WRITTEN EVIDENCE FOR THE INTERNATIONAL DEVELOPMENT COMMITTEE

Climate change, development and COP26

Submitted by E3G (Third Generation Environmentalism)

Introduction to E3G

- E3G is an independent climate change think tank operating to accelerate the global transition to a climate-safe world. Our Climate Diplomacy programme informs the strategic thinking underpinning the climate diplomacy of the UK, the EU, its Member States, multilateral development banks and UN institutions. A long-standing observer of the UNFCCC negotiations, we have expertise throughout Europe, the US, China and beyond, and are providing advice on climate diplomacy to the UK COP26 Presidency.

<u>Written Evidence</u>

The risk of ODA cuts to COP26

In addition to undermining the potential for global recovery, which will ultimately be bad for UK interests, the decision to reduce ODA has had an immediate and damaging impact on the UK's Presidency of the COP26 UN Climate Summit, which it will be hosting in Glasgow this November:

(1) The cuts to UK ODA undermine the COP26 Presidency's ability to persuade other wealthy countries to raise finance for climate action – a key objective this year

- In 2009, developed countries promised to mobilise at least $100bn per year in finance to support climate action in the developing world. The UK has made this a priority objective for its COP26 Presidency.[1] The government has pledged that the commitment made in 2019 to double International Climate Finance (ICF) over the period 2021-2025 to £11.6bn will remain protected from any cuts.[2] COP26 President Designate Alok Sharma is urging all donor countries to follow this example and step up efforts towards this target by making similar commitments to double their climate finance[3]. Such commitments will be a key benchmark of the success of the UK Presidency at COP26.

- The government has defended the cut by arguing that higher ODA spending levels were unaffordable given the current state of public finances. Yet donor countries similarly face a strained fiscal environment that is putting pressure on government budgets; and thus, can make the same argument as the UK in defending a decision to not increase climate finance, with the COP26 Presidency unable to provide any

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[1] **UK COP26 President**, Written Ministerial Statement on COP26, March 2021

[2] **Foreign Secretary**, Statement on ODA, November 2020

[3] **UK COP26 President**, Closing Remarks at Climate Ambition Summit, December 2020

effective counter arguments. The recent decision by Angela Merkel to snub Boris Johnson's request for more climate finance may be interpreted as a signal that Germany believes UK commitments ring hollow.

- So far this year, no major donors have come forward with new climate finance pledges, with the exception of the US which made an underwhelming commitment. This may be partly attributable to the poor example set by the United Kingdom.
- Under the COP process, climate finance is supposed to be new and additional. Given that the UK cut its development finance, the UK's climate finance may not appear to be real to various partner countries who would argue that the ODA cut has changed the baseline.
- Reversing the aid cut would give the COP26 Presidency a boost to the integrity and credibility it needs for effective diplomacy on climate finance this year, thereby helping secure climate finance pledges that will be crucial to the success of the UK Presidency at the Summit.

(2) The cut to ODA severely damages the solidarity that the UK has with many poorer countries, impairing the COP26 Presidency's ability to broker agreement at the Summit.

- The role of the COP26 Presidency at the Summit this November will be to *"work closely with UNFCCC members to secure consensus"* on negotiating issues, many of which have remained unresolved for years.[4] Past negotiations – most notoriously COP15 in Copenhagen, 2009 – have shown how a breakdown of trust in the COP Presidency can lead to a disastrous collapse in the talks.[5] To be successful in Glasgow, countries must have a high degree of faith in the UK COP26 Presidency.
- Trust between developed and developing countries has already deteriorated significantly over the course of the pandemic, as efforts for equitable global vaccine distribution have struggled amidst warnings of 'vaccine nationalism' by the WHO. Building trust with developing countries is an essential job of the COP26 Presidency, in order to set a positive political context for the Summit that is conducive to success.
- However, the cuts to ODA damage trust that developing countries have with the UK. Initial reports suggest that the extent of the cut to bilateral aid in recipient countries could be greater than 90%. Some estimates suggest UK aid cuts may lead to tens of thousands of deaths, undermining basic resilience.[6] These are some of the most vulnerable to climate change – despite their minimal contribution to the problem, and include the Sahel region and countries including Syria, Libya, Somalia, the Democratic Republic of Congo, South Sudan and Nigeria.[7] Scientists have also raised

[4] **UK COP26 President**, Written Ministerial Statement on COP26, March 2021

[5] **Earth Negotiations Bulletin**, Summary of the Copenhagen Climate Change Conference, December 2009

[6] See *Devex* reports **19 March 2021** and **28 April 2021**

concerns around the impact the aid cut has had on research in developing countries – including on issues related to climate change.[8]

- The chair of the Least Developed Countries (LDC) – a group of 46 low-income countries that form an important negotiating bloc at the COP26 talks – has warned that the *"cuts take us in the wrong direction"*, coming at a time when the world's poorest countries need more, not less support.[9] Former UN Secretary General Ban Ki Moon said the ODA cut *"sends the wrong signal before COP26".*[10] Achim Steiner, the administrator of the UN Development Programme (UNDP), said the cut *"sends a very mixed signal, and makes developing countries very concerned"* and that *"it certainly does not enhance the confidence with which developing countries come to the table."*[11]

(3) Reducing ODA exacerbates a challenging political and economic environment for developing countries.

- The pandemic has had a devastating impact on developing countries. Beyond the health impacts of the disease, many countries are on the brink of insolvency and sovereign debt default, struggling with repayments as a result of the global economic slowdown. In a sign of how stark the situation has become, African finance ministers recently issued a joint communique that declared, *"Our fiscal buffers are now truly depleted"*.[12]
- Reduced fiscal space forces countries to prioritise spending on critical social infrastructure (such as healthcare) and limits investment in climate action. Cutting ODA exacerbates this dilemma and reduces the scope for developing countries to invest in climate action ahead of COP26.
- This problem has been identified by the COP26 Presidency, and the UK hosted a Climate and Development Ministerial on 31 March to drive global solutions to this problem. Yet the aid cut undermines such diplomatic efforts entirely.

To resolve this issue the government should immediately commit to restoring ODA to 0.7% GNI this year and commit to making climate finance additional to this. By doing so, COP26 can be a moment where the UK persuades other wealthy developed nations to do the same.

Spending 50% of international climate finance on adaptation

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[7] **Open Democracy**, UK Government accused of 'grotesque betrayal' as full foreign aid cuts revealed, March 2021

[8] **The Guardian**, Britain's 'brutal' cuts to overseas aid put African science projects in peril, 28 March 2021

[9] **LDC Chair**, Twitter, November 2020

[10] **Ban Ki Moon**, The Times, November 2020

[11] **The Guardian**, UK urged to take lead in helping poor countries fund climate action, 29 March 2021

[12] **UNECA**, Communique of African Ministers of Finance, Planning and Economic Development on special drawing rights for low-income and middle-income countries, March 2021

In its 2019 report, the Committee had recommended that the government maintain its commitments to spend 50% of International Climate Finance on adaptation.

- **Progress:** Since then, the government has lobbied other governments and institutions as part of its COP26 diplomacy.
- **Role of COP26:** COP26 is an opportunity for the government to work with other donor countries to set a new ambitious collective goal for adaptation finance. This could be a commitment to mobilize $50bn per annum, as an interpretation of the commitment to "balance" in the $100bn commitment.
- **Gaps:** The UK's ODA cuts undermine its efforts to raise adaptation finance, and the UK still languishes with no real commitment for scaling adaptation finance.

The use of ODA to support fossil fuels
In its 2019 report, the Committee argued that "the only context in which it is acceptable for UK aid to be spent on fossil fuels is if this spend is ultimately in support of a transition away from fossil fuels and as part of a strategy to pursue net zero global emissions by 2050".

- **Progress:** The government has committed to end public overseas fossil fuel finance. The government has also committed to align all ODA with the Paris Agreement.
- **Role of COP26:** COP26 is an opportunity for the government to internationalize this commitment as a norm and get other countries and public finance institutions to do the same.
- **Gaps:** The CDC gas power guidance states that "the absence of a long-term decarbonisation plan is not considered as an indication of misalignment at this point, given the majority of countries have not yet developed long-term decarbonisation plans", and that "as of today, where a long-term decarbonisation plan does not exist, we will not take this indicator (Paris pathway development) into account, given this is the case in most countries." As such, the CDC position could undermine the credibility of the UK government policy on ending fossil fuel subsidies by allowing UK aid money to continue to be spent on new gas infrastructure in the world's poorest countries, and on the broader fossil fuel industry via intermediary investments in financial institutions. It is also important to note that the CDC policy makes no commitment to divest from existing investments in fossil fuel projects.

UK engagement with multilateral development banks
In its 2019 report, the Committee had recommended that the UK should use its influence with MDBs to champion more strongly a shift away from high-carbon investments and a scaling up of investments that are compatible with a 1.5°C world, and that the Government should work together and coordinate with other MDB shareholders to amplify pressure.

- **Gaps:** The government can go further, using COP26 as a vehicle for greater high-level diplomacy to persuade key MDB boards to approve ending fossil finance, notably:
    - The ADB which is expected to finalise a new energy policy later this year
    - The London-based EBRD which should follow the precedent set by the EIB