

TIME TO PAY CLIMATE DEBT

CLIMATE CHANGE AND GLOBAL JUSTICE



World
Development
Movement



Campaign briefing • October 2009

Rich countries and corporations have grown wealthy through a model of development that has pushed the planet to the brink of climate catastrophe. They have over-used the planet's ability to absorb carbon dioxide. Drastic measures now have to be taken to prevent runaway climate change, making it impossible for poor countries to grow their economies in the same way.

Put another way, the rich world has 'colonised' the earth's atmosphere. This process has mirrored and perpetuated the vast economic inequality that exists in the world today.

Meanwhile it is poor communities, those least responsible for climate change, who are already facing its worst impacts. Three hundred thousand deaths are already caused by climate change each year.

In a world with a limited capacity to absorb carbon emissions, rich countries have already used more than

their fair share. They now owe a massive climate debt to the world's poorest people.

This briefing explains the concept of climate debt. It shows how economic policies imposed on poor countries have forced them to develop in a high-carbon way. It also presents the UK's current 'carbon overdraft' and shows how we can go about repaying our debt to the world's poorest people.

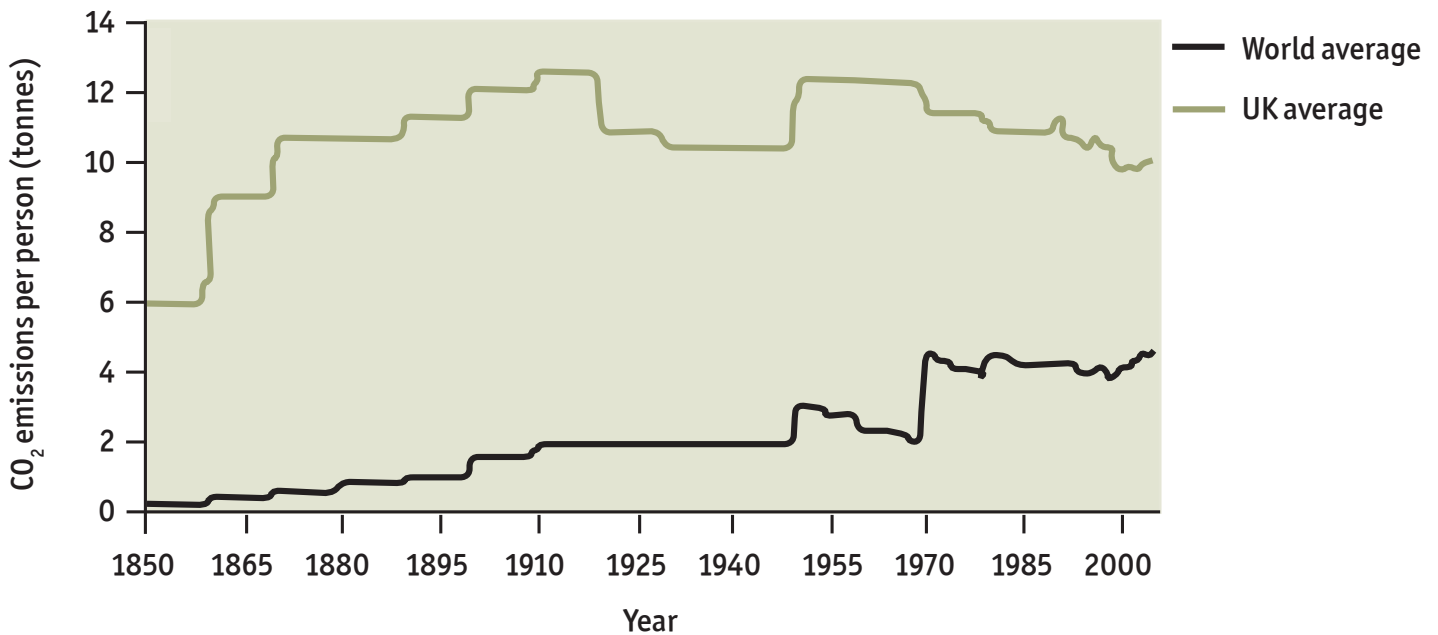
"A wealthy minority of the world's countries, corporations and people...are the principal cause of climate change. The developed countries representing less than one fifth of the world's population have emitted almost three quarters of all historical emissions. Their excessive historical and current emissions occupy the atmosphere and are the main cause of current and committed future warming."

**Statement from 242 organisations
working on climate debt¹**



Activists from Jubilee South demand payment of climate debt at the UN climate talks in Bangkok, 2009

UK AND WORLD CARBON DIOXIDE EMISSIONS PER PERSON, 1850-2005²



CALCULATING THE CLIMATE DEBT

It is clear that the rich world has an overwhelming responsibility to take the lead in tackling climate change. Rich countries accepted the need to live up to this responsibility when they signed the United Nations Framework Convention on Climate Change (UNFCCC) in 1992. However, since then, they have continued to increase emissions. The G8, the group of the world's richest countries, have actually increased their emissions by 8 per cent since they signed the UNFCCC.

Because of the rich world's historical responsibility for climate change, rich countries have a duty to compensate the world's poorest people. This means funding climate friendly ways to meet the energy needs of the world's poorest people, as well as providing resources to assist them in coping with the effects of climate change. The rich world's climate debt is therefore described in terms of 'mitigation debt' and 'adaptation debt'.

Climate injustice in figures

- The average emissions of a rich person in the global north are more than four times higher than those in the global south.
- 70 per cent of carbon dioxide emissions from burning fossil fuels are caused by rich countries.
- With only 1 per cent of the world's population, the UK accounts for 6 per cent of carbon dioxide in the atmosphere.

WHAT IS ADAPTATION DEBT?

The major injustice of climate change is that whilst the rich world has caused it, it is the world's poorest people who are already paying the price with their lives. Adaptation debt is what the rich world must pay to compensate poorer nations for the financial costs of dealing with the devastating effects of climate change, some of which are already unavoidable.

In our recent report, *The Climate Debt Crisis*, we calculate that based on its historical responsibility, the UK owes at least £5.5 billion a year over the next 40 years (£220 billion in total) for its adaptation debt providing it stops increasing its debt immediately.³

"We have measures to adapt. But we cannot just adapt. We need mitigation. We will get tired of constantly adapting more and more"

**Professor Virgilio Perdigon,
Aquinas University, Philippines**

WHAT IS MITIGATION DEBT?

In one year, the UK emits more carbon dioxide than Bangladesh has emitted in its entire history. On a planet with limited capacity to absorb carbon, the rich world has left the rest of the world with little room to take the same development path. It is therefore up to the rich world to fund alternative ways for poorer nations to realise their right to develop within a carbon constrained world. This is referred to as mitigation debt.

This has already been accepted at the UNFCCC, whose convention states that, because of their historical responsibility, developed countries “shall also provide such financial resources, including for the transfer of technology, needed by developing country Parties.” The rich world holds the responsibility to share low carbon technologies freely with the developing world as well as to fund low carbon infrastructure.

In *The Climate Debt Crisis* we calculate that the UK owes at least £11 billion per year for the next 40 years (£440 billion in total) for its mitigation debt providing it stops increasing its debt immediately.

WHAT IS THE TOTAL CLIMATE DEBT?

Adding together the mitigation and adaptation debts, the UK owes the ‘global south’ (generally the world’s poorest nations) more than £600 billion in total, assuming the UK stops increasing its debt immediately. Altogether, the entire ‘global north’ (generally the world’s richest nations) owes many times this figure.

STOP INCREASING THE DEBT

The UK is already ‘carbon bankrupt’. It must make radical cuts as soon as possible: at least 40 per cent by 2020.

But the need for rich country action is about more than just targets. It’s about policies that make these targets achievable, like saying no to dirty coal and stopping all airport expansion. Like the rest of the rich world, the UK must demonstrate its commitment by making these cuts domestically, rather than relying on carbon trading (see below).

UNJUST CALCULATIONS

Southern countries account for an increasing amount of carbon emissions, but still nowhere near as much as northern countries on a per person basis. This inequality deepens when we look at who is driving the demand for the products that cause carbon emissions.

This is because figures for carbon emissions are calculated on where they are produced, not on who consumes the final product. Many emissions produced in southern countries are actually caused by the production of goods or services that are consumed in the global north. Alternative figures, based on consumption, show that the UK actually increased its carbon emissions by 18 per cent between 1990 and 2005, rather than decreased by 5 per cent as claimed by the government.⁴

FINANCIAL DEBT

For over 15 years, campaigners have been calling for an end to the injustice of unpayable and unfair financial debts ‘owed’ by southern countries to northern countries. Despite some successes, this debt remains huge: for every £1 the north gives the south in aid £5 comes back in debt repayments. What is even more unjust is that the north has used this debt, and the promise of debt cancellation, as a tool to push harmful economic policies onto developing countries.

The International Monetary Fund (IMF) and the World Bank have, over 30 years, applied a set of conditions to their aid, loans and debt cancellation, which have forced many southern countries to restructure their economies according to a neo-liberal economic model. This has meant privatising national assets, liberalising markets and moving to export raw materials, especially fossil fuels, to repay debts. This has locked in high carbon emissions and compromised the ability of the world’s poorest people to access electricity and fuel (this is sometimes referred to as ‘energy poverty’).

MORE RESOURCE EXTRACTION

The link between climate change and extractive industries, such as oil, gas and coal, is indisputable. The export of extractable resources has been widely encouraged in poor countries by international financial institutions such as the World Bank and the IMF. A dependency on extractive industries can be highly problematic because prices for such raw materials can be very volatile, leaving countries at the whim of the market. At the same time extractive industries have caused devastation to local communities, through polluting water supplies and displacing people from their homes.

CASE STUDY: Phulbari

The British company Global Coal Management Resources (GCM) is seeking to develop an open cast coal mine at Phulbari in Bangladesh. The mine would push 50,000 people from their land and damage the water supplies of a further 100,000 people. Not only would the coal do little to alleviate energy poverty in Bangladesh, as at least four fifths of it would be exported, but the majority of the money generated would also leave Bangladesh. This project has variously been supported by the Asian Development Bank, UK government and several UK banks.

MORE FORESTS CUT DOWN

The IMF and World Bank's policy of liberalisation has been a catalyst for deforestation. For example, since the liberalisation of investment regulations in Indonesia state-run environmental protection measures have been reduced. The rate of deforestation for palm oil cultivation has massively increased, reducing the planet's capacity to absorb harmful carbon emissions.

CASE STUDY: Indonesia and the IMF

Indonesia has the world's third largest area of tropical forest. Cutting and burning forests and peat land releases carbon from vegetation and soils, increasing the concentration of carbon dioxide in the atmosphere.

When Indonesia was devastated by the Asian Financial Crisis in 1997 the IMF insisted that the Indonesian government had to implement a number of economic policies as a condition of receiving money in a 'rescue package'.

The enforced reduction in export taxes on timber led to a rapid decline in domestic supply, and consequently an increase in illegal logging. The ending of restrictions on investment in palm oil led to rampant deforestation and destruction of peat land for new plantations. This was partly funded by the International Finance Corporation, the private sector arm of the World Bank.

MORE EXPORT AGRICULTURE

Over the last 30 years, World Bank and IMF policies have put pressure on the governments of developing countries to support the production of cash crops for export. These are often grown on large-scale 'factory farms' using intensive industrial production methods, at the expense of smallscale, diversified farming systems for domestic consumption. Whilst it is argued that export crops enable poor countries to earn money to repay their debts, the strategy has an unconvincing track record in reducing poverty. This was even admitted by the World Bank in a 2005 study which found that a "development strategy based on agricultural commodity exports is likely to be impoverishing in the current policy environment".⁵ Moreover, such policies have made considerable contributions to climate change through, for instance, increased use of fossil-fuel intensive production methods and the disruption of natural soil processes that allow carbon to be stored in the soil.



Greenpeace / Natalie Behring-Chisholm

A fisherman surveys the scene of a recent forest fire, a result of deforestation along the Kapuas River, Indonesia.

CASE STUDY: Tanzania

In 1986 Tanzania signed a structural adjustment agreement with the IMF which required the government to support large scale, export oriented, agriculture. Between 1980 and 1993, a quarter of the nation's forests were lost, at a rate of 400,000 hectares per year, with almost half of this loss due to the conversion of land for the production of export crops. In the district of Simanjiro over 50,000 hectares of land were cleared to plant beans, which are produced on 80 large commercial farms mainly for export to the Netherlands.

MORE DIRTY ENERGY

Currently, most electricity generation produces high carbon emissions. To alleviate poverty and tackle climate change, a decentralised, renewable-energy model could be the best energy solution, giving people a greater degree of control over their own lives.

However, the IMF and the World Bank have pushed the privatisation of electricity supplies in the south. This has left companies with no incentive to invest in infrastructure which would be beneficial to communities suffering from energy poverty. In a liberalised energy market, it has also been harder to develop renewable climate-friendly technologies such as solar, tidal and wind power, as their development often requires long-term public support.

CASE STUDY: Nicaragua and Costa Rica

In the late 1990s Nicaragua privatised its electricity sector as a condition of debt relief from the IMF and World Bank. Spanish multinational Union Fenosa took over and created a private monopoly. This led to increased power cuts, a failure to extend electricity coverage and massive increases in bills. Privatisation focussed investment on oil power plants driving up Nicaragua's reliance on oil. In contrast Nicaragua's neighbour Costa Rica has maintained a public not for profit electricity system and now gets an amazing 94 per cent of its electricity from renewable sources.

stated their opposition to this kind of finance.

By insisting on channeling money through an institution controlled by the global north like the World Bank, rich countries can continue to control how this money is given, spent and paid back. Furthermore, the World Bank continues to support fossil fuel projects. Even new coal power stations can be subsidised by the Bank's 'Clean Technology Fund'.

"The World Bank has a history of funding projects that cause climate change. I would rather the UK government bought flowers for every house in the UK than spend this money on a World Bank coal fund."

Ricardo Navarro, CESTA, El Salvador

SOLUTIONS OR STITCH UP?

Below some of the proposals of rich countries for tackling climate change, and their pitfalls, are outlined.

THE UK AND WORLD BANK FUNDING

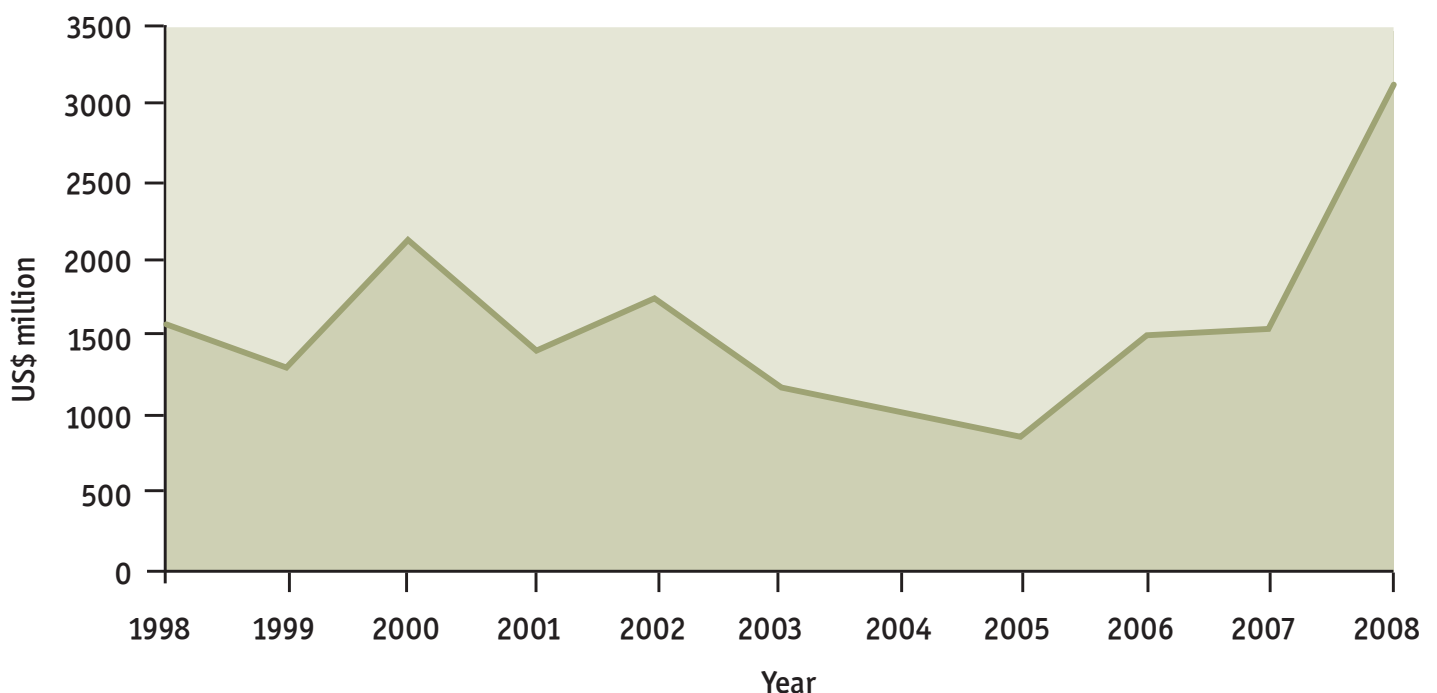
Contrary to the wishes of the global south, the UK is choosing to channel climate funds through the World Bank. To make matters worse, funds are being given as loans rather than grants, pushing the global south into deeper economic debt in order to clean up a problem that the south did not create. The G77, a group of 130 developing countries negotiating as a block in the upcoming climate talks in Copenhagen, have clearly

THE PROBLEM OF CARBON TRADING

Carbon trading is a market mechanism that northern governments are touting as the solution to the climate crisis. The concept of carbon trading is similar to personal offsetting, but on a global scale. Rather than countries taking responsibility for cutting their own emissions, they pay other countries to cut emissions instead, but count this towards their own targets.

The system has many flaws which have meant that little meaningful progress has been made in terms of real emission cuts as a result of carbon trading. In essence, offsets function as a 'get out of jail free' card for northern countries, allowing them to appear to live within their carbon limits without reducing

WORLD BANK SUBSIDIES FOR FOSSIL FUELS (1998-2008, ADJUSTED FOR INFLATION)⁶



their domestic emissions. All too often projects which generate offsets do not actually cut emissions as the projects would have happened regardless of carbon trading. Also the projects are often environmentally and socially harmful to local communities who are not consulted by the companies who benefit most from carbon trading. Rich countries should be meeting their commitments to cut their own domestic carbon emissions *and* giving money to support climate friendly development in the global south. But they are in effect using carbon trading to avoid cutting emissions at home.

REPAYING THE DEBT

Currently there is little will from political leaders in the global north to stop over-consuming 'atmospheric space' or unfairly exploiting the resources of the global south.

Climate change cannot be tackled at an international level without a just and equitable solution, and this means the world's rich countries acknowledging and repaying the climate debt they owe to the majority of the world's population. That's why southern governments, like that of Bolivia, together with social movements across the world, have proposed the measures necessary to repay that debt, including transferring resources for both adaptation and low-carbon development to the south.

These resources should be unconditional and must not come out of normal aid budgets, they should be compensatory. Nor must they be overseen by undemocratic institutions like the World Bank or come in the form of loans which need to be repaid at great expense. In fact the cancellation of current unfair and unpayable southern debts should be a key element of a just settlement on the part of the world's real debtors, northern countries.

On the basis of the figures above the UK should be repaying £16.5 billion a year, the equivalent of 1 per cent of UK national income. The mechanisms for generating

this money are readily available. These include levying charges on international transport and large financial transactions, and enforcing much stronger measures to prevent tax evasion.

Climate debt has arisen from inequality in the world. A minority in the world have over-consumed the resources of the majority. Now is the time to put this injustice right. Repaying the climate debt is necessary for the planet's future, but it will also ensure a better, fairer and more just future for all.

"There is no viable solution to climate change that is effective without being equitable. Deep emissions reductions by developed countries are a necessary condition for stabilising the Earth's climate. So too are profoundly larger transfers of technologies and financial resources than so far considered, if emissions are to be curbed in developing countries and they are also to realise their right to development and achieve their overriding priorities of poverty eradication and economic and social development. Any solution that does not ensure an equitable distribution of the earth's limited capacity to absorb greenhouse gases, as well as the costs of mitigating and adapting to climate change, is destined to fail."

Bolivian Government Submission to the UNFCCC

TAKE ACTION

It's up to us to act in solidarity with people around the world campaigning on climate justice by calling for the rich world to take action and pay their climate debts during international negotiations.

To find out how you can take action for climate justice and to read the full report, *The Climate Debt Crisis: Why paying our dues is essential for tackling climate change*, please visit our websites:

www.wdm.org.uk/climatedebt
www.jubileedebtcampaign.org.uk

1 Taken from a statement on climate debt written by southern campaigning organisations and signed by 242 civil society groups (June 2009).

2 Emissions figures are from CAIT. (2009). Climate Analysis Indicators Tool (CAIT) version 6.0. World Resources Institute. Washington DC. Available at <http://cait.wri.org>.

3 World Development Movement, Jubilee Debt Campaign (October 2009), *The Climate Debt Crisis: Why paying our dues is essential for tackling climate change*, London.

4 World Development Movement (November 2007), *Blame it on China: The International Politics of Climate Change*, London.

5 World Bank (2005), *Global agricultural trade and developing countries*, Washington D.C.

6 Heiki Mainhardt-Gibbs, Bank Information Centre (February 2009), *World Bank Energy Sector Lending: Encouraging the world's addiction to fossil fuels*, Washington D.C.



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