



Select Committee on the European Union

External Affairs Sub-Committee

Corrected oral evidence: International Development and Climate Change (part of cross-Committee inquiry on climate change and COP 26)

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Members present: Baroness Verma (The Chair); Lord Alderdice; Baroness Brown of Cambridge; Lord Davies of Stamford; Lord Faulkner of Worcester; Baroness Finn.

Evidence Session No. 1

Heard in Public

Questions 1 - 9

Witnesses

I: Clare Shakya, Director, Climate Change Research Group, International Institute for Environment and Development; Rebecca Nadin, Director of Programme, Risk and Resilience, Overseas Development Institute.

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Examination of witnesses

Clare Shakya and Rebecca Nadin.

Q1 **The Chair:** Good morning. We are looking forward to this session. It is a public session and will be broadcast live. When you get the transcript, if you feel there are inaccuracies, come back to us so they can be corrected. We hope that we will have a good informed candid discussion this morning.

May I welcome Clare and Rebecca to this session this morning? If you would like to open with some opening remarks, you can do that, or we can go straight in questions; it is entirely up to you.

Clare Shakya: We are happy to go to questions.

The Chair: May I set the scene? I always say to our witnesses that although you will have had sight of the questions, colleagues may well come back with supplementaries on those questions.

We know that developing countries are particularly vulnerable to the effects of climate change. What are the main ways in which this manifests itself, and what are the risks for those countries if climate change is left unaddressed?

Clare Shakya: The IPCC has produced a few reports in the last year or so, one of which was the *Global Warming of 1.5°C* report, which sets out that we have underestimated how fast the impacts of increased emissions in the atmosphere are changing our weather patterns. There are some regions that are just much more vulnerable. The closer you are to the Equator, the more likely you are to be seeing extremes.

It is easy in the news reports to see this as an issue of extremes—more cyclones, more intense and frequent droughts, and so on—but it is the underlying vulnerabilities in these countries that have the greatest effect. Over the last 50 years, two-thirds of all deaths from disasters have been in the least-developed countries, the 47 poorest countries. For a single household that feels as though you have to sell your basic assets by which you produce your livelihood. You are also depriving your children and yourselves of food, so we are seeing nutritional spikes go up.

The issue of trends is significant. We are seeing high tides that are becoming more like storm surges. We are beginning to see changes in coastal regions, with increased energy in the oceans and increased acidification of the oceans leading to poor fisheries. Night-time temperatures in dry, hot places are increasing. One of the factors that we had not tracked so much and are now beginning to understand is that the recovery time at night has the biggest impact. People living in hot, dry cities with high-density dwellings—slum dwellers, the urban poor—are becoming very affected by the increased temperatures that we are beginning to see.

Weather impacts and disasters have been a driver of poverty for generations, along with health impacts. With the impacts of climate change, we are seeing a real increase in the types of drivers they experienced before that pushed them back into poverty. It will be much harder to get out of poverty traps, or, as you move out of poverty, to sustain that move, because another shock will mean that you have to sell your assets again. The challenge of developing at this stage is much greater.

On top of that, for the old style of development they looked to Europe and the developed world and said, "That is how we should develop; we will follow that pattern". We cannot follow those patterns any more. We need new patterns. None of us has a blueprint any more. We can say that all countries now have to reimagine how we develop and how we grow. In those terms as well, it has intrinsically become much harder.

Rebecca Nadin: It is important to put this into context. The year 2019 was the second warmest year on record since 1850, and the past five years have been the hottest in a 170-year series. This is significant warming. As Clare mentioned, we are looking at the intensity and frequency of these events. Last year, for example, we had Hurricane Dorian in the Caribbean. The Bahamas lost over 25% of its £12 billion GDP, as well as suffering human casualties. It was similar for Mozambique with Cyclone Idai, which lost 15% of its GDP. It had a significant impact on Mozambique and other countries like Zimbabwe. That was only a category 2 hurricane, not even a category 5 as hit the Bahamas.

Such an impact on a country's GDP has a significant impact on our ability to enable a transition across the world to low-carbon economies, because how do you build back from that when you have to focus immediately on basic services? As Clare mentioned, we are seeing increased vulnerability among a whole range of different groups. The elderly and those with cardiovascular disease are particularly affected by night-time temperature increases. Those groups are all being impacted by climate change.

Q2 **The Chair:** To come back to your opening remarks on this question, looking at how we in the EU and in the UK present our development programmes, do you think we need a marked change and add much more resilience into those programmes? If so, how do you see that taking shape as a discussion point?

My other, related, question is how we reduce the impact not just on the elderly but predominantly on women and girls. My personal view is that they are impacted more deeply and widely because they have fewer means to be able to respond to those crises. I know those are two wide questions.

Clare Shakya: We have been saying for a while that all ODA should be Paris compliant. It should no longer be that you invest in fossil fuels on the one hand, and on the other try to support people to increase their

resilience to climate change. We need to use every tool in the box now. That means that every Government in every country needs to focus their policies and interventions on helping to shift the whole of society into lower-emission climate-resilient development pathways.

We need to find out how to protect and restore ecosystems so that they are more resilient to the types of impacts that we are looking at. That will significantly change the farming systems that we have been promoting. It will change how we support transport or urban development. There is a whole range of implications. It is also important to realise that GDP has been quite a poor measure of how a country is doing on resource and climate resilience to future impacts. Straight after an impact, for example, there is a big loss in GDP. The recovery will show a boost in GDP when in fact it is just the country getting back up to the same level of well-being. We are not measuring what counts. That is another factor, and it is really important that we begin to change how we measure well-being and evaluate the development of a country.

There are two different aspects to gender and women and girls. The first is that, because of the division of labour within households, women are more affected because they collect the water, wood fuel, and so on, and those jobs become harder with the degradation of nature and climate change. Women are also the first to give up food. If there is a shortage of food, they will ensure that their children and husbands eat first.

The second aspect is that, because they are excluded from so many decisions, they are not part of the solution. When you are considering the best intervention in a location, if you exclude half the population you do not necessarily take the best decisions. We have been working in some of the countries to try to change how investments are made and to combine technical and scientific knowledge with local, indigenous and community systems—generational knowledge, if you like.

When you do that you begin to see a real change in those priorities and how to design infrastructure and so on. When you ensure that women, particularly younger women—and men—are included, those priorities begin to shift. When they begin to work with the men who historically have taken the decisions, the priorities change, and the design of the infrastructure changes. We are seeing a real increase in the benefits coming from a single piece of investment. We have quite strong evidence of how much more resilient investment decisions could be if we saw a much more inclusive approach involving women and girls.

Rebecca Nadin: It is also important to remember that, with something like climate change, there is a real danger that a number of countries that have made significant development gains, like the countries that have recently applied to become middle-income countries, could lose those development gains. This is quite an important point. Also, a significant number of countries are not just having to deal with climate change; they are also having to deal with conflict or other aspects of fragility.

We need to get much better at understanding how climate change may be a stressor of other vulnerabilities and fragilities, such as conflict and economic instability, and the role of transnational crime and terrorism, in those countries. Our focus may well be on addressing climate change, but we really need to understand how it is interacting with other parts of the threat nexus.

The focus on women and girls is extremely important, but we need to consider other groups as well, such as those with disabilities. These groups are not ignored, but the focus on those groups in societies is frequently not enough, and in many countries, particularly those that have been ravaged by war and conflict, a significant number are disabled as a result of those conflicts.

We need to think about a whole-society approach. When we talk about a whole-society transition to low-carbon economies, resilience also needs to be built into that. If we are investing in mitigation activities in certain countries, we need to ensure that they are resilient to the future climates that we are beginning to see. There is no point investing in lots of solar fields if they will not be resilient to climate change and extreme weather events, et cetera, so we really need to think about that as well.

Q3 Lord Faulkner of Worcester: Bearing in mind that all of us, except the most extreme climate change deniers, accept that there has to be a move towards low-carbon economies, what are the particular challenges for developing countries as they move towards those?

Clare Shakya: There needs to be a big change in how you organise society to get on to a lower-emission pathway. Historically, large energy generators have distributed energy out to households, businesses and manufacturing, and we have needed to ensure that each of those demand types had the right form of energy for their needs.

We are now looking at a transformation in how we organise. Ideally, we are looking at distributed energy systems and compact small cities with lots of green space, transport that is much more reliant on mass transport options, and so on. All of that in some ways is easier to do when you have a smaller infrastructural footprint. They do not have the stranded assets that perhaps we will have in Europe and the UK.

To bring about those types of changes, there is so much that central government can do by changing its policies and investments, but a huge amount needs to happen across other parts of society. Finding ways to incentivise hundreds of small businesses and local governments, which make decisions in different ways, is part of the challenge. It is difficult, because it is so dispersed and because of the numbers of different decisions that need to be made. Getting the finance to the right level and getting the authority to make decisions to the right level to incentivise those changes is part of the challenge. It is quite interesting that we are beginning to see more rapid action quite often in more devolved government. It is easier to do if you have a more devolved government structure and local government systems that are working effectively.

There are also a lot of retrofitting issues. We have been investing a lot in buildings and in transport, which is very intensive, but the skills that you need to retrofit are different from the ones you need to build. There is a reskilling process. We know that we lack the skills in Europe, and there is a real shortage in many countries of engineers of any type; any engineer gets snapped up very fast—in Africa, for example. There is an intense need to ensure that we really invest in skills for the future markets and to know how we are going to organise countries in these low-carbon economies.

Finally, there are issues to do with justice. There will be winners and losers in this transition, whichever country you are looking at. We are beginning to understand how to support those who would see themselves as losers so that they feel they are getting some benefit and the support they need to transition into new forms of work and into new types of economies. Our traditional focus on education, for example, has been very much on primary education, but in order to respond to the types of challenges we are looking at now we need a huge investment in secondary and tertiary education. It drastically changes the way we have been supporting developing countries on a number of fronts.

Finally, on macroeconomics, I said earlier that GDP is not a great measure. There are an awful lot of macroeconomic truisms that we now need to re-think if we are going to support economies to transition as fast as they need to.

Lord Faulkner of Worcester: Can you explain that a little?

Clare Shakya: It depends on the philosophy of the country. Tanzania, for example, comes from a much more socialist philosophy. The way it manages its economy may already be closer to what is needed. I am not trying to divide it into capitalism versus socialism, but it is about how you understand and value different parts of the economy and ensure that you are stimulating the parts of the economy that will help you transition.

I do not have very many developing-country examples of good practice in this area, but New Zealand is really thinking about how it provides support to workers in particular parts of the country, because the economy there has been so reliant on oil and gas. It is about how you re-think the stimuli in the policies and regulations by which you manage your economy so that you change what is being encouraged. It requires quite radical changes. We have seen over and over again how difficult it is to remove fossil fuel subsidies. Indeed, yesterday we saw that they were not being removed here either, even though this is a year when we might have thought that the UK would take more action in this area.

Lord Faulkner of Worcester: Is energy generation the largest single area where it is possible to move towards zero carbon?

Clare Shakya: Even a couple of years ago I would have said there were a lot of challenges to transitioning the energy system. However, I think we now understand how to run a stable grid with 100% renewables.

There is a general consensus that we now have enough of a package of ways of doing this. We have not quite sussed the markets, but we have worked out what needs to happen. Now it is a question of how you create the regulatory environment where you get the services you need. On transport and buildings, we know what to do, but we are much further behind. Agriculture and food systems are even further behind. There is a huge range of different areas.

In another example, in a lot of the countries we have been encouraging a move to more commercial farming and an export focus, when, for food security and a more resilient market system, you might want more localisation of food and a higher value addition in local areas rather than long supply chains. There is a whole range of different issues to look at.

Rebecca Nadin: The priorities for all countries are jobs and growth. Fundamentally, decision-makers need to provide jobs, stability and economic opportunities for the people. We need to better address the transition question—Clare mentioned there being winners and losers—and to better understand what some of these trade-offs will be and how we can provide alternative livelihoods for these people. We cannot just say, “We’re transitioning to a low-carbon economy, and for the greater good you’re just going to live with the fact that you no longer have a job”. We need to come up with tangible opportunities. Skills and education are a big part of that, but a lot of the countries that we are looking at are not quite there yet when it comes to having a strong education system.

Many countries, such as Nigeria, are heavily reliant on hydrocarbons. We need to work with these countries. We need to acknowledge what their priorities are at the moment, and work with them on how to help that transition. We cannot just ignore these major priorities of jobs and growth. As Clare says, thinking about growth and the desire for year-on-year growth is perhaps more of an economic/philosophical discussion that we need to have more openly.

There are other actors such as China—of course, there is China’s belt and road initiative—and the focus for a lot of countries is on building connectivity, critical infrastructure, transport systems, roads and so on. Many of these initiatives are not particularly green, and we need to find a way of working with countries like China, which are building these vast transport routes and still investing in fossil fuel power plants and so on. We will be locked into these decisions for quite some time, and we need to be realistic about that.

Q4 Baroness Brown of Cambridge: You have already said a lot about the importance of building resilience and ensuring that these developing countries can adapt better to what the climate is throwing at them, and will throw at them even if we are on a Paris path—and hopefully we will be.

What would you like to see the UK doing more of to support resilience and adaptation? Are there particular areas such as farming that we should be concentrating on? Coming up to the COP and looking at how

we engage these countries, many of them historically have been much more used to seeing extremes of weather than we have. Are there things we can learn from them so that we are not just telling them how they should do it?

Clare Shakya: We have been working recently with the LGC Group to try to understand what, in its experience, is really working to build resilience. It has ended up with four buckets or areas of activity. It is asking the developed world to begin to provide investment for the sorts of strategies that will help it to make progress in those four buckets. The most obvious one, in some ways, is policy and regulation and the big national investments that are made.

The second is landscapes and place-based investment. It is about using the structures of local government to devolve climate finance down to the local level, and finding ways to incentivise a very different way of managing the landscape, making land-use decisions, and investing in small infrastructure that increases the resilience in the landscape.

It is also about enterprise. In the developing world, 90% of jobs are in the informal sector. It is not so much about the big corporates as about the many small entrepreneurs, and how to work with farmers, fisherfolk, processors and the other market actors. They need business advice as well as climate advice, alongside loans. It is about how you provide bespoke services to a huge range of different types of enterprises. It is about seeing it more as an opportunity to change how enterprise happens, and how the business models work, rather than just a technical solution. So often we have tried to solve climate change by being very technical and not thinking about business development and how businesses can thrive in the face of this changed climate.

The fourth bucket is households and the range of services that are provided, whether health or education and ensuring that those are available even at a time of drought or floods, or social protection and how that can be provided in different ways. There are things we can learn in a number of these areas. Bhutan, for example, has had a policy for years now of maintaining forests and cover on its slopes to reduce run-off and soil erosion. Nepal, for example, is going from having gas subsidies to electricity subsidies in order to encourage all households to use electric cookers rather than gas cookers in their move away from wood fuel.

There is a range of different things, but one area that is very interesting is employment guarantees. In the UK and Europe, we have a number of different ways to support people when they are out of work. India, Mexico and a few other countries have some form of employment provision. If you are out of work, you are provided with work or skills training and supported very often to restore watersheds and ecosystems. There are ways to re-think how we provide support to households that need to move from one form of employment into another which we could learn from middle-income countries.

There is a final area: the limits of adaptation. For some places and locations—the small low-lying atolls in the Pacific, coastal areas, or very hot places where night-time temperatures will go above what is tolerable to humans—we need to come up with more solutions and respond in ways that give people dignity and choice and offer different opportunities.

I have been very interested in how the industrialisation process in the UK happened with initiatives such as the new towns and garden towns. There is quite a lot of opportunity to derive good practice from moments of real transition in other countries. Transitions in many of these countries will be much faster than the process of industrialisation, for example, which went on for 100 years or so. For some of these countries, transition will be measured in decades. We need to start tooling up and thinking about how we support whole nations to move away into new locations, as well as what is culturally appropriate in those types of contexts.

Rebecca Nadin: It is important to note that we are in what you could describe as the adaptation window of 2020 to 2040. Whatever happens in Glasgow in November, we are already locked in to a certain degree of warming. We now have this adaptation window. No matter what happens politically, we need to ensure that we are ready to meet that challenge. Paris describes adaptation as a global challenge, but, for many years, adaptation has been seen as something that happens locally, and mitigation as something that happens globally. We need to re-think this, because climate change presents a systems risk. It does not stop neatly at national borders. It creates risks that cross boundaries. As such, it is transboundary. It has impacts on supply chains, trade, finance, people, and of course shared biophysical resources.

We need to get much better at understanding and accounting for these transboundary climate risks. We also need to get much better at understanding how the adaptation actions of one country might have impacts on other countries. The 2011 Thai floods in Bangkok are quite a good example of both of those. We saw significant impacts on supply chains, particularly in automobile manufacture, in Malaysia and Indonesia and so on. The Thai insurance industry also suffered quite significantly.

Also, as part of Thailand's adaptation response to those floods it stopped exporting rice. Senegal was a big recipient. In this instance, India was able to step in, but if it had not there could have been a significant price shocks in Senegal, a country with many different development challenges. We need to think a little more about adaptation nationally, and how we develop beyond national adaptation plans, and to start thinking perhaps about regional adaptation planning in order to integrate climate resilience better into these transboundary initiatives.

There is a lot of international law already out there, such as the water convention and the UN convention on combatting desertification, that offers examples of this transboundary approach, which is related mostly to biophysical shared water resources. We need to think about this in trade. Many countries in their national plans of action, and some in their national adaptation plans, are referencing the need to focus on

transboundary climate issues. Those issues range from migration issues, to conflict, to shared water resources. The UK could be well placed, with its slogan of “the climate has no borders”, to pay attention to Article 7(2), which emphasises adaptation as a global challenge.

Q5 Lord Alderdice: To what extent does climate action run through UK development and foreign policy? In your view, is it properly integrated? Does it strike the right balance between attempting to halt climate change and adapting to its effects? For example, if your foreign policy is increasingly pulling back to focus on national interests, you will not be so engaged externally in development issues. Do you have any thoughts?

Clare Shakya: This could be an amazing year for the UK, with its need to be an international player in its own right now that it is not part of the EU, and at the same time being COP 26 president this year and the G7 president next year.

We have not really seen joining up in the past. The amount that is spent in export credits for fossil fuels is equivalent to the amount that has been spent on climate finance over a similar period. It is about £4.8 billion for fossil fuel support and £4.9 billion through international climate finance from the UK. That gives you a sense of the lack of joining up. While it was great that Johnson announced this year that the UK would no longer invest in coal, in fact the UK has not invested in coal since 2002, because DfID led a campaign with BEIS to agree across all departments that there would be no need to continue to finance coal.

The main drivers of foreign policy will be the security agenda and trade. It is still a long way from being sufficiently integrated with climate issues. I had understood that the UK-Africa investment summit in January this year would have a very strong green banner, but we heard that there will be £2 billion of new deals in fossil fuels. There is a cognitive dissonance between the various instruments for engaging with the rest of the world.

I recognise that for COP 26 there has been a huge reinvigoration of the climate diplomats in the Foreign Office, and of course there are all these shared Ministers between DfID and the Foreign Office. One could see that influence increasing and improving and becoming more coherent, but my sense at the moment is that there is a high risk of losing DfID as an independent voice promoting action on climate change and poverty through every instrument of the UK Government. I am waiting to hear good news on this.

Rebecca Nadin: Climate diplomacy is critical in foreign policy. Clare mentioned the increase in the number of diplomats around the network with a focus on climate, which is also critical. In 2008, prior to Copenhagen, the UK launched a number of public diplomacy pilots. The focus was on India, China and Brazil, and although Copenhagen is not seen as a great success in terms of climate negotiations, that public diplomacy initiative, certainly in China, where I was at the time, bore fruit.

Going back to the earlier point, the decision-making priorities of the countries that we are trying to engage with will relate to national interests. That does not alter. We need to be able to engage with those countries, understand their national priorities, and help via diplomatic channels to present some policies. Going forward, we will have to think slightly out of the box on some of our policy propositions. I see the role of diplomacy and expertise, hopefully within a strong Foreign Office, as absolutely critical.

There are a number of countries, including China and Russia, where this is an issue. Russia talks about the EU carbon border tax as an area of concern in its national adaptation plan. It also talks in that adaptation plan about the need for access to green finance. Russia urgently needs green financing, but sanctions that are in place prohibit that. Again, there are trade-offs in that foreign policy space. It is really important to have that diplomatic effort to avoid politics as usual.

Lord Alderdice: Could I press you a little, because it seems to me that there is a quite fundamental problem, and it is that development requires the input of energy as a very fundamental element. There are clear formulae that link the two. In so far as there is a withdrawal back, and an increase in conflict globally, which there is, any kind of development will have both to repair the damage of conflict and to expend further energy in building and developing, in whatever kind of way you do it. You can do with it with lots of energy or less energy, but there are fundamental questions there. It seems to me that, in a way, those fundamental questions are the ones we are not quite getting to. We are sticking little bits of Elastoplast around the edges, but there are some quite fundamental questions there which it seems to me we are not really finding answers to.

Clare Shakya: Some of the most energy-intensive products are concrete, steel and fertiliser, all of which you could see as being fundamental to the development pathway of a country. I guess there are opportunities to take a leaf out of the Nordic book. If you produce steel or fertilisers, do it near a hydropower station.

We need to think about circular economies and different ways of organising. Low-emission cities are compact and have a lot of green space, so they need less cooling. Quite a lot of building materials that are not concrete store carbon—timber, for example. There are opportunities to re-think how we do things. We are not putting enough effort and energy in the developing world into making this transition. As I said earlier, your builders, who have always been doing it one way, will need to be reskilled to do it in different ways such as by passive building. In India, there was a big push a few years ago for encouraging passive building, but they found that they were really short of the basic engineers and so on who could deliver on that.

Q6 **Baroness Finn:** With a slight change of perspective, in September 2019 the Prime Minister promised to double the UK's international climate finance over the next five years to £11.6 billion. In your view, is this

financial commitment enough to support the stated aim of helping developing countries pursue a low-carbon economy, climate resilience and sustainable development?

Clare Shakya: I should start by saying that doubling is good news. You could go above that, and it would be great for the UK, having committed to 0.7%, to commit to the climate finance as additional. All the development finance is for Paris-aligned development, but you would have to recognise that additional funding is required for the transition process, which makes it much more difficult to develop. If that doubling was on top of 0.7%, that would be better than it being within 0.7%. However, doubling is probably not enough, because we have a huge gap in financing.

In some ways, the bigger problem is how that finance is currently being used. It is highly intermediated and goes through many different organisations before it reaches final use. It is given largely to the multilaterals. Most of it is spent through what we have been calling cookie-cutter projects, which are short-term projects with very slow disbursement and very high transaction costs for the countries receiving it.

We need to refocus how we provide climate finance so that it focuses on government institutions and the architecture in-country to incentivise the change that we need. There needs to be longer-term commitment. It needs to be more predictable and more flexible so that people can make choices locally about how best to use it. We need to see the subsidiarity that I spoke about before to get the right finance and authority at the right levels within government. It is about thinking beyond projects to systems, as Rebecca said, and thinking about the whole of society, not just little pieces that have been seen as climate action. There has to be a fundamental change in how climate finance operates for it to provide the type of support that these countries need.

Rebecca Nadin: I agree with Clare. The £11.6 billion is a good start, but the UNEP produced a report two years ago that identified that the adaptation finance gap was anywhere between £140 billion and £300 billion, so there is a significant way to go. Last month, the Governor of the Bank of England, Mark Carney, articulated the fact that for a transition in infrastructure alone we are looking at about £3.5 trillion every year for the next decade.

As Clare mentioned, for developing countries the transaction costs of accessing some of this climate finance is considerable, and some of the development actors provide support to them to enable them to apply for such funds. However, they then get caught up in seemingly ridiculous discussions about whether what is being proposed is development or climate. There is a strange need to define things neatly in a box when we should be talking fundamentally about climate-resilient, climate-compatible development and not worrying about these arbitrary distinctions.

Baroness Finn: Do you think sufficient funds are being allocated to upskilling people to make climate action sustainable in developing countries?

Rebecca Nadin: It is a bit variable. More investment is needed. Some countries might receive more support in this area. That comes down to some of the donor priorities or the fact that it is easier to make these investments there.

Perhaps there is also a question as to whether we are willing to be a little less risk averse in where we are putting some of this climate finance. The countries that really need it, the most vulnerable, tend also to be the ones with very weak governance systems and issues of illicit flows, corruption and so on. There is a balance there.

Q7 **Lord Faulkner of Worcester:** I was going to ask this question later, but I think it is relevant to ask it now. Do you think there is a role for the private sector in providing funding for climate action and development, and, if so, how can that be unlocked?

Clare Shakya: Some countries receive very little international private investment. Large investment from public finance is required to improve the regulation and build the right regulatory and policy framework, and test and prove that different business models can operate in those countries, in order to begin to attract private investment. We have seen a lot of excitement in the renewables area, for example, and the very small number of businesses that have begun to attract a lot of investment internationally. We need to make around 300 times that effort just in renewables to be able to achieve the coverage of renewables that is required. That is considered one of the easier areas for private investment to come in.

Agriculture and the value chain into the big corporates is another area where they could be doing a lot more. They struggle, as we know from their commitment to no more deforestation. We see how the big corporates really struggle through their supply chains to incentivise change. This is not easy. Yes, we should get more private investment in, and it is already happening in large ways in the north, and it is happening more in the middle-income countries, but there is a real risk that as the developing countries become riskier places to invest in because of the lack of adaptive capacity, we will see them being less and less attractive to private investment. We cannot assume that we can just leverage private investment now in many of these countries.

Lord Faulkner of Worcester: Can the British Government do anything to encourage it?

Clare Shakya: This is fundamental to providing the international climate finance funding in more effective ways so that you increase the basic platform of governing risk and managing risk in ways that make it a less risky place for the big investors to go in.

Rebecca Nadin: Yes, absolutely, we need to encourage more private sector finance. Of course, there is a big push at the moment, and it was encouraging to see the launch of the COP 26 private finance agenda a couple of weeks ago. With this push towards disinvestment in fossil fuels, which is essential, we also need to be mindful of where the investment is going in order to ensure that we are not de-investing from fossil fuels just to be investing in other areas that are equally detrimental to the environment.

Lord Faulkner of Worcester: Deforestation, for example.

Rebecca Nadin: Deforestation, or deep ocean mining, and other things. As the demand for renewable technologies and other technologies takes hold, we must recognise that some are reliant on minerals such as cobalt, and although there will be greater financial opportunities we have to ensure that we do not create another environmental challenge. The global threats that we are facing include severe environmental degradation. Climate change is only one challenge, alongside ocean current collapse, deforestation, land degradation and so on. It is a bit of a basket of environmental challenges. We should not just focus on climate change without ensuring that we are not creating other trade-offs.

The Chair: To Lord Faulkner's point, the private sector could be utilised better through the Government's funding programmes so that it allows both regulation and a much more controlled outcome to be delivered in the longer term.

Rebecca Nadin: Absolutely, yes, because it is pushing companies, banks, insurance companies—the whole ecosystem—to be much better at disclosing risk and enabling them to take opportunities. That is really what it needs to be about.

Q8 **Baroness Brown of Cambridge:** You have talked a bit already about some of these areas, where the aim of poverty reduction and the aim of climate action may come into conflict, for example in developing countries or lower-income countries that produce oil. Are there other circumstances in which you see climate action potentially being almost at loggerheads with poverty reduction, and how should we approach the trade-offs, if we need to, between the two? Indeed, is there a wide understanding that we might need to approach trade-offs?

Clare Shakya: The recent 1.5°C report from the IPCC looks in quite a lot of depth at the trade-off issues across different areas of development. One thing that has become apparent in the pattern of DfID's funding over the last couple of decades is that the trade-off is seen by the local decision-maker, the head of the office, as a unit-cost issue. If you cyclone-proof schools, you will build fewer schools with your funding than if you just built schools without considering the impacts that climate change might have.

The development world counts results by deliverability and not durability. There is a real issue about changing how we consider development to

thinking much more about the durability of the outcomes rather than the numbers reached at any one point. You can get a lot of people out of poverty only to fall back into poverty very quickly afterwards. That is the pattern we see again and again.

The other issue is devolving authority at the right level. The development world has grown up, me included, with the idea that you bring experts in to provide advice and you can solve all these problems. We tend to come in with a very narrow focus on a range of different issues. All these issues interact around systems, as Rebecca has been saying. It is what is often called a wicked problem. It is very hard to find the best solution. Where you get a range of different perspectives all coming together to consider a challenge, you begin to get a much better understanding of how you might resolve those trade-offs and where the synergies might be.

There needs to be much more focus on getting decisions much closer to the communities most affected, and allowing their views to be brought into account. We need to provide them with technical and scientific advice, but also let their generational knowledge of the fundamental drivers of their vulnerability and how they can be best addressed come into play. It is a change away from being expert driven. A lot of this has already been laid out in agreements on effective aid approaches, but for some reason we do not seem to be able to make progress on that on the ground. It is about having more humility and the expert community doing more listening.

Baroness Brown of Cambridge: We are, of course, still providing some aid on energy excess, which is not about green energy excess. Should we rethink that?

Clare Shakya: All ODA, in my view, should be Paris aligned. It is absurd at this stage that we are working with some countries to develop gas when we know that it will probably be a stranded asset before it has even started to produce anything. Gas infrastructure takes a long time to set up. It is very slow in countries like Nigeria and Tanzania. Green mini-grids could be a much better approach—with a move to electrical cooking, for example. There are all sorts of solutions out there. We just need all development to be focused on Paris-aligned solution sets while climate finance is coming in, and experimenting with, testing and proving new ideas.

Rebecca Nadin: It would be excellent if all the ODA was aligned to Paris. The challenge is other actors, like China, which we need to engage much more with in the development space. China provides countries with access to renewable technology, but in other aspects its aid or economic support is not necessarily aligned to Paris. We need to be much better at engaging on these issues with emerging donors like China. There is a tendency to prefer to talk to those we are more familiar with and the other aid agencies that we are much more comfortable with. We need to reach out to China, not necessarily by criticising and saying, “You’re doing this and we can do it so much better”, because that will go down like a lead balloon, but by having those discussions.

Q9 Lord Davies of Stamford: My understanding is that there is general agreement—you may tell me there is not—that over the last decade or two, and particularly since the passage of the international development Act here by the Blair Government, there has been a very good and close relationship between officials in DfID and officials in the European Commission who are dealing with international development matters. There has also been quite a lot of productive co-operation in the field, with joint ventures and projects and joint representations to local governments, including on climate change.

Is it inevitable, and is it desirable, given that we have now left the European Union and we are about to junk the international development Act in favour of a much more nationalistic and national-interest oriented policy, that that close relationship will erode or disappear?

Clare Shakya: It would be a real loss if the UK stopped working so closely with the EU. There are various ways in which the UK has influenced EU positions on climate, both in EU spending in developing countries and in the EU's own policy. In any negotiations, the EU, including the UK, has been seen as the most progressive bloc of the developed world and has been the ally of the poorest countries. By leaving that bloc, the UK will be much less influential. There are a number of different ways of doing this in the negotiations. You could have the EU plus the UK working together, for example, to continue the negotiations.

Lord Davies of Stamford: Would that be acceptable to the EU?

Clare Shakya: I think there is an appetite at officials level. I have certainly been in rooms where that has been discussed. The least-developed countries have a negotiating bloc and have said that they would welcome the UK, but it might be a less obvious fit. It is reasonably likely to happen in the negotiations, or at least for there to be an aligned position. At the moment, we have the COP 26 presidency, so the UK has to be neutral. We will have to see how it plays out the following year when the COP presidency is over.

There are other areas where the alignment between the EU and the UK has been really important—research, and influencing China and India, for example. There are a number of different arenas where the EU will be weaker without the UK, and the UK will be much less influential without the EU. How that operates I do not know. At the moment, as you say, there is more of a tendency to push for the UK to be very visibly not sitting with the EU and to be talking separately with these different countries. That will be less effective. We will be much less influential that way than if we were still working with the EU. China and the EU will have a big summit this year, or they will if the coronavirus allows, as will the EU and Africa. Those are moments when the UK should be in the room and really influencing the agenda. We will have to see what happens as the year unfolds, I imagine.

Lord Davies of Stamford: There are of course other fields, in the

business area and some security areas—Europol, the European arrest warrant and so forth. A number of people have the idea that we can leave the European Union in all matters where it suits us to do so, but still enjoy exactly the same benefits and privileges and influence in the areas we choose. Do you think that is practicable and therefore a sensible stance to adopt?

Clare Shakya: I do not think it will work in every area. In the climate field, officials in countries like France, Sweden and Ireland are already seeing the loss of the UK as a voice in the EU discussions as problematic, because they are more aligned with the UK than they are with some of the other members of the EU. For climate alone it may be more possible than for some of the other areas.

Lord Davies of Stamford: You mentioned important fora such as the EU and China, which I would think are very important indeed. It does not seem very likely to me that the Chinese would be happy to repeat the process a few weeks or months later with just the UK and China, so if we miss out on those meetings, they will not be easily replaced, frankly.

Clare Shakya: Indeed. We will see in that summit in particular, and in the Africa-EU summit, quite what will emerge.

Lord Davies of Stamford: Did you agree with the drift of Clare's answer to me on that, Rebecca?

Rebecca Nadin: Yes. It is also important to remember that the UK is second after the US for international development aid provision.

Lord Davies of Stamford: But the EU has a larger budget than the UK, quite substantially larger as a matter of fact.

Rebecca Nadin: Yes, but interestingly, when aid is happening on the ground, GIZ would be seen as German aid, and UK aid as UK aid. Whether it is perceived as EU aid, I am not so sure. It is certainly perceived as bilateral aid.

Lord Davies of Stamford: They are two separate things. Up to now we have been contributing to the EU aid budget, and that has been a much bigger effort than the purely national budget and is a very substantial amount. Secondly, we have been pursuing our own national projects and so forth. There has been quite a lot of co-ordination at the policy-making level between the EU Commission and DfID and, as I said earlier, a lot of co-operation on the ground. On the whole, those two efforts have meshed in quite well. There has been no contradiction between the two, but they are very different efforts, and I think the host Governments must recognise that.

Clare Shakya: The energy policy dialogue between all the member states of the EU will be very aligned and they will work with, for example, Zambia or Tanzania. There are certain areas where there is very strong and close alignment, with the EU leading and member states being part

of that process. In other areas, it has been less close. It depends on the sector perhaps.

Rebecca Nadin: Certainly if you are talking to the Indonesians about the need to move away from coal, it is not so easy to make those arguments from an EU perspective because of Germany's position on that. There are advantages and disadvantages, I think.

Lord Davies of Stamford: The EU of course is a major trading partner with Indonesia and much more important than we are. There is an influence of a different kind sometimes.

The Chair: Thank you very much indeed. I am glad to say that we have had a very full discussion and ended almost on time. I want to take this opportunity once again to thank you for coming in. I have failed to address the fact that you, Clare, are the director of climate change at the International Institute for Environment and Development, and you Rebecca, are the director of programme, risk and resilience at the Overseas Development Institute, but everybody had the biographies and they would have known which institutions you were from.

It has been a very informative morning. Thank you very much for coming in. It is a huge subject. I suspect there will be many more discussions on this, but from this evidence session we are much better informed. Thank you very much for coming, and if you want to make any corrections to the transcript, please let us know as soon as possible, because this is part of the evidence that we will be putting forward to the department that is dealing with climate change. Thank you very much indeed.