Climate-Finance Pact
How to finance the fight against climate change in Europe and in Africa?
Two tools

• The European **Bank** for Climate and Biodiversity
• The European **Fund** for Climate and Biodiversity
Creating a « European Bank for Climate and Biodiversity » (EBCB)

• A subsidiary of the European Investment Bank with legal personality and financial autonomy (creation possible upon the decision of the Board of Governors of the EIB, the European Investment Fund created on this basis in 1994 to support SME)

• Aim at promoting the transition towards an energy-efficient and low-carbon economy by protecting biodiversity.
Creating a « European Bank for Climate and Biodiversity » (EBCB)

• Authorized operations: insulation of buildings, development of renewable energies, productive and ecological investment in transport, promotion of agro-ecology ...

• Each MS would have a drawing right of zero interest loan amounting to 2% of its GDP per year:
  • 65 billions euros for Germany, 45 billions for France, 40 billions for Italie, 25 billions for Spain ...

• Capital: 60% held by the EIB, 10% by EU, 30% by willing MS
Creating a « European Bank for Climate and Biodiversity » (EBCB)

• Governance:
  • A Board of Directors and a General Assembly
  • A strategic Committe (advisory board) with representatives of NGOs, scientists, members of CoR and EESC => will make recommendations.
Creating a « European fund for climate and biodiversity » (EFCB)

• Aim at financing a budget of 100 billion euros per year for the ecological transition in Europe, Africa and all around the Mediterranean.

• Funded by a contribution from companies operating in the EU (a levy on pre-tax profits above a threshold of turnover, also depending on the evolution of the carbon footprint of the company, small businesses and craftsmen not affected)

• Even with a rate limited to 5%, a European corporate profits tax would release each year more than 100 billion euros
Creating a « European fund for climate and biodiversity » (EFCB)

Governance:

• Institution of a Parliament of the Union for Climate and Biodiversity, composed of the members of the European Parliament elected in the Member States of the European Union who are members of the Union for climate and biodiversity. He is housed in the European Parliament.

• To implement the decisions of the Climate Parliament, a Council of the Union for Climate and Biodiversity, made of the Ministers responsible for the environment of the Member States of the Union for climate and biodiversity.
How?

• **A draft Treaty** to serve as a support for negotiations between the Member-States, like the Global Environment Pact, proposed in 2017 by a French think-tank and which is currently under negotiation at the United Nations.

• The draft Treaty, which was made public in Paris on February 19, was **drafted by citizens, lawyers, bankers and senior officials who contributed to this work on a voluntary basis and in a personal capacity.**

• It was then improved before being **sent to all Heads of state and government.**
Four scenarios towards the adoption of the Finance-Climate Pact

Scenario A : A European regulation

• The European Union is competent to set up environmental taxation on the condition of unanimity within the Council (Article 192 of the Treaty on the Functioning of the European Union).

• The budgetary risks inherent in climate change could be the basis for a unanimous decision by the states.

• Nevertheless, this option is unrealistic given the difficulties of unanimity.
Four scenarios towards the adoption of the Finance-Climate Pact

Scenario B: An enhanced cooperation

• In the provisions laid down in particular in Article 20 of the Treaty on European Union, only 9 Member States are required to take the initiative for enhanced cooperation.

• The case-law of the Court of Justice of the European Union confirms that enhanced cooperation in tax matters is in line with EU law.

• Given that the European Fund for Climate and Biodiversity would finance investments related to the ecological transition, which represents a significant source of non-relocatable jobs, the benefits for the States participating in this enhanced cooperation could far outweigh the costs that this new taxation represents.
Four scenarios towards the adoption of the Finance-Climate Pact

Scenario C: An intergovernmental agreement

- The form of an intergovernmental treaty, outside the formal framework of the European Union treaties, seems the most realistic way for the promoters of the initiative.

- Such an intergovernmental treaty would be open to accession by all EU Member States, but does not prevent the rapid progress of a vanguard formed by a small number of countries.

- The Treaty establishing the European Stability Mechanism (2012) is a credible precedent for an intergovernmental agreement compatible with the division of competences between the European Union and the Member States.

- It should also be recalled that the Treaty establishing the Schengen Area (1985) has been ratified by only 5 states at its origin, before having 26 participating States to date.
Four scenarios towards the adoption of the Finance-Climate Pact

Scenario D: A simple agreement only to set up the bank

- In view of the divergences between Member States over the drawing up of a budget and its financing, it is proposed to commit the EU to a decision that does not require a new treaty: that the European leaders agree to give order to the ECB and the EIB to create a subsidiary called EBCB and ways to control its effects for climate and biodiversity.

- Part 1 of the project is then quite realistic for the promoters of the initiative.

- Common to all four scenarios is the vote of the EIB Board of Governors for the creation of the European Bank for Climate and Biodiversity.
Initiators and supporters of the initiative

Initiators:
- Jean JOUZEL, Climatologist, former Vice-Chairman of the IPCC (Intergovernmental Panel on Climate Change) Scientific Panel, Vetlesen Prize 2012,
- Pierre LARROUTUROU, agricultural engineer and economist, newly elected MEP

Supporters (among others):
- Romano PRODI, former President of the Italian Council, former President of the European Commission,
- Pascal LAMY, former Director General of the WTO, former Director of Cabinet of Jacques DELORS, former European Commissioner,
- Miguel Angel MORATINOS, former Spanish Foreign Minister,
- Jean-Marc AYRAULT & Jean-Pierre RAFFARIN, former French Prime Ministers,
- Federico MAYOR, former Director-General of UNESCO,
- Dany COHN-BENDIT, former Member of the European Parliament,
- Prince Albert of MONACO,
- Jeffrey SACHS, Economist, Director of the Earth Institute at Columbia University,
- James GALBRAITH, Professor of Economics University of Texas at Austin,
- Steve KEEN, Professor of Economics Kingston University London,
- Enrico LETTA, former President of the Italian Council of Ministers,
- Brando BENIFEI, Member of the European Parliament
• The Climate-Finance Pact: an opportunity to jointly address the climate crisis, the lack of quality jobs and doubts about the European project?

• http://www.pacte-climat.eu/