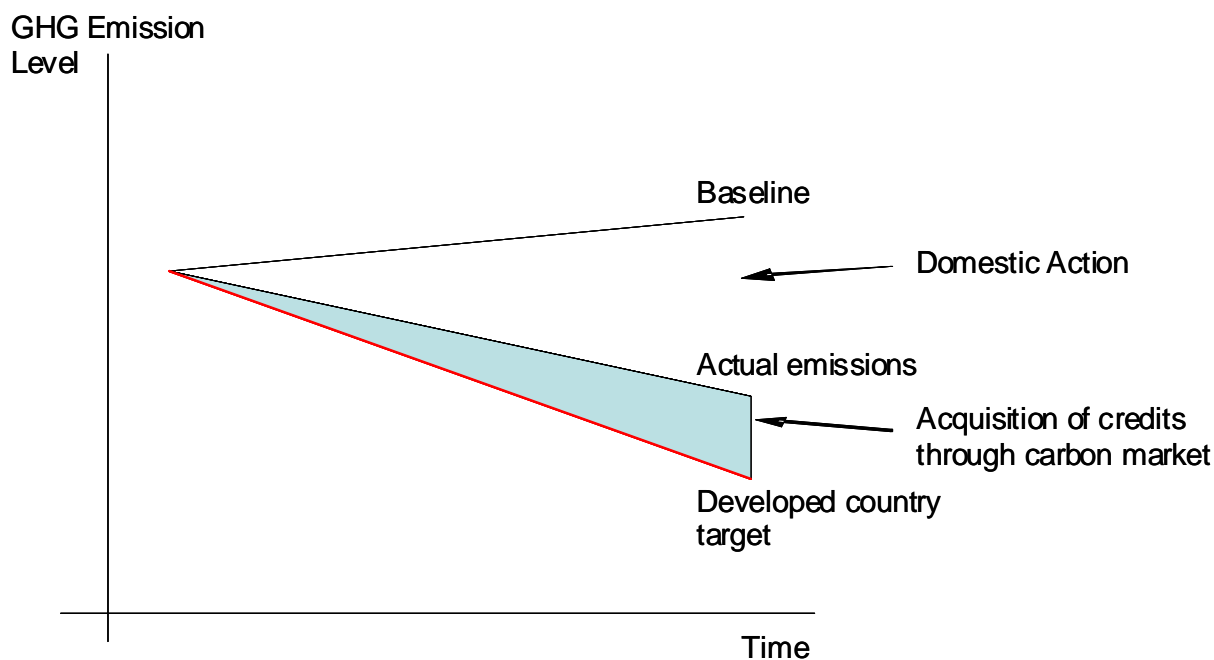
To have a reasonable chance of staying below the 2°C threshold, global GHG emissions must be reduced to less than 50% of 1990 levels by 2050. In addition, global GHG emissions, excluding emissions from land use, land-use change and forestry, will have to peak before 2020. Developed countries must lead in meeting this global goal and demonstrate that a low-carbon economy is possible and affordable. A significant contribution from developing countries, and in particular from economically more advanced developing countries, is also essential, as many of them are quickly becoming important emitters. To this end, cooperation must be significantly boosted to provide the necessary capacity, technology and finance.

### 3.1. New GHG reduction targets for developed countries

The Copenhagen agreement should set further absolute economy-wide emission reduction commitments for developed countries. The EU has set the example by committing to an autonomous 20% reduction in its emissions compared to 1990 levels by 2020. This is by far the most ambitious commitment made by any country or group of countries for the post-2012 period. The EU is willing to go further and sign up to a 30% reduction target in the context of an ambitious and comprehensive international agreement if there are comparable reductions by other developed countries and appropriate contributions by the economically more advanced developing countries based on their responsibilities and capabilities.

The EU has proposed that developed countries, as a group, should reduce their emissions by an amount consistent with the 2° objective. The 4<sup>th</sup> Assessment report by the Intergovernmental Panel on Climate Change (IPCC) indicates that this would require emission reductions for developed countries in the range of 25-40% by 2020 and 80-95% by 2050. Developed countries should be able to achieve their reduction targets in part through domestic action and in part by using credits resulting from emission reductions in developing countries, as illustrated in Figure 1.

Figure 1: Developed Countries Emissions



The developed countries' overall target must be distributed in a manner that is fair and ensures comparability of efforts. The following parameters are considered as key:

- GDP per capita: reflecting the capability to pay for domestic emission reductions and to purchase emission reduction credits from developing countries;
- GHG emissions per unit of GDP: indicating the domestic GHG emission reduction potential;
- Trend in GHG emissions between 1990 and 2005: recognising domestic early action to reduce emissions;
- Population trends over the period 1990 to 2005: taking into account the link between the size of the population and total GHG emissions.

The accepted Kyoto base year, 1990, should be used as the historical reference point when determining further contributions to the global emission reduction effort after 2012. The total effort for the group of developed countries should amount to 30% below 1990 levels in 2020. In determining the future emission targets of individual countries, more recent years could be used to take advantage of more accurate statistics, as the EU has done in its climate and energy package which uses 2005. However, this should not be used to water down emission reduction efforts.

Binding emission reduction commitments should not be limited to the countries that have targets under the Kyoto Protocol. The Copenhagen agreement should set emission reduction commitments for at least all countries listed in Annex I to the UNFCCC, all OECD member countries and all current EU Member States, EU candidate countries and potential candidates.

When setting targets for the post-2012, possible surpluses of emission rights from before 2012 need to be taken into account in order to ensure that the 30% target is met through real reductions after 2012. Similarly, the rules for land use, land-use change and forestry should not undermine the environmental integrity of the 30% target. Monitoring, reporting and verification of reductions as well as regular peer reviews of climate policies should be improved.

### **3.2. Action to curb rising GHG emissions in developing countries**

It is becoming increasingly clear that climate change is going to have the most serious impacts in developing countries, faced with problems like flooding, drought and deforestation. So, although developed countries should continue to take the lead in reducing emissions, in particular in the immediate future, contributing to the 2°C objective is in the interest of developing countries too.

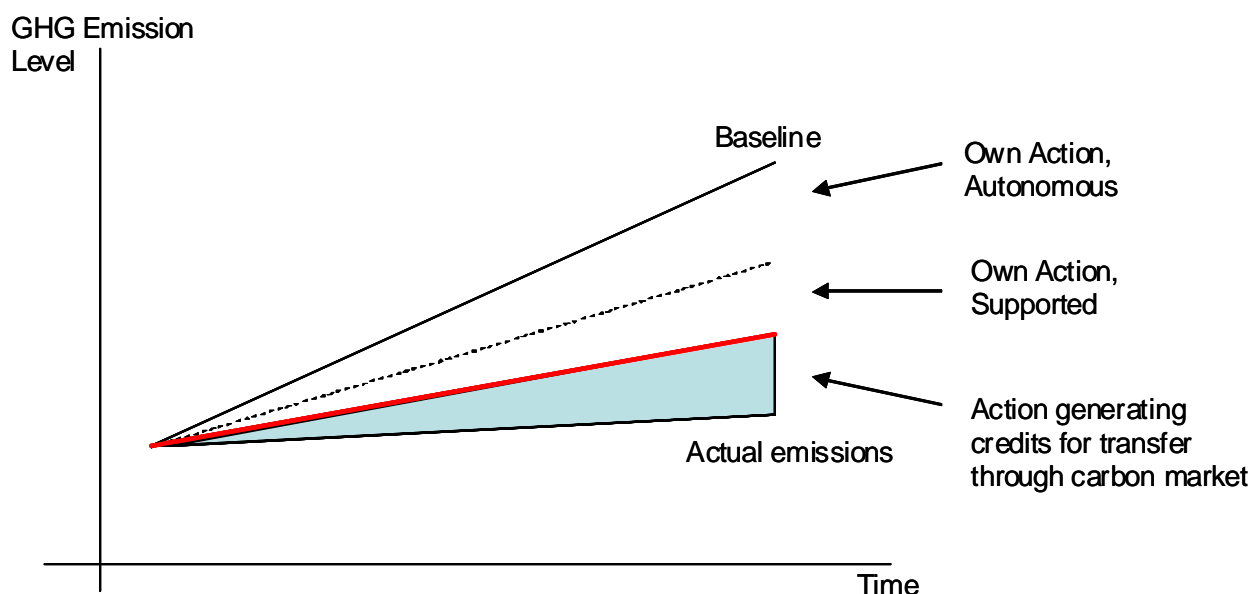
However, developing country GHG emissions are increasing rapidly and, if not addressed, will outweigh developed country efforts to reduce their GHG emissions. To meet the 2°C objective, a recent scientific report indicates that developing countries, as a group, will need to limit the rise in their GHG emissions through nationally appropriate actions to 15-30% below baseline by 2020. These estimates exclude the impact of reductions that result in the transfer of carbon credits to developed countries as illustrated in Figure 2. Appropriate actions should include a rapid decrease in emissions from tropical deforestation. By 2020, gross tropical deforestation should be reduced by at least 50% compared to current levels and by 2030 global forest cover loss should be halted.

Differing national circumstances and stages of development in developing countries require differentiated actions and the levels of ambition. This can be achieved by building on national climate change strategies. Over the past few years, a number of developing countries have formulated national mitigation strategies in the context of development, including China, India, South Africa, and Brazil. During the course of this year, these and other economically more advanced developing economies should update their strategies indicating the overall level of ambition up to 2020.

Under the Copenhagen agreement, all developing countries, except least developed countries (LDCs), should commit to adopting low-carbon development strategies by the end of 2011. These strategies should set out a credible pathway to limit the country's emissions through nationally appropriate mitigation actions that cover all key emitting sectors, especially the power sector, transport, major energy-intensive industries and, where significant, forests and agriculture. The strategies should identify the support required to implement the proposed actions resulting in incremental costs that cannot be sustained by the country itself. Robust and verifiable low-carbon development strategies should be a prerequisite for access to

international support for mitigation action. Further to funding, fostering capacity building in many developing countries will be necessary in order for them to prepare and implement their low-carbon development strategies.

**Figure 2: Developing Country Emissions**



To ensure a sufficient level of ambition, discussions on concrete strategies, proposals for action and support should be linked to and facilitated by an independent technical analysis. Sectoral approaches could be used as a tool in the analysis and development of mitigation options, taking into account technical information from the private sector. A new Facilitative Mechanism for Mitigation Support should provide a platform to match proposed action with appropriate bilateral and multilateral support mechanisms, based on a technical assessment. It should also assess whether the overall level of ambition pursued in the plan is in line with the capacity of the country to take action and appropriate for achieving the overall emission reduction compared to baseline of the group of developing countries. Where necessary, it should explore options to raise the level of ambition.

Developing country action should be entered into an international registry. This registry should list the action taken and show the mitigation benefits, using transparent and robust measurement, reporting and verification methods. The UN climate change conference will review the resulting mitigation efforts of the group of developing countries as a whole and may decide to request developing countries to strengthen their mitigation efforts and developed countries to increase their support.

### **3.3. Addressing emissions from international aviation, maritime transport, and fluorinated gases**

#### *International aviation and maritime transport*

International aviation and maritime transport are large and rapidly growing sources of greenhouse gas emissions, but have so far been left outside the international climate change framework and the Commission believes that the emissions from these sectors should be included.

As part of the Copenhagen agreement the UNFCCC should set targets for reducing the climate impact of these sectors below 2005 levels by 2020, and significantly below 1990

levels by 2050. Due to the global nature of international aviation and maritime transport, global measures should be taken to address their climate impact. The International Civil Aviation Organisation and the International Maritime Organisation have a responsibility to facilitate the development and adoption of such global measures by the end of 2010. Market based measures, including emissions trading, can ensure cost-effective emission reductions. Action to reduce emissions should take into account the possible net negative impact on isolated regions, remote islands and LDCs. If at the end of 2010 there is no agreement in ICAO and IMO, emissions from international aviation and maritime transport will be counted towards national totals under the Copenhagen agreement which will ensure comparable action by all developed countries.

The EU has included CO<sub>2</sub> emissions from aviation in its emissions trading system. As regards maritime transport several market-based measures are currently being examined. If no effective global rules to reduce GHG emissions from this sector can be agreed upon, the EU should agree its own measures.

#### *Addressing fluorinated gases*

The accelerated phase-out of HCFCs over the coming decade under the Montreal Protocol may lead to a rapid increase in HFC emissions, many of which are very potent GHGs. Part of the Copenhagen agreement should include an international emission reduction arrangement for HFC emissions. This will encourage industry to step up intensified research into and development of HFCs with low global warming potential and HFC-free alternatives.

## **4. FINANCING LOW-CARBON DEVELOPMENT AND ADAPTATION**

A comprehensive Copenhagen agreement must be underpinned by adequate financial resources to enable its implementation. Especially in the current economic situation, the Copenhagen agreement must ensure that climate change goals are delivered cost-effectively. Commission analysis shows that an effective global carbon market can greatly reduce costs in developed and developing countries, but there is a need to significantly scale up, redirect and optimise finance and investment. The international financial architecture to support efforts to tackle climate change must follow principles of sound governance maximising effectiveness, adequacy, efficiency, equity, accountability, coherence and predictability. Spending priorities in the context of the Copenhagen agreement should focus on effective mitigation action through performance-based incentives and on adaptation in developing countries. Potential sources of financing include for instance private and public funding and the use of grants and loans under international, bilateral and multilateral efforts. EU contributions will be at both Community and Member States level. Financing instruments and institutions to fight climate change should be coherent and complementary to existing international bodies and financial institutions and take account of the current debate about their respective roles and responsibilities.

### **4.1. Financing the reduction of emissions**

#### *Global*

Investments to reduce global emissions will need to see year-on-year rises. Recent research by JRC and other independent institutes estimate the net global incremental investments in the order of €175 billion by 2020. It is estimated that more than half will have to be invested in developing countries, including the forestry sector. Investment in areas such as energy efficiency and low-carbon technologies will spur innovation and growth and enhance energy savings and security. Investments in reduced deforestation will safeguard global biodiversity



and ensure local long-term sustainable development. This should also be seen against the costs of non-action (between 5 to 20 % of global GDP according to the Stern report).

### *Developing countries*

National low-carbon development strategies will have to provide an estimate of additional net investment costs for mitigation and the viable financing and mitigation policy options to leverage such investments.

The following sources of funding for developing countries exist:

- **Domestic:** Until 2020, most actions identified in national low-carbon development strategies have low incremental costs or even generate a net benefit in the mid term, but require up-front investment. For instance, it is estimated that more than half of the reductions in the energy sector can be realised through energy efficiency measures. Financing of these measures will primarily need to come from the private sector and households, and government policies can leverage this finance. This will trigger substantial domestic investment and boost energy secure economic growth. International loan programmes could also help to tap into international private capital.
- **External:** The low-carbon development strategies will need to identify mitigation action that goes beyond low cost/short term net benefit options and that require financing beyond the domestic capabilities of the respective developing country. Support for the incremental costs of such investment must come from the full range of sources and innovative financing mechanisms, including public funds and international carbon crediting mechanisms. It is estimated that these crediting mechanisms can provide one third or more of the additional investments in developing countries.

## **4.2. Addressing and financing adaptation to inevitable climate change**

The Copenhagen agreement should provide a framework for action on adaptation, which should include the following elements:

- The need for all to adapt: Support for doing so should be provided to the most vulnerable and the poorest. Only by anticipating potential adverse effects early enough and adapting accordingly can very costly damage be avoided.
- A commitment to systematically integrate adaptation into national strategies: This should be a shared responsibility for both developed and developing countries.
- Improving the tools to define and implement adaptation strategies including methodologies and technologies for adaptation, capacity building and a strengthened role for the UNFCCC process by mobilising stakeholders, including international organisations, and ensuring a more coordinated approach to risk management/disaster risk reduction.

To pool experience, the EU should recommend that a technical panel on adaptation be set up under the UNFCCC. All countries should be required to draft comprehensive national adaptation strategies. Efficient adaptation policies will need to move beyond the urgent and immediate adaptation needs. There should be a transition from project based approaches towards a long-term strategic integration in a country's broader planning and development strategy. Experience gained in this respect through the Global Climate Change Alliance (GCCA) will be useful. Financial and technological support should be provided to the most vulnerable countries, in particular LDCs and Small Island Developing States.

The costs of capacity building and priority action in most vulnerable countries could, to a large extent, be covered by the existing Adaptation Fund. But although estimates of additional costs for adaptation vary widely, the Adaptation Fund will be insufficient to support adaptation in all developing countries. Hence innovative sources of finance will have to be utilised to match adaptation needs. Similarly to mitigation, the financing options need to be tailored to actual investment. The UNFCCC Secretariat estimated that adaptation costs in all developing countries could range between €23-54 billion per year in 2030. A large number of early measures will even generate a net benefit to the economy, for instance measures to improve water use efficiency in areas that will suffer from water shortages. A multilateral insurance pool to cover disaster losses should be explored to complement existing funding mechanisms in case of climate related natural disasters. The European Commission is already involved in piloting such schemes.

#### **4.3. Financing global research, technology development and demonstration**

A major boost must be given to research, development and demonstration of low-carbon and adaptation technologies in all economic sectors and activities. This should build on the needs identified in national low-carbon development strategies and assessments made by the Facilitative Mechanism for Mitigation Support, and could include capacity building, science and technology-oriented cooperation, reducing market access barriers on environmental goods and services and improved global research coordination.

For all these activities, additional public financing will be needed. Globally, it would be desirable to at least double energy-related RD&D by 2012 and increase it to four times its current level by 2020, with a significant shift in emphasis towards low-carbon technologies, especially renewable energy sources. Likewise research on impacts, adaptation and other mitigation options to climate change need to be strengthened at the international level. A commitment to do so should form an integral part of the Copenhagen Agreement. The Commission should work with Member States to promote, in a coherent way, international science and technology co-operation for all climate-related research, including low-carbon technologies, across all sectors.

To accelerate the development and kick-start deployment of strategically important low-carbon technologies, the EU is implementing the European Strategic Energy Technology Plan (SET-Plan). The EU is also planning to create one of its first Knowledge and Innovation Communities on climate mitigation and adaptation as part of the European Institute on Innovation and Technology (EIT), in line with the broader RD&D policy objectives of the EU. Under the revised EU ETS, 300 million allowances are set aside to help stimulate the construction of carbon capture and geological storage demonstration plants as well as innovative renewable energy technologies. Moreover, the Commission is preparing a Communication on the financing of low-carbon technologies.

Finally, more efforts, including via all forms of education, need to be made to advance the understanding of the evolution of climate and its impacts to society, economy and ecosystems.

#### **4.4. Innovative international funding sources**

Developed countries will contribute via public funding and the use of carbon crediting mechanisms. Public financial contributions should be comparable and be based on the polluter-pays principle and each country's economic capability. The scale of contributions should be negotiated and form an integral part of the Copenhagen Agreement.

Two principal options to generate innovative funding have been identified. The first option determines the annual financial commitment of developed countries on the basis of an agreed

formula. Such a formula could be based on a combination of the polluter pays principle (i.e. total amount of allowed emissions) and its ability to pay (i.e. GDP/capita). Under the second option a certain percentage of the allowed emissions would be set aside from each developed country. These emissions are then auctioned to governments at the international level. This percentage could increase progressively in line with the per capita income.

The first option provides certainty as to the total amount of funding committed. Countries could raise financial contributions individually, and spend them in a decentralised manner using all the existing bilateral and multilateral channels. This would, however, require a robust and transparent system for monitoring, reporting and verification of additional public funding for climate-related actions. To ensure compliance with funding commitments, a corresponding number of emission rights could be withheld for those countries that do not provide the agreed amount. The second option would not necessarily generate predictable levels of funding as governments could instead also use carbon credits from the Clean Development Mechanism. It would also require a centralised governance structure at UN level in order to organise the auctioning process, to set spending priorities and to channel the funds for mitigation and adaptation.

For the EU, significant additional public revenue will be generated by auctioning allowances in the EU ETS. Member States could use some of this revenue to honour their international financial obligation under the future climate change agreement under both options.

Both instruments can be combined with funding that could come from a global instrument to address international aviation and maritime transport (e.g. the proceeds from auctioning allowances under a global cap and trade system applying to those sectors).

It should be explored how developing countries, except the LDCs and Small Island Developing States (SIDS), could also make increasing contributions over time, in line with their financial capability.

#### **4.5. Funding early action**

Capacity building in order to ensure that the institutional capacity is developed to mobilise efficient reduction and adaptation will be key in the years immediately after a new agreement is reached.

Early action makes adaptation and the transition towards a low-carbon economy smoother. The EU should explore the possibility of developing a frontloading mechanism to rapidly deliver substantial funding in favour of the most vulnerable and poorest developing countries. This would be a bridging initiative in the transition period between 2010 and the full scale implementation of the new financial architecture to be agreed in Copenhagen. Based on the issuance of bonds, the proposed Global Climate Financing Mechanism (GCFM) would allow early spending on priority climate-related actions. These funds would in particular allow for an immediate reaction to urgent adaptation needs with a high return such as disaster risk reduction. A share of the funds raised could also support mitigation activities, in particular, those that generate synergies between mitigation and adaptation such as reducing emissions from deforestation. The GCFM aims at raising around €1 billion per year for the period 2010-2014, provided that Member States make appropriate pledges.

#### **4.6. Governance of international financial flows for climate change**

As the sources of funding for adaptation and mitigation are likely to be multiple, coordination and cooperation will need to be improved. A high-level forum on international climate finance should bring together key decision makers from the public and private sectors and international financial institutions. It would regularly review funding availability and

expenditure and provide recommendations for improvements. This forum should cooperate closely with the Facilitative Mechanisms for Mitigation Support.

## **5. MITIGATING GHG EMISSIONS AND RAISING REVENUE ON A GLOBAL CARBON MARKET**

### **5.1. Domestic cap and trade systems**

Domestic cap and trade systems are one of the most promising instruments at the disposal of countries to reduce GHG emissions, in particular in sectors with relatively large emitters. The emissions cap ensures these systems are environmentally effective and the flexibility offered by trading allowances makes them cost efficient. Domestic carbon markets can and should be linked to build an effective global market, reducing the cost of mitigation. The Copenhagen agreement can support the emerging carbon market through global and country target setting.

The EU has "first mover" experience in setting up the EU ETS as the world's largest cap and trade system. Interest in this system is growing rapidly in a number of other developed countries. In parallel to the UN negotiations, the EU should promote the creation of a robust OECD-wide carbon market by 2015, to be further extended to economically more advanced developing countries by 2020.

As an important step towards this goal, the EU should actively engage with the new US Administration and legislators. President Obama has already indicated his intention to establish a strong US cap and trade system. The Commission will seek to put in place an EU-US working group on the design of carbon markets. Similar bilateral processes should be set up with other developed countries and with economically more advanced developing countries.

Developing countries will need to make increasing contributions to global mitigation efforts and should therefore, over time, adopt and implement domestic cap-and-trade systems that can spur efficient own action. The EU should help interested developing countries gain experience in emissions trading, in particular to set up sound governance structures and strong domestic institutions and to boost their capacity to monitor and report emissions. Private sector and other stakeholders should be consulted in this context.

### **5.2. Improving UN-based offsetting mechanisms**

The Kyoto Protocol's Clean Development Mechanism (CDM) has enabled developing countries to participate in the carbon market. It is currently designed as a project-based offset mechanism in which developing countries can sell credits that represent emission reductions achieved by a specific project. These credits can then be bought by a developed country in order to comply with its national reduction target. CDM projects provide financing for clean technology and build capacity for climate policies in developing countries.

In order to ensure that a large part of EU emission reductions is done domestically, and to enhance environmental integrity, the EU ETS limits the use of CDM credits based on quantitative and qualitative criteria. In the UNFCCC context, the CDM should be reformed, crediting only those projects that deliver real additional reductions and go beyond low cost options. In addition, for advanced developing countries and highly competitive economic sectors, the project based CDM should be phased out in favour of moving to a sectoral carbon market crediting mechanism. Such mechanisms can be an efficient tool to drive development and deployment of low-carbon technologies in developing countries, and pave the way for the development of cap and trade systems. To ensure a coherent transition, the EU should seek

common ground with the US and other countries implementing cap-and-trade systems and generating demand for offset credits in a coordinated manner.

## **6. COPENHAGEN AGREEMENT, A BASIS FOR LONG-TERM POLICIES**

The EU should aim to ensure that the Copenhagen agreement lays the basis for a long-term international framework that raises overall ambition and increases contributions from both developed and developing countries, guided by scientific knowledge. A periodic review of overall progress and the adequacy of commitments and action should therefore form an integral part of the agreement, including a comprehensive review in 2016. On this basis, the global goal should be reassessed and further mid-term commitments, action and financial flows set in line with the latest scientific findings. If, in the context of a comprehensive review of the Copenhagen agreement in 2016, the combined mitigation efforts of developed and developing countries are insufficient, the UN climate change conference should set new national ambition levels for the subsequent commitment period.

## **7. NEXT STEPS AND CONCLUSIONS**

Over the coming months, the EU will have to mobilise all available resources to ensure intensive dialogue and cooperation with third countries. One of the key challenges for the 2009 negotiations will be to ensure the adequate and comparable effort from developed countries plus a meaningful contribution from developing countries, supported by developed countries. This is essential to achieve overall environmental effectiveness and to address competitiveness concerns. Bilateral contacts within the UNFCCC process, the upcoming G8 meetings, follow-up of the Major Economies process and bilateral discussions between the EU and key third countries should explore concrete contributions to the Copenhagen agreement from both developed and developing countries. The result of these discussions should enable developed countries to commit to sufficiently ambitious reduction targets in Copenhagen and economically more advanced developing countries to propose ambitious low-carbon development strategies, or meaningful action that will form part of those strategies. The shaping of the EU contribution to these processes should also be discussed at the March 2009 European Council.

In conclusion, it is proposed that the EU should:

1. Reaffirm its determination to reach a comprehensive and ambitious international agreement in Copenhagen in December 2009;
2. Engage with other developed countries with a view to agreeing on a set of GHG reduction targets, ensuring comparable efforts, based on the criteria in this Communication, in order to collectively deliver 30 % emission reductions in 2020 compared to 1990.
3. Engage with developing countries, especially with the economically more advanced, so that they take appropriate actions that will deliver collectively a deviation of 15-30 % below business as usual in 2020;
4. Acknowledge that staying below 2°C will require significant financial resources for emission reductions and adaptation, but that this will also stimulate innovation, economic growth and lead to long-term sustainable development. Express readiness to provide a substantial financial contribution in support of actions by developing countries, in particular for the most vulnerable and poorest, for instance through the Global Climate Financing Mechanism.

5. Propose to enter into bilateral partnerships with the US and with other developed countries to share experience on designing domestic emissions trading systems and to facilitate the creation of a robust OECD-wide carbon market by 2015. This market should be further extended to economically more advanced developing countries by 2020.

The Commission invites the Council to approve the above conclusions and take note of the orientations set out in this Communication. It stands ready to pursue discussions in the Council and to make all appropriate proposals.