



POLICY BRIEF:

Combatting the greatest threat to livelihoods, security, and wellbeing

Climate change will disrupt and reverse economic and human development. In partnering to support stability and economic recovery in our near region, the Government must invest in ways that protect it from its greatest risk and threat.

KEY POINTS

- Climate change has the potential to undo decades of development progress. Locally led recovery from COVID-19 needs to support people in our region to build longer-term social, environmental and economic resilience.
- Addressing poverty and inequality cannot be effective without addressing global climate and environmental impact. Integrating the co-benefits of climate and biodiversity gains into livelihood and socio-economic development will be essential to all climate resilient future programming.
- Climate change will have a greater impact on the poorest and most marginalised people around the world, in particular women and girls.
- Local communities including women and girls, and indigenous groups, faith leaders, people with disabilities and young people have been at the forefront of leadership on climate change, often combining traditional practices and cutting-edge science. Locally led responses to climate change need to be prioritised both in their own right and with systems strengthening and building technical and financial capacity.
- By reclaiming its global leadership in climate finance, Australia can benefit by strengthening its reputation and influence globally and particularly in our region. The strengths of Australia's climate finance have included the equal distribution of finance between mitigation and adaptation and its delivery through grants rather than loans. However, Australia currently sits near the bottom of global rankings for financing commitments and broader climate action.
- Without greater domestic and international ambition on climate change, Australia's development assistance program will be undermined as will our diplomatic relationships and international reputation and influence.

RECOMMENDATIONS

1. Recommit to global leadership in climate finance by:
 - a. Re-engaging with global financing mechanisms that support the goals of the Paris Agreement and prioritise direct access modalities for developing countries.
 - b. Prioritising the rights and needs of the most marginalised groups in communities and are gender-responsive, disability-inclusive, age-sensitive and child-sensitive.
 - c. Commit to transparent and consistent reporting of climate finance that reflects the real value to developing countries, including:
 - Report full project lists;
 - Account for the share of climate finance provided at the local level; and
 - Where climate change is part of a broader development project, report the full value of the project and the estimated value of the climate change activities.

RECOMMENDATIONS

- d. Commit to new financing for loss and damage through the operationalisation of an effective Santiago Network on Loss and Damage, including providing action and support for vulnerable developing countries and covering different types of loss and damage, including displacement and migration, biodiversity and ecosystem losses and food security.
2. Increase international climate finance to meet its fair share. This finance should include:
 - a. An immediate increase to \$3 billion over the period 2020-2025;
 - b. A plan to scale up to \$12 billion annually by 2030 (based on Australia's current 2030 emissions reduction target);
 - c. A commitment to being new and additional to the existing aid budget;
 - d. Fully grant based finance with at least half provided as grants for adaptation objectives, with locally-led and gender-responsive activities prioritised
3. Develop a clear policy to guide engagement in carbon offset markets both here and overseas. Such a policy should be underscored by clear principles and objectives which prioritise, accountability, co-benefits, fair and equitable participation and protection of the rights of indigenous and marginalised peoples (particularly land and resource rights).
4. Build from successes and lessons of locally led programs, including:
 - a. Expand resources and support for locally led action on climate change – in line with developing countries' own national planning, policies and strategies - promoting gender justice, human rights and social inclusion.
- b. Ensure adequate and accessible climate funding to communities, particularly to diverse groups, including people with disabilities, youth and feminist and women-led organisations.
- c. Integrate transformative adaptation programming by addressing the drivers of vulnerability, building response capacities and managing climate risks on resources and livelihoods, and developing comprehensive actions that builds on local, indigenous and women's unique knowledge and perspectives in adapting to climate change.
- d. Track and report on how much climate finance is spent at the local level and on locally led priorities.
5. Reverse the degradation of ecosystems and foster their recovery as a key component in the Australian programs and partnerships; including by:
 - a. Joining other nations in committing to and supporting global pledges to reverse forest loss and increase forest related finance, including the UN Decade of Ecosystem restoration and the attached Multi-partner Trust Fund.
 - b. Developing objectives and indicators to protect and restore biodiversity with development co-benefits across Australia's development assistance program.
 - c. Implementing socially responsible and equitable biodiversity programs, including nature-based solutions to climate change, with a strong focus on promoting participation of indigenous people

CLIMATE CHANGE AND POVERTY

It is estimated that by 2030, climate change impacts could push more than 100 million people back into poverty.¹ Climate change compounds the global biodiversity crisis already affecting the health and integrity of the ecosystems upon which many communities and economies depend. The Intergovernmental Panel on Climate Change identified that the poorest people across the globe will continue to experience the worst effects of climate change through lost income and livelihood opportunities, displacement, hunger and adverse impacts on their health.²

The pandemic has significantly shifted both development priorities and approaches over the last few years. Despite this challenge, regional and global leaders have called for the global community to ensure that addressing climate

change remains a central focus for development. COVID-19 has provided challenges for international development but it also provides new opportunities to shape an environmental and climate sensitive recovery. However, an assessment by OECD indicates that just over 20% of COVID-19 measures announced by OECD countries and major emerging economies suggest including an explicit focus on environmental objectives. The remaining measures either did not consider environmental dimensions, or actually reverse progress on some of them.³ The Australian Government's development program should support a COVID-19 recovery which supports people in our region to build longer-term social, environmental and economic resilience. Addressing poverty and inequality cannot be effective without addressing global climate and environmental impact.

CLIMATE FINANCE

Climate finance is considered one of the three pillars for collective climate action under the UNFCCC, along with climate change mitigation and adaptation. It is also central to delivering climate justice to those in low-income countries who have done the least to cause climate change and have the least resources to deal with the impacts. Fair, accessible, and reliable climate finance is critical to the stability, sustainability and resilience of low-income countries and regions as they face compounding crises of climate change and the COVID-19 pandemic.

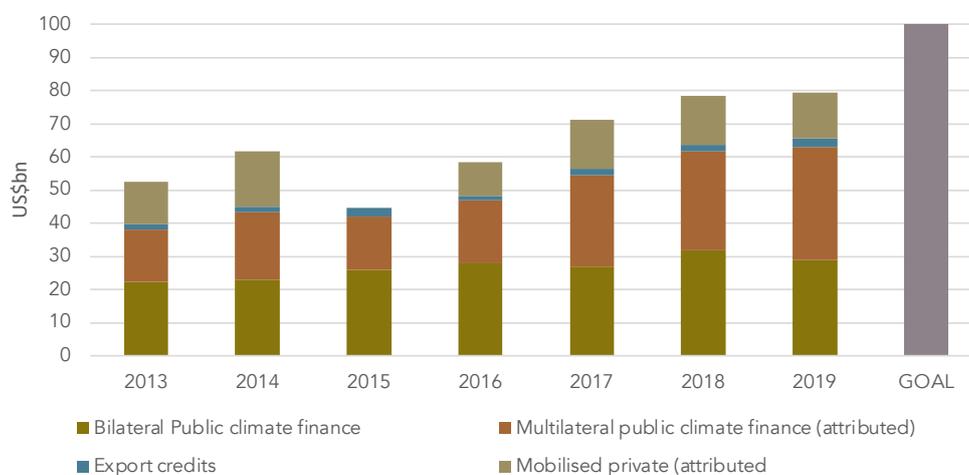
Climate finance provided and mobilised by developed countries continues to fall short of the global commitment to reach \$USD100bn in climate finance for developing countries.⁴ Whilst Australia's climate finance to date has been grants only, the majority of public climate financing globally continues to be provided in the form of loans, potentially increasing the debt burden of vulnerable countries.⁵ Further, the majority of global financing is provided for mitigation actions despite the fact that countries are already facing the impacts of climate change and the need to adapt will continue to increase.

Climate finance for Small Island Developing States, including our Pacific neighbours remains significantly lower than other regions and did not grow in 2019.⁶ Not enough climate finance is reaching the people most in need, with only US\$1 in every US\$10 of climate finance committed in 2017 for delivering local level climate action.⁷ While low-income countries are vocal about the quantity of climate finance mobilised, the quality of climate finance is also a key consideration.

Australia was instrumental in discussions at COP15 that led to the establishment of the \$USD100bn climate financing goal. Since then, the strengths of Australia's climate finance have included the equal distribution of finance between mitigation and adaptation and its delivery through grants rather than loans.⁸ However, Australia currently sits near the bottom of global rankings for financing commitments and broader climate action.⁹ Australia is spending about 1% of its foreign aid budget on climate change adaptation projects, far below comparable donor countries such as Canada (10%).¹⁰ There are also concerns about the inconsistent accounting methods that allow countries to report funding for projects with limited or no climate action objectives.¹¹ Australia's contributions to multilateral climate financing mechanisms have also declined markedly since 2017.

Australia has the responsibility and capability to expand climate finance commitments and ensure that low-income countries, including our Pacific Island neighbours, can adapt to worsening climate impacts. Based on Australia's wealth and greenhouse gas emissions, Australia's fair share is estimated at 2.5% of global climate action.¹² It is possible for Australia to meet its fair share target by strengthening domestic mitigation targets and reallocating some of the resources that are currently funnelled into fossil fuel subsidies to global climate solutions.¹³ The Australian Government should not continue to draw on a stretched aid budget and should continue its commitment to new and additional climate funding provided in grants with an equal focus on mitigation and adaptation.

Figure 1: Climate finance for developing countries: Climate finance provided and mobilised by developed countries, in USD billions



Source: OECD (2021), Climate Finance Provided and Mobilised by Developed Countries

SUPPORTING LOSS AND DAMAGE TO REDUCE DEBT

Global efforts to reduce carbon emissions and financing for climate action must accelerate to minimise and avert climate impacts. However, even accelerated action will not be adequate to deal with the loss and damage already being experienced which cannot be adapted to. Between 1990 and 2018, average annual cost of climate-related damage across the Asia Pacific Region was 50% more than the global average.¹⁴ As emission reduction ambitions continue to lag behind required levels, loss and damage from climate change becomes a greater threat. The global humanitarian system is already overwhelmed, with the

number of people in need of humanitarian assistance increasing in the period between 2015 and 2021 to 235.4 million – up by 40% on the number in 2020.¹⁵ Without new sources of funding to specifically address loss and damage, vulnerable countries are at risk from spiralling debt as they struggle to recover from compounding shocks, including the current pandemic.¹⁶ The Australian Government should be active and supportive of the operationalisation of an effective Santiago Network on Loss and Damage, protecting vulnerable developing countries from taking on further debt.

SHAPING ACCOUNTABLE AND TRANSPARENT CARBON MARKETS

A 2019 World Bank report indicated that 96 country climate pledges – about half of all Nationally Determined Contributions – refer to the use of carbon pricing initiatives.¹⁷ Carbon markets have the potential to make it easier and cheaper for countries to reduce emissions and the better harness private sector funding into climate change action. However, there is also the potential for such a market to undermine mitigation ambitions, if for example double counting is allowed, and to undermine human rights, justice and biodiversity if the price of offsets incentivised a race to the bottom for quality of project.¹⁸

Quality projects that reduce risk and deliver co-benefits take time, development investment and expertise. Government to Government support is needed however, key expertise sits with the NGO and private sector. However, well-designed projects, once established, can deliver carbon offsets and co-benefits for decade.

Demonstrating the integrity of carbon offsets and co-benefits, is important but also can result in a higher proportion of project revenue going to technical consultants, auditors and standards and less to communities. There is a need to ensure that the market barriers associated with climate action do not disproportionately impact poor or marginalised communities. This includes fostering innovation to enable demonstration of offset integrity efficiently and affordably for that support accessibility and foster co-benefits (e.g. community based monitoring).

The Australian Government should develop a clear policy to guide engagement in carbon offset markets both here and overseas. Such a policy should be underscored by clear principles and objectives which prioritise, accountability, co-benefits, fair and equitable participation and protection of the rights of indigenous and marginalised peoples (particularly land and resource rights). Climate mitigation, including offset action, should be integrated with adaptation and the development agenda.

Australian Government should be a strong voice for accountable, transparent and equitable global finance mechanisms which prioritise inclusiveness, protection of human rights and access to the benefits for all including the most marginalised groups in communities. By reclaiming its global leadership in climate finance, Australia can benefit by strengthening its reputation and influence globally and particularly in our region.

CLIMATE JUSTICE

The effects of climate change will be most felt by the global poor – those who have benefited the least from the economic activities that have caused accelerated climate impacts. Further, the impacts of climate change will increase poverty and inequality reducing future generations' chances to achieve their development goals. We have a moral imperative and a global responsibility to urgently act to minimise the causes of climate change.

Climate change is threatening livelihoods, food security, homes, and safety around the world, undermining people's human rights. In 2019 alone, over 19 million people were displaced by natural hazards in Asia and the Pacific, which accounted for around three-quarters of the global total.¹⁹ These effects will have a greater impact on the most marginalised people around the world, including:

- Natural disaster – both sudden and slow onset – can significantly affect the access of people with disabilities to food and nutrition, safe drinking water and sanitation, health-care services and medicines, education and training, adequate housing and access to decent work²⁰;
- Sexual and gender minorities are at greater risk of marginalisation, violence and 'falling through the cracks' during disasters and response²¹
- As water, food and fuel become more scarce, women and girls must spend more time on unpaid domestic labour, increasingly risking exposure to environmental and interpersonal hazards. Women may experience increased domestic violence as a result of climate-change related water and food shortages²²

"Climate change is a common concern of humankind, Parties should, when taking action to address climate change, respect, promote and consider their respective obligations on human rights, the right to health, the rights of indigenous peoples, local communities, migrants, children, persons with disabilities and people in vulnerable situations and the right to development, as well as gender equality, empowerment of women and intergenerational equity"

The Glasgow Climate Pact 2021

Effective climate change responses must rely on approaches by the whole of society in order to be successful. However, most disaster responders and decisions makers are men— who frequently do not consult with women or other marginalised groups.²³ Women and people with disabilities are underrepresented in formal decision-making bodies at the global, national and local level. Inclusion of diverse groups in decision making bodies is needed to enhance a clearer understanding of impacts and better policy and programmatic responses.

Australia has international human rights law obligations under relevant human rights treaties, as well as the United Nations Declaration on the Rights of Indigenous Peoples, which should be fully respected, protected and fulfilled. These treaties provide a framework for how to respond to many people who are most affected by climate change, including; children, women, Indigenous peoples and people with disabilities. Both in its own program and as a voice globally, Australia should champion socially responsible and equitable solutions to climate change with a strong focus on promoting participation of indigenous people and local communities, and mobilising and valuing indigenous knowledge systems.

LOCAL LEADERSHIP AND INNOVATION

Countries who are most impacted by climate change have been at the forefront of global advocacy and leadership on climate change. The narrative of the very real vulnerability of the Pacific Islands, and other vulnerable regions, to climate change belies the leadership of communities, often combining traditional practices and cutting-edge science, to build the resilience of their communities and ecosystems in the face of increasing climate risk. Communities need to be supported to transition towards an environmentally sustainable economy that is no longer reliant on fossil fuel energy and contributes to decent work for all, social inclusion, and the eradication of poverty. In the Pacific, actions such as revitalising traditional wells, traditional farming practices and growing protected areas highlight the value and strength of locally led responses to climate change that need to be supported both in their own right and with systems strengthening and building technical and financial capacity.²⁴

The Australian development assistance program has experience in supporting locally led approaches and programs, such as:

- Shifting the Power coalition, which brings together women-led civil society organisations across six Pacific Island countries to promote women's leadership on disasters and climate emergencies;
- Disaster READY, an inclusive disaster preparedness and resilience program delivered by NGOs working with and through local partners;
- Science Circus Pacific, a partnership of the Australian National University and Pacific Universities and NGOs providing a climate and STEM education programs to schools, universities and communities in the Pacific;
- Integrated Coastal and Mangrove Forest Protection in the Mekong Provinces which

supported Governmental authorities at national and provincial levels in Vietnam and Provincial People's Committees to utilise their strengthened planning, technical and financial capacities to foster climate-resilient development of the Mekong Delta.

However, a 2018 evaluation of 26 of Australia's Official Development Assistance (ODA) climate change investments, only 23% demonstrated evidence of gender-related outcomes even when projects had gender-specific targets.²⁵

Building from successes and lessons of locally led programs, the Australian Government needs to ensure that resources

ENVIRONMENTAL SAFEGUARDING IS NO LONGER SUFFICIENT

Environmental safeguarding is no longer sufficient to progress climate and development gains, instead development programs must take action to halt the degradation and support the restoration of vital ecosystems and their services. The Australian Government should support the UN Decade on Ecosystems Restoration 2021-2030 as a tangible commitment to the Glasgow Leaders Declaration of Forests and Land Use, a key action to combat climate change, and build development partnerships to reverse the degradation of ecosystems and foster their recovery as a key component in Australia's development assistance program.

Exploring ways to integrate the co-benefits of climate and biodiversity gains into livelihood and socio-economic development will be essential to all climate resilient future programming. Approaches such as nature-based solutions have the potential tackle climate mitigation and adaptation at relatively low-cost while delivering additional benefits for livelihoods and communities.²⁶ However,

and support for locally led action on climate change is expanded. This must shift not just funding to locally led initiatives but also power and decision making. Integrating gender-based, economic and political inequalities that are root causes of vulnerability into adaptation programming is essential to ensuring equitable and effective programs. Funding must be adequate and programs accessible to diverse and marginalised groups. Tracking and reporting on how much climate finance is spent at the local level and on locally led priorities would be a useful step to prioritising and implementing locally led approaches.

such investments need to be backed up by a crosscutting strategic objective and supporting indicators to protect and restore biodiversity to ensure they are not maladaptive. Further, they need to place local communities at their centre and ensure equitable access to the benefits of development. Indigenous people and local communities possess priceless traditional knowledge and expertise in natural resource management but are often excluded from the economic benefits of nature-based solutions.

Australia's development assistance program needs to shift beyond environmental safeguarding to champion socially responsible and equitable solutions to climate change that integrate the co-benefits of climate and biodiversity gains into livelihood and socio-economic development. To support this, crosscutting strategic objective and supporting indicators to protect and restore biodiversity in Australia's development assistance program need to be developed, tracked and reported on.

GREATER DOMESTIC AMBITION IN LINE WITH GLOBAL CREDIBILITY

The Australian Government has committed to global and regional agreements, including the Paris Agreement, the Boe Declaration on Regional Security and the Kainaki II Declaration, to urgently address climate change. However, to date, the Government's national ambition and level of climate finance and action within the development program is not in line with the scale and pace of action necessary to help limit warming to levels outlined in global and regional agreements.

Our current domestic emissions ambitious are not in line with our share of meeting an agreed global target to reduce greenhouse gas emissions. This undermines our impact and credibility globally. Under the principle of 'Common But Differentiated Responsibilities', Australia should take responsibility for a reduction in greenhouse gases emissions based on our historical and current levels of pollution. This would require a clear, effective and credible pathway significantly reduce emissions in line with Paris

agreements to aim limit global warming to 1.5 degrees Celsius and recognising the immediate impacts of climate change on our neighbours and other vulnerable regions.

Australia needs a national ambition, supported by all political parties and in line with the scale and pace of action necessary to help limit warming, the efforts to address climate change through our development assistance program will be undermined, as will our diplomatic relationships and international reputation and influence. Multi-party support for credible mitigation pathway would provide predictability and confidence for Australia's development partners.

Australia needs a multi-party commitment for a national plan to slash climate pollution this decade including a path to transition away from fossil fuels. This should begin with ending fossil fuel subsidies domestically and, in line with the US, UK, EU and others, supporting a similar position with multilateral development banks.

ENDNOTES

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