Tearfund submission to International Development Committee inquiry on climate change, development and COP26

1. Introduction

1.1. Christian relief and development agency, Tearfund welcomes this opportunity to submit written evidence to the International Development Committee (IDC). Tearfund works through local churches and other locally based organisations in over 50 countries, as well as responding directly to disasters. We have been working to tackle the causes and reduce the impacts of climate change, as well as support adaptation in the poorest countries around the world for over 20 years. Environmental and economic sustainability is one of our three corporate priorities, alongside fragile states and church and community transformation. As such, we are committed to relief and development that is environmentally and economically sustainable.

1.2. As President and hosts of the UNFCCC COP this year, it is vital the UK demonstrates action on climate commensurate with the crisis that we face. 2021 needs to be the year when we close the gap between projected temperature rise and the scale of climate action needed to limit temperatures to the safer levels of 1.5C, for example via nationally determined contributions (NDCs).

2. The extent to which the Government has made progress on implementing the Committee's recommendations, particularly those on climate finance, climate justice, the use of ODA to support fossil fuels and making climate change a strategic priority in all aid spending

2.1. **The use of official development assistance (ODA) to support fossil fuels**

2.1.1. On 31st March 2021 the UK's new policy 'Aligning UK international support for the clean energy transition' came into force[1], following a period of public consultation. The swift implementation of this policy to end all direct support for fossil fuels overseas is the type of radical shift we needed in this pivotal year of climate action. This decision was made following concerted advocacy by a number of civil society organisations, including Tearfund, as well as in response to a previous IDC inquiry into UK aid for combating climate change[2] and an inquiry by the Environmental Audit Committee into UK Export Finance (UKEF) support to fossil fuels[3]. Both of these inquiries recognised that supporting fossil fuels was at odds with the Paris Agreement as well as undermining the UK's own spending on tackling climate change overseas. In July 2019, the IDC noted the inconsistency of the Government providing climate aid with one hand, whilst spending billions on fossil fuel projects abroad with the other. The Committee noted, "supporting the fossil fuel economy in developing countries damages the effectiveness of the UK's

[1] Department for Business, Energy and Industrial Strategy, *Aligning UK international support for the clean energy transition* (2021) https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/975753/Guidance_-_Aligning_UK_international_support_for_the_clean_energy_transition_-_March_2021_.pdf

[2] International Development Committee, *UK aid for combating climate change* (2019) https://publications.parliament.uk/pa/cm201719/cmselect/cmintdev/1432/1432.pdf

[3] Environmental Audit Committee, *UK Export Finance* (2019) https://publications.parliament.uk/pa/cm201719/cmselect/cmenvaud/1804/180402.htm

approach to combating climate change and this should be rectified urgently”.[4]

2.1.2. Given the UK has been a major historical player in supporting fossil fuels overseas (£4.7billion across 2010-2017),[5] this decision to end public finance for fossil fuels overseas represents a major departure from previous policies. It makes the UK the first major country in the world to commit to do so, setting a new high standard for other countries to follow. However, there are a number of exemptions or ‘exclusions’ included in the policy guidance that allows for the continued expansion of gas; this undermines efforts to meet the goals of the Paris Agreement and to make every effort to limit global warming to 1.5 °C.

2.1.3. The most concerning exemption is: ‘Gas power and directly related infrastructure, and the conditions for doing so’. In addition to this exemption, the policy guidance states it only ‘influences the investment policies’ of CDC Group and Private Infrastructure Development Group (PIDG), rather than the policy directing the investment policies. Justifications by the government is that CDC is a public company with it’s own board and FCDO is not directly involved in it’s investments, and PIDG is a multi-donor funded institution, and the UK is just one donor.

2.1.4. As the single largest donor, the UK has a high degree of control over the activities of the London-based PIDG. Since its formation the PIDG has made commitments of USD $781.5m to fossil fuel power, $138m to gas transportation, distribution and storage, $116m to mining and upstream oil and gas, and $96m to oil transportation, distribution and storage,[6] including many of the same projects supported by CDC and UK aid-funded MDBs.

2.1.5. The UK Government is the CDC’s only shareholder and the UK has provided CDC with approximately £4.3 billion in capital since 2015. CDC Group has a portfolio of fossil fuel investments worth approximately $988 million as of December 2019. Between 2015 and 2020, CDC received a total of £3.5bn from DFID (including £1bn in 2019 and £650m in 2020), and is scheduled to receive a further £779m from the UK Government in 2021 (even as the overall aid budget is to be cut significantly).[7] We believe **the Government has both the means to enforce a complete phase out on fossil fuel finance on CDC Group, and the knowledge that this will have a significant impact in reducing the UK’s support for fossil fuels.**

2.2. CDC Group

2.2.1. On the day the policy was formally announced CDC Group, the UK's bilateral Development Finance Institution, which is the single largest source of direct UK ODA support for fossil fuels (details and references provided below), also

[4] International Development Committee, *Major change in Government aid strategy needed to tackle Global Climate Emergency* (2019) https://www.parliament.uk/business/committees/committees-a-z/commons-select/international-developmentcommittee/news-parliament-2017/uk-aid-for-combating-climate-change-report-publication-17-19/.

[5] CAFOD, *UK support for energy overseas* 2010-18 (2020) https://cafod.org.uk/About-us/Policy-and-research/Climate-change-and-energy/Sustainable-energy/UK-support-energy-overseas

[6] Private Infrastructure Development Group, *Annual Review 2019* (2019) https://www.pidg.org/wp-content/uploads/2020/09/PIDG-Annual-Review-2019-digital-Final.pdf

[7] FCDO, *Development Tracker.* ‘CDC Programme of Support in Africa and South Asia (2015-2023)’ (2020) https://devtracker.fcdo.gov.uk/projects/GB-1-203444/transactions

released two documents "that demonstrate how CDC complies with this policy"[8]. The first, CDC's new *Our Fossil Fuel Policy*,[9] sets out CDC's detailed new policy on fossil fuel-related investments, and the second, *Guidance on Natural Gas Power Plants*,[10] sets out the conditions under which CDC will continue to support gas power plants and associated infrastructure (which constitute the large majority of its total direct commitments to fossil fuels by value[11]).

2.2.2. The Government's argument for these exemptions rests on its claim that these loopholes will be used sparingly and that gas power can be a greener alternative to coal and oil. **Yet over 90% of the value of CDC's current direct investments in fossil fuels would be allowed under its current policy[12]. It has been demonstrated that gas power will lock in high carbon emissions for generations to come, breaking the carbon budget and guaranteeing higher levels of global warming.[13]**

2.2.3. 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."

2.3. UKEF

2.3.1. The UK Government should build on its leadership in ending aid support to fossil fuels, particularly through the new alliance, Export Finance for the Future (E3F) Coalition[14], announced on 14 April 2021. The seven countries that form the alliance - Denmark, France, Germany, the Netherlands, Spain, Sweden and the UK - account for around 40% of export finance in the OECD. At present, the commitments set out by the coalition fall short of the ambition shown by the UK, and fail to put an immediate stop to new finance for oil and gas. The emissions from existing oil and gas fields alone would push the world beyond the safer level of 1.5°C. The UK Government should show leadership in bringing the commitments of the E3F Coalition in line

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[8] CDC Group*, Announcing our new Fossil Fuel Policy and Guidance on Natural Gas Power Plants (2020) https://www.cdcgroup.com/en/news-insight/news/announcing-our-new-fossil-fuel-policy-and-guidance-on-natural-gas-power-plants/#:~:text=In%20July%202020%2C%20we%20published,just%20a%20few%20exceptions%20remaining.*

[9] CDC Group, *Our fossil fuel policy* (2020) https://assets.cdcgroup.com/wp-content/uploads/2020/12/12150401/CDC-fossil-fuel-policy_December-2020_FINAL.pdf

[10] CDC Group, *Natural Gas Power Plants: Assessing alignment with the Paris Agreement* (2020) https://assets.cdcgroup.com/wp-content/uploads/2020/12/12145227/CDC_GasGuidance_December2020.pdf

[11] CAFOD, *CDC's support for energy overseas* (2020) https://cafod.org.uk/About-us/Policy-and-research/Climate-change-and-energy/Sustainable-energy/CDC-support-energy-overseas

[12] CAFOD, *CDC's energy investments: building green, just development?* (2020) https://cafod.org.uk/About-us/Policy-and-research/Climate-change-and-energy/Sustainable-energy/CDC-support-energy-overseas

[13] Oil Change International, *Burning the Gas 'Bridge Fuel' Myth: Why Gas Is Not Clean, Cheap, or Necessary* (2019) http://priceofoil.org/2019/05/30/gas-is-not-a-bridge-fuel.

[14] Ministère de l'Europe et des Affaires étrangères, *Export finance coalition launched to fight climate change* (2021) https://www.diplomatie.gouv.fr/en/french-foreign-policy/climate-and-environment/news/article/export-finance-coalition-launched-to-fight-climate-change-14-apr-21

with its policy for aligning UK international support for the clean energy transition.

2.3.2. We understand that the UK Government wants to build on its leadership in this new policy, and galvanise other countries and export credit agencies to align and make similar commitments. The European Investment Bank has made a similarly strong commitment and has already committed to end all support to fossil fuels. France, for example, although continuing to support different types of fossil fuels over a longer time frame, intends to end all support for gas overseas by 2035. There is scope for the UK to work with other countries to both strengthen their existing commitments and encourage a growing alliance of other countries to adopt similar policies.

2.4. **Multilateral Development Banks**

2.4.1. This policy to end the use of UK aid to support fossil fuels also 'determines the UK voting position' at the boards of Multilateral Development Banks (MDBs). This is a positive step forward and we gather the UK is already using the criteria within the policy guidance at the World Bank. This is particularly welcome when there is much pressure to get MDBs to fast track their Paris Alignment - which whilst has been committed to for some time, the action and implementation is slow.

2.4.2. At COP25 nine MDBs provided a public update on their joint commitment to Paris Alignment. Though the group of banks first committed to a process to align their financial flows with a 1.5°C pathway in 2017, the announcement provided few new details. The group of public banks — which includes the World Bank, the Asian Development Bank, and the Inter-American Development Bank among others — indicated full implementation of their framework will not occur until 2023-2024 and did not include anticipated criteria for determining whether projects are Paris-aligned. This slow progress is not acceptable, particularly given the huge financial and technical support these Banks provide.

3. The extent to which the Government's work to date on climate change and development has taken the UN Sustainable Development Goals and the needs of low-and-middle income countries and vulnerable groups into account

3.1. Climate change is reversing development gains and presenting new challenges to the world's poorest and most vulnerable. Those least responsible for causing climate change are suffering the worst consequences of it, on top of pre-existing development challenges, and now a pandemic. Now is not the time for the UK to renege on a legally binding commitment to 0.7% GNI for ODA, especially since it has also not provided "new and additional" climate finance under the UNFCCC, and so all climate finance now comes from a shrinking aid budget.

3.2. Various UK Governments have interpreted "new and additional" in different ways. While we interpret it as new and additional to the international standard that has existed since 1970 for countries to provide 0.7% GNI as aid, this Government has repeatedly told NGOs that UK climate finance commitments are justifiable as new and additional because they have been provided through growth in the aid budget (as the economy has grown) and as a result has not diverted or taken away any pre-existing aid spending in other areas. That position is no longer tenable in light of cutting the aid budget especially with climate finance commitments increasing.

Climate finance is now coming at a cost to other development and humanitarian priorities.

3.3. In the UK Biennial Finance Communication to the UNFCCC submitted in December 2020, it was stated that "Our funding will be new and in addition to our previous £5.8bn ICF commitment." It should be a given that a financial spending commitment for the period 2021-2025 would be in addition to money already committed and spent in a different period (2016-2020). That should not need to be stated, and is so clearly not in the spirit of what new and additional climate finance means under the UNFCCC.

3.4. Faced with a climate emergency not of their making, developing countries have a reasonable expectation of extra support and, under the UNFCCC, countries including the UK committed to provide this. However the cuts to the aid budget now present a double cut in support to developing countries, who have not received new and additional climate finance, and now will receive both climate finance and aid from the same but much smaller pot. Climate finance was not meant to come at a cost/compromise to non-climate ODA, yet now this is inevitable in the context of fulfilling the UK climate finance commitments from a shrinking aid budget.

4. Any gaps that remain between what the Government has done and what it committed to do

4.1. We welcome the UK Government's commitment on 20 April to accept the recommendation from the independent Climate Change Committee on the sixth carbon budget, and commit to reduce emissions by 78% by 2035[15]. However despite putting to the third, fourth and fifth carbon budgets into law, in line with requirements of the 2008 Climate Change Act, the UK is currently not on track to deliver on these commitments[16]. It is vital that the UK Government turns these targets into reality through swift action, to get on track for meeting the carbon commitments which have been enshrined in law.

4.2. Climate action includes that made through COVID-19 recovery packages. The UK has a unique role in this, as host of both the G7 and COP26 this year. The choices G7 countries make this year will have a critical impact on the direction of the global economy for decades; G7 nations rank among the most polluting countries in the world, representing only ten per cent of the global population but more than 24 per cent of CO_2 emissions. The decisions made by the G7 will strongly influence those made by G20, representing around three quarters of the world's emissions. At a time when emissions reductions are urgently needed, G7's Covid-19 response will either accelerate the transition towards cleaner, more equitable societies, or lock the planet into catastrophic and irreversible climate change. Forthcoming research by Tearfund, International Institute for Sustainable Development and the Overseas Development Institute will analyse action against rhetoric, and looks at energy policies agreed since January 2020 against whether these support a cleaner recovery or not[17].

4.3. Tackling the climate crisis requires more than Summits and promises. Countries must turn these words into urgent and transformative action this year, and use the trillions being pumped into economic recovery globally to accelerate the transition away from fossil fuels. Otherwise they risk further failure to protect the people who

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[15] Department for Business, Energy & Industrial Strategy, *UK enshrines new target in law to slash emissions by 78% by 2035* (2021) https://www.gov.uk/government/news/uk-enshrines-new-target-in-law-to-slash-emissions-by-78-by-2035

[16] Climate Change Committee, *Advice on reducing the UK's emissions* https://www.theccc.org.uk/about/our-expertise/advice-on-reducing-the-uks-emissions/

[17] This research will be published ahead of the G7 and the G7 Finance Ministers meeting

have done the least to cause climate change but continue to bear the brutal brunt of its impacts.

5. The potential of COP26 to address these remaining challenges effectively and the steps the Government needs to take if COP26 is to succeed in tackling them.

5.1. Tearfund fully supports the *Glasgow Action Plan*[18]: the collective call from UK civil society to demonstrate credible climate leadership in the run up to, and at COP26.

5.2. The UK Government must:

5.2.1. CLOSE THE GAP TO 1.5°C: The UK must use every diplomatic effort, and political leadership at the highest level, to ensure countries close the gap between existing NDCs and what is needed to keep the goal of limiting global temperature rise to 1.5°C within reach, with every country taking on their fair share.

5.2.2. ADDRESS LOSS AND DAMAGE: The UK must facilitate a constructive process that concretely advances action on loss and damage at COP26 – including scaling up finance to address loss and damage, and acknowledging it as the third pillar of climate action on a par with mitigation and adaptation.

5.2.3. INCREASE CLIMATE FINANCE FOR ADAPTATION: The UK must lead global efforts to ensure climate finance is urgently and significantly scaled up, and access improved for poor and vulnerable countries and communities, in particular grant-based finance. This includes maintaining the UK's commitment to provide 50% of its climate finance for adaptation, and supporting the call for other countries to do the same. This also means championing a new global adaptation finance goal and the scale up of locally-led adaptation and support that is accessible and responsive to the needs and rights of women, children, and other marginalised groups.

5.2.4. SCALE UP HIGH QUALITY NATURE-BASED SOLUTIONS: As well as deep and immediate decarbonisation of the economy, the UK must support and drive the incorporation of ambitious and rigorous ecosystem protection, restoration, and sustainable management, into the enhanced NDCs, long-term strategies, and adaptation plans of all countries.

5.2.5. SUPPORT A JUST ENERGY TRANSITION: The UK Government must ensure robust implementation of the policy to end public support for fossil fuels overseas. It must champion similar policies with other countries, and scale up support for renewable and efficient energy systems to help deliver universal access to energy.

5.2.6. UNLOCK THE GREEN RECOVERY TO GET ON TRACK TO NET ZERO: UK leadership and credibility also rests on introducing the policies and investment to get the UK on track to net-zero as fast as possible, without the use of international offsets. Top priorities include:

- Putting in place the policies needed to get on track to the UK's legally-binding climate targets, especially on housing and transport, and through aligning public and private spending with a fossil fuel free future.
- Take concrete steps to protect and restore nature in the UK, through an ambitious Environment Bill with binding targets, and by delivering on the 30% by 2030 pledge.
- Deliver a just transition for workers in the UK, creating millions of green jobs, through investment and training.

[18] The Climate Coalition & Bond, Glasgow Action Plan (2020) https://www.theclimatecoalition.org/glasgowactionplan