



House of Commons
International Development
Committee

**Sustainable
Development in a
Changing Climate:
Government Response
to the Committee's
Fifth Report of Session
2008–2009**

**Fifth Special Report of Session
2008–09**

*Ordered by The House of Commons
to be printed 13 October 2009*

HC 1008
Published on 26 October 2009
by authority of the House of Commons
London: The Stationery Office Limited
£0.00

International Development Committee

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Fifth Special Report

On 3 June 2009 the International Development Committee published its Fifth Report of Session 2008–09, *Sustainable Development in a Changing Climate*, HC 177-I. On 12 October 2009 we received the Government’s Response to the Report. It is reproduced as an Appendix to this Special Report.

In the Government Response, the Committee’s conclusions and recommendations are in bold text. The Government’s response is in plain text.

Appendix: Government response

Integration of climate change and sustainable development into policy and practice

[Paragraph 16] We are disappointed that DFID could not provide us with more evidence of progress it has made since 2002 towards fully integrating climate change into its poverty alleviation programmes, especially in Africa. DFID’s programme in Bangladesh, which seeks to combine climate change and development objectives in practical ways, its pilot climate screening project and its assistance to the government to develop a Climate Change Strategy are steps in the right direction. At present, however, they appear to be one-off projects rather than clear evidence of a mainstreamed approach. We believe that such initiatives should become the norm throughout DFID’s country programmes. The Department should be able to demonstrate much more clearly that climate change is informing its policy decisions in all the countries in which it works. We invite the Secretary of State, in responding to this Report, to set out the steps planned to achieve this.

[Paragraph 43] DFID should set out clearly how it intends to ensure that climate change forms an integral part of all its country programmes. In particular, greater clarity is needed on how DFID plans to scale up one-off projects which seek to build resilience amongst local communities and ensure lessons learned from them are communicated widely and acted upon.

[Paragraph 47] We welcome DFID’s support for initiatives such as the Climate Change Adaptation in Africa Programme and the Africa Climate Policy Centre which are making a valid contribution to African-led research. DFID should also be commended for its support for funding streams and pilot programmes which aim to promote climate resilience, although we note that it will be some time before these can be evaluated and built upon. The capacity of developing countries to tackle climate change needs to be strengthened through support for national and multi-stakeholder dialogues and for the further development of National Adaptation Programmes of Action. We request that DFID, in response to this Report, provides more information on how these key elements of its climate change work will be funded and taken forward.

DFID’s new White Paper, “Eliminating World Poverty: Building Our Common Future”, highlights the critical importance of climate change for poverty reduction and

development. Climate change hits poor countries first and hardest and threatens to reverse the gains of the Millennium Development Goals. DFID is taking steps to “continue to integrate climate change into development policy and practice”. DFID recognises that achievement of this will require increased capacity to engage on climate change and now has dedicated posts in our offices in Ethiopia, Kenya, Tanzania, Mozambique, China, Nepal, Indonesia, Vietnam and India, in addition to the team in London.

One way in which we will ensure DFID takes a consistent and comprehensive approach to address climate change in our country programmes is the implementation of a further White Paper commitment; the introduction of “strategic programme reviews”. These reviews, currently under development, will provide a framework to assess priority climate change issues for country offices to consider. DFID will also ensure that a climate assessment becomes part of DFID’s mandatory environmental screening (of programmes over £1 million). These initiatives are part of a wider plan which aims to make DFID “Climate Smart” and increase our skills and knowledge basis within the organisation, develop tools and guidance to deliver climate resilient and low carbon development and ensuring robust monitoring and evaluation systems are in place to assess the impact in policy and financial terms of climate interventions. As highlighted by the IDC Report it will be important to ensure lessons are shared across the organisation, especially when innovative approaches are used which bring tangible results

DFID concurs that the capacity of developing countries needs to strengthen and is supporting this approach through our Africa regional programme. For example, the UK is supporting longer-term adaptation planning through its £225 million contribution to the Pilot Programme on Climate Resilience. In some places—such as Nepal—the National Adaptation Programme of Action (UNFCCC [UN Framework Convention on Climate Change] initiative) has proved an effective starting point for work on the country’s longer-term adaptation planning.

The Nile Basin Initiative (NBI) is led by the governments of nine Nile basin countries and aims to improve cooperation over water resources. It includes capacity building and preparation of investment projects to increase resilience to climate variability and change such as flood preparedness and multi-purpose storage. We also support the Nile Basin Discourse, a civil society network established to facilitate dialogue and bring greater stakeholder voice and accountability to Nile development. At national level in Ghana DFID co-funds with the British High Commission a civil society dialogue on climate change in advance of Copenhagen, organised by Christian Aid, SEND Ghana and partners. A further example is in Bangladesh, where DFID is supporting Bangladeshi participation in the UNFCCC negotiations. This project will bring together Bangladeshi and UK policy makers and negotiators to enable them to discuss how to tackle climate change and work towards achieving a substantive and equitable deal in Copenhagen.

Cross-Whitehall working

[Paragraph 20] We support the focus in DFID’s Sustainable Development Action Plan on ensuring that sustainability is at the centre of the Department’s development work and that development objectives are reflected in both domestic and international sustainability policies and programmes. We were, however, surprised that the Minister was unable to tell us more about how the Plan influenced DFID’s work in practice.

There is a need for greater coherence across Government on sustainable development. In an increasingly inter-dependent world DFID needs to work more closely with other Government Departments, particularly Business, Enterprise and Regulatory Reform, to increase their awareness of the international dimensions of sustainable development. The UK's Sustainable Development Commission has not been engaged meaningfully in international development issues and could contribute more in this area. It should have an international as well as a domestic focus. We welcome the commitment from the Minister of State for Sustainable Development to review the focus of the Commission. We request that the Government, in its response to this Report, provides an update on progress with this review.

[Paragraph 38] We welcome the creation of the Department for Energy and Climate Change. We expect it to improve the coherence of the Government's response to climate change. Addressing the impact of climate change in developing countries should not be viewed as the sole responsibility of DFID. Other Departments, such as Business, Enterprise and Regulatory Reform, the Home Office and the Foreign and Commonwealth Office, have roles to play. There are important linkages which can be made between mitigation policies in the UK and adaptation policies in developing countries which a more coherent Government approach would strengthen.

We agree that a coherent cross-Government approach is needed to adequately address the impacts of climate change and sustainable development in developing countries. DFID engages strategically with partners from Other Government Departments on a range of issues. For example, DFID is part of a cross Whitehall negotiating team in preparation for Copenhagen. The joint BIS (Department for Business, Innovation and Skills)—DFID Trade Policy Unit works on issues of trade and development, including specifically with Defra on the issue of food miles. We also work closely with Defra [Department for Environment, Food and Rural Affairs] on a range of issues, including sustainable agriculture and Reduced Emissions from avoided Deforestation (REDD) and on how we can share relevant experience on adapting to climate change in the UK with other countries. There is considerable cross-Whitehall cooperation on migration which includes the Home Office. We are cooperating with the UK Climate Change Projects Office at the Department for Business, Innovation and Skills on Clean Development Mechanism issues. Together with the Foreign and Commonwealth Office, we are engaging with the World Economic Forum Task Force on Low-Carbon Economic Prosperity.

DFID's Sustainable Development Action Plan (SDAP) sets the framework for the Department's contribution to sustainable development, directly impacting our work in practice. The Department's performance against the SDAP commitments is reviewed each year and reported in our SDAP Review. Any lack of progress or failure to deliver is highlighted through this review process, enabling remedial action to be taken. Again, directly influencing the way we work.

Copenhagen Conference

[Paragraph 148] It is vital that rich countries set very rigorous targets for reducing their greenhouse gas emissions. These countries bear primary responsibility for current levels of gases in the atmosphere. Emerging economies and industrialising countries will also need to take actions but these should be proportionate to their historic level of

emissions. The principles of reducing global emissions and sharing common but differentiated responsibility should provide the over-arching framework for the UK's negotiating stance in Copenhagen.

The UNFCCC lays down in Article 3.1 that:

"The Parties should protect the climate system for the benefit of present and future generations of humankind, on the basis of equity and in accordance with their common but differentiated responsibilities and respective capabilities. Accordingly, the developed country parties should take the lead in combating climate change and the adverse effects thereof."

This provision is uncontested and firmly provides the basis for action by all parties under the Climate Change Convention. We strongly believe that developed countries need to take the lead. For that reason the EU has already unilaterally announced a 20% reduction target which could move to 30% if an international agreement in Copenhagen is reached including comparable targets for all developed countries and appropriate action by advanced developed countries.

The UK has even gone beyond the EU offer and already laid down an 80% target by 2050 in its national climate change legislation.

Science tells us that action by developed countries alone will not be sufficient to ensure that the global temperature increase remains below 2°C. Actions from developing countries are essential, especially as their emissions grow much faster than those of developed countries. The Convention makes clear that their participation in the global emission reduction effort should be guided by the principles of Article 3.1, i.e. responsibility and capability. Therefore we do not agree that only responsibility should be a guiding principle. This would not be in line with the object and purpose of the Convention and would jeopardise the need for a truly global effort in which everyone plays a role to combat climate change, based on "their common but differentiated responsibilities and respective capabilities".

[Paragraph 29] We are encouraged by the Government's strong position on emissions reductions adopted in the lead-up to the UN Framework Convention on Climate Change conference in December. We believe that this will provide greater leverage in encouraging other industrialised countries to make similar commitments. It is, however, critically important that the UK makes progress towards meeting its own targets. Failure to do so risks not only dangerous climate change but might well also undermine global resolve to tackle the problem.

We recognise the importance of making progress towards meeting our targets. The UK has already made good progress and in 2007 greenhouse gas emissions had been reduced by 18% below 1990 levels (this equates to a 21% reduction if the effect of the EU Emissions Trading System is included).

The UK Low Carbon Transition Plan, published on 15 July 2009, sets out a range of policies and proposals that will, on current central projections, more than deliver the 34% reduction required to meet the third carbon budget period (2018-2022). When we announced the levels of the first three carbon budgets in April 2009 we stated that we would aim to ensure that all effort in sectors not covered by the EU Emissions Trading

System would be achieved through domestic emissions reductions, without the use of offset credits. This is still the aim and the Transition Plan sets out how we will do that. In addition, we will continue to consider what further measures are needed to reduce emissions.

The UK Government has said that it will tighten the budgets in the light of an ambitious international agreement. We will seek advice from the independent Committee on Climate Change on what level the budgets should be in light of the agreement, and the subsequent EU effort share.

[Paragraph 149] We are concerned however that only months away from the Copenhagen conference many countries are unwilling to put figures on the table. The Government should take a strong lead in encouraging other high emitters to take the tough decisions necessary. The EU is apparently waiting to see what others do before making a commitment to the stringent targets which are deemed necessary. We understand that this is a negotiating tactic, but consider it to be a high-risk strategy. Too many important decisions are being left until the last minute, with the danger that agreement may not then be secured. A commitment to achieving a successful outcome and a willingness to be flexible must be demonstrated by all parties, including the UK and the EU. The UK should put pressure on its EU partners to make progress on establishing an agreed negotiating position now.

The EU made a commitment to an emissions reduction target of 20% through the 2020 Climate and Energy package, agreeing to raise this to 30% in the context of an acceptable global deal. Such a deal would include comparable reduction targets from other developed countries and developing country contributions in accordance with responsibilities and respective capabilities. The EU has reiterated its commitment to these targets most recently in the June European Council Conclusions.

The UK is also continuing to work with its EU partners to progress the EU position on climate finance through the Council processes. Progress was made at Spring Council where the EU committed to financing a fair share of action in developing countries and identified a shortlist of credible sources for generating finance. The recent June Councils and informal September Council reiterated the EU's commitment to climate financing. The UK has taken a lead in further driving forward the debate on finance with the Prime Minister's climate finance initiative announced on 26 June. Through setting out a figure for climate finance and outlining possible sources, the initiative has encouraged debate and movement both internally and externally to the EU. The Commission's Communication on Climate Finance echoed many of the principles in the Prime Minister's initiative, including a similar global figure for climate finance. The communication is the basis for negotiation of the Climate Finance section of the October Council Conclusions. Movement by developed countries on their position on climate finance will be crucial for unblocking the negotiations and the EU has demonstrated serious steps towards this.

The UK recognises that there is much work to be done in the months leading up to Copenhagen in December and is committed to working with EU Member States through EU Councils to ensure that a strong negotiating position can be agreed.

[Paragraph 152] We are pleased that industrialising countries such as China are beginning to consider appropriate mitigation actions. The UK Government should encourage such initiatives. As we said in our recent report into DFID and China "the path that China chooses, in terms of carbon emissions, energy use and its sourcing of natural resources, will strongly affect the international community's efforts to address climate change." We recommend that DFID ensure that the new Centre for Climate and Development includes research and policy analysis on climate change in China as one of its focus areas.

China has recently overtaken the US as the biggest emitter of greenhouse gases and will continue to be one of the biggest sources of future emissions, so China's early shift towards a low carbon economy will have a major influence on global progress. This will require not just political will, but world-class expertise. China is a unique country that faces a comprehensive set of development constraints. It has vast creativity and ability to innovate. It can serve as a test-bed for ideas and innovation, which can be shared with the rest of the world. The Climate and Development Knowledge Network (previously "the Centre for Climate and Development") will be responsible for developing links and cooperation with existing organisations and initiatives in all developing country regions, including China. During the first year, starting early in 2010, the Network will quickly develop its focus and approach to low carbon knowledge and research in China to ensure that it complements and adds value to other international initiatives. We have already started to formally discuss potential collaboration with China in regard to the Climate and Development Knowledge Network. Three avenues are being explored: Chinese involvement in the organisation(s) running the Network; a formal link with a proposed China Climate Change Centre, with the UK providing specific technical advice to the establishment of the China centre; and, of course, China formally drawing upon the services of the Network.

Climate change finance

[Paragraph 60] Estimates of the cost of adaptation vary widely. Funding sources are currently inadequate and the implications of the global economic downturn for the availability of future funding have not yet been properly assessed. We believe DFID should make clear its own plans for expenditure on climate change measures and that it should encourage other donors to do the same, in advance of the Copenhagen conference in December.

[Paragraph 61] We support Lord Stern's call for an increase in the percentage of gross national income which donors allocate to assistance to poor countries to fund adaptation. Adaptation represents an additional cost for developing countries which have made negligible contributions to greenhouse gas emissions. We believe that developed countries, who bear the greatest responsibility for climate change, should therefore provide new, additional and predictable financial flows to assist poor countries to tackle its impacts. DFID must take the lead on making clear its commitment to the principle that climate change funding will be additional to its existing pledges on official development assistance. The UK will then be in a strong position to exert pressure on the international community to adopt this approach.

[Paragraph 155] Establishing the principle of additional funding for adaptation is crucial to securing agreement in Copenhagen. We appreciate that it may be too sensitive for developed countries to make firm commitments at this stage, but the UK Government should show moral leadership and confirm that it will indeed be putting new funding on the table in Copenhagen. This would send out an important signal to poor countries that the developed world is prepared to meet its responsibilities towards them. It might also encourage other donors to be equally bold in fulfilling their clear obligations on adaptation costs.

The Prime Minister has put forward a strong proposition on climate finance for consideration in an ambitious Copenhagen deal. While some elements of the proposal are gaining traction in the international negotiations, it is unclear what the final outcome will be. The key elements of the proposal are as follows:

1. Developed and developing countries work together on a global figure of around \$100 billion per annum by 2020 to help developing countries address climate change; this would help pay for developing countries' plans to reduce emissions, technology, avoiding deforestation and for adaptation.
2. \$30 billion will be needed per annum by 2020 to fund adaptation, with international public finance meeting a significant proportion of this.
3. Expanding and enhancing the global carbon market (emissions trading) to deliver a significant proportion of this;
4. Agreeing that all countries should use a transparent and regularly updated formula—based on ability to pay and emissions—to determine how much they will each contribute, though the poorest countries should be exempted (this is already an EU position);
5. Supporting an “automatic” mechanism for generating predictable and credible flows of international public finance by auctioning a small proportion of international emissions allowances, as proposed by Norway. However, if countries are unable to participate in such a scheme, they should use comparable domestic legislation to provide adequate predictable finance (for example the provisions in the Waxman-Markey Bill);
6. Exploring possible revenues which could be generated from including aviation and maritime emissions in an agreement;
7. Agreeing to provide finance that is additional to existing Official Development Assistance (ODA) commitments, whilst also achieving the UN target of 0.7% of GNI;
8. Ensuring all ODA is climate proofed, and earmarking a distinct and limited proportion of ODA—up to 10% for the UK—where it achieves both climate change and poverty reduction objectives;
9. Agreeing to put in place new institutional arrangements for delivering climate finance that ensure developing countries' own priorities are at the centre, using “plans” drawn up by developing countries;

10. Exploring whether we should establish a new “high-level body”, with equal representation of developed and developing countries, to manage climate finance.

Governance of climate finance

[Paragraph 67] Donors cannot and should not manage developing country government budgets. It is, however, important that donors work with partner governments to establish mechanisms which would help to provide greater certainty that the large sums of money allocated for adaptation to climate change are used effectively for this purpose. We believe DFID should apply the same rigour to this as it seeks to put in place for development assistance expenditure. We request that, in response to this Report, DFID provides further information on the monitoring and evaluation mechanisms which it has or plans to put in place to ensure that adaptation funding is used for its intended purposes.

As explained in the Prime Minister’s recent announcement on climate finance, the UK Government sees effective accountability arrangements as an essential part of the future climate finance regime. We expect the same standards for fiduciary risk management to be applied to taxpayers’ money that is used for climate finance as for Official Development Assistance. Our current arrangements for climate financing reflect this. For example, in Bangladesh the UK has chosen to support the country’s own climate change plan by contributing £60 million to a multi-donor trust fund, administered by the World Bank and another £15 million for comprehensive disaster management and strategic initiatives.

The UK’s proposed “compact” approach to the future governance and delivery of climate finance—including adaptation finance—also includes provision for strong accountability arrangements in developing countries. In countries where government systems are relatively robust, this approach would entail putting finance directly into government budgets. Accountability would be ensured by a) demonstration by the government concerned of a minimum level of fiduciary risk management capacity, and b) annual reporting of progress made against agreed objectives. In countries where government systems are weaker, finance would be channelled into a national pool managed by a third party, and spent according to the country’s own plans.

Monitoring and evaluating the effectiveness of national level action on adaptation is a new challenge for donors and recipients. DFID is supporting the World Resources Institute to work with developing countries to develop and test methodologies for doing this. These will be piloted in at least one of the countries benefiting from the Pilot Programme for Climate Resilience (PPCR) and lessons will be shared at the UNFCCC and other fora. As the PPCR is the cornerstone of UK adaptation support, we have put in considerable effort to ensure one of its key functions will be to help developing countries put in place their own robust monitoring and evaluation frameworks for their climate resilient plans and programmes. Furthermore, all expenditure under the PPCR will be made in accordance with standard World Bank and Regional Development Bank procedures, in line with other ODA.

Environmental Transformation Fund

[Paragraph 65] The Government has allocated £800 million from the Environmental Transformation Fund (ETF) to be used for climate change work as part of the World Bank's Climate Investment Funds. This is a substantial sum of money and it is important that the way it is spent is properly scrutinised to ensure that it is achieving its intended objectives. We request that, in response to this Report, DFID provides us with an evaluation of the use of this ETF expenditure to date, including how it is contributing to poverty reduction, and that this information is regularly updated.

The UK has so far deposited £300 million into the World Bank's account at the Bank of England in the form of promissory notes. The World Bank acts as trustee for the Climate Investment Funds (CIFs). In June 2009, the World Bank encashed the first £91.1 million of the UK's contribution. While it is therefore too early to evaluate the use of Environmental Transformation Fund expenditure, the CIFs are progressing well. The first three investment plans for the Clean Technology Fund have been endorsed, for Egypt, Turkey and Mexico. Four projects have been approved and implementation will begin very soon. Nine pilot countries have been selected for funding from the PPCR, and programme design has now begun in these countries.

The design phases of the Scaling-up Renewable Energy Programme and the Forest Investment Programme ended in May and July 2009 respectively. Each CIF project will be monitored using multilateral development banks' standard existing monitoring systems and processes. We will work as a CIFs Trust Fund Committee member to develop robust monitoring of the CIFs that meet the UK's reporting requirements, including on how the CIFs contribute to poverty reduction. We will provide the first annual report to the IDC by January 2010.

Aviation emissions

[Paragraph 73] An air travel levy aimed at reducing aviation emissions is likely to have a greater impact on behaviour in relation to short-haul flights because travellers have more choice of alternative modes of transport for short journeys. Air passenger duty may influence a decision about whether to fly to Paris but not to Tanzania, for example. Taxation could therefore be a useful tool for changing behaviour and reducing emissions in relation to short-haul flights but is less likely to have a similar impact on long-haul journeys.

[Paragraph 76] We believe that an international aviation levy would be a welcome additional source of funds for adaptation. The International Civil Aviation Organisation may be successful in securing agreement for its proposed scheme, which it is estimated could raise up to \$10 billion a year. However, if there seems to be insufficient progress in this forum, we recommend that the UK Government consider supporting the Group of Least Developed Countries' proposal for a similar scheme, as part of the measures to be discussed at the Copenhagen summit.

Air Passenger Duty ensures that air travel, whether short or long haul, makes a fair contribution towards the UK Government's spending priorities, including public transport

and the environment. It also plays a valuable role in ensuring that passengers understand the environmental costs of their actions, in relation to both short-haul and long-haul flights

It has been agreed within the International Civil Aviation Organisation (ICAO) that open emissions trading is the most appropriate form of market based measure for addressing emissions from international aviation. However, the UK Government is not convinced that international hypothecation is the best way to raise climate finance. The Government does not in general hypothecate revenue in such a way, as it can create inefficiencies in both revenue raising and spending, as well as volatility of funding. Tax and spending decisions should be taken in the round at Budgets, Pre-Budget Reports (PBR) and Spending Reviews. To ensure sound management of public finances and maintain credibility of fiscal policy, it is essential that these procedures are followed. This also enables the wider fiscal context to be taken into account, aids good policy-making by allowing consideration of the overall economic and distributional impact of tax and spending policies, and ensures we are able to make trade-offs to meet all UK Government priorities.

The Government maintains that international aviation and maritime transport emissions should be capped, and recognises that mechanisms for reducing emissions in these sectors could also potentially yield revenues for climate financing. However, we would not support any form of mandatory hypothecation and such a system for raising climate finance from these sectors would need to respect fiscal sovereignty.

Currently, the Exchequer treats revenues accruing from the auction of emissions permits within the EU Emissions Trading Scheme in the same way as all other revenues; and finance disbursed for climate change mitigation and adaptation (e.g. the UK Government's contribution to the Climate Investment Funds) is decided through the usual Budget / PBR and Spending Review process.

[Paragraph 77] We are concerned about a possible decrease in the number of UK tourists visiting developing countries which an increase in air passenger duty might cause. We therefore also recommend that, for flights originating in the UK, compensation is given for any new Adaptation Levy on an economy fare by making an equivalent reduction in the UK air passenger duty for passengers travelling to long-haul destinations in developing countries. This could form part of any new financial commitment under the Copenhagen agreement.

The Prime Minister has put forward an ambitious initiative on climate change finance. Within this context, the UK Government will explore the role that action to reduce emissions in shipping and aviation has in providing carbon finance to generate emissions reductions in developing countries.

However, as set out above, the UK Government is not convinced that an international hypothecation is the best way to raise climate finance. Air Passenger Duty ensures that air travel, whether short or long haul, makes a fair contribution towards the Government's spending priorities, including public transport and the environment. Long-haul flights account for around 20% of all flights originating in the UK.

Towards low carbon development

[Paragraph 113] We are pleased that DFID has begun to engage in research on low carbon development paths. There is a pressing need for more research into options for low-income countries. We believe that DFID should build this capacity in developing countries and facilitate greater research collaboration between them. We welcome the establishment of the Centre for Climate and Development and recommend that its remit include development of knowledge which is relevant to, and driven by demand from, low-income countries.

[Paragraph 124] We appreciate that the Clean Development Mechanism is a relatively new mechanism and that there are bound to be teething problems. However these need to be resolved urgently. The CDM has the potential to make a significant contribution to emissions reductions in developing countries but to date it has had little impact in poorer developing countries and there are few projects in Africa outside South Africa. The geographical distribution of CDM projects needs to shift towards Africa in any new iteration of the Mechanism. Proposals to reform the CDM should have this as a primary objective. We recommend that DFID consider funding appropriate demonstration projects in Africa to encourage this. "Additionality" of projects also needs to be properly defined to help provide confidence that the Mechanism is achieving its objectives. We are also cautious about a mechanism which could be seen purely as a technical solution to harmful emissions. If developing countries are to benefit, and if the sustainable development objectives of the UNFCCC are to be met, the CDM should be more closely linked to poverty reduction strategies in developing countries. We believe that DFID should seek to address these issues at the Copenhagen conference.

[Paragraph 130] The transfer of low carbon technologies to developing countries is essential if they are to avoid high carbon growth. Greater effort is required to ensure that the benefits of rapid technical progress in developed countries are shared with developing countries, where such technologies are appropriate. Facilitating appropriate low carbon technology in developing countries is an initiative which offers potential for a joined up UK development and trade policy approach and is one which the Government should explore. The private sector has an important role to play and should be encouraged to participate. We recommend that DFID examine how it can work with the Department for Business, Enterprise and Regulatory Reform to establish a programme to facilitate UK private sector involvement in low carbon technology transfer to poor countries.

We agree with the report's recommendations on the Climate and Development Knowledge Network, the need for reform of the Clean Development Mechanism (CDM), and involving the private sector in development, diffusion and deployment of low carbon technologies relevant to developing countries.

The services of the Climate and Development Knowledge Network will be driven by demand from developing countries. It will need to provide particular support to low income developing countries where the impact of climate change is expected to be the most severe and where the institutional capacity to address climate change is often weakest.

On the CDM, we recognise that to date the supply of credits has been dominated by a relatively small number of developing countries and that many others, particularly least developed countries, have not been able to benefit from the CDM and its flows of finance. We recognise the need to enable greater participation by low income countries in the future carbon market in order to support mitigation efforts and contribute to wider development objectives. However, the primary function of the carbon market is, and should be, as an abatement tool, not a mechanism for redistribution.

Redirecting carbon market flows to countries with low emissions profiles and high costs will distort the functioning of the carbon market and undermine our overall goal to reduce global emissions. This would in turn be strongly inconsistent with development, given the high costs that unmitigated climate change would have in developing countries. Instead we believe efforts should be focused on reforming the CDM to improve its efficiency and effectiveness, supporting capacity building in low income countries, and bringing emissions from land use, agriculture and avoided deforestation into the carbon market beyond 2012. These reforms would allow least developed countries greater access to carbon market finance. Finance from the carbon market is just one element of the package of finance that will be required to support action by developing countries on climate change: public funding will also play an important role. Furthermore, the UK strongly believes that climate finance should be additional to existing ODA in order to safeguard commitments to poverty reduction.

As the Committee's report highlights, private sector investment in low-carbon growth in developing countries is essential, which is why we are working closely with the private sector itself, as well as with other government departments and international organisations in this regard. For example, we are cooperating with the UK Climate Change Projects Office at the Department for Business, Innovation and Skills on CDM issues, with a particular focus on its potential take-up in Africa. Together with the Foreign and Commonwealth Office, we are engaging with the World Economic Forum Task Force on Low-Carbon Economic Prosperity, which joins together over 80 multinational businesses, banks and investors from all geographies and sectors who support technological development and investment in the low carbon agenda, especially in developing countries. Finally, together with the UN Environment Programme's Finance Initiative and with other organisations, we are co-funding a research project which looks at innovative public financing instruments and their potential role in leveraging private sector financing for climate change mitigation and adaptation. The findings of the project should assist with furthering our understanding of the most effective ways of deploying limited public resources to attain scaled-up private sector investment into key technologies and sectors for low carbon growth.

Meeting the energy needs of the poorest

[Paragraph 135] It is inevitable that many developing countries will continue to rely on fossil fuels and biomass for their energy requirements for some time to come. However these countries are historically low emitters and equity demands that they should be permitted to ensure that the poorest people are able to meet their basic energy needs even where this relies on high carbon methods. Emphasis on low carbon growth should not take precedence over ensuring developing countries can tackle more immediate

social needs. Small-scale initiatives such as the jatropha fuel project we saw in Kenya provide innovative opportunities to improve the livelihoods of the poorest whilst meeting their energy needs in a sustainable manner. Scaling up such small-scale projects and replicating them across developing countries is the next essential stage and requires the support of donors, including DFID.

[Paragraph 138] Meeting the energy needs of the poorest in a sustainable way means that low carbon technologies must be made available, free or at a low cost with high incentives, to the poorest and most vulnerable. This includes biofuel technologies where opportunities exist to develop these sustainably and without negative repercussions on food security. We understand that more research is needed into how best to ensure low carbon technology and know-how is transferred from developed to developing countries, and between developing countries. Methods of scaling-up from pilot projects to commercialisation also needs examination. This research should form part of the remit for DFID's new Centre for Climate and Development and where possible should be undertaken in developing countries. While many developing countries are currently low emitters it is important that research is carried out quickly so that it is available as they begin to move towards increased industrialisation.

We agree that countries with very low emissions should not be expected to sacrifice their development objectives as a result of climate change. This is why DFID has emphasised low carbon growth. We recognise the serious constraints that many low income countries face in meeting their energy needs, and welcome the attention that is now being given to this issue. Evidence shows that low carbon technologies are frequently the least-cost solution to rural energy access under a wide range of conditions, and this is before environmental and climate change benefits are considered. This is why we are putting significant funding into the Scaling-up Renewable Energy Programme (SREP) as part of the UK's £800 million Environmental Transformation Fund (international window), which will demonstrate how low carbon approaches can be incorporated into energy sector development in such countries.

Simply increasing energy access will not on its own solve the problem—this must be combined with enterprise creation and new job opportunities so that improved energy provision helps support local economic development, for example, by powering mills, workshops, or health and education facilities. Such an approach helps ensure that energy services are financially viable over the long term.

In relation to biofuels, for some countries these could be an appropriate response, either for domestic consumption (thereby contributing to national fuel security and reducing imports of expensive oil); or for export (thereby contributing to economic growth). Suitable countries are typically those with plentiful land and water resources, such as Tanzania and Mozambique. DFID is currently co-funding a World Bank study seeking to establish principles of best practice for biofuels development in Africa. This is expected to be finalised later this year. Any scaling up needs to be undertaken with care, and will require strong monitoring and regulation by national governments. The World Bank study will help national governments develop appropriate regulatory policies. In addition, DFID is supporting economic and social research through the Consultative Group on International Agricultural Research (CGIAR) which will help developing countries

respond to biofuel market opportunities in a way which protects domestic food security and the livelihoods of the poor, as well as developing new crops as a source of biofuels.

As the report points out, we need to do more to scale up low carbon technologies from pilot phase to commercialisation and mass deployment. This is why we have recently begun a new work programme to explore how “advance market commitments”, which have been used in the health sector to promote investment in vaccines, could be used to create markets for low carbon technologies at scale. The Climate and Development Knowledge Network will also help developing countries to understand the commercialisation and scaling-up of low carbon technologies and support faster implementation on the ground. The Network will have a particular focus on getting knowledge and research into use in developing countries. It will be responsive to their needs and will use their expertise wherever possible. The Network’s inclusive approach will facilitate the sharing of experience and knowledge in and between developing countries. Capacity building is an important feature of the Network’s planned activities, since many countries lack capacity in climate change. Technologies and know-how will also be deployed more quickly if strong incentives are in place, so the Network will help countries to understand low carbon development opportunities, policy implications and finance.

Economic growth and natural resource management

[Paragraph 51] Economic growth cannot be sustained unless it takes into account the proper value of the resources upon which it depends. Conservation and preservation of natural resources are therefore contributors to sustainable development. DFID has not been directly involved in the marine or forestry sectors for some time and yet they are vital to poverty reduction in some countries. We believe that the Department needs to begin to re-establish its engagement in them. DFID has a water resources management strategy. It should also now urgently consider developing marine and forestry management strategies. The potential for development in these sectors should also be included in the work of the new International Growth Centre.

DFID recognises that business as usual growth at the expense of the environment is no longer an option. The new White Paper explicitly recognises the need to take into account the full value, and impact on, the environment. It sets out our plans to help countries achieve green growth, and how we plan to deliver on our commitments on sustainable forest management. To help achieve this, DFID and Defra plan a new initiative to support developing countries value their natural capital for sustainable growth. This will build on existing work such as The Economics of Ecosystems and Biodiversity initiative (TEEB), and will use research results from the new Ecosystem Services and Poverty Alleviation programme, a joint initiative of DFID, the Natural Environment Research Council and the Economic and Social Research Council.

We agree about the vital role of renewable natural resources, especially forests and fisheries, as the engines of sustainable growth in developing countries. The International Growth Centre (IGC) has been established to promote sustainable growth by answering questions from developing country policy-makers and providing country-specific advice. If developing countries identify fisheries and forestry as priority sectors, the IGC will look to see how they can best support them in these areas.

Defra lead on the international regulation of marine and forestry issues. While DFID's bilateral programmes on fisheries and forestry have reduced, DFID has remained active in these sectors. It has continued to support fisheries and forestry research, and has supported programmes aimed at governance and institutional reform to tackle illegal logging and fishing. For example, DFID and Defra played a leading role with the EC in developing the Council Regulation (No 1005/2008 of 29 September 2008) to prevent, deter and eliminate illegal, unreported and unregulated fishing.

DFID closely supports the negotiation of Voluntary Partnership Agreements aimed at tackling illegal logging between the EU and key forest nations. These have a key role in governance reform in a number of countries. DFID and Defra are also playing a leading role with the EC in the negotiation of the proposed Council Regulation 644/2008, the timber Due Diligence Regulation, which sets out the responsibilities of operators placing timber and timber products on the market.

In June 2008 the UK and Norwegian Governments set up the £100 million Congo Basin Forest Fund to help local communities in eight countries make a living from forests while at the same time protecting them.

DFID is building upon these efforts and has made other significant new commitments in forestry and fisheries over the last two years. These include: the Forest Governance and Trade Programme (£24 million); the Forest Investment Programme (£100 million); and, the Partnership for African Fisheries with the African Union and New Partnership for African Development (NEPAD) (£7 million). DFID and Defra are also planning a new programme on international fisheries governance and trade policy.

Tourism

[Paragraph 89] We understand that it is not possible for DFID to be involved in every sector in developing countries and appreciate that tourism may be an area where it feels it no longer has a comparative advantage. However, given the economic importance of the tourism industry to so many developing countries in which DFID has a programme, and its inclusion in many Poverty Reduction Strategy Papers, the Department cannot afford to ignore it. Capacity-building in the sector, including training and development for local employees, could form part of DFID's livelihoods and growth programmes in countries where tourism makes, or has the potential to make, a significant contribution to the economy.

[Paragraph 91] We accept the argument that it is important for the UK to maintain its engagement with the UN World Tourism Organisation. If the Department for Culture, Media and Sport is not able to continue to find the membership fee, we believe that DFID should take this over. We believe that membership of the UN World Tourism Organisation would sit comfortably within DFID's remit and would enable it to influence wider debates on the contribution that tourism can make to poverty reduction and on the need for the tourism sector to address climate change.

DFID country programmes will consider tourism initiatives where they judge them appropriate for helping partner countries deliver their growth and poverty reduction objectives. However, we anticipate that these will remain few in number and DFID will

not devote centralised resources to tourism initiatives. This is consistent with DFID's overall policy on growth, which is not geared towards specific sectors except where deficiencies in those sectors are imposing constraints on overall growth or where the sector is especially important for maximising the opportunities for significant numbers of poor people to participate in growth (such as agriculture). Much of DFID's growth work focuses on helping partner governments improve the overall environment for private sector activity and in so doing benefits all sectors including tourism. In those cases where specific support for tourism fits with this framework and where we can demonstrate clear links to poverty reduction then DFID country programmes would consider supporting the sector.

We do not agree that the UK should continue its membership of the World Tourism Organisation. The decision to withdraw was not taken lightly but was based on an assessment of where the Government should best focus resources to deliver international tourism objectives, including those of poverty reduction and climate change. It was judged these could be best pursued through a range of other international and regional fora, including the EU Tourism Committee and the World Travel and Tourism Council. The UK is also a member of the OECD's Tourism Committee. DFID's vision for the UN, set out in the new White Paper, is of a focused and effective UN, where the agencies plan, manage and deliver as one for the most vulnerable people. This will mean hard choices about the areas where the UN can add real value and where it cannot, and where the UK Government should focus its support for the UN's efforts.

Food and horticulture exports from developing countries

[Paragraph 100] There is a danger that steps taken by consumers in the UK to reduce their contribution to carbon emissions may lead them to avoid buying produce from developing countries in the mistaken belief that air-freighted food and flowers necessarily have a higher carbon footprint. We believe that consumers need accurate information about the way products have been grown as well as transported. Labelling imported fresh produce to show total carbon emissions for the whole production cycle would be a useful tool to enable consumers to make informed choices about the goods that they buy. We believe the UK Government should conduct research on how such a scheme might be introduced and carry out an assessment of the potential benefits to producers in developing countries.

[Paragraph 101] The Government could also consider paying to offset the air freight emissions of horticultural products from developing countries. Ideally this would be done through funding sustainable mitigation projects in the exporting countries, which would provide poor countries with a double dividend of supporting their export earnings and contributing to their domestic low-carbon development. This proposal could be a worthwhile use of funds, particularly if it could be counted against compliance with any financial commitment made as part of a new global agreement reached at the Copenhagen summit. We therefore recommend that the Government explore its feasibility prior to the Copenhagen conference and report back to us on its conclusions.

Current evidence suggests that environmental labelling in itself actually has limited impact on consumer choice at present, partly because of the complex factors behind choice and

behaviour and because labels may run the risk of confusing rather than helping consumers. However the UK Government agrees this needs to be explored in more detail and the Department for Environment, Food and Rural Affairs will shortly be commissioning a research project to look at various green labelling schemes, the practicalities of such labelling, their impact on consumer behaviour change and cost/benefit analysis to the food industry. This study will include consideration of how imported foods could be included in such labelling schemes and how trade might be affected by their introduction.

It is important that the agreement at Copenhagen provides sufficient finance to enable developing countries to take action on mitigation and adaptation. However, the proposal of paying to offset emissions for horticultural products would not only be very complicated to administer, but is also unlikely to be feasible as a global climate finance mechanism. The complexity of the mechanism proposed would make it expensive to administer and difficult to ensure that mitigation reductions were achieved. This would not be a politically feasible proposal for agreement internationally at Copenhagen since it would entail payments for embedded carbon. The UK is leading on proposing a global fund for adaptation and mitigation to which all countries except the least developed would contribute according to their capabilities and responsibilities. We are pushing for agreement on these principles at negotiations; a proposal to incorporate offset payments into this mechanism would complicate and undermine this negotiating position.