

Climate Change and Disasters Group
Institute of Development Studies (IDS) at the University of Sussex¹

Comments on Stern Review Oxonia Paper

10th March 2006

This submission is made by the Climate Change and Disasters Group of the Institute of Development Studies (IDS) at the University of Sussex. The group's activities include policy-related research, advisory work and a wide range of information services which are focused on adaptation, mitigation, disasters, and the governance challenges around climate change. This response focuses on key issues for the review arising from the Oxonia lecture of 31st January.

General: We welcome both the review and this paper as indicative of the UK Government's commitment to tackle both the causes and impacts of global climate change. However, whilst 2005/6 has seen climate change rise higher in the political agenda in many industrialised countries, in developing countries it is still not a high profile issue. This is often because the implications of mitigating and adapting to climate change are not well developed or understood by decision makers, both in institutions and on the ground. We hope that one of the targeted outcomes of this review will be to help foster greater awareness and analysis in developing countries.

Adaptation: The paper refers to the differentiated impacts of climate change. This differentiation is due to both geographical realities and the wide variation in the capacities of countries, sub-national regions, and communities to adapt to the

¹ The Institute of Development Studies is one of the world's leading organisations for research, teaching and communications on international development. This response was compiled by fellows from the Climate Change and Disasters Group; Thomas Tanner (c/a t.tanner@ids.ac.uk), Farhana Yamin, and Tom Mitchell. www.ids.ac.uk/climatechange

changing climate. We welcome the paper's acknowledgement of the impacts of climate change on growth and development, and on acting on adaptation as well as mitigation. Nevertheless, we consider that the paper underplays the importance of adaptation in tackling global climate change.

Current atmospheric and oceanic concentrations of GHGs bind us into a certain degree of climate change. For millions of poor people across the world, who have had minimal impact on historical and current emissions, the priority is to improve their capacity to adapt to changes in climate. Their ability to do so will be highly significant for attaining and moving beyond poverty reduction goals, including the Millennium Development Goals.

The Stern Review is well placed to make a significant contribution to advancing the policy and practice of adaptation. Very few developing countries have prioritised climate change as a major constraint on economic development or poverty reduction. For instance, climate change rarely features in key development planning documents such as sector plans and PRSPs. A major reason for such omissions is that neither key cabinet, finance or planning decision-makers responsible for resource allocations, nor those within the private sector, are aware of the economic implications of climate change. What limited analysis exists has focused most heavily on mitigation costs in order to lobby developing countries to tackle emissions growth, rather than on the potential costs and benefits of impacts and adaptation activities.

Adaptation Finance: Part of the reason for the paucity of good literature on climate change adaptation costs is because the complexity of economic costs of adaptation makes them difficult to calculate accurately. Future impacts are uncertain and effective adaptation actions are likely to be heavily bound into broader sustainable development processes and vulnerabilities. In addition, what little analysis has been undertaken has been largely done by economists in industrialised countries. This limits the uptake and impact of this work on developing country policymakers, who may be either be unaware of this work or may want to have the benefit of analysis done in-country before making key decisions.

These factors have frustrated progress on adaptation domestically and in the international climate change negotiations process, where adaptation has often been debated primarily as a resource transfer issue. By engaging key actors in developing countries and perhaps supporting in-country assessments on the economic costs and benefits of adaptation activities already underway, the Stern review can add significant value to furthering adaptation in vulnerable regions as well as raising climate change on the political agenda.

In exploring the economics, the review can add significant value to debates on the financing needs for adaptation, both in the industrialised and developing world. To date, little work has attempted to quantify financing needs and identify suitable mechanisms and flows for these needs. There is emerging body of evidence from adaptation practices and other related fields such as disaster risk reduction that can inform this work². The work on the social cost of carbon also provides insights, and should be connected strongly to work on adaptation costs, not only to offsetting mitigation costs. For both, the economic costing of avoided damages provides a powerful advocacy tool.

Adaptation Options: Although crucial, understanding the economic basis for adaptation is only one element in assessing the range, timing, feasibility and sustainability of adaptation options. Adaptation is highly context specific and adaptive capacity of both natural and human systems is not reducible to a single denominator or indicator. Adaptation will therefore be embedded in much wider processes of development, including responses to reduce vulnerability to a wide range of shocks and stresses.

A more thorough examination of the social, institutional, cultural and political factors affecting the uptake and integration of adaptation in wider developmental processes is thus an essential aspect of working out which adaptation options should be pursued, by who and when. To be practically useful, the Stern Review's recommendations should instigate additional research on the social, economic and institutional factors affecting vulnerability. Such a holistic analysis will enable the review to provide

² See for example case studies in Yamin, F. and Huq, S. eds. (2005) *Vulnerability, Adaptation and Climate Disasters*. IDS Bulletin. Volume 36, No. 4 October 2005. Institute for Development Studies.

guidance to policy-makers about the interrelationships between climate change and development processes that impinge on vulnerability.

Ethical Perspectives: The paper and its questions address the issue of ethical perspectives as they relate to both mitigation and adaptation in paragraph 51. The moral dimension referred to in that section will underpin much of the output of the review in terms of its practical application. While striving for a balanced analysis, the review will need to be aware of these factors and combine economic analysis with political realism in framing its outputs and recommendations.

Within mitigation, debates have centred on the principle of “common but differentiated responsibilities” enshrined in Article 4.1 of the UNFCCC, which divides industrialised and developing country commitments. There is now greater awareness that the size of the current and projected GHG footprint of major emerging economies means that atmospheric stabilisation at non-dangerous levels will require action by higher income groups, wherever they may reside. This is reinforced by economists, who note that decreasing marginal utility of income means that higher income groups more likely to invest in GHG reductions. However, the importance of fairness and equity will be central to effective strategies to mitigate GHG emissions in the future.

Similarly, adaptation debates have important moral and ethical dimensions. Action to incorporate climate change adaptation considerations into development plans, programmes and projects has been driven to some extent by criteria of risk management and (cost) effectiveness. In the fora of the international negotiations, however, these debates have a heavy emphasis on rights and responsibilities, liability, and honouring commitments to assist vulnerable developing countries in meeting costs of adaptation (as outlined in Article 4.4 of the Convention). This has led variously to calls for specific funds for both adaptation and insurance mechanisms, and to a distinction between financing adaptation as distinct from other ODA sources. Analysis must therefore recognise the explicit political dimensions to the problem resulting from the particular equity concerns relating to climate change.

Relevance to boost Analytical Capacity: The ‘*Key Challenges*’ of the paper are framed by ‘*The analysis that individual countries will need to assess their own policy position*’ (p17). We are encouraged by this focus, as much of the research undertaken by IDS, its partners, and recent scoping exercises, suggests that there remain considerable capacity gaps in research and analysis into impacts, vulnerability and adaptation assessments.

Ensuring that the review is made both accessible and relevant to both the scientific and decision-making communities in developing countries is vital to ensuring its longer term impact. We encourage the review to be presented in a form and format that is consistent with ongoing advocacy and awareness-raising work in developing countries.

Summary: In summary, we encourage that the review:

- Pays greater overall attention to the economics of adaptation to climate change, especially in the developing country context.
- Targets and tailors the outcomes of this review to help foster greater awareness and further analysis in developing countries.
- Considers issues around the costs and financing of adaptation as well as the potential for adaptation.
- Situates analysis of adaptation costs and benefits within a much wider processes of development, including responses to reduce vulnerability to a wide range of shocks and stresses.
- Considers ethical dimensions and equity as central concerns in framing the economics of mitigation and adaptation to climate change.
- Ensures that work to calculate the social cost of carbon directly connects to that on adaptation costs, as well as to offsetting mitigation costs.
- Is made both accessible and relevant to developing countries, especially to researchers and decision-makers working in key climate sensitive sectors relevant to mitigation and adaptation.

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