

**WRITTEN EVIDENCE SUBMITTED TO**  
**THE INTERNATIONAL DEVELOPMENT COMMITTEE:**  
**INQUIRY ON CLIMATE CHANGE, DEVELOPMENT AND COP26**  
**BY THE CATHOLIC AGENCY FOR OVERSEAS DEVELOPMENT (CAFOD)**

**10 MAY 2021**

## **About CAFOD**

CAFOD is the official aid agency for the Catholic Church in England and Wales; part of the global Caritas confederation of national organisations, each governed by their national Bishop's conference and linked to national Catholic commissions on health, education, and peace/justice issues. CAFOD partners with diverse local NGOs, including both faith-based groups and others working on human rights and other issues regardless of religion or culture.

## **The Challenge**

1. We are facing an existential crisis. Yet, given all the scientific data and human stories from the frontlines we are still failing to limit the increase in global temperature; we continue to destroy our natural environment faster than ever before; and we are falling short in our moral duty to help the poorest and most vulnerable communities. We cannot keep reiterating the need for urgent and ambitious action, without delivering. 2021 has to be the year to deliver.
2. The UK Government needs to grasp the opportunity of hosting the G7 and COP26. This means demonstrating what effective domestic and international action looks like and leveraging greater activity at global events in 2021 to galvanise others to pursue ambitious targets.
3. The UK must utilise the below elements as part of a wider solidarity package, alongside other ambitious international and domestic climate actions (such as those detailed in the UK civil society *Glasgow Action Plan*), as part of its climate leadership in 2021 and beyond. This is essential to incite global action and put the world on a path to limit global temperature rise to 1.5°C, while meeting the UN Sustainable Development Goals.

## **Summary of Recommendations**

### **End all UK support for fossil fuels overseas**

4. **Recommendation 1:** While we welcome the adoption of the new Government-wide policy on fossil fuels overseas, the UK Government must ensure its' robust implementation. This means no new fossil fuel investments (ODA and non-ODA) including both direct and indirect investments through UK Export Finance (UKEF), the CDC Group, and the Private Infrastructure Development Group (PIDG). At the same time, all existing fossil fuel-based investments must be reviewed and divested from as soon as possible.
5. **Recommendation 2:** The Government must dramatically scale up finance and support (including concessional and grant finance), for renewable energy, energy efficiency and

decentralised energy overseas, particularly targeting access by the poorest communities, such as for the provision of clean cooking. This strategy must also be laid out clearly and effectively in the new International Climate finance (ICF) strategy.

### **Harness the transformative potential of sustainable agriculture**

6. **Recommendation 3:** The Government must develop a clear and consistent vision and strategy for the transformative role of agriculture and land-use in tackling climate change, poverty and protecting nature ahead of COP 26. This must cover the whole portfolio of UK Aid, and specifically make the most of the opportunities within the ICF funds that are being developed, including the £3bn ICF earmarked for nature. It must lead to clear assessment criteria for agriculture and land use that tackles climate change, restores nature and supports communities' livelihoods and rights. Our RSPB/CAFOD research paper<sup>1</sup> (forthcoming, May 2021) provides further recommendations on this.
7. **Recommendation 4:** The UK Government must use the global opportunities in 2021 such as the G7, the UN Food Systems Summit and COP26 to spearhead increased efforts for the reform of harmful agricultural subsidies and support a comprehensive shift of subsidies for synthetic nitrogen fertilisers towards sustainable agriculture for smallholder farmers in developing countries.

### **Make UK international climate finance fit for purpose**

8. **Recommendation 5:** The UK government must deliver on its promise to this committee to undertake a rapid review of how the ICF is spent and reported, and then provide an improved strategy for spending ICF. This must include improved visibility of its funded actions for climate change adaptation and how it meets the UK's commitment to the Global Goal on Adaptation under the Paris Agreement.
9. **Recommendation 6:** The Government must utilise the new ICF strategy and reporting, alongside the UK's commitment to its double climate finance and dedication of 50% to climate change adaptation. To call on all contributing countries, multilateral development banks, and multilateral climate funds to increase the overall amount and percentage (to 50% of climate finance contributions) of climate finance spent on adaptation. At the same time promoting the quality in finance delivered, through agreed principles of good adaptation planning and implementation.

### **End all UK support of fossil fuels overseas**

#### **Progress**

10. This committee stated in 2019: "supporting the fossil fuel economy in developing countries damages *the effectiveness of the UK's approach to combating climate change and this should be rectified urgently.*"<sup>2</sup> Since then, the UK Government, through a number of mechanisms, has significantly supported fossil fuels abroad. This includes, *inter alia*, UKEF's largest single financial support package (over \$1 billion) and the CDC Group reporting a portfolio of fossil fuel investments equating to nearly \$1 billion.<sup>3</sup>

11. In December 2020, the Prime Minister promised to end UK support of fossil fuels overseas. CAFOD welcomed this promise, which has real potential to catalyse global action on climate change ahead of COP26 and was pleased to see it finally adopted in March 2021.

## Gaps

12. However, details of the policy<sup>4</sup>, government rhetoric and action since have done little to quell our concerns over the application of the policy and its loopholes (“exemptions”)<sup>5</sup>, specifically the continuation of support for gas-power plants and other fossil fuel associated projects both directly and indirectly.
13. The current exemptions could lead to new investments in fossil fuels which are not aligned with a 1.5°C trajectory, with CDC and PIDG continuing to hold large (well over £1bn) investments in fossil fuels. The CDC Group and PIDG are likely to undermine the HMG-policy on fossil fuels overseas through the following:
14. They are not obligated to comply with the policy, namely their investments are only to be ‘influenced’ by the HMG-policy. This is evidenced by the Government’s claim that it holds an ‘arm’s length relationship’ with CDC; even though, CDC is wholly owned by the Government, has its own Government Minister, and has received £4.3 billion in capital since 2015. 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 in 2021 (even as the overall aid budget is to be cut significantly).<sup>6</sup>
15. The continued exposure to fossil fuels by the CDC Group under their current policies on climate and fossil fuels<sup>7</sup>. As it stands, over 90% of their current direct investments would not be screened out under these policies.<sup>2</sup> CDC has said “*We expect gas will continue to feature within our new commitments in the coming years*”.<sup>8</sup>
16. Similarly to CDC, the UK Government wields a huge amount of control over The Private Infrastructure Development Group’s (PIDG) investments, as its largest single donor. Since its formation, the PIDG has made commitments of \$781.5 million to fossil fuel power and \$138 million to gas transportation, distribution and storage.<sup>9</sup> PIDG’s new ‘climate change standard’ (announced in June 2020) allows for continued investment in gas-power.<sup>10</sup>
17. Alongside future investment concerns, there remains no Government led or backed institution that has formally set forward a strategy to divest from current investments in fossil fuels. As shown, this is a considerable amount of exposure from the likes of CDC and PIDG.
18. Finally, in terms of fossil fuel investment, UK public finance continues to flow indirectly to fossil fuels through financial intermediaries and managed funds; for example, 90% (£825.9m) of CDC’s commitments to the financial services sector in 2019 (£887.3m) were commitments to financial institutions involved in financing fossil fuel-related activities.<sup>2</sup> These indirect flows are not covered by the new HMG-policy and will culminate in millions, if not billions, of public finance increasing the impact of climate change.

19. We welcome the policy being used to determine the UK's voting position on the boards of multilateral development banks, but it must go further and cease support for managed funds and intermediaries which invest in fossil fuels, or stipulate it as condition to any contribution. Furthermore, full disclosure of indirect investments is required to reflect the particular complexity and true size of investments via managed funds and other financial intermediaries.

## **Opportunities**

20. The above gaps can still be closed to ensure a credible policy on ending fossil fuels as part of wider solidarity package that illustrates ambition. In doing so the Government will build trust in a truly credible climate policy ahead of COP26. If it fails to address these issues, then UK leadership and rhetoric will be seen as more 'hot air' to coin the phrase of the Prime Minister at the latest St Petersburg Climate Dialogues (May 2020).<sup>11</sup>
21. The UK must galvanise other big polluters to match the UK's ambition ahead of COP26 to commit to truly ending public finance for fossil fuels. Without global commitments on ending all new fossil fuels and drastically reducing current consumption, the science is clear we will not limit global warming to 1.5°C.<sup>12</sup> It is the UK and its fellow rich counterparts moral and historic responsibility to achieve this at the very least.
22. Support the UK's commitment to SDG7 (Clean Energy Access for All) by bringing clean and reliable energy to the 789 million people without electricity, mainly in the poorest countries. and ending energy poverty.<sup>13</sup> The Government must increase public finance (including concessional and grant finance), for renewable energy, energy efficiency and decentralised energy overseas, particularly targeting access by the poorest communities such as for the provision of clean cooking.

## **Recommendations**

23. **Recommendation 1:** While we welcome the adoption of the new Government-wide policy on fossil fuels overseas, the UK Government must ensure robust implementation of its new policy on ending overseas support for fossil fuels. This means no new fossil fuel investments (ODA and non-ODA) including both direct and indirect investments through UK Export Finance (UKEF), the CDC Group, and the Private Infrastructure Development Group (PIDG). At the same time, all existing fossil fuel-based investments must be reviewed and divested from as soon as possible.
24. **Recommendation 2:** Dramatically scale up finance and support (including concessional and grant finance), for renewable energy, energy efficiency and decentralised energy overseas, particularly targeting access by the poorest communities such as for the provision of clean cooking. This strategy must also be laid out clearly and effectively in the new International Climate Finance (ICF) strategy.

## **Harness the transformative potential of sustainable agriculture**

### **Progress**

25. The IPCC Land Report<sup>14</sup> emphasises the contribution of sustainable agriculture and land use to climate change mitigation and recognises practices such as reducing crop and livestock

emissions, sequestering carbon in soils and biomass, consuming healthy and sustainable diets and reducing food loss and waste as major opportunities for reducing GHG emissions while improving health outcomes.

26. We welcome the government's intention<sup>15</sup> to support smallholder farmers transition to sustainable agricultural practices through scaling up ICF, but we also note the absence of an agreed government approach to achieve this in a way that addresses poverty, climate change and biodiversity destruction. We urge the government to develop an ICF strategic vision that links climate action with agriculture and land use and places it at the centre of UK aid policy.
27. The UK Government has become a key advocate for the need to shift away from climate-harmful agricultural subsidies through the Leader's Pledge for Nature<sup>16</sup> and COP26's Nature Campaign<sup>17</sup>.

## **Gaps**

28. However, the agriculture and land use sectors account for nearly 24% of total global emissions, and if these sectors continue the current business-as-usual trajectory, the world will exhaust the emissions budget compatible with the 1.5°C target and cross various planetary boundaries by 2050<sup>18</sup>. The UK Government must help reverse this trend by spending more and better aid towards sustainable agriculture through public support in aid recipient countries.
29. Research commissioned by CAFOD and RSPB (forthcoming, May 2021) analyses UK aid spend for agriculture and shows that in 2019, total official reported UK ODA to agriculture<sup>19</sup> was just £642.2m (4.2% of total ODA), of which £362m (56%) was bilateral aid. This shows a low priority given to agriculture and land use within UK aid.
30. As part of the research, the programme objectives and indicators of all 25 UK bilateral aid programmes with spend over £2 million on agriculture and land use in 2019, were assessed against a set of twelve climate, nature and social development criteria. Only three of these programmes (12%) had a climate mitigation focus, and only five (20%) had a climate adaptation focus.
31. The UK's climate finance results show a similar low priority for agriculture spend. It represents only one-sixth of UK climate finance, despite agriculture potentially being responsible for most of the estimated reduction in greenhouse gas emissions through the UK aid programme.<sup>20</sup>
32. Where UK aid has been spent on agriculture it has often been targeted towards economic growth and jobs to the detriment of aid to agriculture and rural development. This has in part been due to funds flowing through CDC, which has skewed investments towards commercial agriculture for export. For example, from 2010-2019 total reported bilateral UK aid to Nigeria for agriculture and rural development was £26.7m, while UK aid-funded institutions invested at least £125.5m of UK aid in Indorama Eleme Fertilizer, a gas-based nitrogen fertiliser production plant.

33. Synthetic chemical nitrogen fertilisers are considered a major component of agriculture's harmful climate contribution and yet they receive disproportionate financial support from the UK. The government must shift support for synthetic nitrogen fertilisers towards sustainable agriculture for smallholder farmers instead.
34. The RSPB / CAFOD research shows the UK Government's lack of a clear and consistent strategy, and a failure to design and manage coherent sector programming for climate outcomes, limiting its potential for multiple wins in the areas of poverty, climate and biodiversity, or to place the needs and rights of communities at its heart.

### **Opportunities**

35. The UK's increase of ICF to £11.6 billion over the next five years, with £3 billion earmarked for nature funds provide an opportunity to support sustainable agriculture, and to shift away from harmful agricultural practices. By doing this, the Government has the potential to spearhead global reform of public support for agriculture through broader ICF.

### **Recommendations**

36. **Recommendation 3:** The Government must develop a clear and consistent vision and strategy for the transformative role of agriculture and land-use in tackling climate change, poverty and protecting nature ahead of COP 26. This must cover the whole portfolio of UK Aid, and specifically make the most of the opportunities within the ICF funds that are being developed, including the £3bn ICF earmarked for nature. It must lead to clear assessment criteria for agriculture and land use that tackles climate change, restores nature and supports communities' livelihoods and rights. Our RSPB/CAFOD research paper<sup>1</sup> (forthcoming, May 2021) provides further recommendations on this.
37. **Recommendation 4:** The UK Government must use the global opportunities in 2021 such as the G7, Food Systems Summit and COP26 to spearhead increased efforts for the reform of harmful repurpose agricultural subsidies and support a comprehensive shift of subsidies for synthetic nitrogen fertilisers towards sustainable agriculture for smallholder farmers in developing countries.

## **Making UK international climate finance fit for purpose**

### **Progress**

38. This committee, in 2019, recommended that the Government provide a cross-cutting, clear and robust strategy for spending climate finance. The Government stated work on this had begun and promised to deliver on this recommendation in the near future<sup>21</sup>. We are still yet to see this announced or to be given any indication of when it should be expected. Given the Government's commitment to double the ICF budget over the next five years to £11.6 billion, it is a major weakness that no implementation strategy has been publicly reported since 2011.
39. Furthermore, in the face of the global downturn caused by the Coronavirus pandemic, compounded by the cut to the aid budget from 0.7 to 0.5% of GNI, it is hard to see how the

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<sup>1</sup> Harnessing the potential of agriculture for people and nature The role of UK aid.

UK intends to meet its commitment under the Paris Agreement to provide reliable and predictable climate finance that is new and additional to current and planned development spending. The Government must show immediately how it plans to do this.

40. The Government has reiterated its intention to spend 50% of its climate finance on climate change adaptation, as recommended by this committee. This must continue to take the form of grant-based finance not loans, this is particularly important in light of Oxfam's recent findings that indicate climate finance is increasingly being provided as loans.<sup>22</sup>

### Gaps

41. When this committee recommended that the government should take the opportunity to be a global leader on climate finance accounting and reporting by improving transparency of ICF spending impact and monitoring methodology, while demonstrating explicitly how their ICF spending reduces poverty and benefits the most vulnerable, the Government *agreed*.
42. Next to no progress has been made on this alongside the lack of an ICF strategy. CAFOD and ODI research found that public reporting on climate change adaptation by the UK's ICF is not commensurate with the level of funding being committed and the Devtracker platform is not fit for purpose.<sup>23</sup> This is a major failing by the Government to demonstrate how it is meeting its commitment under the Paris Agreement's Goal on Adaptation.<sup>24</sup> This is a vital part of its climate leadership and its COP26 priority to close the adaptation gap.

### Opportunities

43. The new ICF strategy must set out how it will achieve the following:
- a) Improve internal and public reporting and knowledge management of the ICF portfolio and funded programmes.
  - b) Alongside the value for money metric, apply a framework for making investment decisions and reporting on programme outcomes, that are based on standards and principles recognised by civil society as good adaptation planning and implementation.<sup>25</sup>
  - c) Show how spending will prioritise local; solutions, civil society actors and communities to tackle the triple crisis, such as agroecology and community and ecosystem-based adaptation implemented.
44. Given the adaptation costs could hit \$300 billion annually by 2030, it is fundamental to close the gap in adaptation finance and action.<sup>26</sup> By addressing the above the UK will put itself in a better position to demand others to increase the amount, percentage and quality of their spend on adaptation. Similar to and in combination with, the action required on tackling emissions, the urgent need for ambitious adaptation action is a matter of climate justice; with the communities that have done the least to cause this crisis suffering its worst effects.

### Recommendations

45. **Recommendation 5:** The UK government must deliver on its promise to this committee to undertake a rapid review of how the ICF is spent and reported, and then provide an improved strategy for spending ICF. This must include improved visibility of its funded actions for climate change adaptation and how it meets the UK's commitment to the Global Goal on Adaptation under the Paris Agreement.

**46. Recommendation 6:** The Government must utilise the new ICF strategy and reporting, alongside the UK's commitment to its double climate finance and dedication of 50% to climate change adaptation. To call on all contributing countries, multilateral development banks, and multilateral climate funds to increase the overall amount and percentage (to 50% of climate finance contributions) of climate finance spent on adaptation. At the same time promoting the quality in finance delivered, through agreed principles of good adaptation planning and implementation.

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<sup>1</sup> Harnessing the potential of agriculture for people and nature the role of UK aid.

<sup>2</sup> 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/>.

<sup>3</sup> CAFOD. 2020. **CDC Energy Support Overseas**. <https://cafod.org.uk/About-us/Policy-and-research/Climate-change-and-energy/Sustainable-energy/CDC-support-energy-overseas>

<sup>4</sup> BEIS. 2020. **Aligning UK international support for the clean energy transition - Government Response**.

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<sup>5</sup> BEIS. 2020. **Aligning UK international support for the clean energy transition - Guidance**.

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<sup>6</sup> Devtracker. 2021. <https://devtracker.fcdo.gov.uk/projects/GB-1-203444/transactions>

<sup>7</sup> **CDC Climate Change Strategy**. 2020. <https://www.cdcgroup.com/en/climate-change-strategy/>

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**CDC Guidance on Gas-Power Plant Investment**. 2020. [https://assets.cdcgroup.com/wp-content/uploads/2020/12/12145227/CDC\\_GasGuidance\\_December2020.pdf](https://assets.cdcgroup.com/wp-content/uploads/2020/12/12145227/CDC_GasGuidance_December2020.pdf)

<sup>8</sup> CDC Group. 2020. **The transition to net zero – what does it mean for our existing energy investments?**

<https://www.cdcgroup.com/en/news-insight/insight/articles/the-transition-to-net-zero-what-does-it-mean-for-our-existing-energy-investments/>

<sup>9</sup> PIDG. 2020. **PIDG Annual Review 2019**. <https://www.pidg.org/wp-content/uploads/2020/09/PIDG-Annual-Review-2019-digital-Final.pdf>

<sup>10</sup> PIDG. 2020. **Taking action on climate change**. <https://www.pidg.org/our-impact/taking-action-on-climate-change/>

<sup>11</sup> UK Gov. 2021. **PM remarks at the Petersberg Climate Dialogue: 6 May 2021**.

<https://www.gov.uk/government/speeches/pm-remarks-at-the-petersberg-climate-dialogue-6-may-2021>

<sup>12</sup> Oil Change International. 2016. **The Sky's Limit**. <http://priceofoil.org/2016/09/22/the-skys-limit-report/>

<sup>13</sup> The United Nations. 2020. **The Sustainable Development Goals Report 2020**. <https://unstats.un.org/sdgs/report/2020/The-Sustainable-Development-Goals-Report-2020.pdf>

<sup>14</sup> IPCC. 2019. **Special Report on Climate Change, Desertification, Land Degradation, Sustainable Land Management, Food Security, and Greenhouse gas fluxes in Terrestrial Ecosystems**. <https://www.ipcc.ch/site/assets/uploads/2019/08/Fullreport-1.pdf>

<sup>15</sup> UK Government. 2020. **Government Response to the Recommendations of the Global Resource Initiative**

<https://www.gov.uk/government/publications/global-resource-initiative-taskforce-government-response/government-response-to-the-recommendations-of-the-global-resource-initiative>

<sup>16</sup> UN Summit on Biodiversity. 2020. **The Leader's Pledge for Nature**

[https://www.leaderspledgefornature.org/Leaders\\_Pledge\\_for\\_Nature\\_27.09.20.pdf](https://www.leaderspledgefornature.org/Leaders_Pledge_for_Nature_27.09.20.pdf)

<sup>17</sup> Lord Goldsmith. 2020. **Statement by Lord Goldsmith at the High-Level Panel at Chatham House's Global Forum on Forest Governance**

<https://www.gov.uk/government/speeches/environmental-sustainability-and-resilience-for-a-clean-and-green-recovery>

<sup>18</sup> PIK. 2015. **Potsdam Institute for Climate Impact Research – Four of Nine Planetary Boundaries Now Crossed**. <https://www.pik-potsdam.de/en/news/latest-news/four-of-nine-planetary-boundaries-now-crossed>

<sup>19</sup> This included ODA classified as agriculture, forestry and fisheries - AFF

<sup>20</sup> UK ODA spend on agriculture, 2010-2019

<sup>21</sup> House of Commons - International Development Committee. 2019. **HC2589: UK aid for combating climate change: Government Response to the Committee's Eleventh Report**.

<https://publications.parliament.uk/pa/cm201719/cmselect/cmintdev/2589/2589.pdf>

<sup>22</sup> Oxfam. 2020. **Climate Finance Shadow Report 2020 - Assessing progress towards the \$100 billion commitment**.

<https://www.oxfam.org/en/research/climate-finance-shadow-report-2020>



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<sup>23</sup> CAFOD & ODI. 2020. **Assessing UK International Climate Finance Actions Against the Global Goal on Adaptation.** <https://cafod.org.uk/About-us/Policy-and-research/Climate-change-and-energy/Climate-change/UK-climate-finance-actions>

<sup>24</sup> The Global Goal on Adaptation (GGA) of *enhancing adaptive capacity, strengthening resilience and reducing vulnerability to climate change in Article 7 of the Paris Agreement.*

<sup>25</sup> *Joint Principles for Adaptation put forward by Southern Voices; Principles for Locally-Led Adaptation developed by the Global Commission on Adaptation' and the Global Goal on Adaptation Principles proposed by CAFOD and ODI.*

<sup>26</sup> UNEP. 2020. **Adaptation Gap Report 2020.** <https://www.unenvironment.org/resources/adaptation-gap-report-2020>