

Annex 6 - Action Fiche for ENPI Regional East Action Programme 2011 part II

1. IDENTIFICATION

Title/Number	Clima East: Supporting Climate Change Mitigation and Adaptation in Russia and eastern Neighbourhood countries		
Total cost	EUR 7 million to be committed in 2011; EUR 11 million to be committed in 2012		
Aid method / Method of implementation	Project approach, centralised management/ joint management		
DAC-code	41010	Sector	Environmental policy and administrative management

2. RATIONALE

2.1. Sector context

The proposed programme is planned to support climate change policies in the eastern Neighbourhood) countries (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine), as well as in the Russian Federation. Although not part of the European Neighbourhood Policy (ENP), Russia is eligible under the European Neighbourhood and Partnership Instrument, ENPI. The pivotal importance of the Russian Federation for climate change issues, as well as common ecological, economic and linguistic features with some of the other countries make the inclusion of Russia into this regional programme useful and desirable.

The states of ENP East and Russia are signatories of the Kyoto Protocol under the United Nations Framework Convention on Climate Change (UNFCCC), and as such they have a number of obligations to fulfil. All have already been affected by climate change, probably most dramatically through the forest fires in the region in summer 2010¹, and through melting of permafrost soils at higher latitudes. This has resulted in them developing, separately, a number of national strategies and plans.

The European Union has placed climate change as a central pillar in a number of internal visions, policies² and laws. Cutting greenhouse gas emissions (GHG) by 20% is one of the five specific targets of the Europe 2020 strategy. The EU plays an important role in international climate change negotiations. Support to countries with regard to climate change mitigation and adaptation forms an important part of its on-going efforts. Climate change, therefore, features prominently in the ENP, with the ENPI East Regional Strategy Paper 2010-2013 and the ENPI East Regional Indicative Programme 2010-2013 both foreseeing the issue as a priority for funding.

In this regard, three programme components have been prepared and discussed with the partner countries in the framework of this proposed Clima East package: (i) EUR 5 million for technical assistance and improved information on the EU climate acquis and selected regional climate change issues; (ii) EUR 2 million for supporting Emission Trading (ETS) schemes as

¹ Although a direct scientific link between climate change and forest fires is difficult to prove.

²20% CO₂-reduction, 20% renewable energy, 20% raise of energy efficiency until 2020, http://ec.europa.eu/dgs/clima/acquis/index_en.htm

a key instrument for cost-effective reduction of green house gases; and (iii) EUR 11 million for ecosystems-based approaches on climate change, including through pilot projects.

2.2. Lessons learnt

In the ENP East countries and Russia, a wide range of climate change strategies, greenhouse-gas mitigation plans and adaptation approaches have been developed in recent years, or are currently being elaborated. The team of framework-contract consultants that has supported the European Commission in the identification and preparation of the proposed new programme has noted the following typical problems with climate change commitments and strategies:

Insufficient capacity of partner countries to establish a position on climate change and to fully engage in international climate change negotiations; Need to strengthen dialogue and relations in the field of climate change between the EU and the partner countries; Insufficient capacity to benefit from existing and new carbon financing mechanisms; Insufficient institutional/technical capacity regarding climate change mitigation and adaptation. Insufficient number of successful pilot projects on cost-efficient alternative approaches to CC.

The consultants visited all partner countries in 2010 for interviews with government and non-government stakeholders. Lessons were drawn from the on-going “Support to Kyoto Protocol Implementation” programme (SKPI) as well as from a climate change panel under the Eastern Partnership (held 4.11.2010 in Brussels). Extensive literature research as well as consultations with relevant Commission services were conducted in winter 2010/2011. In March 2011 a dialogue was started with UNDP, which has been identified as the most relevant international organisation on climate change in the ENPI-East region. These consultations have all fed into the current Clima East proposal.

The divergent status of partner countries as Annex I under the Kyoto Protocol (Belarus, Russia, Ukraine) and as Non-Annex I states (Armenia, Azerbaijan, Georgia, Moldova) has been taken into account. In the programme, high importance will be given to regional on-the-ground activities that support national priorities (e.g. development of Nationally Appropriate Mitigation Actions, NAMAs) and national work programmes. Programme ownership shall be strong, with flexibility to serve issues that arise during programme implementation. The inception period shall be extended to six months, to allow sufficient time for necessary adjustments of programme needs and programme endorsement, due to likely new developments between programme preparation and start, such as the UNFCCC conference in Durban in December 2011. A flexible ad-hoc expert facility will provide high-quality access to the rapidly expanding EU climate policies and law. Advice on an emission-trading scheme will be given to Ukraine and Belarus, which have shown special interest in this issue. On ecosystems-based approaches to climate change, pilot programmes on peatland, permafrost, forest and pasture management will cover Russia, Belarus, Azerbaijan, Armenia, and Georgia.

2.3. Complementary actions

Climate change relations between the EU and the neighbouring countries is currently organised in a global (UNFCCC) as well as bilateral setting, with the regional level being less developed. The future Clima East programme will have the possibility to support capacity strengthening of ENPI authorities for UNFCCC negotiations, as it has already been done under the existing SKPI-programme. The focus however will be the regional and, to a lesser extent, the national level. Currently, the EC holds annual talks with Russia under the climate change -sub-group to the EU-Russia Environment Dialogue, and with Ukraine under the

Ukraine-EU working group on climate change. With the other countries of the region, climate change is generally dealt with under the bilateral political sub-group dealing with infrastructure, environment, energy and related topics.³ The Clima East programme will follow these bilateral discussions on climate change closely, and will identify common priorities that could be addressed through regional co-operation.

Co-ordination will also be sought with the bilateral portfolio of the EU Delegations. Examples are the EUR 45 million Support to the Implementation of the Environmental Strategy in Ukraine (EUR 35 million from NAP 2009, EUR 10 million from Swedish SIDA), which supports approximation to EU standards and increased coherence between climate change and other issues, and the Support to the development of a comprehensive framework for international environmental co-operation for Belarus (NAP 2008, EUR 5 million).

It will be most important to base Clima East on relevant legal and political initiatives of the partner countries. For example in Russia, a Climate Change Doctrine with a subsequent Action Plan has been adopted in 2010 and 2011 respectively. Ukraine has recently drafted a Law on regulatory activities in the field of energy conservation, which foresees the setting-up of a national ETS. In Georgia, for example, the EU is already supporting the country in the drafting of a climate adaptation strategy and the development of Clean Development Mechanism (CDM) projects.

From the international organisations, UNDP has projects on capacity building, low carbon development, NAMAs and NAPAs (National Adaptation Programmes of Action). The World Bank has a special climate change related programme for Eastern Europe (and Central Asia), and has been very active in the use of carbon finance as an incentive for GHG reduction (which began in the energy sector, then expanded to forestry, and in the future will have a new emphasis on transport and urban development). The Sustainable Energy Initiative of the EBRD in Russia and Ukraine was launched in 2006 with an objective to double investments in sustainable energy to EUR 1.5 billion, and activities in sectoral areas, ensure appropriate geographic distribution of SEI activities, in view of mainstreaming climate change in all relevant EBRD operations. Together with the EIB, the EBRD is profiting from grants under the EU Neighbourhood Investment Facility. From the member states, bilateral agencies from France, Germany, Sweden and others countries are actively supporting ENPI climate change policies and are financing relevant programmes.

Finally, a strong coordination is assured with other relevant regional environment and energy projects, such as Inogate (SEMISE), FLEGT, Covenant of Mayors, SEIS, PPRD East, and air quality-, water- and waste governance, as well as with the Neighbourhood Investment Facility (NIF) (a Climate Change Window within the EU Neighbourhood Investment Facility was created in the end of 2010).

2.4. Donor coordination

Close cooperation with donors operating in the ENPI East region will be established within the framework of the programme, in order to maximise efficient and timely use of resources (in this regard, a coordination plan should be elaborated during the inception phase). Furthermore, coordination with donors will also be part of the evaluation and implementation of the technical assistance offered under the flexible ad-hoc expert facility.

³ For example Clima East was presented to the PCA Sub-Committee with Moldova 'Energy, environment, public health, transport & telecommunication, science & technology, training & education' which met on 18-19.5.2011 in Chisinau.

3. DESCRIPTION

3.1 Objectives

The **overall objective** of Clima East is to support the ENP East countries and Russia so that they are better equipped for greenhouse-gas emission reductions and better prepared to deal with climate change impacts.

The **specific objective** is to foster improved climate change policies, strategies and market mechanisms in the partner countries that are more in line with the EU acquis, by supporting regional cooperation and improving information-access to EU climate change policies/acquis.

3.2 Expected results and main activities

The foreseen **results** for the Annex 1-countries Belarus, Russia and Ukraine are that during the programme the responsible public institutions will efficiently address the Kyoto- and post-Kyoto regime under the UNFCCC, that realistic national climate change mitigation and adaptation policies will be implemented, that climate change vulnerability in forestry and agriculture will be assessed, that (for Belarus and Ukraine) the pre-conditions for a domestic ETS will have been fulfilled, that public institutions have quality access to EU climate policies and law, and that two pilot projects on the ecosystems-based approaches to climate change will have been implemented. For the Non-Annex 1-countries Armenia, Azerbaijan, Georgia, and Moldova, the foreseen results are the same, but without the ETS component, and with the following additions: progress in low carbon development strategies, and improved financial benefits for the post-Kyoto regime through implementation of at least three mitigation and three adaptation projects per country through carbon mitigation and adaptation financing mechanisms; one pilot project on the ecosystems-based approaches to climate change will have been implemented.

The **main activities** are structured into three components: In the first component, Technical Assistance for Supporting Climate Change Mitigation and Adaptation in the ENP countries and Russia, (indicative budget: EUR 5 million), briefings on upcoming key climate change meetings and discussions will be drafted, information material on climate change topics and especially EU policies and acquis will be distributed and discussed in regional and national workshops, study visits, and a Russian- and English-language internet site. Ad-hoc requests for information and targeted technical assistance will be responded to by the programme office or a flexible facility expert, and trainings on LULUCF and agriculture and forestry sector vulnerabilities will be held. For the current Non-Annex 1-countries, trainings on NAMA and NAPA drafting and development will be organised. In the second component, Support to Emissions Trading Schemes (ETS) in Belarus and Ukraine, (indicative budget: EUR 2 million), public authorities will be supported through trainings and specialised documentation in designing and implementing domestic emission trading schemes. In the third component, Ecosystems-based Approaches to Climate Change, (indicative budget: EUR 11 million), at least three pilot-projects will be financed that will demonstrate the relevance of nature management techniques for climate mitigation and adaptation. At the current stage, the following concrete projects are proposed: Strengthening forest and permafrost management in the Russian Komi Republic; Peatland management in Russia, Belarus and Ukraine; and Sustainable forest and pasture management in the southern Caucasus (see annex). Capacity building and supporting TA-activities to support and share results of the pilot-projects will be part of this component.

3.3. Risks and assumptions

The main challenge for Clima East, as for other regional programmes, will be to secure sufficient ownership and buy-in by the participating countries to enable continuous and competent participation in programme activities and reaching the results described above.

These risks seem manageable, given that the proposed results and activities are based on a needs assessment with key stakeholders in all partner countries, that the programme design is flexible, differentiating between Annex 1- and Non-Annex-1 countries, and that it does not depend on a participation of all countries in all foreseen activities.

As compared to the predecessor SKPI project, based on feedback from partner countries and MONIS-monitoring reports, lessons have been drawn for the design of the Clima East package: The Central Asian countries (which presently have a less developed level of climate policy than the ENPI East countries) are not included in the programme; Certain programme elements will be split into separate lots for Annex 1- and Non Annex 1-countries; Political sensibilities (Georgia-Russia, Armenia-Azerbaijan) could be dealt with by locating the main programme office in Brussels, and foreseeing small 'antenna offices', probably in Kiev and Tbilisi. Thematically, the programme will concentrate more on the EU's comparative advantage, its own ambitious climate policies and acquis, and will no longer extensively cover issues that can be dealt by other donors or programmes (e.g. broad information on climate change for the public and industry).

Overall, Clima East will be more strategic and, potentially, 'political' than predecessor efforts, by supporting the EU's climate change relations with the ENP East countries and Russia through concrete programme and information activities, by building on a close cooperation of all relevant Commission services and by including expertise from EU Member States administrations where feasible, e.g. in the flexible ad-hoc expert facility. The package has already been put on the agenda of the EU-Russia Climate Change sub-group and the EU-Russia Environment Dialogue (both meetings held in May 2011 in Moscow), and was discussed under the Eastern Partnerships bilateral and multilateral windows.

The risk is that where issues of a political nature arise - such as currently with Belarus - 'climate relations' and implicitly Clima East might also suffer. The assumption is however that by stressing the joint interest of all involved sides, by emphasising the technical character of the work, and by getting active only at the explicit will of the respective administrations, these outlined risks can be kept under control. Under this regional programme, it is furthermore planned to have national work programmes developed and signed in the inception phase (first six months) of Clima East.

3.4 Crosscutting issues

Climate change is the topic of the programme. Environmental sustainability is also an aim of the package. No significant gender effects are expected. Good governance should be a positive side effect of the programme, as modern government and administration has to include medium- and long-term environmental planning on issues such as climate change adaptation. Human rights should not be directly affected, but access to environment information shall improve, with possible positive effects under the Aarhus Convention⁴.

⁴ UNECE Convention on Access to Information, Public Participation in Decision-making and Access to Justice in Environmental Matters

Ethnic minority issues will be studied, in cooperation with the responsible public authorities, before start of the ecosystems pilot projects.

3.5. Stakeholders

The following core stakeholders will be involved in all programme activities and become the main partners in implementation of the programme:

Competent authority within national government to coordinate climate change mitigation and adaptation policy. This often coincides with the Focal Point for the UNFCCC. In most cases this is the Ministry responsible for environmental issues; Technical departments of competent ministries (i.e. environment, energy, natural resources, economy, industry, agriculture, finance) and other relevant government agencies (i.e. forestry); Technical and administrative structures responsible for the design, implementation, and operation of the ETS, as well as the energy and industrial installations covered by the scheme; Major regional and republic (in the case of Russia) structures responsible for management of natural resources, i.e. forests, rivers, oceans, permafrost soils; Competent authority for the CDM (Non-Annex I countries), JI and international emission trading.

Other stakeholders such as regional and local governments, civil society organisations (i.e. NGOs, academia) and the private sector shall be involved in and benefit from certain specific activities.

4. IMPLEMENTATION ISSUES

4.1. Method of implementation

The foreseen methods of implementation are centralised management (on components 1 and 2) and joint management with an international organisation (on component 3).

It is foreseen to launch a call for tender for a service contract. Joint management with an international organisation, indicatively with UNDP (or other relevant international organisations such as, United Nations Environment Programme, World Bank, Worldwide Fund for Nature, International Union for Conservation of Nature) is planned for the component on Ecosystems-based approaches to climate change.

4.2. Procurement and grant award procedures

All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the European Commission for the implementation of external operations, in force at the time of the launch of the procedure in question. Participation in the award of contracts for the present action shall be open to all natural and legal persons covered by the ENPI regulation. Further extensions of this participation to other natural or legal persons by the concerned authorising officer shall be subject to the conditions provided for in articles 21(7) ENPI.

4.3. Budget and calendar

The indicative breakdown of the budget is as follows:

Component 1, TA on Supporting climate change mitigation and adaptation: EUR 5 million

Component 2, Support to ETS in Belarus and Ukraine:	EUR 2 million
Component 3, Ecosystems-based Approaches to Climate Change:	EUR 11 million
(the latter to be committed in 2012, subject to the adoption of the 2012 budget by the Budgetary Authority)	

EUR 18 million

The foreseen indicative operational duration of the programme is 48 months, from 2012 to 2016.

4.4. Performance monitoring

From the list of (former) EuropeAid standard indicators, the one on the reduction of CO2 emissions is relevant for the Clima East programme. In practice it will be difficult to attribute any possible reduction of CO2 emissions, or delay in the growth of such emissions in the partner countries, directly to an EUR 18 million programme that concentrates on policy planning, information provision, technical assistance and pilot programmes. However, the baseline values of CO2 emissions at programme start and end can be documented, on the basis of national statistics that are provided e.g. in the context of UNFCCC, within the service contract component of the programme. It will be then up to the European Commission's programme manager, ROM-monitoring, and other instruments to analyse to which extent Clima East succeeded to concrete, measureable emission reduction.

Among the Millennium Development Goals, MDG 7 refers to Environmental Sustainability. MDG target 7a is 'Integrating the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources' and linked to an Indicator 'CO2 emissions, total, per capita and per 1 USD GDP (PPP)'. This indicator can also be taken into account as a possible baseline for Clima East, although the same limitations apply as mentioned above. It has also to be noted that both indicators refer only to CO2, whereas Clima East will cover the six greenhouse gases mentioned in Annex 1 to the Kyoto Protocol.

While developing the terms of reference of the service contract, the framework contract experts will develop a set of indicators that will be later used during the implementation of the Clima East programme components. These will be monitored through programme progress reports as well as independently through the Results-Oriented Monitoring ROM.

4.5. Evaluation and audit

Each invoice in the framework of the planned service contract will be accompanied by an Expenditure Verification Report. Independent mid-term and final project evaluations shall be carried out, as well as an independent audit which will be financed on the basis of another decision.

4.6. Communication and visibility

The EU visibility guidelines will be followed. Additionally, under the service contract components of this programme, a high-quality internet page on climate change for the ENPI countries will be established in English and Russian (local ENPI East languages are options). Furthermore the existing website of the ENPI East Info Centre will be used.

