

# Written evidence submitted by the Foreign, Commonwealth and Development Office

## Climate change, Development and COP26

### Introduction

The recently published 'Integrated Review of Security, Defence, Development and Foreign Policy' stated that 'In 2021 and beyond, Her Majesty's Government will make tackling climate change and biodiversity loss its number one international priority'.

Domestically the UK is already a leader on tackling climate change. In 2019, the UK became the first major economy to legislate for net zero emissions and we have backed up that ambition by publishing – at our Climate Ambition Summit last year – a world-leading Nationally Determined Contribution (NDC) committing the UK to a 68% reduction in emissions compared to 1990 levels, by 2030. More recently, on 20 April, through the UK's sixth Carbon Budget, we again announced the world's most ambitious climate change target, cutting emissions by 78% by 2035 compared to 1990 levels. This would bring the UK more than three-quarters of the way to our target of net zero by 2050.

Internationally the UK has a proud record as a donor both with regards to tackling climate change and wider international development. Despite the challenging economic situation which has resulted in a temporary reduction in ODA the UK remains committed to our international climate finance goals. Alongside other developed countries, we committed to jointly mobilise \$100bn per year in climate finance to developing countries from public and private sources by 2020. Since making this pledge, we are set to meet our commitment to provide £5.8bn ICF between 2021/22 and 2025/26 and will double this to £11.6bn over the next five-year period. This makes the UK one of the few major donors to have made a significant post-2020 climate finance commitment. Furthermore, in 2019 we published the UK's Green Finance Strategy, committing to align all UK ODA with the goals of the Paris Agreement. Through our COP26 and G7 Presidencies we will further demonstrate global leadership on climate change, bringing the world together to act on this global challenge.

Failure to act will cause irreversible consequences. The World Bank estimate that an additional 132 million people could be in poverty by 2030 if climate change is not addressed<sup>1</sup>. Without concerted global action to limit and manage the impact of climate change, we could see reversals in the huge gains in global poverty.

### Government priorities

As set out by the Prime Minister in the recently published Integrated Review of Security, Defence, Development and Foreign Policy, tackling climate change and biodiversity loss and remaining a world leader in international development are key priorities for the UK. The creation of the Foreign, Commonwealth and Development

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<sup>1</sup> <https://www.worldbank.org/en/topic/climatechange/overview>

Office supports this, integrating diplomacy and development to achieve greater impact and address the links between climate change and extreme poverty.

Through our COP26 and G7 Presidencies we will seek to secure greater global ambition including through increased net zero commitments and enhanced adaptation action; including raising more finance to support mitigation and build resilience in developing countries, ensuring we reach the goal of mobilising \$100bn per year in climate finance for developing countries between 2020 and 2025.

We will double our International Climate Finance (ICF) to £11.6 billion over the next five years. As part of this commitment, we will invest at least £3 billion in programmes that protect, restore and sustainably manage nature - securing development and climate outcomes by addressing the unsustainable demands and practices that are contributing to the twin crises of climate change and biodiversity loss.

Nature based solutions to climate change, if deployed urgently and at scale, could provide up to a third of the most cost-effective solutions we need to mitigate climate change, as well as helping species recover and supporting communities to adapt to become more resilient to the impacts of climate change. The protection, management and restoration of ecosystems can also restore and maintain the services (e.g. water purification and food supply) flowing from them. This in turn can help to tackle poverty by offering greater food provision and security, improved levels of health and wellbeing, and higher and more resilient income streams.

Put simply, there is no pathway to tackling climate change, protecting lives and livelihoods, or reversing biodiversity loss that does not involve protecting and conserving nature on a massive scale.

That is why we are investing £3 billion to support programmes like the flagship Blue Planet Fund for marine conservation; projects to maintain forests and tackle the illegal timber trade and deforestation; and initiatives to conserve habitats such as mangroves that protect communities from the impacts of climate change.

Since 2011, our ICF has:

- Supported 66 million people to cope with the effects of climate change
- Provided 33 million people with improved access to clean energy
- Reduced or avoided 31 million tonnes of greenhouse gas emissions
- Installed 2,000 megawatts of clean energy capacity, and
- Mobilised £4.1 billion public and £2.2 billion private finance for climate change purposes in developing countries.

We have committed to align all ODA with the Paris Agreement, this ensures climate resilience and low carbon development are at the heart of our support for the world's poorest people. The UK government has also agreed to end all direct government support for the fossil fuel energy sector overseas.

## **International Climate Finance (ICF)**

### **Future ICF Spending**

The UK has committed to doubling its ICF to £11.6 billion between 2021/22-2025/26. In 2021/22 the UK Government (through the FCDO, BEIS and DEFRA) will spend at least £1.4bn ICF. Allocations for future years will be settled in subsequent Spending Reviews.

While public finance will play a key role, it alone will not be sufficient to meet the Paris Agreement goals or the Sustainable Development Goals (SDGs). The UK is leading efforts to enhance private climate finance flows through de-risking investment in emerging markets and developing countries and building stronger public-private partnerships. Between 2011/12 and 2019/20, it is estimated that UK ICF mobilised £4.1 billion public and £2.2 billion private finance for climate change purposes in developing countries.

### **ICF Strategy**

We are committed to publishing a strategy ahead of COP26, ensuring the ICF remains focused on where it can have most impact and value for money. We had hoped to have completed this work but publication has been delayed, including by the Covid-19 pandemic and wider changes to the ODA landscape.

### **ICF Transparency**

The UK reports programme level climate finance in its external reporting to the UNFCCC (to 2018) and to the EU (to 2019). Details include programme codes, which can be cross referenced to the online Development Tracker portal where all programme documentation is held. Information publicly available includes details of contracts and funding agreements, programme descriptions, financial data, sector and geographical information.

### **Poverty Reduction Coherence**

All UK ICF is ODA and therefore programmes must have poverty reduction and sustainable development at their core. UK ICF supports lower-carbon economic growth and helps poorer countries anticipate and manage the impacts of climate change, which is central to the achievement of the Sustainable Development Goals.

All ICF business cases must set out how projects reduce poverty and there is a robust management framework in place to track results, including annual reviews, programme and portfolio monitoring, and a suite of independent programme and portfolio evaluations to help monitor and assess their intended results.

### **Aligning all ODA with the Paris Agreement**

On 1 April, FCDO introduced a new rule requiring all new FCDO ODA programming to align with the Paris Agreement, assess climate and environmental impact and risks and take steps to ensure that no environmental harm is done. We aim to roll out this approach across all UK ODA-spending Departments in due course. In addition, we have worked closely with Multilateral Development Banks (MDBs) through our shareholder grouping and a number, including the World Bank Group (WBG), Inter-American Development Bank (IADB) and European Bank for Reconstruction and Development (EBRD) have announced dates of when they will also be Paris aligned.

We are at the forefront of international efforts to raise international ambition on tackling biodiversity loss. The Integrated Review commits the UK to investing in nature and a 'nature positive' economy, integrating biodiversity into economic decision making. The UK worked with Costa Rica and the EU to champion the Leaders' Pledge for Nature at the UN General Assembly in 2020 as part of our efforts to secure more decisive international action on nature.

### **Fossil Fuels**

The UK Government's new fossil fuels policy went live on 31 March 2021. Under the policy, HMG no longer provides any new direct financial or promotional support for the fossil fuel energy sector overseas. This applies to any new ODA and investment, including support provided by UK Export Finance. The policy also determines the UK's voting position at the boards of Multilateral Development Banks and can be used to influence the investment policies of other development financial institutions (such as CDC Group PLC and the Private Infrastructure Development Group) that receive UK government funding. There are a few limited exemptions, including for wider clean energy transitions and humanitarian responses.

### **Adaptation / Mitigation Split**

We recognise that both adaptation and mitigation are critical. Helping countries anticipate and manage the impacts of climate change is essential if we are to see sustained development progress and achieve the Sustainable Development Goals.

The UK aims for an even split in its adaptation and mitigation spend, recognising that adaptation is a priority for many developing countries. Over the last four years, an average of 47% of UK ICF was spent on adaptation. Many of our programmes tackle both adaptation and mitigation, for example our 'Investments in Forests and Sustainable Land Use' programme delivers both adaptation and mitigation benefits by protecting, sustainably managing and restoring ecosystems.

### **Prosperity Fund**

The Prosperity Fund was proactive in implementing the Government's commitment to align all ODA with the objectives of the Paris Agreement. The Fund in 2020 screened its programmes to check that current and planned activities were aligned with the four pillars of Paris alignment set out in the Green Finance Strategy. Over 99% were aligned; those activities that were not were modified or dropped.

The cross-government Prosperity Fund ended on 31 March and prosperity fund programming has now moved to the Foreign, Commonwealth and Development Office. Remaining prosperity fund programmes are now covered by the FCDO-wide policy on Paris alignment. Some of these programmes are helping the UK Government to deliver on our COP26 priorities, by deploying world-leading expertise from UK and international business, UK Government, and multilaterals, helping Middle Income Countries to reduce emissions and improve climate resilience.

### **CDC (UK's development finance institution)**

The CDC published an ambitious climate strategy in July 2020 (committing them to net zero by 2050, supporting a just transition and increased investment in adaptation and resilience). The Strategy sets out a "whole of organisation" approach to Climate, using the Taskforce on Climate-related Financial Disclosures (TCFD) framework, to

incorporate climate into CDC's governance structures, strategy, risk management and measurement. CDC subsequently developed additional, detailed guidance on assessing alignment of gas investments with the Paris Agreement published in December. Their policy commits them not to invest in coal or oil, and only to do so in gas in very limited circumstances. This is fully in line with HMG's new fossil fuel policy.

CDC is actively implementing the TCFD recommendations having reported against them in their 2019 annual accounts. This includes CDC assessing physical and transition risks in its transactions. CDC also engages with its portfolio companies to encourage TCFD implementation, including through providing training and support.

### **Green Climate Fund (GCF) & Climate Investment Funds (CIFs)**

The UK has continued to press for improvements in the GCF's effectiveness and impact, notably through the Fund's first replenishment negotiations that concluded in October 2019, and through our subsequent work on the Fund's new Strategic Plan.

As GCF co-chair in 2019 the UK played a key role in securing agreement from the GCF Board to introduce a voting procedure for decision-making when consensus cannot be reached, an important step forward for efficient decision-making. We also steered GCF Board discussions on the replenishment outcome in November 2019, bringing forward recommendations for how to improve GCF's performance in the current replenishment period (2020-23).

Building on the recommendations from the replenishment discussions, the UK co-facilitated work in 2020 on GCF's Updated Strategic Plan (USP). The USP was adopted by the GCF Board in 2020, with agreement to increase the proportion of GCF's adaptation funding going to the most vulnerable countries (LDCs/SIDS/Africa) from 50% to 69%, and a range of other commitments to improve access for those most in need. These include: significantly increasing GCF's funding channelled through 'direct access' entities; deploying GCF 'readiness' funding in a more streamlined way to help build lasting institutional capacity for transformational programming; and identifying bottlenecks and streamlining GCF's approval processes, including by enhancing its 'simplified approval process'. There is more to do and we continue to work with other GCF Board members to translate these commitments into policies and actions so that GCF can fulfil its potential in supporting transformational low carbon and climate resilient development.

Since the last IDC review, and the Climate Investment Fund (CIF) board's decision (agreed by the UK and other countries) to not 'sunset' the funds, the Climate Investment Funds are considering ambitious new programmes in hard-to-abate sectors where accelerated action is urgently needed: transitioning out of coal, integrating renewable energy into power grids, promoting sustainable land use, urbanisation, and industrial decarbonisation. The Government is currently exploring options for supporting this new phase of CIFs ambition. All options would be complementary to the UK's significant support to the GCF, recognising the distinct role each plays in the international climate finance architecture and the strengths they bring.

## **Climate policy**

### **Multilateral Development Banks**

The UK is working closely with other shareholders to advance climate action at the Multilateral Development Banks (MDBs). The UK coordinated shareholders to significantly strengthen the World Bank Climate Action Plan which commits the World Bank to a 35% climate finance target and support to the transition away from coal power in priority countries. With UK leadership, the Caribbean Development Bank agreed a climate finance target for the first time in 2020.

The overall framing for IDA20 replenishment is a 'green, inclusive, resilient, recovery' as a result of UK influencing. The UK used the IDA19 negotiation process to gain commitments from the World Bank to support 15 IDA countries with their Nationally Determined Contributions (NDCs). UK influence has helped MDBs scaled up their support for NDCs and Long-Term Strategies (LTSs). In 2020, MDBs supported 96 countries with their NDCs or LTSs, up 50% from 2019.

There are regular calls between HMG Ministers and MDB management to push for increased ambition on climate change. The Foreign Secretary wrote to all MDBs in 2020 asking for increased ambition on climate. We are also calling on MDBs to sign up to a joint statement committing them to mainstream nature across all of their operations and bring forward ambitious individual commitments on nature and ahead of COP26.

### **Climate Mainstreaming**

Delivering the full range of Sustainable Development Goals – including efforts to support the world's poorest in adapting and building resilience to the effects of climate change – can only be achieved by tackling both climate and development objectives. For example, through investments in sustainable agriculture, water security, or cleaner cooking initiatives, or the research and development that underpins them.

We have introduced a new rule which requires all new FCDO programming to align with the Paris Agreement. This new rule helps to assess climate and environmental impact and risks, and, take steps to ensure that no environmental harm is done. We are working to roll this approach across all ODA-spending Departments.

### **Loss & Damage**

The best way to reduce the risk that climate change poses to lives, livelihoods and nature is to stop global warming. However, even if we stopped emissions rising today, the world would still need to deal with significant climate disruption, the impacts of which are already being felt. Much more needs to be done globally to prepare for the impacts of climate change.

Through our COP26 Presidency we will act on the ambition set out in the Paris Agreement on adaptation, by building on our work at the UN Climate Action Summit in 2019 to encourage greater political ambition and translating this into targeted, tangible and practical action on the ground. We will also use our COP and G7

Presidencies to increase efforts to avert, minimise and address loss and damage, including through effective disaster preparedness, risk reduction and response. This includes supporting countries with their long-term national plans, doing more to ensure vulnerable countries have access to disaster risk finance products that they need, and prompting the widespread endorsement and application of the principles of locally led action. To this end, at the United Nations Climate Action Summit in September 2019, the UK announced a further £175 million to help make people safer from, and reduce the impact of, disasters (£85 million to Risk Informed Early Action Partnership, £90 million to the Global Risk Financing Facility).

On 31 March 2021, the UK hosted the Climate and Development Ministerial (CDM) where we announced our intention to host three consultations before November on the Santiago Network for Loss and Damage, to catalyse more effective technical assistance for developing countries. Our aim is to get the Network operationalised by COP26.

### **Climate Justice**

The UK remains strongly committed to leaving no one behind, as per the 2030 Agenda for Sustainable Development. Effective sustainable development is best done in partnership with governments and communities, producing strong development strategies that take account of all factors and risks, including climate change and social vulnerability.

The UK continues to do its part to contribute to the needs of developing countries by contributing to and helping mobilise the \$100bn to help tackle climate change. We are also supporting countries to forecast, forewarn and prepare for the impacts of climate-linked disaster through the Risk-informed Early Action Partnership (REAP). REAP aims to make 1 billion people safer from disaster by 2025 by scaling up early warning systems and early action plans to protect the most vulnerable. To date, the UK has committed £175 million to REAP targets, and funds the Secretariat in Geneva. At the REAP pledging meeting on May 11, the UK hopes to demonstrate more progress towards this ambitious goal.

We are driving global ambition and action, supporting countries on the frontline of climate change to adapt to its impacts and build resilience. The Climate & Development Ministerial (CDM) was a key step in demonstrating that the UK Presidency and wider donor community is listening to and actively working to address the concerns of climate vulnerable countries.

### **Climate Migration**

The UK recognises that Climate Change and environmental stressors will increasingly become a significant factor in driving the movement of people and therefore requires urgent attention. Existing evidence shows that the causes of climate-linked human mobility are complex, rarely monocausal, and that climate extremes and environmental degradation are often amplifiers of other principle drivers.

The UK, however, recognises the existential threat posed by Climate Change felt by some communities (e.g. Small Island Developing States). The FCDO is contributing to this dialogue and SDG 13 by conducting further analysis to better understand the links between migration and Climate Change, including current and future trends as well as geographies most affected.

The UK has supported the efforts for the establishment of a High-Level Panel (HLP) on Internal Displacement, which will culminate in a report to the UNSG. Moreover, the UK has signed up to, and is committed to reaching, the goals of the Sendai Framework for Disaster Risk Reduction. Through our contributions to the Risk-informed Early Action Partnership (REAP).

### **FCDO staffing and resourcing on climate**

With the creation of the FCDO, there is an integrated Climate & Environment Directorate (CED) of around 100 staff. The Director and all staff are engaged in various aspects of COP26, galvanising increased global action to tackle the climate crisis and protect nature.

The FCDO is also supporting the International Engagement Team of the COP26 Unit with staff, providing a central cross-government point for the tasking and management of work on COP26 across the entire FCDO overseas network. In addition, there are over 25 staff who are working for the COP26 Unit on loan from the FCDO. The Foreign Secretary's Special Representative on Climate Change is embedded within CED. He and his staff, along with four senior diplomatic appointments as COP26 Regional Ambassadors, bring their wealth of experience and diplomatic skills to COP26.

The FCDO's network of climate, energy and environment attachés and advisers is world leading and remains the FCDO's largest thematic network. We are aiming to revise and strengthen the system of accreditation to the professional body of technical advisers spanning climate, energy, and environment. We will continue to boost our existing capability on climate, energy, and environment by building the knowledge and skills of our wider diplomatic network through the formal learning structure offered by the International Academy (the FCDO's flagship learning and development hub) and by a wider learning and development offer.