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International Development Committee

Oral evidence: UK aid for combating climate change , HC 1432

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Watch the meeting

Members present: Stephen Twigg (Chair); Richard Burden; Mr Nigel Evans; Mrs Pauline Latham; Chris Law; Mr Ivan Lewis; Lloyd Russell-Moyle; Paul Scully.

Questions 72 - 103

Witnesses

I: Dr Saleemul Huq, Director, International Centre for Climate Change and Development; Julie-Anne Richards, Independent Consultant.

II: Dr Kate Schreckenberg, Reader, Development Geography, King’s College London; Andrew Mitchell, Founder and Senior Adviser, Global Canopy.

Examination of witnesses

Witnesses: Dr Saleemul Huq and Julie-Anne Richards.

Q72 **Chair:** Good morning, everyone. This is our latest oral evidence session as part of the International Development Committee's inquiry into work on combating climate change. We have two expert panels this morning, and our first is on loss and damage. If I can welcome our two witnesses, we have you for the next 45 minutes, during which we are seeking to cover seven areas. Some of our questions will be to both of you and some will be aimed at just one of you. Let me kick off with a general question and invite each of you to respond in turn. Can you briefly define what is meant by loss and damage, and illustrate that with an example? Dr Huq, would you like to go first?

Dr Huq: Thank you very much and good morning to everybody. The definition of loss and damage is something that we have not actually agreed on. One of the reasons we have not is to enable us to get an agreement and everybody to interpret that agreement the way they want. However, we now need to agree on what it means in practice if we are going to actually do something to operationalise it. The working definition that we use—and when I say "we" I mean my team of people working on loss and damage at my centre in Bangladesh—is to deem the word "loss" to mean things that are lost completely: human life lost, species lost and ecosystems lost. No amount of money is going to bring them back. They have gone forever. Damage is something that can be repaired. A road is damaged and can be repaired, a building is damaged and can be repaired and so on. Loss is complete loss of something and damage is something that can be restored or repaired.

Julie-Anne Richards: Thank you very much for the opportunity to be here. My name is Julie-Anne Richards and I work as a consultant on loss and damage for a number of civil society organisations. Today I am representing the Climate Damages Tax coalition. As Saleemul said, the definition of loss and damage is quite complicated. In the international negotiations, we essentially use the definition that loss and damage is when the impacts of climate change go beyond what it is possible to adapt to.

To give a concrete example, if we looked at the example in 2017 when Hurricane Maria hit the island of Dominica, it caused in that one night loss and damage to the extent of 223% of their GDP—in one night. Another example is, if we look at Malawi and their 2015-16 drought, they suffered loss and damage of roughly $500 million. That is the cost of people being forced from their home, the cost of people not having enough food to eat and all of the social and economic costs that are rolled in with the idea of climate impacts going beyond what it is possible to adapt to.

It includes extreme events, such as cyclones. It includes slow onset events, such as desertification: previously arable or pastoral land becoming desert. It includes things like rising sea levels taking people's land, making water that would previously have been drinkable saline, and glacier melt. As Saleemul referred to, there is both economic loss and damage, which we talk a lot about, but there is also non-economic loss and damage. For instance, if an island community is forced to move from their island because of rising sea levels or because of more extreme cyclones, then they stand to lose perhaps their culture or the language that they speak. These kinds of things are non-economic loss and damage. Loss and damage covers a range of climate impacts but the unifying element is that they are impacts you cannot adapt to anymore. We need to adopt something other than adaptation approaches.

Q73 **Chair:** Can I then ask each of you briefly to say something about the division of opinion this brings about in international discussions on climate change?

Dr Huq: In the international negotiations, the topic of loss and damage is, as I am sure you are aware, an extremely politically sensitive one. It immediately brings to mind the words "liability" and "compensation", which are taboo words in negotiations for many developed countries. In a sense, loss and damage is actually a euphemism for liability and compensation. The time now has come to stop using the euphemism and be clear about the fact that we are going to have to provide some kind of finance, whether it is compensation or not, to people who are already suffering loss and damage, which is now absolutely creditably attributable to the fact that we have already caused the temperate to rise by 1 degree.

We live now in a world that is beyond adaptation, in a sense, for parts of the world, and they are suffering loss and damage. It is not just the poor world. If you look at the wildfire of California that killed nearly 100 people, that is attributable to the human-induced climate change of a 1 degree rise. If you look at the damage that was done by Hurricane Florence, 50% additional rainfall is directly attributable to the fact that the Atlantic Ocean was two degrees above normal because we have caused climate change already. The attribution to human-induced climate change is now a very clear signal across the world and it is in rich countries as much as it is in poor countries.

Chair: Thank you very much for that answer. We are going to come back to some of those issues on compensation a bit later.

Q74 **Chris Law:** It is a really tricky question but I am really intrigued to hear what your response is. What is the expected scale of financial loss from loss and damage over the next few decades, and how do you measure it? For example, there are small island states that might entirely disappear as a result of rising sea levels.

Dr Huq: That is a very good question for which there is no exact answer. I will give you the range. The cost of damages from climate-induced impacts is going to be in the trillions of dollars over the next few decades. Those dollar values are going to be mainly in the developed countries. Rich countries are going to suffer the largest amount in dollar values. Poorer countries, like my country, Bangladesh, will suffer loss of life and loss of livelihoods; people will have to migrate. The dollar value associated with that may not be in the trillions—it may be in the millions—but the non-economic loss of livelihoods, lives, species and habitats, as Julie-Anne said, is very, very significant for those poor countries. As you said, island countries are being forced to move entirely. That is an absolutely brand new phenomenon we have never faced before.

Julie-Anne Richards: I might address that too, if that is okay. Obviously, it is difficult to quantify how much loss and damage is going to cost us globally. The non-economic loss is very important. A few people have had a go at trying to quantify how much loss and damage will cost us globally. The estimates vary but fairly conservative estimates are that loss and damage is already costing developing countries—vulnerable developing countries—significantly. As I said earlier, in one night the country of Dominica lost 223% of its GDP. You can look for other examples. For instance, when Cyclone Pam hit Vanuatu in March 2015, in two days Vanuatu lost 64% of its annual GDP.

These extreme storms and the more extreme droughts are causing for individual communities and countries huge losses that are, in many, many cases, pushing people back into poverty and pushing countries back further away from their goals to develop and pull people out of poverty. On an individual and a country basis, it is having some quite devastating impacts.

Looking more broadly, estimates vary into the trillions. These of course depend on how much climate change we prevent. If we do enough mitigation, we can prevent loss and damage, but we cannot prevent all of it because we are already in a loss and damage world. We are in a place where vulnerable developing countries, in particular, are suffering from loss and damage. Having had a look at all of the estimates that various experts have made on the global need for loss and damage finance, the Climate Action Network estimates that at the moment we would need roughly at least $50 billion to be flowing for international finance for vulnerable developing countries, and by 2030 we will probably need at least $300 billion to flow. That is roughly the size of current ODA spending globally.

Q75 **Chris Law:** Have those figures changed since last autumn, with the IPCC report that suggested we need to keep our figures at 1.5 degrees centigrade?

Julie-Anne Richards: I will maybe let Saleemul come back to the IPCC point, because he was one of the authors there. To finish my thought, that $300 billion a year by 2030 for international finance will obviously not cover all loss and damage. Obviously it will not cover non-economic loss and damage. As I said, it is roughly the size of current ODA flows. Most of the estimates of what loss and damage will cost estimate or project that loss and damage will cost roughly twice as much as adaptation. Of the adaptation estimates, loss and damage is expected to cost twice that. At the moment, people are paying for the loss and damage but we are not funding it internationally. If we look at some of the examples I used earlier—the Dominica example, the Vanuatu example and the Fiji example—those three countries and the people in those countries themselves paid 75% to 80%, roughly, of the cost of those disasters. All of the insurance and international support that they got was in the order of 20%. People are already paying for loss and damage but at the moment it is the poor people, who had the least to do with causing climate change.

Dr Huq: On the IPCC, particularly the most recent special report on 1.5 degrees, the estimates that Julie-Anne mentioned—the $50 billion now and the £300 billion by 2030—are rough estimates. The most important point coming out of the IPCC report is the fact that we can prevent a lot of the loss and damage if we keep the temperature to 1.5 degrees. That is, to me, the main message that has come out of it. It is not how much is going to be lost and damaged; it is how much we can prevent being lost and damaged. That 1.5 degrees is really the threshold.

Again, the second biggest point coming out of the IPCC report is that 1.5 degrees or 2 degrees makes a huge difference. Perhaps 0.5 degrees sounds like a trivial amount, but it is not trivial. It is a big, big, big amount. To give you one example, with a 2 degree rise, we are losing the Great Barrier Reef in Australia. With 1.5 degrees, we prevent that. In the numbers of people that are going to be affected, we are talking about hundreds of millions of poor people living on planet Earth who are going to be affected if we cross the threshold of 1.5 degrees, who will be protected if we can maintain our temperate below 1.5 degrees. That is the critical message coming out. It is a message of preventing loss and damage rather than estimating how much it is going to be. It is going to be enormous. We do not want it to happen.

Q76 **Chris Law:** I want to turn a little bit to what the UK is doing at the moment. In terms of DFID funding, it gets divided between mitigation and adaptation. DFID at the moment is refusing or blocking conversations with regards to what we do with loss and damage. What practical steps do you see going forward for DFID and the UK Government? What support are you aware of that the UK is currently providing? Is it sufficient?

Dr Huq: In the UN Framework Convention, we have made some progress. We have something called the Warsaw International Mechanism for Loss and Damage. Everybody is agreed on that. It has an executive committee with the UK as one of the representatives on it.

They have a work programme that is defining all the different aspects of loss and damage that Julie-Anne mentioned. They are making some very good progress.

One of the mandates that they have is looking at innovative sources of finance for loss and damage. What that has remained confined to is insurance. Insurance is the comfort zone for the developed countries, particularly Germany, which is promoting a lot of insurance. That is fine. I have nothing against insurance but insurance does not fit all the categories, particularly the poorest people on planet Earth who are going to be affected. They are not going to be able to pay the premium for insurance, and if you subsidise their insurance, it is not insurance anymore; it is something else.

We need to regard financing the impacts of climate change on poor people around the world in the poorest developing countries as a new category of support coming from DFID, which they have not done so far. They keep calling it adaptation. It is not adaptation anymore. It is beyond adaptation. That needs to be recognised by the UK Government, and then there can be discussions with developing countries on how best to put together funding to address the issue of loss and damage. There are many different ideas floating around that we can discuss. So far, it has been a taboo subject. Beyond insurance, we cannot get them to talk about anything else.

Julie-Anne Richards: They are all excellent points. In the climate negotiations, we are in a very unfortunate situation where, with what I might call the new reality of climate impacts, it is abundantly clear now that we are in an interconnected world where things that happen in other parts of the world affect us here in the UK. That is butting up against, in the climate negotiations, old politics. We have the UK and DFID who are, on loss and damage, most often aligning themselves with the recalcitrant climate change countries, so with the US, Australia and Russia, against developing countries. This old politics holds us back from making progressive agreements on loss and damage in the UN negotiations, but it also bleeds into other areas of the climate negotiations and holds us back from making ambitious agreements more generally.

Positive practical steps that DFID could take would be, first, to recognise openly and publically that loss and damage is an important issue. How could it do that? First of all, DFID and other UK agencies are working in the UN Secretary-General's Climate Summit, hosting the resilience element this September, so it could ensure that loss and damage is an important part of the resilience element of the UN Secretary-General's Climate Summit this year.

In the UNFCCC climate negotiations, the UK could work more constructively and more closely with vulnerable countries on the issue of loss and damage, identifying middle ways that loss and damage could be taken forward. One important element of that, as Saleemul referred to, is that this year the Warsaw International Mechanism for Loss and Damage, which is the UN body that deals with loss and damage, is due to be reviewed at the end of this year. An important element of that review will be to put in place a finance arm for the Warsaw International Mechanism for Loss and Damage, the WIM. There is currently no way for this UN body that deals with loss and damage to ensure that it meets part of its mandate: to ensure that it provides finance for loss and damage to vulnerable countries. The UK could partner with vulnerable countries to work out how to do that, how to put that finance arm in place and how we create new finance.

Q77 **Chris Law:** Can I ask you about that point, because it follows on from the question I have just asked? Should that funding come from existing ODA or should it come from outside? Do we need to look at alternative sources, such as, for example, a fossil fuel levy?

Julie-Anne Richards: That is a great question. The challenge with finance for loss and damage and the challenge that the WIM will need to address this year with the help of UK Government—the UK Government could be a leader in this field—is how we address finance for loss and damage. We do not benefit if we use existing climate finance and existing ODA and just spread it ever more thinly over to the needs that we know are already great and are going to grow for loss and damage. We need to look for new sources of finance for loss and damage, which are beyond ODA and beyond existing climate finance. The WIM this year could put some of those sources in place.

One of them that we advocate for is a climate damages tax—the idea of a tax on the fossil fuel industry to pay for the damage that it is doing. As I said earlier, we know that the damage is already being incurred. At the moment, it is the poorest people who are paying for it, rather than the industry that is most responsible for the damage, which has caused 70% of emissions to be emitted to the atmosphere. It would be crucial for the review of the WIM this year to recognise that we need existing sources of finance beyond existing ODA, and then the UK could play a valuable role in championing the idea of these new sources of finance, including ideas like a climate damages tax.

Q78 **Mr Evans:** I am getting my head around the difference between the 1.5 degree and 2 degree increase in global temperature. If it goes to 2 degrees instead of 1.5 degrees, how many extra people would be impacted throughout the globe by that 0.5 degree change?

Dr Huq: Roughly half a billion people—500 million mostly poor people.

Chair: Wow.

Q79 **Paul Scully:** Dr Huq, we just heard a very interesting thing there about what more the UK can do in international negotiations. Do you have a view on where the UK and other donors like that can play a greater role?

Dr Huq: Absolutely. The UK has actually been quite proactive over many years—and I have been very much involved—in supporting particularly the group of least developed countries, which is one of the most vulnerable country groupings; it is 48 of the poorest countries, including my country, Bangladesh. I have been associated with supporting them in the negotiations for many years, and the UK Government have funded us to do that. The UK has a good long history with them but it seems to stop at the loss and damage issue. It is alright for adaptation but when it comes to loss and damage, they are not willing to move beyond that particular red line. They need to do that now. Once they decide to do it then we can have conversations about what is the best way forward and how we can take this forward.

If I can also add a comment on the previous question on where we get the money from, we do need to seriously start thinking about a "polluter pays" principle being applied. So far, it is just rich countries putting money voluntarily into different funds. It is like development assistance. There is not much difference. For loss and damage, that is really not appropriate. The polluters are causing the damage, and we know who they are. As Julie-Anne said, there are 70 companies that are making trillions of dollars of profits. We need to tax their profits. That is something we need be having conversations about, not necessarily with a decision in COP25 but at least a conversation about how we actually apply the "polluter pays" principle collectively and come up with solutions for making them pay—not the UK taxpayer but the polluters.

Q80 **Richard Burden:** Could we focus specifically for a minute on the Paris Declaration? On the one hand, the plus point there is that the declaration recognises the existence of loss and damage but it then went on to say that that does not involve or provide a basis for any liability or compensation. What is your view on that? Do you think loss and damage should not be addressed through compensation, or would compensation be part of the "polluter pays" principle that you were referring to before?

Dr Huq: Let me jump in, and then I am sure Julie-Anne will add. We need to have different kinds of conversations in different fora. Within the UNFCCC process, when we are talking about the Paris Agreement, and Article 8 particularly on loss and damage, we do have a level of agreement to look at this issue. One particular part of the loss and damage that we are actually making quite a lot of progress on is in terms of the potential displacement of people because of loss and damage from the impacts of climate change. We are now looking at the potential prospect of climate-induced migrants having to be moved from wherever they are living now, not being able to live there any longer, and having to move somewhere, either within their own countries or across borders.

This is now something that all countries realise is important and needs to be addressed. In COP24 we have a decision to try to address this and come up with strategies. Where we have not been able to get an agreement is on the issue of financing beyond insurance. In the UNFCCC, we do not have to use the word "compensation". We can talk about new kinds of financing and additional funding for loss and damage. They do not have to be couched as "compensation". In the more general discussions around this, if we are talking about polluters causing damage then we are talking about compensation. When we are negotiating, we do not use the term. When we go out of the negotiating room, we are allowed to use the term. That is where Julie-Anne is working hard to raise the issue in the public debate and then have that reflected in the negotiations in a more narrowly circumscribed but agreed manner, where we can take issues forward.

Julie-Anne Richards: Loss and damage has been negotiated in the UN Framework Convention on Climate Change negotiations for about 10 years. The first time it was fully recognised was in 2013, when the Warsaw International Mechanism for Loss and Damage was agreed. That says that we are going to provide finance for loss and damage; we are going to enhance finance for loss and damage. As you rightly say, in the Paris Agreement it was elevated to what is termed the third leg of the climate negotiations. Now we have mitigation, adaptation and we have loss and damage all on the same level, separated. In that Paris Agreement it again reinforces that we need to provide finance for loss and damage on a facilitative and co-operative basis. That is what the Paris Agreement says. I read that as on a basis of solidarity we need to provide finance for loss and damage.

As you rightly say, the decision that accompanies that, in paragraph 51 or 52, says that that article does not provide a basis for liability and compensation. It has been read very widely by the lawyers who have written papers on the subject that the compensation element will likely unfold in the courts and in other places outside of the UN negotiations on climate change. It does not impede us in any way from providing finance for loss and damage on a co-operative and facilitative basis, or a solidarity basis. It does not stop us from putting in place elements like a climate damages tax, taxing the fossil fuel industry to provide finance for loss and damage, and for them to pay for the damage they have done. All of those elements are able to continue on the agreements that we have right now in the UN climate negotiations, but in terms of the idea of actual hard-edged compensation, currently, as it stands, people see that happening outside of the UN negotiations. There might be a question later about litigation where that might become more relevant.

Q81 **Richard Burden:** If that does happen outside the negotiations, how much of a feature do you think that will be? Do you think climate litigation is going to be used more frequently as a way of expressing and addressing loss and damage?

Julie-Anne Richards: Yes. Climate litigation is already being used. There are many forms and many ways in which climate litigation is being used, some to encourage Governments, to hold Governments to account and to get them to take more mitigation action. When it comes to the idea of loss and damage, there are a number of cases that are unfolding now. There is the case of a Peruvian farmer, Saul Luciano Lliuya, whose name I no doubt mispronounced, who is currently in a German court against the utility company, RWE, suing them to try to get a very small part of the cost of ameliorating the glacial lake that is growing above his village. As the glaciers are melting in Peru, they are causing dangerous glacial lake outflows. Basically his village is at risk from this glacial lake. He is trying to get RWE to pay for some of the costs of that. That is working its way through the German courts; it is on its eleventh step. The German courts are seeing that he has standing and it is allowed to be heard there, et cetera.

There is also another example of the Commission on Human Rights of the Philippines, which is hearing a petition from survivors of Typhoon Haiyan against the major fossil fuel companies—that those fossil fuel companies are impinging on their human rights. At the moment, the state of Rhode Island in the US is suing Chevron for damages from rising sea levels, increased flooding, droughts, ocean warming and acidification. There was a previous case from three US states—I can only remember New York—that was unsuccessful but the judges did not overturn it, as in they did not find for the defendants; they just found that it did not have a basis to be heard at that point.

I expect that litigation more and more will be used internationally as a way of seeking compensation for losses and damages. To be clear, I do not think anyone actually wants to litigate. It is not the best way to deal with things. It is much better if Governments take considered approaches and implement ideas like a climate damages tax, so that we can fairly gather the money that we need for loss and damage, and distribute it fairly. Litigation does not do that, but at the moment there is no choice. Vulnerable people, and increasingly states and countries, see themselves as having no choice but to litigate.

Q82 **Richard Burden:** Julie-Anne, you talked about a solidarity approach as being the way through this issue and the possibility of a climate damages tax as a way of somehow reconciling the concerns of developing countries, which are most impacted, and donor countries, which want to avoid unlimited liabilities. Perhaps Saleemul could say a little more. Do you agree that those are the ways to go forward? Do you have any other ideas about how that circle can be squared?

Dr Huq: Absolutely. What needs to happen is for the developed countries to recognise loss and damage as a reality and then seek negotiations to find a way forward. That then prevents the liability cases from being taken forward, particularly the concept of unlimited liability.

If I can also share with you something that is happening in my country, Bangladesh, right now, the Government of Bangladesh is thinking of setting up a national mechanism of loss and damage, using their own money to examine exactly how it would work, who would get compensation and how you would give it from the country itself to the vulnerable people, because we are already suffering the impacts of climate change already in flooding and droughts, particularly in sea level rises and salinity intrusion in the coastal areas in the country.

It is a live issue on the ground. Countries are having to figure out what to do about it. The question then is how that gets linked to the global level and what the global community has to offer in supporting these countries in addressing these issues on the ground, because it is real. The reality is climate change is happening and people are suffering. Countries have to do something about it.

Q83 **Chris Law:** Going back a little bit to how we fund transformative change as well as loss and damage, do you see a potential of a global compact where a tax levy could be universally agreed on all fossil fuels companies, which would not only help to pay for loss and damage but actually transform the way that companies operate? For example, Scottish Power has moved to 100% renewable, which is one of our big five in Scotland. Is that a way forward not only to transform how we get our energy but also to help mitigate and assist loss and damage costs?

Dr Huq: I would certainly agree. There are two levels at which you would operate something. One would be the one that Julie-Anne is advocating, which is just to tax their profits. We are not saying they should go out of business; we are saying, "You are making a lot of money. Give us some of that money for the loss and damage that you are causing".

The other one is to go out of business. We want the fossil fuel industry to be replaced by the renewable energy industry as fast as we can. That is a slightly different prospect and possibility, but it is something that is very much on the cards and is being realised, as country after country is working out for themselves that the future lies with renewables, not with fossils.

Q84 **Mrs Latham:** This is for Julie-Anne Richards. In December, you described insurance as only one tool in a much larger toolbox. What role do you think insurance has to play in addressing loss and damage, and what are its limits as a solution?

Julie-Anne Richards: I am so pleased to know people read my papers. My motivation for writing that paper was that insurance has had the lion's share of emphasis internationally. Saleemul talked earlier about the UK and Germany having played a role in setting up insurance schemes, along with other developed countries. The World Bank is also very prominent in this area. There are a number of insurance schemes that have been set up. When it comes to discussing finance for loss and damage, insurance is the one area that gets most of the focus. Generally, civil society agrees it gets far too much focus.

Insurance has a role, but that role is best placed focusing on people who have assets they need to protect. The very poorest are unlikely to benefit from insurance and in fact might have to make decisions about whether they pay for insurance or do savings. In many cases, savings are going to work better for the very poor. At a country level, similar decisions are made. For instance, in that report you are referring to, which is called *Not A Silver Bullet*, it gives the example of Malawi and its experience with country-level insurance, ARC, the African Risk Capacity insurance scheme, and how, because Malawi's budget is so constrained, it has to make a decision about whether it is going to pay for insurance premiums or whether it is going to spend that money on something else. For instance, its disaster risk reduction budget is dramatically underfunded. Insurance can push out better options.

The other disadvantage or the other main problem with insurance is that it places emphasis where it should not be. Instead of placing emphasis on the polluters—the people who are causing the problem—instead we are placing the emphasis on the people who are suffering from the impacts, and making them responsible for managing the impacts. It is like saying, "We are going to implement a national scheme of car insurance. If a car hits someone, the person who is hit will be insured but the car owners and the car drivers do not have to take out that insurance; the pedestrians have to". That is the approach we are taking with insurance for loss and damage.

There are much better ways to deal with loss and damage when it comes to the very poor. A lot of those are programmes like social protection programmes, including social safety nets. The UK and DFID work on some of these areas. To come back to one of the earlier questions about what the UK could do, DFID already supports social protection schemes in, for example, countries where droughts are becoming more and more common. That could be seen as loss and damage finance. DFID could acknowledge that it is loss and damage finance and account for it separately to its adaptation finance. That would progress the argument significantly with zero additional funds, with just a small accounting change. Those are some of the concrete ways the UK and DFID could make a big change with very little effort.

Q85 **Mrs Latham:** What other kind of solutions would you like to see used more in addressing this loss and damage?

Julie-Anne Richards: For instance, I talked about social security nets. Insurance is part of the overall emphasis towards private systems, which rarely work for the very poor and do not work for all of society, whereas if we make a shift back to social safety nets that are Government run, they can help people, because the very poor in vulnerable countries are facing many, many risks, not just from climate change. They face health risks, et cetera, some of which are exacerbated by climate change. Giving them options like a social safety net that increases their overall resilience to shocks is perhaps one of the best ways to deal with loss and damage, rather than insurance, which is very narrowly targeted. For instance, we can look at the example of Malawi if we have time.

Chair: Can you be brief, please, because we are going to lose other questions?

Julie-Anne Richards: They took an insurance premium out against drought but it was so narrowly targeted to rain falling at this particular time on these days in this area, and it turned out that farmers were using different seeds to what they put into their model. The farmers needed rain at slightly different times. Malawi then had to go into a big argument with their insurance company, ARC, about whether they should get an insurance premium payout or not. That example is also relevant at lower levels as well. The broader development objectives are often the ones that are going to work best for loss and damage, which comes back to GCF. We could get into more detail but I will leave that there for now.

Q86 **Chair:** I want to bring us now to the impact of climate change on the displacement of people and, in particular, to give Dr Huq an opportunity to share some of the experience from Bangladesh. My first question, Dr Huq, is about whether we can be certain about the scale of displacement that is caused by climate change as opposed to being caused by other factors?

Dr Huq: We cannot be certain, no, but it is fairly robustly calculated. Bangladesh has very fast-growing urbanisation going on. Dhaka City, for example, is the fastest growing megacity in the world right now. A lot of that is normal rural to urban migration. Many of these migrants are economic migrants. Quite a few of them are environmental migrants in that they are mostly driven by erosions. When the river, coast or sea eats up their land, they then go off to the nearest town or to Dhaka City. It is very difficult to describe any of the current migrants as climate migrants.

On the other hand, we can with a great deal of certainty ascribe climate migration to the future. We know now that in low-lying coastal Bangladesh, the salinity increase is going to drive out people from those areas in the millions. We are talking about roughly 10 million over the next 10 to 20 years. The question that we are trying to address in Bangladesh is about how we prevent them from ending up in Dhaka City, which cannot take another 10 million, and at the same time enable them to go to these other towns. We have what we call a climate-resilient, migrant-friendly secondary towns programme, where there are about 10 or 20 secondary towns that have been identified, where we are trying to invest in making them more climate resilient, in terms of infrastructure and their own development, and, at the same time, make them migrant friendly in terms of economic development and job opportunities—jobs being the major draw for people who are moving. We then reinforce these movements.

The third leg of that is to differentiate between helping the people who are in coastal areas now adapt to the conditions they are in, particularly dealing with salinity—and there is quite a lot of adaptation going on there—and then focus on their children, so that the children do not have to end up being fishers and farmers like their parents, but can get jobs, be skilled up, capacitated and then go to these towns of their volition. The migration becomes a second-order adaptation, where you enable these people to be able to move of their own volition and take their families and parents when they want to go and be able to do this with a better economic outcome as well. There may be some non-economic losses and psychological losses associated, but economically they would actually be better off. That is the strategy that we are trying to adopt. I am not saying it is working. We are in the very early stage of figuring it out.

The last thing I will say about this is that the most difficult bit is getting people in the town, from the mayor down to the citizens, to look at migrants as being potential citizens, as good people rather than bad people. That is the psychological shift we have to try to make happen, which we are trying to do. I am not saying we have succeeded, but that is what we are trying to do.

Q87 **Chair:** Our focus in our inquiry is on the UK and what more the UK should be doing, and the Department for International Development in particular. In the specific context of what you have described in Bangladesh, can you tell us a little of how, if at all, DFID is involved in what you have just described and what more the UK could do?

Dr Huq: Absolutely. The UK and DFID have been involved in climate change in Bangladesh for many, many years. It is one of the biggest climate change allocations out of DFID for Bangladesh. Bangladesh has also been one of the biggest DFID countries for many years. DFID is very much working in that space. Of late what it has shifted to is, instead of having separate climate change funds, it is trying to embed climate change funding into everything, which is good. The problem then becomes about how you track it, because if everybody is supposed to be doing it, who is doing it? A little bit more emphasis on monitoring what we are supporting and figuring out how effective it is going to be is something that would be worthwhile. There could also be a bit more emphasis on studying the results of the investments that have been made. There are significant investments from the UK and DFID in Bangladesh both for development more generally and climate change more specifically.

Q88 **Chair:** In your first answer in this section, you talked about attributing migration to climate or to other factors. Would it be helpful if there was an international definition of climate migration?

Dr Huq: Yes, it would. In fact, we have had some progress. Last December, we had the COP24 in Katowice in Poland, where there was a report on the issue of potential climate migration by a taskforce that was set up for this purpose. They adopted the report and essentially recognised that there will be displacement due to climate change in future and therefore climate migrants in future, if not right now. At the same time, in Marrakech, there was a global meeting on migration, where again they recognised that climate change is going to be driving migration in future in a much bigger way.

As I said earlier, we are now coming to the level of a general agreement that this is an issue that needs to be addressed. It is not something that can be avoided any longer and we need to find good ways of doing that. Once we start acknowledging that it is an issue that needs to be addressed and that we all need to put our heads together, we will find solutions. It is just that until now there has been a refusal to do so.

Chair: That brings us to the end of this panel. Can I thank you both very much indeed for your evidence here today? It is very valuable. There will be a number of the items that you have spoken about that we will wish to follow up on as we complete our inquiry. Please feel free to stay in the gallery area if you wish to for the second panel.

Examination of witnesses

Witnesses: Dr Kate Schreckenberg and Andrew Mitchell.

Q89 **Chair:** This is our second panel. Similarly to the first, we have a 45-minute slot with seven questions that we are seeking to cover, with a focus on the very important area of forestry, as part of our inquiry into DFID and the UK's work on climate change in the context of development. If I can start, Kate, with a question to you, drawing on your research findings, can you say a little bit about how well DFID does in its design of forestry programmes, in particular addressing this balance of the global benefits of protecting forests but also protection for local communities? Please do introduce yourself.

Dr Schreckenberg: Good morning. I am Kate Schreckenberg. I am a Reader in Development Geography at King's College London. My research focuses on governance of natural resources, particularly forests. I am here because I was the director of the ESPA research programme; ESPA was Ecosystems Services for Poverty Alleviation. That came to an end last year. It was the first research programme that was joint between DFID, the UK research councils, NERC and ESRC. Over its nine-year period, it funded over 120 projects in 50 countries.

Let me start by saying that the term "forests"—definitely not "forestry" but "forests"—encompasses a very wide range of ecosystems all the way from dense tropical forests to savanna woodlands to mangroves and also trees on farms. We really need to look at trees in the broader landscape more generally. What I say will cover all of those different environments.

Just as forests vary biologically, they also vary in their ownership and management structures. You have private, state-owned and also very often customary land as well.

A key finding from the ESPA research programme was that we need to see forests and natural resources more generally as complex social ecological systems. It is where people and environment interact together. We cannot look at just one on its own. These are systems where different people—they can be local but they can also be national and particularly global—are trying to use the same environment to meet their often quite different wellbeing aspirations. Obviously the environment may not be able to meet everybody's needs at the same time.

A second find from ESPA's research was that many environmental interventions, even those with very good intentions like establishing protected areas for conservation or intensifying agriculture for food security and reducing pressure on forests, nevertheless end up imposing costs on local communities. I have lots of examples that I can give you if you would like. Sometimes it is whole communities that are marginalised and do not get a voice in the decision-making process. Sometimes it is specific groups within communities. That is particularly true for women. For example, they are dependent on communal land resources for collecting firewood, collecting water and grazing their animals. Any change as to land use can have a very serious impact on their already precarious livelihoods.

One of the things that ESPA's research highlighted was that often these interventions are sold as being win-win for environment and development. Going in with that attitude perhaps blinkers you to the problems that there might be. It is more realistic to think of a trade-off from the start. That can lead to a greater focus on negotiating a solution that works for everybody.

How do you find that solution? Another finding from the ESPA research programme was that an environmental justice approach is essential to help find solutions to these trade-offs that are acceptable to all. That is one that recognises the rights towards stakeholders and their different social and cultural values, establishes decision-making procedures that empower affected people to make their voices heard, and shares the costs and distributes benefits in a way that is fair to all: so recognition, procedure and distribution.

In terms of how well DFID recognises all of this in its forest programmes, DFID is aware of the risk of trade-offs and the inherent complexity of forest-based interventions. It has smart rules, which include the principle of doing no harm. Looking forward, it could do more positively to ensure that programmes are designed with that environmental justice focus in mind and being really aware of those trade-offs from the start.

Q90 **Chair:** Are you seeing any evidence yet, since the publication of your research findings, that DFID is looking again at some of its programming in the light of your findings?

Dr Schreckenberg: It has possibly been too recent. We only synthesised last summer, so there is a process but there is not a very obvious direct line of providing the synthesis and it being taken up. It seems to be individuals in DFID that we have talked to and that we have worked with that know, but the wider learning in DFID—and beyond DFID in different Departments—is perhaps an area that needs a little more work.

Q91 **Mrs Latham:** If we could turn to private sector initiatives, particularly for Andrew, what role do you think private sector initiatives such as—this is quite a complicated phrase—zero deforestation supply chains play in preventing deforestation?

Andrew Mitchell: I can introduce myself. My name is Andrew Mitchell. I am here acting as an independent expert. I, however, was the founder of Global Canopy, which is an 18-year-old think tank in Oxford on forest and climate change. I also now advise impact investors. I have 40 years of experience of working in forests. I have seen them, from beautiful pristine forests to the rather devastated landscapes that so many of them have become. I feel passionately about how important forests are. Please do not talk about forestry too much. That is cutting trees down. Forests are about keeping them up.

Let us deal with private sector initiatives and supply chains. You mentioned zero deforestation supply chains. We spend about £178 billion a year on food and drink in this country. A lot of it is imported from all over the world. It is these commodities that are causing the destruction of forests. There are only about four big ones: paper and pulp, beef and leather, soy and palm oil, closely followed, though much smaller, by cocoa and coffee, and then infrastructure like roads or big dams and so on, and even oil coming out of forest areas.

If you look at the big agricultural commodities, who imports them? For instance, we import a huge amount of soy into this country. What is it used for? To feed our chickens, pigs and cows. Some 76% of the soy coming into Britain is turned into cattle cake and feed stocks. If you put that across Europe, it is huge. China, of course, is a major importer as well. Palm oil is in almost 50% of our supermarket products. It is ubiquitous. There are 200 different names for palm oil products in consumer products. It is very hard to know whether you are eating it or not. Some 40% of palm oil imports into Europe go into petrol tanks and are used ideally to reduce emissions here, but of course it stokes emissions elsewhere because the production of these commodities causes the destruction of forests, the emissions go up and those forests are burnt because they need land.

How to solve this? The private sector community and big companies, led largely by Unilever and people like Paul Polman, the CEO, who has been tremendous on this stuff but has sadly now stepped down, came together and have decided that they would like to get deforestation out of their supply chain. They set a date of 2020 and they called that a zero deforestation commitment, getting it out of their supply chains entirely. It is not easy to do: first of all, knowing where this stuff is produced, where it is transported, who is importing, who is producing and whether it is associated with deforestation or not. That is quite difficult. That is essentially what is going on there.

DFID has been very helpful on this through the area of transparency because—and I speak for my own organisation here—DFID helped us to initiate and catalyse something called Trase, which allows us to track these commodities from where they are grown in small jurisdictions, say in Brazil, to anywhere in the world: to Europe, to China and to the United States. This has never been possible before. If you think of the leveraging that creates with DFID funds, it means all these companies can now see independently—so can the public and so can Government—where these products are being grown, if they are associated with deforestation and how many emissions per tonne. All this data is now there. That is how DFID can really help here: improving transparency in these supply chains that are causing deforestation. That is one area that it has already been effective in and can be more effective in in the future.

Q92 **Mrs Latham:** Apart from that, how can the UK and DFID work with the private sector to ensure these kinds of initiatives in terms of zero deforestation supply chains do not impact negatively on local livelihoods?

Andrew Mitchell: This is crucially important. If you are going to improve the production of these commodities locally, it works a bit like this. About 50% of production is coming from smallholders—farmers that might have one or two hectares. It is very true of palm oil. There are millions of people engaged in that process. The other 50% is coming from large-scale big agri-industries that are largely monocultures, like soy farms or big palm oil plantations. They are often efficient and they can meet the standards such as the RSPO standard, the Roundtable on Sustainable Palm Oil. They have the resources to meet those standards. Very often the smallholders do not. Guess where the votes come from if you are a Government. It is the smallholders.

This is why Governments, as in Indonesia, sometimes say that things like RSPO, which DFID might well want to support to raise standards, is against their sovereignty, because it disenfranchises smallholders. Trying to get this right at the interface between large agri-business and smallholders is an area where DFID's work could be really useful, to engage smallholders in training them up and building capacity to grow better stock. In many cases, you have to rip out the existing plants, such as old palm oil trees that might be 20 years old and are not producing much more than a tonne per hectare. You have to rip those out and put in new ones that can do six times as much productivity on the same land. What is the problem? The problem is the valley of death. That is what the locals call it because they have no income for five years. They take out their money tree and it will not produce any more palm oil, cocoa or coffee for another five years whilst the new one is growing. Financing that valley of death is a big problem.

That brings me to another area, which is financing landscape transformation. This is a big business that has not yet happened, but it could. Just to change the palm oil industry in Indonesia alone is a $40 billion opportunity. You cannot do that with Government aid. It cannot be done. We therefore will not win the battle to save forests and emissions if we do not find a way to leverage aid by bringing in the private sector in public-private partnerships, with what is called blended finance. Here is an area that the Government are now looking at, particularly through BEIS but DFID could also look at it. How can you get £10 for your £1 that you put in? A way to do that is to help to de-risk these large-scale finance opportunities. It is not just about putting grant aid in at £1 million here or £10 million there. It is about putting in, say, £50 million or £100 million, which you can use to de-risk and bring in £1 billion or more of private sector funding, which will help that change happen.

These are beginning to emerge. There are only about three. Rabobank, the big Dutch bank, is doing it and is looking for support to help on a $1 billion fund, largely in Latin America. BNP Paribas, the French bank, is doing it in Asia and India. Mirova Natural Capital, which for transparency I should say I am an adviser too, as part of Natixis, another French bank, is also scaling up to these $1 billion funds. They need help to de-risk it to bring the shy private investors in. It is not easy to do this.

You need two things. You need de-risking, using Government money to leverage private sector money in. The other absolutely critical thing is technical assistance, which is the meat and drink of DFID's every day to work to ensure that tenure is looked after, that the livelihoods are secure and that these people are not rolled over by big business by mistake.

Q93 **Mr Evans:** In Gabon a few years ago—way over a decade ago—we went to visit a French firm that were logging in Gabon. I asked them how long it took to grow one of these trees. They said, "About 70 years". I said, "For each one you chop down, how many do you replant?" They looked at me as if they did not understand what I was saying because the answer was that they do not. The market where those trees were going was China. How typical is that story today? It is over a decade ago that I went there. How typical is it for trees just to be chopped down without any replanting at all? For each one, how many do you think should be planted?

Andrew Mitchell: I could not necessarily answer how many but certainly more than one.

Mr Evans: You are talking about a 70-year timeframe.

Andrew Mitchell: These rainforest trees take a long time to grow. If you have pioneers that grow very quickly; they can get up to the canopy in 20 years. They are often very lightweight woods, balsa and stuff like that. You can chuck that around easily. Big hardwoods like greenheart take 100 years just to be a teenager and another 50, 60 or 100 years before they become adult. They might live for 1,000 years. We cut these down on a 30-year rotation. They never have a chance to grow. The only way you can do that is to have long rotational periods, take out very few trees and, yes, replant. You can do interplanting if you cut down the forest but what happens so often is that these forests are clear cut, they should have replanted and they do not. Very often a palm oil planation comes in instead because you can make a lot of money out of palm oil.

The practice is better now than it used to be. Most certainly the high quality companies will be meeting their conditions for replanting. As is so often the case here, you have 20% doing the right thing and 80% of the industry doing the wrong thing. The people doing the right thing are selling into markets like our own here in Britain, because we care and because DFID has created things like the FLEGT—the Forest Law Enforcement, Governance and Trade—commitments, which are voluntary but many countries are following them. We apply the pressure but many other markets do not, such as India and China. They do not have that same pressure.

Q94 **Chair:** Can I ask you in particular if you have any comment on the zero deforestation supply chain issue but more broadly on these questions? Thank you.

Dr Schreckenberg: Andrew mentioned right at the end of the response on zero deforestation the importance of supporting local people as well to engage with these programmes. That was something that came out very strongly from ESPA's research—the importance of governance and basic good governance principles. They seem obvious but things like accountability, transparency and participation. Accountability needs to be downward, not upward. It needs to be downward to affected people. One of the things that really came out of the research was that a lot of forest activities are focused very much at the local level, without taking account of the fact that it is decisions at national and increasingly international level that are affecting and constraining the decision-making space for local people, so it is accountability to affected people.

We are missing those kinds of governance institutions—it is an area that needs more research—that promote that fair and transparent communication up and down through the governance levels. The accountability is really important, transparency of communication and participation has to be meaningful and effective. Many local people are not able to express their voice properly, so they need a great deal of support on that.

For market-based instruments like zero deforestation but also REDD+ and so on, the research has also shown that they work better if you have a good regulatory environment to support them. That means not just having laws and enforcing them. Sometimes some laws that exist around forests are extremely unfair to smallholders and forest-dwelling people. Enforcing them actually undermines their livelihoods and puts them in a risky situation. I am talking more about general Government capacity, in terms of forest extensionists, for example, and agricultural extensionists. Over the 30-odd years that I have been working in tropical forest areas, I have seen extension services being decimated. People living in forests and farmers are desperate for information on which kinds of trees to plant, how to plant trees, where to get good seedlings, how to get their products to market and how to engage with interesting projects that come along. I see conservation projects going in, I see REDD+ projects or market-based projects going in, and they have their own particular focus, which is often carbon or it might be conservation of a particular ecosystem. They do not necessarily have livelihoods as their primary objective. That is where a Government extension service can be really useful to help balance the books a bit, if you like, and to support farmers in taking good decisions.

In terms of improving governance, it also has to be adaptive. It is not just climate change but other factors like urbanisation, migration and so on that are changing rural dynamics very fast. Farmers are having to react quite fast. As you mentioned quite rightly, a big issue with forestry is the long-term nature of trees and tree products. That is a big problem for farmers in committing their land to a particular kind of tree product, because it is then committed. Being able to, for example, engage in agri-forestry where you combine trees—often fruit trees, which produce quite quickly—with other kinds of crops is an ideal system for farmers because it allows them to get annual income while their tree crops are growing. We have far too little focus on agri-forestry. It is a problem because it falls between the agriculture and the forest sectors. This is, again, a governance issue. We need much more coherence across sectors and landscape approaches, recognising that communities do need agricultural products as well as forest products.

Perhaps also on your issue of 70 years and cutting down forests, there is a lot of research now that shows that the best outcomes for conservation and for development are from when you hand over decentralised forests to local people. They are the ones who are living there. They have long-term interests. They are not particularly worried about whether the income is going to come in 50 years or in 70 years because they get so much more from the forests. Forests for them are not just a source of timber but have cultural and social values. They are associated with their livelihoods in so many ways. They provide water and food. For them, if they own or have secure ownership of those forests, they will manage them in a much different way.

Chair: We are going to have to go to Chris now. I am going to have to make an appeal for much shorter answers from both of you, because otherwise we are just not going to get through all our questions.

Q95 **Chris Law:** What international climate funded forestry programmes have been particularly successful and how well is DFID building on those successes?

Andrew Mitchell: I cannot speak for all DFID programmes. I am not knowledgeable of those. I can really only speak for the ones that I have had either direct or some peripheral contact with. Certainly DFID's track record in providing assistance for the alleviation of poverty in troubled countries associated with forests has been pretty good. They have given a tremendous amount of support. It is basically what Kate has been talking about, so I am not going to go into that any further.

I would like to give you an example of direct funding of a programme that my own organisation, Global Canopy, was involved with, just to demonstrate the leveraging that can happen. This was to get big companies to disclose the fact they had a forest footprint. In 2008 there were no companies disclosing that they had a forest footprint. They did not even know what the term meant. With DFID funding, we were able to start something called the Forest Footprint Disclosure Project. This now has 210 major companies worldwide disclosing their forest footprint. That is the use of these commodities that I mentioned earlier—beef, soy, palm oil, paper, pulp and so on—on an annual basis. It has helped to sensitise large numbers of companies. I personally wrote to 800 chairmen of companies around the world. This has helped to sensitise the corporate sector to the fact that they had a forest footprint using commodities and that they needed to do something about it.

Crucially what was more important is that it engaged the financial sector. The only reason they answered the disclosure was because we asked their shareholders to say that they should. Now we have 380 financial institution investors who have shares in those companies worth $29 trillion who are putting pressure on companies to disclose their forest footprint on an annual basis.

It went further. What we did then, again with DFID funding, is turn the spotlight 180 degrees and start to shine it on the investors themselves, and the banks who are lending to these companies or owning shares in them, to say, "What is your forest footprint? What are you doing about these issues?" That has helped to produce a new tool, which was launched just in November, called ENCORE, suitably launched in Paris. It is the first tool that allows the financial sector to screen portfolios—that could be your pension or mine, or your bank—for their impact on nature. This is new and revolutionary.

The catalysis process began in 2009. What DFID has achieved is 380 investors, $29 trillion of money now sensitised and 210 companies that are reporting. Now the world's financial sector is starting to look at its impact on nature in a way that was never possible before. It is that kind of leveraging that DFID funding can be most effective at. I wanted to give you that example from my own experience.

Q96 **Chris Law:** I wonder, Kate, if you could specifically answer this question: would you say forestry is sufficiently resourced and prioritised in the UK's wider work on climate change?

Dr Schreckenberg: You could always prioritise forests more, particularly in the current situation where it provides so many benefits. It provides you with mitigation benefits and adaptation benefits. From my perspective, it particularly delivers on livelihood benefits. At the same time, it has a bonus of many forest activities also being very good for conservation. That is another one of the big global challenges that we are having to face. By managing trees well, not just as stocks of carbon but as producers of multiple benefits, you can address pretty much all of the 17 SDGs, for example. It is almost a no-brainer to say that one ought to be investing much, much more in forests but doing so with that broad definition of forests in mind, all the way to forests in agricultural landscapes with that landscape kind of approach.

DFID is severely under-resourced in terms of staff that have that expertise. Over the 30 years that I have been working in the area, though not always directly with DFID, DFID used to have so much forest and broader natural resource expertise both in its country offices and here. Now, the few people there are are run off their feet. They have very good intentions but they just cannot manage the nuance and the detail of it. A lot of the work has to be contracted out through many, many layers of service providers. That means that the people who are in headquarters lose touch with the actual reality on the ground and do not have that day-to-day expertise of the impact of their activities anymore. That is a big issue.

Q97 **Chris Law:** Do you think that has a negative effect on the UK's balanced approach towards valuing livelihoods, climate change and biodiversity benefits? Do you see negative consequences as a result of that, on the ground?

Dr Schreckenberg: It is hard to say because I am not that focused on operational projects but more on the research side. There is too much of a split between thinking about forests perhaps just in the climate sense, as a stock of carbon, and forgetting that broader linkage to livelihoods. There is a risk there, yes.

Andrew Mitchell: I would like to support everything Kate has said. In my lifetime, I have watched DFID get hollowed out in terms of expertise. Twenty years ago, they had incredible expertise in DFID, paid for. They knew what they were doing. Because of successive cuts that we have had to make for all sorts of reasons, that expertise has been devolved out into highly paid consultancies that are sucking up a great deal of the aid money on the basis that it is more efficient to do it that way. The impact has been that, internal in DFID, a small number of very dedicated staff, I find, are desperate to figure out how to spend the money without having the *Daily Telegraph* or the *Mail* on their neck; they are sometimes answerable to three different Ministers for the same pot of money, and it is a nightmare for them. That is why it takes so long for these decisions to be made. Meanwhile, forests are burning.

In medium-sized charitable organisations that are sometimes recipients of these funds, you now have vast amounts of paperwork imposed on you that are designed by large consultancies for big multinational companies, which are extremely burdensome and expensive for small charities to do. Imagine that when you then take that into the field, to a small community in Africa who are then having the same sorts of burdens put on them. That makes it less efficient. That is a problem that should be looked at.

Chair: This is of course an issue that is raised with us a lot, about DFID's approach across other policy areas as well. Thank you.

Q98 **Lloyd Russell-Moyle:** You have started to touch on, Andrew and Kate, your confidence of spending coherence within DFID. How confident are you that ODA spending in DFID is coherent in terms of its focus on the forest, and are there things that we should do, or DFID should do, to ensure better coherence with all of its ODA funding, rather than just a few of the streams or pots? Andrew, do you want to comment on that?

Andrew Mitchell: Again, this is a difficult question for me to answer authoritatively because I am not significantly aware of all the very large number of commitments DFID has. Coherence is something that is important, clearly, within DFID. For example, if you are trying to solve a problem at the coalface of forests, if you are trying to stop deforestation by giving better livelihoods to local people, you probably will not win that way, for the reason that the solutions to deforestation lie outside the forest in the drivers of deforestation, which are these large commodities that I have referred to and the financing that goes with them, which comes from the City of London, New York or Japan. Unless you deal with that, you are not going to solve the problem on the ground.

In a sense, there has to be some coherence of dealing not only with the supply side of the problem but also the demand side of the problem, which comes down to all of us sitting here. We are consumers. We use these products but our Governments help control that, particularly the finance. This is an area that has not been examined well.

Let me give you an example of the differences of scale. We are looking to spend about £1 billion a year, or that sort of scale, through the international climate funds, across all sectors, not just forestry. Globally, forestry does about £1.2 billion a year, if you add it up around the world. The export value of the commodities that are causing the problem is £150 billion a year. We cannot win unless we find a way to leverage into those big commodities. In a sense, there needs to be some new thinking coherence about that.

I would also make the point—and I might leave you to say more about this, Kate—about coherence outside ODA. In other words, you often find that trade is working against what DFID is trying to do, and funding infrastructure projects that are causing the problem. Think of subsidies: subsidies to the fossil fuel industry, which are causing a problem to the atmosphere, and subsidies to agriculture, which are causing a problem for forests and landscapes. There needs to be more coherence there.

Dr Schreckenberg: I agree with the latter point of looking at coherence more broadly across all spending, not just ODA. In terms of research that is funded with ODA, there is one point I would like to make. We now have this really big pot, the Global Challenges Research Fund, which is all ODA money—£1.5 billion—and DFID is not involved, as far as I can tell, with that. One of the issues that came out of ESPA was not just what topics are researched but also how research is done. Typically, academic research can sit on a shelf for 17 years before it ever leads to any change in practice. Climate change is far too urgent to allow us do research in that way. One of the things ESPA did in its last year was to look at how one can do research that has development impact. It means doing it in a way jointly with, in this case, the recipient countries, with institutions in the recipient countries planning the research, so that it answers questions they need answered, they are involved in research, they have ownership of the findings and hence they will then implement the recommendations.

Sometimes—always actually—that kind of research takes a little bit longer to fund because it needs more start-up time; it has to be interdisciplinary, involving partners who are perhaps not used to doing research and making academics think in a different way as well. That needs a little bit more time but it can have really good impacts. I can tell you about the ESPA Deltas programme in Bangladesh, for example, which has had huge successes there; the research project is now working very closely with the Bangladesh Government. What I worry about is how to do research in that way. That information is not being shared with GCRF in any kind of formal way because DFID is not involved. There is no oversight there or input to make sure all that research money is spent in a way that really has development benefit quickly.

Q99 **Richard Burden:** Could I ask you to say a few words about how far we should be looking to bilateral programming in this area versus multilateral programming? It is a recurring theme that on the one hand you have a potential of easier and quicker targeting, and perhaps more nimble allocation of funds and programming, versus lower transaction costs and maybe greater coverage through pooling resources. What do you think the value is to the UK of having a very strong portfolio of bilateral forest programmes?

Dr Schreckenberg: There is huge value but it needs to be done in such a way that a lot of it is also implemented in house, not just through the different service providers, because then you lose that ability to be nimble and innovative, as you say. You have a lot of effort spent on monitoring and reporting. The bilateral route allows DFID to do that more high-risk funding that is needed to then provide models that can be taken up by the larger, slower and much more cumbersome funds like the GCF, the Green Climate Fund, for example. Those take a huge amount of time to work. We still need to work out how to do good governance on the ground in forests. We still need to get the right balance of regulatory and market-based systems. All of that is not yet easy to do. We need research and we need development projects to trial and pilot different things. We can do that with bilateral programmes more easily and in support of bigger, multilateral programmes that take much longer.

Andrew Mitchell: I would support the view that the word "nimble" is a good one. In a sense, giving it to multilateral agencies is a blunt instrument. I know we are going to come to this as another question later if we have time, but, to answer it this way, putting money into these large agencies means you lose the ability to be more narrow, as Kate has suggested. You also get into an incredibly slow process. With most multilateral agencies that I have worked with, it can take years for decisions to be made. It can take years for DFID, sometimes, to make decisions on its funding, and I am not sure this is the best way for us to do it.

Q100 **Richard Burden:** Would you say that DFID currently is maintaining influence, experience and leverage over other bilateral forest programmes and donors?

Andrew Mitchell: All bilateral funds have longstanding systems for ensuring good governance of the funding, both in response to the donors who are putting the money in but also the use of the money on the ground. It is often these very systems that become increasingly cumbersome as the years go by. They are designed to stop nepotism. They are designed to stop corruption and other things that are often prevalent in the countries where you have to work. These checks and balances are important but they do slow things down and they become increasingly complex.

I will say it now in case we do not get time at the end: the Global Environment Facility, GEF—the funding instrument of the Convention on Biological Diversity—is a good example. It disburses about $6 billion a year. We contribute to it. Generally, that is good money going to good causes but it can take huge amounts of time to access those funds. In one case I spent four years trying access $6 million out of the GEF and never got it in the end because there were so many changes of rules along the way and new leaders who changed it again. We had to get constant letters of approval from Governments. Getting a letter out of the Indian Government on anything is pretty difficult. Getting it twice was a miracle. Three times, we all lost the energy and the whole thing collapsed. That is a big impediment and a huge waste of money. It probably cost $500,000 just to go through that process—wasted.

Chair: You have somewhat anticipated the next line of questioning.

Andrew Mitchell: I hope we get to REDD.

Q101 **Paul Scully:** That is my question. What is your assessment of REDD+ as a means of tackling deforestation globally? What is your assessment of that?

Chair: Could you briefly describe what it is?

Andrew Mitchell: Indeed. For those who do not know what REDD+ is, it means reducing emissions from deforestation and degradation in developing countries. It is an instrument—I never quite know whether to call it an instrument or a mechanism—that was agreed under the Paris Agreement in 2015. I am a fan of REDD+. I spent 10 years fighting for it in the UN system, at endless policy meetings. We successfully got it included in the Paris Agreement. Why? We cannot win climate change if we do not stop forests burning. It is as simple as that. Also food and forests are connected, as we have already explored.

REDD is one of the best ideas that has never been tried. The problem with REDD is that it was intended to be, in its third phase, a market mechanism. That has never happened. It has become a kind of aid programme, which is broadly similar to the kinds of aid programmes we have been trying to do for years: good governance, land tenure and all the rest. Look at the BioCarbon Fund and the FCPF fund, though I cannot remember what that stands for: one is building capacity and the other is to fund transactions. They are two funds in the World Bank and I believe Britain is a contributor to those funds.

The first one, building capacity, is no problem. You spend lots of money in the usual way and they built capacity for Governments to have national REDD programmes. In eight years, there has not been one single transaction funded in REDD. In the private sector, if you were running a $625 million fund, you would have been out of the door within a few years if you had not made a single transaction, but not in this case. The CEO at one of the companies I advise jokes, "I have had three children in the time it has taken for them not to do one deal".

The private sector works more quickly. This is where the mismatch occurs. There is appetite for the private sector to get into REDD. We need it because otherwise it will not scale. Two things are missing. First of all, any blended finance transaction, when you are trying to get Government money to help, often takes years. Private sector companies cannot wait that long. They have bills to pay. They have a transaction and they need to get it over the line; if you miss the deadline, everybody walks away. The second thing that is missing is that there is no market pull for REDD+ in global markets, because Governments have not created the market for REDD+. As a result, it sits there floundering.

Q102 **Paul Scully:** Within the scope of the Forest Carbon Partnership Facility, which is what you were talking about—I think you have explained what you think about it—how do you think it could be improved, within that framework as is?

Andrew Mitchell: There are several problems with REDD+. First of all, it has a bad narrative. If you ask most people about REDD+, particularly CEOs, they say, "Wasn't that all a bit dodgy? We do not want to go there". That is because carbon cowboys got in at the beginning. They are all gone. They have all gone out of business. The only people who have survived are the best, and they are producing high quality credits that are looking for a home. You need to have a national system so that it tries to cut leakage within a country. It does not stop leakage between countries. REDD needs to be designed initially as a national system, then down to a jurisdictional system. You then get a problem. It is what is called Project REDD. In other words, if somebody takes an area that might be a big national park and you want to do REDD at that scale, a lot of countries say, "That does not count. You cannot sell those Project REDD credits".

This is getting a bit technical but there are three layers, really: national, jurisdictional and project. Most money operates at a project level. That is how the private sector operates. They do not want to buy credits from Governments that are going to take years; they would rather buy them for a project. People have got over that now. All Project REDD should be nested into a regional and national system because you do not want to double-count. That means if a REDD credit is sold, it gets accounted for by that country. It is part of their patrimony. Again, this is another area for DFID funding to help with: to help that process work.

Q103 **Paul Scully:** The very final question is a brief question, similar to Richard's one but on multilaterals. How well does the UK use its influence on a multilateral level to promote effective and sustainable protection of forests?

Dr Schreckenberg: It is difficult to know unless you know exactly how all those meetings work where the UK has its representatives. Again, it is partly about staff capacity and not having enough staff to really make that leverage, and also about deciding what the priority is. To me, I am more of a critic of REDD and I have seen it as being a huge distraction because it sees forests mostly in terms of stocks of carbon. What DFID can do is broaden that debate out, bring in the livelihood debate and see forests in that broader perspective.

Then it would be really doubly shocking that we have spent so much money on monitoring companies and consultants writing REDD preparedness plans that look at how you monitor the amount of carbon in an area or indeed in a country, down to the level of even carbon in individual trees, and yet no money has actually gone to support farmers and forest dwellers, who we know can manage forests. We know indigenous peoples and forest communities can manage forests sustainably. We have been distracted for the last 10 years with this narrow focus on REDD. Perhaps it does have potential in the future but it has to be broadened out and we have to see forests as doing much more than just providing carbon.

Chair: That feels like a good note to end the session on. Massive thanks to both of you for your evidence here this morning. Thank you.