

**14th INTERNATIONAL ANTI-CORRUPTION CONFERENCE
RESTORING TRUST: GLOBAL ACTION FOR TRANSPARENCY**

Long plenary report

Plenary title: Climate Governance: Ensuring a Collective Commitment

Date and time: 12 November 2010, 12:00-13:30

Moderator: David Bottomley, Assistant News Editor, Dow Jones

Panellists:

Iruthisham Adam, Ambassador/Permanent Representative of the Maldives to the United Nations Offices of Geneva and WTO

Patrick Alley, Founder and Director of Global Witness

Manish Bapna, Managing Director, World Resources Institute

Andrew Wardell, Governance Programme Director, CIFOR

Daphne Whysham, Fellow and Board Member, Institute for Policy Studies

Rapporteur: Krina Despota, Contributing Editor, Transparency International

Climate change has quickly become an issue demanding major attention. With increased and significant funding flows have come growing concerns about how that money is going to be spent and whether there are currently sufficient balances in place to ensure that the money is used effectively and not misappropriated. Yet as countries pursue their own economic and social agendas, the question that must be asked is whether seeking a collective commitment is realistic. The panellists looked at this and other challenges related to ensuring integrity and transparency in various aspects of climate governance.

Iruthisham Adam suggested that the negotiations in Copenhagen revealed two key issues. First, that states are willing to commit enormous sums of money to fight against climate change if certain conditions are met, and second, that these conditions centre on governance and trust. These issues are likely to emerge again at the COP16 in Cancun.

Yet seeking collective action is difficult in part because of the diverging interests of developed and developing countries. The latter want to hold countries to their pledges and want to hold industrialised nations responsible for their reduction commitments. Developed countries, for their part, want assurances that the money they commit will be used for projects that will help the most vulnerable.

Climate finance must be applied in a way that respects and promotes full enjoyment of human rights and be consistent with participatory and procedural rights. For adaptation and national climate change policies, this means access to decision-making and access to information, as well as the right to justice. Climate change projects must be focused on equity and oriented

towards the groups most vulnerable to climate change, especially children, the elderly, women and those living in particularly vulnerable areas.



The risk persists that climate finance will be allocated in a corrupt or unjust way that is inconsistent with needs. One of the main obstacles to achieving this is that there are no multilateral governance structures in place that address these concerns or foster trust.

As an acutely vulnerable country, the Maldives wants a robust MRV (measuring, reporting, verifying) package that would enable trust. Yet while MRV has received a lot of attention, on its own it is not enough. A new UNFCCC treaty could consider adopting a peer review mechanism. Under such a system, states could hold an individual country accountable for its actions and inactions and work together to address shortcomings. These will make the system more transparent, robust and effective and could lead to increased levels of commitment. For example, if China and India had a forum, they could discuss and verify their reports, this would lead to greater trust in the process, and in turn, increase levels of commitments. Such a peer review mechanism could help move forward very difficult climate negotiations.

Manish Bapna focused specifically on the governance risks associate with financing for adaptation to climate change. He noted the urgency of the situation, explaining that the planet has already warmed .8 degrees in the last 100 years, with most scientists now arguing that we are already witnessing some of the effects of climate change, for example, the recent fires in Russia. Yet fossil fuel emissions—responsible for much of global warming—are actually increasing. While important to try to keep warming below 1.5 degrees Celsius, it is also necessary to focus on adapting to temperature increases closer to 3 to 4 degrees.

The Copenhagen Accord called for US \$30 billion/year from 2010-2012, going up to US \$100 billion by 2020 for adaptation and mitigation activities. The question is, will this money be used well and will it be effective? One of the key challenges is overcoming corruption risks that could effect the management, generation and spending of these funds.

Over the past 12 months a number of developed countries have made individual financing pledges for developing countries. One condition for these funds is that they be new and additional, but as more light is shed on where this money is coming from, it is evident that money is being diverted from official development assistance. Thus the influx of money is actually decreasing trust between State Parties.

In management of adaption money, there is a question over whether funds should be allocated to multilateral organisations such as the World Bank, as rich countries would like—they argue that developing countries may not have adequate fiduciary controls—or whether developing countries should receive money directly.

With only a very small window available to drive-down emissions, one of the key challenges to climate change comes in trying to balance the need for checks and balances in climate institutions against the necessity of distributing funds quickly enough to ensure their maximum impact. But the need to spend the money quickly could contribute to corruption risks. This is not helped by the fact that many large-scale adaptation projects will rely on sectors that are characterised by corruption, such as the water sector or disaster-relief. While money is likely to go to adaptation projects that are concrete-heavy, small and flexible responses are often more appropriate. For example, officials in Ho Chi Min city were planning to build concrete sea walls to protect against rising water levels until a recent study demonstrated that planting mangroves would be cheaper, more effective and sustainable.

Over the last few years, a number of institutions are being established at the national level to coordinate adaptation efforts. These include the Climate Change Resilience Fund in Bangladesh and the National Survival Fund in the Philippines. These are good but fragile institutions, which require the support of civil society—especially at national-level—to ensure

that they are transparent and effective. The crux to their success will be determined by whether they can be seen as legitimate by developed and developing countries alike.



Patrick Alley informed the audience that deforestation is responsible for around 18 per cent of global greenhouse gas emissions, more than the global transport sector. If deforestation is not stopped, it will be impossible to contain global temperature increases to within 2 degrees Celsius above pre-industrial levels. Therefore it is necessary to change the way we think about forests.

The UN REDD mechanism, by which countries can receive compensation for preserving their forests, offers one of the greatest opportunities to save the world's forests that there has ever been. Nevertheless, there are concerns that vested interests could co-opt the process. The logging industry is seeking to both expand deforestation and earn money from REDD. Donors are working with logging companies because they believe logging to be inevitable and think that they might be the best managers of the forests, but this belief is misplaced.

In the last fifty year, efforts to improve the forestry sector have failed to deliver and deforestation continues at an unsustainable rate, in large part due to corruption. Many of the tropical forested countries most crucial for climate change mitigation belong to the most corrupt countries. The risk is that these countries and the forestry industry may maintain the status quo while nevertheless gaining subsidies from climate financing.

Under the existing system it is impossible to stop deforestation. It is therefore necessary to move away from this paradigm and ensure that people who are reliant on forests are able to participate in and benefit from REDD.

Andrew Wardell said that in many instances, the lack of credible information on the issue of climate change is adding to confusion and slowing progress in the climate debate. Demands on the forestry sector are increasing, driven in part by; growing demand for primary goods, particularly from BRIC countries; investment in commercial food and biofuel crops; increasing demand for REDD+ concessions; stepped-up commitments to bring 17% of land under protected area management and restore 15% of degraded land; huge growth in both published and online information and the continuation of illegal logging and trade as a lucrative global business.

While debates on climate change are ongoing at global, national and local level, there are widespread difference of opinions on the opportunities and challenges of the REDD+ mechanism. With internet-based information ensuring rapid and global reach regardless of the quality of that information, there are few, if any, mechanisms in place to check the accuracy of the information which is being disseminated. With media and the internet sometimes serving as channels for misrepresentation of science, independent research institutes have a critical role to play in providing accurate and science-based information and advice. Yet both corporate lobbyists and environmental activists have been involved in cases where facts on climate change have been distorted or misrepresented. For example, some representatives of corporate interests have suggested that two-thirds of deforestation is attributable to poor people in low-income countries. On the other side of the debate, some networks of environmental activists have wrongfully cited Shell as funding REDD projects. Recommendations to improve the quality of climate information in the public sphere are included in the next sector.

Daphne Wysham argued that carbon offset trading should be eliminated. Offsets enable developed-country businesses and industries to purchase greenhouse gas emission credits derived from mitigation projects in developing countries. The most prominent offsetting system is the Clean Development Mechanism (CDM). One significant objection is that purchase of offsets allows industries to continue with business-as-usual rather than to make changes in their practices and methods of production.

Various studies of offsets, such as those by the US Federal Trade Commission and the US General Accounting Office have found that the intangibility of offsets credits make it impossible to verify their integrity, and contributing to greater corruption risks.

Opening the door to carbon offsets also means opening a door to carbon derivatives which can create market risk. Few institutions understand how to monitor these transactions, yet trillions of dollars in carbon-related offsets are potentially about to unfold.

Carbon offsets may lend themselves to cheating. For example, you can claim offsets for projects that were developed for reasons other than sale of carbon credits, meaning that they are 'non-additional' and do not contribute to an overall reduction in carbon credits. The offset system has also led to perverse incentives, in which producers are incentivised to continue environmentally-harmful processes. For example, though gas flaring is illegal in Nigeria, the World Bank's Global Gas Flare Reduction Project is currently creating an offset credit for ending gas flaring. This essentially creates an incentive to violate the law until you're given a financial incentive not to. Credits for HFC destruction are another such example. In addition to these risks at the project level, potential for conflicts of interest also extend to the governing body of the CDM.

Wysham suggested that carbon offset schemes are unfixable. Nevertheless, she gave some suggestions for how these could be improved if they are to continue (reflected below).

Concrete recommendations and follow-up actions

On carbon markets: Recommendations to improve offset trading included calling for strong regulation of the derivatives market and of over-the-counter trades; stronger whistleblower protection at all levels where climate finance takes place (including at multilateral development banks and other multilateral agencies involved in trading); full transparency for revenues accruing to NGOs and others that earn profits from offsets; and stronger enforcement of land tenure policies to protect against displacement caused by offset projects.

Rather than rely on carbon markets at all, alternative revenue streams to address adaptation and mitigation are possible. For example, French President Nicolas Sarkozy supports a financial transaction tax of .005% on financial transactions, which could generate US\$ 33 billion/year. Other options include a levy, or bunker taxes which could generate between US\$25-37 billion per year. Finally, subsidies should be reorientated away from fossil fuels and toward renewable energy.

On framing the issue: The issue of climate change needs to move beyond a crisis mentality. With climate change being such a technical subject, one of the key actions will be to move beyond a crisis mentality. Response to climate change creates an opportunity to rethink entire economic sectors. This means helping people make sense of how green jobs can be created and how to shift a power sector from one that is based on fossil fuels to one that is based on renewables.

On the media: As media increasingly dictates what people know about contemporary scientific debates, it is important to take steps to ensure that the information that is disseminated is accurate and responsible. There are a number of tools and steps that can assist this, including the use of climate change blogs, engagement with institutions like the Press Complaints Commission or media watchdog groups. Scientists also need to improve the way they engage with the media. This includes understanding the track-record of reporters before giving interviews, seeking advice from media lawyers when necessary and working with independent journalists. Journalists for their part, have a responsibility to ensure that they are not playing along with the agenda of big fossil fuel interests.

On civil society: Civil society should push for accountable and transparent national and multilateral institutions and ensure that funds are well managed and distributed. The above-

mentioned peer review mechanism is one method for achieving reliable MRV. Civil society also has a role to play in making sure that the solutions for climate change do not go against the interests of indigenous populations. In countries like the Maldives, among other climate change impacts will be climate change migration. This and other issues will have to be addressed at the grassroots level and brought to negotiations in Cancun and other forums. By working together, the anti-corruption and environmental communities can help to put in place legitimate institutions that are inclusive and accountable to the people they effect. These efforts should be particularly focused in developing countries that will receive significant investments of funds for climate change adaptation.

Interesting quotes

Adam: In international negotiations, *'All states are expected to close their eyes, take a joint leap of faith and sign a total plan. This is unrealistic and will not work.'*

Adam: In addition to wanting States to meet their MRV commitments, *'...we also need a forum in which all states can hold an individual country accountable for its actions or inactions and work with them to address their shortcomings.'*

Bapna: Citing the research of the IPCC, Bapna noted that *'their worst case scenario is proving to be more optimistic than reality today. This is all quite troubling.'*

Wysham: On carbon offsets: *'Offsets are essentially an invitation to widespread fraud and should be eliminated.'*

Wysham: *If we can spend 100 billion dollars in the US on Iraq, surely we can spend 100 billion a year as a world to get to renewables.*

Alley: On REDD: *'With this kind of money going...every organised criminal on the planet worth his salt will try to get in.'*

Alley: On balancing the need for transparency institutions with the need to finance mitigation and adaptation projects as early as possible: *'We don't have the luxury of time but you can do harm by putting money in where its not ready.'*

Signed and date submitted

Krina Despota, 3 December 2010
