

# Quakers in Britain response to the International Development Committee inquiry into climate change, development and COP26

## 1. About us

- 1.1. This response is submitted on behalf of Quakers in Britain. Quakers are a faith community working for equality, peace, truth, simplicity and sustainability. We try to find God in ourselves and those around us.
- 1.2. Quakers in Britain is a national church supporting a network of thousands of Quakers across England, Scotland and Wales. We are also a charity, working for positive change in areas such as climate justice, peace and disarmament, migrant rights, and criminal justice.

## 2. Our response

- 2.1. This year, the UK has a number of opportunities to show bold leadership in tackling climate breakdown. Not only will we be hosting the UN climate talks COP26 in Glasgow in November, but we will also be hosting the G7 Summit in Cornwall in June.
- 2.2. In the UK's role as COP26 President, the Government has placed a heavy emphasis on the role of climate finance in responding to climate breakdown. We know the Committee has previously called for the Government to make use of the concept of 'climate justice' to ensure "climate finance brings maximum benefits for addressing both the causes and impacts of climate change whilst promoting sustainable development".<sup>1</sup> We welcome the Committee's call for this approach.
- 2.3. For some years, Quakers have been exploring the connections between the climate and ecological crisis, inequality and our economic system. This is why we focus on climate justice in our work responding to climate breakdown. For Quakers in Britain, the concept of climate justice is not just about the unequal impact of climate breakdown on developing countries. It is also about recognising that the UK is a wealthy country which has benefited from access to cheap fossil fuel energy and has put more carbon into the atmosphere than almost all other countries.<sup>2</sup> This means we have a responsibility to transition away from fossil fuels much faster than the world as a whole. We also have a responsibility to support developing countries to make the transition.
- 2.4. In 2009, wealthy industrialised countries committed to finding \$100 billion per year of climate finance for developing countries by 2020. Whether this

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<sup>1</sup> <https://publications.parliament.uk/pa/cm201719/cmselect/cmintdev/1432/1432.pdf>

<sup>2</sup> <https://www.foei.org/climate-fair-shares>

commitment has been met will be up for review at COP26. However, much of the finance that has been provided is in the form of loans, not grants, with repayments and interest creating a further burden and a revenue stream from developing countries to wealthy industrialised countries.<sup>3</sup> We hope to see this crucial distinction given greater prominence in discussion of climate finance commitments. As a country whose record on providing climate finance in the form of grants is relatively good, the UK should use its presidency of the G7 and COP26 to encourage a shift towards grant-based finance.

2.5. The Government must go further to ensure that its emphasis on climate finance is rooted in the principles of climate justice. In particular, the Government must end all of its subsidies for the fossil fuel sector globally and domestically and it must make sure progress is made on finance for loss and damage at COP26. We must stop the flow of finance from developing countries to wealthy industrialised countries and reverse it so we can begin to repair the damage we have done.

2.6. Below, we outline why we have chosen to focus on these two areas of climate finance. In our view, they are critical if the Government wants to make true progress in tackling climate breakdown and bringing about sustainable development.

### **3. Fossil fuel subsidies**

3.1. Burning fossil fuels currently accounts for two thirds of global greenhouse gas emissions. To stay within 1.5°C of warming, a rapid transition away from fossil fuels will be critical.

3.2. The Government's official position is that it has no fossil fuel subsidies - but international reports repeatedly find that it does.<sup>4</sup>

3.3. Various definitions of subsidies exist. In its Agreement on Subsidies and Countervailing Measures, the World Trade Organization (WTO) defines a subsidy as (paraphrased): any financial contribution by a government, or agent of a government, that is recipient-specific and confers a benefit on its recipients in comparison to other market participants (WTO, 1994: section 1.1). This definition has been accepted by the 164 WTO Member States including the UK and all G7 countries.

3.4. For years, campaigners have been calling on the Government to end subsidies for fossil fuels. We know the Government has heard this call and we welcome the Prime Minister's announcement on 12 December 2020

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<sup>3</sup> <https://www.oxfam.org/en/press-releases/true-value-climate-finance-just-third-reported-developed-countries>

<sup>4</sup> <https://www.euractiv.com/section/energy/news/uk-revealed-as-eu-champion-of-fossil-fuel-subsidies/>

that the UK will end support for the fossil fuel sector overseas. However, the UK's approach to ending all fossil fuel subsidies must be comprehensive, transparent and watertight.

- 3.5. We recognise this Committee is concerned with international development and the UK's global responsibilities to tackle climate breakdown. However, we believe that in the context of the UK's presidency of the G7 and COP26, domestic financial support for fossil fuels is relevant to the remit of this enquiry. The UK cannot be considered a leader or be taken seriously in its efforts to help developing countries decarbonise if it continues to support fossil fuels at home.
- 3.6. Several recent policy announcements by the UK Government demonstrate that it is still committed to enabling further fossil fuel exploration and extraction. For example, the capital allowance 'super deduction' announced in the latest Budget has no 'green' conditions attached. This will incentivise the development of fossil fuel infrastructure, including for further oil and gas exploration.<sup>5</sup>
- 3.7. The Government must also increase transparency about all of its funding for fossil fuels, including tax relief for oil and gas extraction. Recent research by the International Institute for Sustainable Development, Overseas Development Institute and Oil Change International scored the UK's position on fossil fuel funding against the other G20 countries.<sup>6</sup> Among the Organisation for Economic Co-operation and Development member countries of the G20, the UK scored joint lowest. In particular, the UK's lack of transparency was noted. The report authors recommended all G20 countries should conduct peer reviews of all forms of government support to fossil fuels if they had not yet done so (which the UK has not). If the Government wants to demonstrate true climate leadership in the COP26 and G7 talks, it should commit to conducting a peer review as soon as possible.
- 3.8. We must also ensure there are no loopholes in Government policy to end support for fossil fuels. For example, the Government's new policy to end support for the fossil fuel sector overseas does not include CDC Group, the UK's government-owned development finance institution.<sup>7</sup> Historically, CDC Group has played a significant role in subsidising fossil fuels. It has a £621m portfolio of active direct investments in fossil fuels dating back to 2013.<sup>8</sup>

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<sup>5</sup> <https://www.opendemocracy.net/en/oureconomy/cop26-nears-why-uk-giving-tax-break-fossil-fuel-companies/>

<sup>6</sup> <https://www.iisd.org/system/files/2020-11/g20-scorecard-report.pdf>

<sup>7</sup> <https://www.globaljustice.org.uk/news/fossil-fuel-commitments-omit-governments-development-bank-campaigners-warn/>

<sup>8</sup> <https://www.globaljustice.org.uk/news/campaigners-condemn-new-100m-uk-aid-fossil-fuels-africa/>

- 3.9. To be fully watertight, the Government's new policy should extend to all gas power and hydrogen projects that involve fossil fuels. It should also include all ODA or UKEF investments in fossil fuel related infrastructure and associated facilities, and both direct and indirect investments by CDC Group.
- 3.10. In addition, we must think about what will happen when UK public funding for the fossil fuel sector comes to an end. Some people's livelihoods will be at risk. The Government must recognise this and ensure its withdrawal is rooted in a justice-based approach.
- 3.11. At a global level, this means recognising the UK's responsibility for climate breakdown: we must meet the costs of the energy transition ourselves, not pass them on to poorer countries.<sup>9</sup> We can also play a vital role in advocating for and supporting a just transition approach globally.
- 3.12. Ending subsidies for fossil fuels could free up resources to help the UK fund a global just transition. It could also help it meet its responsibilities as a signatory to the United Nations Sustainable Development Goals (SDGs). This includes SDG7: access to affordable, reliable, sustainable and modern energy for all by 2030. There is currently a financing gap to achieve SDG7 for countries with the largest populations living in energy poverty - only half the \$30.2bn needed in these countries has been collected.<sup>10</sup> Below we also explore how ending fossil fuel subsidies links could help provide vital funds for loss and damage.

#### **4. Loss and damage**

- 4.1. In addition to directing our money away from fossil fuels and into clean energy, we also need to address loss and damage.
- 4.2. Loss and damage includes long-term impacts like sea-level rises as well as severe extreme weather events like Cyclone Idai, which killed more than 1,000 people, left 400,000 homeless and destroyed 700,000 hectares of crops when it struck Mozambique in 2019. It also includes 'non-economic losses': things you cannot put a price on, like biodiversity, sacred lands, cultural monuments or local traditions.
- 4.3. We believe the example of Mozambique is illustrative of a wider problem. International fundraising appeals to help Mozambique respond to the devastation of Cyclone Idai raised less than 50% of their target. This forced Mozambique to borrow from international institutions, locking it into further debt. Mozambique is not unique. Many other countries are trapped in a

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<sup>9</sup> [https://www.globaljustice.org.uk/wp-content/uploads/2018/05/gjn\\_-\\_decarbonising\\_aid\\_final\\_-\\_may\\_2020.pdf](https://www.globaljustice.org.uk/wp-content/uploads/2018/05/gjn_-_decarbonising_aid_final_-_may_2020.pdf)

<sup>10</sup> <https://www.christianaid.org.uk/sites/default/files/2020-02/Financing-Fossil-Fuels-MP-briefing.pdf>

similar spiral of worsening climate impacts which they cannot address because of the burden of debt.

- 4.4. Although Article 8 of the Paris Agreement recognises the need for action to address loss and damage, there has been no progress on agreeing how this should be financed. This is a significant sticking point in the United Nations Framework Convention on Climate Change (UNFCCC) negotiations: developed countries tend to suggest that it should be dealt with through insurance, while developing countries point out that this is both insufficient – given the scale of the losses – and inequitable, requiring them to shoulder the burden of a crisis caused mainly by developed countries and transnational corporations.
- 4.5. In 2017, the Government’s response to the Committee’s recommendation about loss and damage was to state that it was part of the discussion about resilience rather than a discussion in its own right. A recent statement by the COP26 President-Designate suggests the Government still frames loss and damage as part of action on ‘adaptation and resilience’,<sup>11</sup> one of the UK’s stated priorities as COP26 President. The effect is to marginalise loss and damage in favour of the blanket term ‘resilience’, which has not been agreed by parties to the UNFCCC.
- 4.6. Article 8 of the Paris Agreement recognises the importance of “averting, minimizing and addressing loss and damage”. Our experience of conversations with the COP26 Unit, and our impression from recent speeches by the COP26 President, has been that the UK Presidency is paying some attention to ‘averting’ and ‘minimizing’ loss and damage, but is sidelining the urgent need to **address** those impacts which have not been averted. This requires very significant levels of new and additional funding.
- 4.7. We recognise that adaptation is severely underfunded. We also recognise that greater investment in both adaptation and mitigation is vital and will help to minimise future loss and damage. However, as the Committee knows, loss and damage is a present reality and will continue to escalate for some time to come. It is therefore imperative to establish a new and additional fund, separate from adaptation finance, to pay for the escalating costs of loss and damage.
- 4.8. Estimates of the cost of loss and damage vary widely but even conservative estimates suggest that \$75bn a year is the minimum level of finance needed.<sup>12</sup> Without comprehensive climate action, this is certain to rise.

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<sup>11</sup> <https://www.gov.uk/government/news/cop26-president-highlights-importance-of-action-on-adaptation-and-to-avert-climate-loss-and-damage-in-visit-to-ethiopia-and-gabon>

<sup>12</sup>

[https://www.robinhoodtax.org.uk/sites/default/files/Unpacking%20Finance%20for%20Loss%20and%20Damage%20brief%201%20-%20Lessons%20from%20Covid.FINAL\\_0.pdf](https://www.robinhoodtax.org.uk/sites/default/files/Unpacking%20Finance%20for%20Loss%20and%20Damage%20brief%201%20-%20Lessons%20from%20Covid.FINAL_0.pdf)

- 4.9. As the Committee has heard, there are many different ways such a fund could be financed. It could come from money reallocated from fossil fuel subsidies. Research by ActionAid International and the Robin Hood Tax campaign shows that ending G7 fossil fuel subsidies could generate \$101bn to offset climate damages in developing countries by 2026.<sup>13</sup> Equally, finance does not necessarily have to come from national budgets: possible ‘innovative’ sources of finance include a global fossil fuel extraction tax or an aviation levy. Additionally, debt cancellation when extreme weather events occur could free up finance for developing countries – like Mozambique – to address associated loss and damage.
- 4.10. The Climate Vulnerable Forum (CVF) of nearly 50 of the most vulnerable countries has identified progress on loss and damage finance as a key priority for COP26. Many developing countries see progress on loss and damage as essential to a successful COP. For many of them, loss and damage is a present reality, and for some, it threatens their very existence – yet it is not currently on the negotiating agenda for COP26. As it is not on the negotiating agenda, it will need to be discussed at a political level.

The commitment made in Article 8 of the Paris Agreement also needs to be monitored. Progress against Article 8 should be reported on and should be a regular item on the COP agenda and on the CMA<sup>14</sup> agenda.

- 4.11. As COP26 President, it is incumbent upon the UK to ensure there is space for the issue to be discussed, both inside and outside the formal negotiations; and to work with the CVF and other developing countries to find a way forward.
- 4.12. It is clear that for many people loss and damage cannot be or is not being avoided. As with ending UK fossil fuel subsidies, what is needed is a global just transition. We need to provide an alternative for people facing irreversible climate impacts that includes livelihood diversification and assisted and safe migration when a household can no longer derive an income from its current occupation. This means the global just transition the UK helps to fund must also account for planned relocation when communities must move due to loss and damage from an expected extreme weather event or a slow onset climatic process.

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<sup>13</sup> <https://actionaid.org/news/2020/ending-g7-fossil-fuel-subsidies-could-generate-101bn-offset-climate-damages-global-south>

<sup>14</sup> The CMA stands for ‘Conference of the Parties serving as the meeting of the Parties to the Paris Agreement’. It is the body that oversees the implementation of the Paris Agreement and takes decisions to promote its effective implementation.