



E3G

Sustainability and Foreign Policy

An E3G working paper

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E3G is an independent, non-profit European organisation operating in the public interest to accelerate the global transition to sustainable development.

E3G builds cross-sectoral coalitions to achieve carefully defined outcomes, chosen for their capacity to leverage change.

E3G works closely with like-minded partners in government, politics, business, civil society, science, the media, public interest foundations and elsewhere.

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Sustainability and foreign policy

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Environment and resource issues should be at the heart of a progressive approach to UK foreign policy. Foreign policy should rightly be concerned with issues of security and prosperity, but in an increasingly interdependent world, that is pressing up against or exceeding many environmental and resource limits, a radically different approach will be required to achieve these traditional goals.

History is a guide to understanding the challenges facing us. A key lesson of European industrialisation in the 19th and early 20th century was that unless expanding economic opportunities are matched by a greater sense of responsibility to manage economic change more equitably and sustainably, then social instability and conflict will result. The development of the British welfare state was an attempt to manage and civilise this economic process and the social and environmental dislocation to which it gave rise. We are now repeating the experiment of industrialisation on a global scale, and in turn will need to manage the pressures it throws at the global level.

But the challenge of the future is also different from the past. Implicitly we think of the future as being similar to our current world, albeit on a larger scale with a faster pace. However, these changes in scale will bring about profound shifts in how we organise society and in relationships between countries.

One critical factor is the enormous growth in the global population. In the 1940s there were only 2.5 billion people on earth; currently the figure stands at 6 billion; but in the next 20 to 30 years the figure could rise to between 8 and 10 billion. The next 50 years will see billions more people undertake the transition from agrarian to industrial societies, and from rural to urban living. Another difference is the growth in the global economy and the pressure that this is putting on the earth's natural limits. The world economy has nearly doubled since the end of the Cold War, and it is on track to quadruple in size by the middle of this century. This implies that by 2050 global GDP will increase by eight times the cumulative growth seen between 1989 and 2006. The resource use of the world economy has already exceeded many critical environmental

limits, while billions remain in poverty. Without a fundamental change in the way we generate wealth even the most basic aspirations of a growing global population will not be met.

A few facts serve to illustrate the coming dilemmas. If present consumption patterns continue, two out of every three persons on earth will live in water stressed conditions by the year 2025. More than two thirds of the world's fish stocks are currently being fished at or beyond sustainable levels. The Millennium Ecosystem Assessment predicts that in the next decades the future rate of extinction will be 10 times the current rate (MEA, 2005). Losses from natural disasters are now around eight times higher than in the 1960s, and an estimated 25 million 'environmental refugees' have emerged as a result of weather-related disasters, and poor environmental quality contributes to 25 per cent of all preventable ill-health in the world (UNEP, WEO 2000).

The concentration of declining oil reserves in a smaller number of politically unstable countries has added an estimated \$10-\$20 political risk premium to global oil prices. The oil price rise between 2001 and 2005 increased the total cost of oil imports for Less Developed Countries by approximately \$38bn, easily outweighing all official aid flows to them.

At the same time, the impacts of global climate change are already beginning to be felt. Current levels of greenhouse gases in the atmosphere are higher than at any time in the past 650,000 years. Average global temperatures have already risen by 0.7C, and the world is committed to 1.2-1.7C rise by mid-century just from past GHG emissions. Already global warming has caused millions of additional deaths, mainly in the tropical developing world (WHO, 2004). If emissions continue unabated, temperatures could rise by between 2.5-5C by the end of the century, and even higher if climate change leads to rapid increase in emissions of "natural" sources of greenhouse gases; for example, die back of the Amazon rainforest or release of methane from Siberian tundra (IPCC, 2001).

Sir Nick Stern's review of the economic implications of climate change estimated that the economic damage could amount to a permanent reduction in global GDP of 5-20 per cent by 2100 (Stern, 2006). However, this is likely to be an underestimate, as the Stern report was not able to estimate the costs of climate change on reducing the supply of broad ecosystem services. For example, the role of vulnerable wetlands in removing water pollution or how climate damage to coral reefs may reduce the productivity of ocean fisheries.

Elsewhere, the value of these services has been estimated at between \$16-\$54 trillion per annum (Constanza, 1997).

All these costs and negative trends will disproportionately affect the poorest people in the poorest countries. Not only are these populations most dependent on natural resources and most vulnerable to extreme natural events, but they have fewer resources with which to adapt to changing conditions. Low income countries have a much larger share of their wealth in natural capital (26 per cent) than high income countries (2 per cent) (World Bank, 2005). In Mozambique, devastating floods in 2000 left 700 people dead and half a million homeless; economic growth fell from 8 per cent in 1999 to 2 per cent in 2000. Droughts in Kenya in the late 1990s reduced GDP by over 20 per cent as hydropower capacity was reduced and crops failed.

The Millennium Ecosystem Assessment has developed scenarios of different levels of ecosystem degradation, showing how the Millennium Development Goals (MDGs) for reducing poverty by 2015 could be undermined by ecosystem degradation. The MDG goal to halve hunger is missed in all four MEA scenarios and progress is slowest in areas that suffer the greatest ecosystem degradation: South-Asia and sub-Saharan Africa. Child mortality is strongly influenced by low nutrition and water quality in the scenarios (MEA, 2005).

These scenarios are not inevitable. A combination of stronger national environmental management and international coordination could mitigate all of these problems. The technology and knowledge exists but it needs to be applied. In many cases better ecosystem management makes direct economic sense; for example, estimates are that the benefits of policies to radically slow desertification outweigh the costs by up to three times in many countries (PEP 2005).

Though economic forecasts of environmental damage costs are useful in showing the general scale of the problem, they can also be deceptive. Far less is known about our dependence on environmental systems - especially on a stable climate - than is often assumed. In particular, the potential for large, irreversible effects - such as the collapse of whole fisheries and related ecosystems - is probably much higher than estimated. It is also impossible to predict how human society will react to an increase in environmental and resource stresses.

In an optimistic scenario, problems like climate change encourage global cooperation, innovation and creativity, and inspire governments to act wisely to minimise impacts on the poorest and weakest in society. However, it is also possible that resource scarcity and environmental stress will drive countries and societies into the politics of insecurity, exacerbating existing divides of ethnicity, community, caste, income and region as groups struggle to maintain their ability to use resources to the exclusion of others. The challenge for policy makers is to avoid the second scenario by building popular support for a serious and progressive agenda for managing the costs and consequences of our acute environmental interdependence.

Environmental Success Stories

Despite the negative trends described above, the past decades have shown that environmental problems at all levels can be successfully tackled. Stratospheric ozone depletion was the first truly global environmental threat addressed by the international community. The destruction of the ozone layer threatened human health, agricultural productivity and biodiversity on a massive scale. However, effective implementation of the Montreal Protocol is expected to result in the recovery of the ozone layer to pre 1980 levels by the year 2050 (UNEP, 2006).

At the regional level, Europe has taken a global lead in tackling its environmental problems. The quality of rivers, lakes and urban air quality has all improved. Emissions of pollutants contributing to acidification and eutrophication are declining. Deforestation has been arrested and reversed in many parts of Europe. And all this has been achieved at the same time as Europe has constructed a single market based on free internal trade and investment.

Around the world, awareness of environmental problems is also increasing, and, more importantly, governments are devoting significant resources to their resolution. For example, China - the world's most populous country and fastest growing major economy - has recently agreed far-reaching plans to increase energy efficiency by 20 per cent in 5 years and to source 15 per cent of its electricity from renewable sources by 2020.

These changes also bring economic opportunities for the UK. The global market for environmental goods and services is projected to rise to £440 billion by 2010. Shell estimates that 50 per cent of the world's energy needs could be met by renewables by 2050. In 2005, renewable energy (excluding large dams) was

already a \$38 billion industry (REN21, 2006), and clean energy financing reached \$100 billion per annum (Environment Finance, 2006).

The Cooperation Gap

However, despite some positive signs virtually every environmental performance measure shows that international cooperation is failing to preserve critical environmental resources and limits.

At a global level this is not fundamentally due to a lack of finance or technology, but to a lack of political agreement. The majority of investment and action to tackle global environmental issues – particularly climate change – will be carried out in rich and middle-income countries which have plenty of resources to spend on public goods. Much investment in environmental improvement makes economic sense in terms of reducing damage costs. The key to action is achieving the necessary political agreement and cooperation to overcome incentives for free-riding. This is at its heart a problem of diplomacy and foreign policy, not of technical environmental management, and solutions will be found in Foreign Ministries not Environment Ministries.

Where financial resources are important is in managing the politics of these agreements. China and India may have sufficient resources to reduce their carbon emissions, but see responsibility for the problem lying in past emissions from developed countries, and so expect compensation for action in the short term. Poor developing countries face resource constraints on funding environmental action where more pressing calls on national resources mitigate against environmental investments – even when they make long term sense for development and poverty reduction. Funding from richer countries should not be seen as a replacement for national political action in developing countries to preserve environmental resources, but is an essential part of the political and ethical partnership underlying successful international cooperation.

Current estimates are that US\$60-90bn per annum will be required to address poverty-environment goals over the next 10 to 15 years, excluding climate change (PEP 2005). Current adaptation costs to manage climate change in developing countries are estimated at \$10 - \$40 billion per annum depending on how quickly we reduce the pace of global warming (World Bank 2006). The costs of mitigating climate change to keep below a 2C rise are higher with estimates of \$40-\$150 billion per annum in developing countries.

Set against this scale of demand the international response has been pitiful. The major international financing instrument in this area – the Global Environment Facility - has only delivered an average of \$330 million per annum to developing countries over the last 15 years; well under 1 per cent of what is needed. The Clean Development Mechanism which allows private sector funding of greenhouse gas reductions in developing countries to count against emission targets in the developed world is worth around \$3 billion per annum in additional low carbon investment; less than 5 per cent of what the IEA estimates is needed in new clean investment (IEA Alternative Scenario, 2006). Current global funding to finance adaptation to climate change in the poorest countries is between \$100-\$300 million per annum. This is between 1-10 per cent of what is needed.

While there is a need for increased financing therefore, to be effective and sustainable these flows must be integrated into countries' national development processes, not administered through an environmental funding silo. There will also be a need to rapidly grow market and private sector mechanisms for investment, especially in low carbon technologies. However, for many other environmental areas this must be the job of international development agencies, as only they have the capacity and expertise to help build the governance systems and investment frameworks to deliver sustainable improvements.

The UK's role - from words to action

The UK has come a long way from when it was considered the “dirty man of Europe”. On climate change in particular the UK is now seen as a global leader at both political and practical levels. UK leadership in Europe and globally was instrumental in delivering the Kyoto Protocol in 1997. This momentum has continued with leadership through the Gleneagles G8 Summit, the World Bank's Low Carbon Investment Framework in 2005, and the Stern Review in 2006. However, delivering on the UK's domestic climate change targets is probably the most important component of maintaining international environmental credibility. The UK has been weakened by the backtracking from the 20 per cent reduction target for 2010, although the poor performance by others such as France and Japan has lessened the impact of this on the UK's global reputation.

Since 1997, the UK government has improved its coordination and effectiveness on the environment. Environmental issues were highlighted in the International Development White Papers of 1997 and 2000. The UK has led efforts to strengthen environmental diplomacy through a dedicated department in the

FCO, and by initiating the European Green Diplomacy Network. In 2006 the FCO adopted a new climate security goal and appointed a Special Representative on Climate Change. Cross-governmental cooperation on innovative international partnerships on illegal logging, renewable energy and extractive industries has shown the UK driving forward new ways of delivering results.

However, strong UK international political action has not been backed up by sufficient financing. The UK currently spends around £130 million directly on supporting international environmental action, including our contribution to the Global Environment Facility established in 1992 as the major founder of environmental action in developing countries. The recent initiatives on low carbon technology cooperation launched at the Johannesburg Sustainable Development Summit in 2002 and the Gleneagles G8 Summit in 2005 have been hamstrung by a lack of serious financing. All the major European powers comfortably outspend the UK in these areas, and regularly point out the mismatch between the UK's words and deeds.

The main reason for this lack of international implementation has been the ambivalent attitude of DFID towards environmental issues. Despite an increased focus on climate change in the latest International Development White Paper (DFID, 2006), DFID has moved backwards in integrating environment issues into its mainstream work: weakening environmental audit standards; downgrading the status of environmental professionals; and reducing central policy capacity. These worrying trends were highlighted a highly critical report from the Parliamentary Environmental Audit Committee in 2006.

Though the UK has played an important part in moving forward global environmental issues, it risks losing credibility if this is not backed up by more consistent cross-departmental action and significant increases in international financing. The UK should also show more imagination in deploying its unique assets, inside and outside government, on these issues.

The UK has a privileged role in international institutions, including its membership of the United Nations Security Council, the G8, the OECD and the Commonwealth. The UK as a member of the EU has influence over the leading international player in promoting sustainable development. The EU is the world's largest aid donor, trading bloc and source of overseas investment. Through the EU the UK has the ability to lever its interests in global

negotiations and help forge agreement between European and US positions on controversial issues.

The UK has under-acknowledged strengths for setting the global environmental agenda through its pre-eminent international networks of non-governmental institutions in the environmental field: non-governmental organisations (e.g. RSPB, WWF); scientists (e.g. Kew; Hadley Centre); universities and professional institutes (e.g. the Tyndall Centre). The UK also hosts the largest concentration of global news operations, including the BBC. UK organisations such as Television Trust for the Environment and BBC Wildlife have world class reputations in environmental programming.

In addition, the UK is a centre of market innovation on the environment. The UK is home to the world's leading financial centre, and many of the world's largest multinational companies and consultancy firms. UK firms and institutions have been at the cutting edge of incorporating environment and sustainable development into their core business practice. The UK has the highest level of third party auditing of company environmental reports in the G8, and a strong environmental investment sector. The UK has pioneered approaches to sustainable finance, including the Carbon Disclosure Project through which major investors representing \$40 trillion invested capital press companies they invest in to measure their carbon dioxide emissions. UK NGOs and institutes are leaders in developing new approaches to creating markets for environmentally-sound goods and services - from timber to pensions.

Priorities for future UK policy

Over the last 10 years, the UK has positioned itself as a leader on the environment and innovative forms of foreign policy. Over the next decade it needs to take these issues to a higher level. Much of what the UK is currently doing on the environment is along the right lines; however it is on too small a scale and it is not backed by effective machinery for environmental diplomacy, finance and implementation. A progressive UK policy should rest on three critical pillars:

Firstly, the UK should try to build up the EU as the environmental leader within the international community. The UK has recently shown strong leadership on climate change, but only the EU has the political and economic scale to deliver a global deal on climate security and other major environmental issues. The EU has the potential to lead, but has lacked the economic and political confidence to

deploy its assets. The UK needs to make delivery of energy and climate security the centrepiece of a strategy for reinvigorating Europe as a confident, outward-looking global actor.

Secondly, the UK should focus to a much greater extent on tackling the environmental roots of poverty and conflict. Environmental issues have often been seen as a concern of rich countries and rich people, and this is one of the political factors undermining global cooperation. Nothing could be further from the truth. As environmental and resource constraints tighten it will be the poorest countries and people that find their economic prospects curtailed and their immediate security threatened. The recognition of these impacts gives potential for stronger global cooperation on environmental governance. The UK should focus on tackling the environmental drivers of poverty and conflict as a major component of building global political consensus for action, and a practical way to coordinate its diplomatic, environmental and development interests.

Thirdly, the UK should press for more effective environmental governance led by a new World Environmental Organisation (WEO). The current collection of over 200 international environmental agreements is not working, and must be reformed. This must combine the best of market, government and citizen-led approaches, and go beyond treaty making to produce new partnerships for action. The UK should construct new approaches at the bilateral and regional level, while working with others to build a focus for international environmental leadership through an 'emergent WEO' inside the UN system.

Europe as a global leader on the environment

The EU is uniquely placed to be a global leader on environmental and resource issues, not least on the vital issue of climate change. But this will require reframing the energy and climate security debate more firmly in terms of vital European interests.

Science suggests that keeping global average temperature increases below 2-3 degrees is needed to avoid catastrophic climate change impacts; such as the 7 metres of sea level rise which would be caused by melting the Greenland icecap (IPCC, 2007). This will require a shift of \$7-11 trillion of investment from the energy supply sector into efficiency measures and low carbon energy sources in the next 25 years, and a peak in global carbon emissions over the next 10-15 years (IEA, 2006). Europe is the only major power with the scale, resources and

potential political will to lead the global energy and climate agenda at the pace needed to meet this challenge. Europe also has most to lose from a world where cooperation on energy and climate security is lacking.

The changing geopolitics of energy, illustrated by the accelerating global scramble for resources, represents the most major threat to the international rules-based order. The increasing provision of political and financial support to dictatorial regimes in Africa and Central Asia and elsewhere in order to secure access to their national resources has led to democratic retreat and fuelled the destabilisation of whole regions. The anti-democratic changes in Russia are an example of the direction the world might move as geo-political competition for fossil fuels emboldens authoritarian regimes.

The strengthening Chinese engagement with repressive leaders in resource rich African countries embodies an even more serious risk. China argues that it is driven to engage with these countries because it is excluded from investment in other areas by the “West”. But if China continues further along this “hard power” path to secure its energy security, it could lead to a world characterised by new ‘great power competition’, in which Europe would fare badly. Europe by its very nature is ill-fitted to a world dominated by large powers struggling for the appropriation of world influence and resources. Europe can only thrive in a world promoting cooperation between countries and regions based on a strong multilateral rules-based system, reflecting the European model of fair, peaceful and cooperative development.

If badly managed, the impacts of climate change could accentuate these trends toward great power politics and strategic competition. Fragile governments in the poorest parts of Africa and Asia will not be able to peacefully manage and adapt to the disruption caused by climate change. Californians may be able to adapt to the loss of melt waters from the Sierra Nevada by building expensive desalination plants. But that option will not be available to the hundreds of millions of Indians and Pakistanis who depend on Himalayan melt waters from rapidly shrinking glaciers.

The stark geopolitics of climate security make it in Europe’s vital interest to take a lead to prevent and manage these pressures in non-military ways. Indeed a recent Pentagon study argued that in the event of rapid climate change the US should abandon Europe and retreat behind its natural borders of the Atlantic and Pacific (Schwartz and Randall, 2003). While the ability of the US to isolate itself from climate change impacts may be exaggerated for political reasons, it

does have lower vulnerability than to mass migration. Europe has no realistic “defensive” option to remove itself from the destabilising impacts of climate change in Africa, the Middle East and Asia, and the resulting migratory and other pressures.

Energy and climate security must be tackled together. They are both public goods that require massive investment shifts in the same energy system. Without a combined approach private investment will receive confused and mixed signals, and neither objective is likely to be achieved. For example, the current wave of coal investment in the US and Europe driven by energy security and price signals is completely incompatible with climate change policy. Political relationships on energy and climate security must also be consistent. The major energy consuming countries will not agree global cooperation on tackling climate change, if at the same time they are undertaking strategic competition over dwindling global supplies of fossil fuels.

The UK must argue that Europe’s leadership in managing global energy and climate security is not an issue of economics or moral philanthropy, but an essential component of European strategic interest. Such leadership is required in order for Europe to preserve its future prosperity and stability while living in accordance with its fundamental values. The UK should work to ensure that tackling these challenges is the litmus test for future European success.

The first stage in European leadership is ambitious action in Europe to reduce carbon emissions, and reduce dependence on imported energy. By setting an aggressive unilateral target to cut carbon emissions by 30% by 2020, and putting in place the policies to deliver this, Europe would demonstrate that ambitious change is possible. Strong European action will also increase confidence in its fledgling carbon market, which is the first stage in a global system of carbon trading and would give a clear signal to investors to develop the technologies needed for a low carbon economy

The most optimistic scenario sees a new international climate change agreement to succeed the Kyoto Protocol being negotiated in 2009-10. At the moment there is no global political agreement to deliver the scale of emission reductions scientists argue are necessary to maintain a stable climate; this political space has to be created before treaties can be agreed and signed. There is a need to create new spaces, with a new range of actors to drive agreement forward. These will not replace existing UN climate negotiations, but are needed to make progress with the required urgency.

The UK should argue for a web of global deals on energy and climate security between major energy consuming nations as a first, pragmatic step to producing a stable global regime. Deals with India and China on trade and investment in energy efficient technologies, renewables and zero-emission coal power plants; deals with the US and Japan on cooperation to rapidly develop and deploy efficient aircraft and vehicle technologies; and vitally a deal with the US on level at which they set a domestic cap on carbon emissions in return for access to the economic benefits of the European emissions trading market.

These relationships would provide the political, investment and trade underpinning of a new international climate change agreement. Europe can use its enormous economic weight to drive such changes, especially in its relationships with India and China. The industrial boom in China – mainly fuelled by our investment and consumption – means that it is currently building coal-fuelled power stations at the unprecedented pace of a major plant every 4 days. The lifetime emissions of the coal power plants built by 2030 will equal 2/3rds of total global emissions over the last 2 decades. Europe cannot stop India and China building coal power stations to meet their energy security aims, but it could prevent lock-in to their future carbon emissions by helping deploy carbon capture and storage (CCS) technologies which remove carbon emission and store them underground. The EU has already agreed to build a commercial scale CCS demonstration plant with China. While this is a good first step, unless the planned completion date of 2020 is moved forward it will have little impact on climate stability. A plant could be built by 2010, if the right level of political and financial investment within Europe could be mobilised.

China has also set an extremely ambitious target of improving its overall energy efficiency by 20 per cent by 2010. It is in Europe's interest to act decisively to help China achieve this, in parallel with developing a more aggressive domestic energy efficiency policy; for example, by harmonising efficient product standards in the EU and China and lowering relevant tariffs. The energy and climate security benefits of cheap and highly efficient Chinese appliances in Europe outweigh any possible "competitiveness" issues around tariff reduction. In the same way Europe (and the rest of the world) has a greater interest in ensuring energy and climate security rather than overprotecting intellectual property rights (IPR) around clean technologies. Fears around IPR protection are holding up EU-China and EU-India cooperation in renewable energy technologies, coal, efficiency and other areas. However, many European companies already successfully manage access to IPR as part of their

commercial and governmental relationships in China and India, showing that a strategic balance of risk and reward can be found if ultimate objectives are clear.

The EU has great potential for action, but it has failed to make the necessary political choices to act more effectively. The key barrier has been a failure to see the strategic importance of global climate and energy security to Europe's future, and therefore the need to leverage a much higher level of political and financial investment.

European energy policies and strategies tend to be formed in a narrow framework of perceived national interests. These are often based on a backward looking view of sovereignty which ignores the growing reality of interdependence. The UK should press for a broader European perspective that looks beyond narrow institutional silos and recognises the benefits to Europe of a more joined up approach to energy and climate security.

Tackling environmental and resource-based conflict

Though every particular crisis or violent conflict has its own unique dynamic based on local politics, economics and history, there are some common patterns. For example, natural resource wealth is often associated with poverty and conflict rather than wealth and stability. Over the last 40 years developing countries without major natural resources have grown 2-3 times faster than those with high resource endowment (World Bank 2005). Politicised revenue allocation from natural resources based around ethnic, religious or regional lines has been a major driver of internal conflict. Natural resource revenues are feeding corruption and organised crime, which destabilise governments and at the extreme finance conflict (through “conflict resources” – such as diamonds).

Politicised allocation of water and land is constantly driving low level conflict, which can spark into major violence when linked to ethnic, national and other divisions. By 2025, 63 per cent of the global population will be living in countries of significant water stress. Freshwater shortages are predicted to become more acute in already unstable regions of North Africa and sub-Saharan Africa, the Middle East and Central Asia.

Migration away from environmentally degraded regions causes confrontation across borders and inside countries, from Africa to Latin America. Migration due to droughts in South-west Asia over recent years has been linked with increased tensions in Kashmir and recruitment of displaced people into terrorist organisations. In Bangladesh, 5 million people live in regions at risk from sea

level rise and India has just completed a 2500 km border fence around the whole country in response to terrorism and migration fears.

Some of the first impacts of climate change will emerge as violent social conflict. In much of the world, societies are characterised by a lack of balancing institutions and over-centralisation of authority. Traditional resource sharing agreements under such conditions are usually created through previous conflicts and custom, and represent hard-fought compromises between different communities. These become brittle faced with the abnormal stress of climate change, as they are not easy to renegotiate when conditions move away from normal variations; for example, by reducing river flows or moving water across a traditional border. At this point it is likely that conflict erupts as traditional agreements break down and the powerful aim to maintain their resources by force; as has been seen in Darfur (Tearfund 2007). Once conflict has started it works off its own momentum, driven by fear and retribution, especially when resource use is communalised along ethnic, religious or community lines.

Such brittle resource sharing arrangements exist in most areas of the world which are already highly vulnerable to conflict, many of which are also highly vulnerable to the early stages of climate change; notably, Sub-Saharan Africa, Central Asia, South Asia, Caribbean and the Pacific Islands (PMSU 2005; Murphy 2006).

The UK and Europe have a strong security interest in ensuring these tensions do not undermine fragile peace in Africa and Asia. Both because of the suffering and economic cost conflict will bring to already poor countries, and because until regional forces such as the African Union are greatly improved it will be UN, European and NATO peacekeepers which will be called upon to tackle instability; as is currently happening with the replacement of ineffective African Union troops in Darfur.

There is no lack of tools and policy options to reduce the risk of environment and resource-related conflicts. A wealth of experience exists on managing environmental disputes, designing governance systems, anti-corruption measures, resource allocation and sharing mechanisms that could be used to reduce instability risks. There are a wealth of international agreements – on forests, water, environmental democracy, desertification, conflict resources – which could be strengthened as foreign policy tools.

However, despite a few high profile exceptions such as the action to control trade in “conflict diamonds”, there has been a lack of concerted international effort to address the resource and environmental roots of instability. Cases which have been addressed have required extensive campaigning from non-governmental groups to secure action. Environment and resource management issues are not yet mainstreamed into conflict prevention and development policy. In a world of rising scarcity this reactive approach will not be sufficient to preserve security and stability.

The best way to lower conflict risks is to strengthen the governance of resources and to enhance local democracy, though this requires long term commitment to action. The UK should work with others to do this. This approach should be included in all development plans and backed by measures in international markets to reduce incentives for destructive behaviour; for example, recent European efforts to ban the import of illegally supplied timber This would include strengthening existing expertise in local and regional conflict management around environmental and conservation issues, and ensuring that the role of environmental cooperation between countries and communities is better used as a peace building tool More responsive and inclusive local resource governance systems should also be more resilient in the face of climate change.

As the home of many major mining and resource companies the UK has a particular responsibility for helping tackle the negative impacts of badly-managed natural resource extraction. This should build on existing UK experience and leadership in developing novel mechanisms to improve management of natural resource extraction (e.g. Forest Stewardship Council, Extractive Industry Transparency Initiative) to expand effective governance systems for natural resource management (oil, minerals, timber etc.). Initiatives should be aimed at addressing a broad range of economy, corruption and instability issues at global, regional and national levels; including establishing a definition of conflict resources at the UN and stronger mechanisms for applying international sanctions against them. Given current security concerns and political opportunities Africa and Caucuses/Central Asia could be the immediate focus for action.

Though environmental drivers are beginning to be recognised in security policy areas, this will not necessarily result in co-operative, preventive and human-centred approaches. Policy makers are as likely to respond to these challenges in a defensive and reactive manner. Only by showing the relevance of stronger

environmental and resource policy for achieving security and stability will sustainable and poverty-focused outcomes be achieved.

Strengthened environmental governance

A progressive UK approach to environmental sustainability should also promote more effective forms of environmental governance at the global level. There is currently no lack of institutions for global environmental governance, but these have largely failed to prevent the worsening of environmental trends over the past thirty years. There are over 200 international environmental agreements (IEA's) supported by cross-cutting agencies (UN Environment Programme - UNEP, Global Environment Facility), overarching co-ordinating structures (Environment Management Group, Commission for Sustainable Development, ECOSOC) and the international legal framework (Environmental Chamber of the International Court of Justice). Environmental issues are also included to some extent in the work of key global economic institutions (World Bank, WTO and IMF), and official institutions are complemented by a huge number of private sector initiatives (e.g. codes of conduct, eco-labels, NGO activities). The question is why these bodies have been ineffective in achieving their stated objectives.

One reason is that high-level leadership on environmental issues is often weak. Good environmental governance produces joint benefits, but is often frustrated by special interests both nationally and internationally; for example, the role of OPEC nations in blocking action on climate change and national forestry interests in Asia in preventing binding global forestry standards. Overcoming these blocks requires strong leadership to identify communal problems and pull together political coalitions to solve them. International Environmental Agreements are poorly coordinated and weakly enforced. Each is negotiated separately – tailored to specific problems with different objectives, membership, funding and compliance mechanisms, institutional and reporting arrangements etc. Though decentralisation has had some benefits it has also led to coordination problems, failure to capture important environmental synergies and wasteful duplication of effort.

Progress in negotiating and ratifying agreements has not translated into effective implementation at the national level. Blame has often been levied on weak enforcement mechanisms, with calls for tough World Trade Organisation-style compliance and dispute mechanisms to punish free-riders. But countries seem reluctant to bring environmental disputes, even though existing

institutions are available to provide strict legalistic remedies. Part of the problem lies with the developmental nature of many non-compliance issues. Lack of resources, capacity, technology and skills are often the root causes of poor implementation in developing countries. Poorer developing countries need carefully designed assistance to come into compliance rather than coercive measures which could make them poorer and would fail to benefit the environment. On the other hand there are many developed and rapidly industrialising countries who could take on stronger more binding commitments, if the political will and leadership was found.

In an increasingly globalised and fast changing world, governments have no monopoly on solutions to environmental governance. The weakness of the international system has led to the emergence of “public policy networks” – groups of public and private actors working together to tackle specific issues. For example, the Forest Stewardship Council was founded to provide an independent standard for certifying sustainable timber, when no inter-government agreement on timber management was forthcoming.

A progressive UK government should press for a series of achievable steps towards an “emergent” World Environment Organisation (WEO) which would strengthen global leadership, legitimacy, dispute mechanisms, financing and coordination on environmental issues.

It is unrealistic to think that a full shift to a WEO can be achieved at once given existing political resistance in many quarters, not least the US. An evolutionary approach would see UNEP increase its status by becoming a specialised UN agency with increased levels of compulsory UN funding. Leadership can be strengthened by working to ensure a high-level political leader is appointed, and increasing UNEP’s role on the core tasks of leadership, scientific analysis, information gathering and assessment of priorities. International Environmental Agreements should also be clustered into functional groups and umbrella conventions should be negotiated under UNEP to improve policy coordination.

Environmental compliance could also be improved by creating an International Centre for the Settlement of Environmental Disputes (ICSSED), inside UNEP, analogous to the World Bank’s investment dispute body. This would act as a mediation, arbitration, compliance and problem-solving institution. It could be specified as a referral body in any environmental treaty. This would be backed by streamlined procedures for using the environmental chamber of the

International Court of Justice (ICJ) including stricter time limits, assistance for developing countries and encouraging countries to declare compulsory ICJ jurisdiction for bilateral environmental issues.

Financing would need to be increased by broadening the mandate of the Global Environment Facility (GEF) so that it funds all IEAs and reflects developing country priorities more strongly. The GEF should eventually be brought under UNEP control.

The resulting organisation could then be consolidated and renamed as the World Environment Organisation. The guiding ethos of this WEO would be one of informed, principled and powerful leadership and a role as the global environmental watchdog that identifies future environmental challenges and threats to the integrity of the global commons.

Much of the practical work of the WEO should be embedded in webs of agreements between a wide range of different partners from governments, business and civil society.

There is a critical need to better manage environmental capital and services, especially in poorer developing countries. The UK could help develop a network of governments engaged in natural wealth accounting, and developing processes for incorporating these new measures into national decision making, with a specific focus on how natural assets underpin poor people's livelihoods. This could be linked to cooperation with interested governments to pilot innovative schemes to generate payments for large scale ecosystem services provision (for example, carbon sequestration; watershed protection; flood plain management; coastal protection etc).

Anti-corruption agreements are one of the most effective ways of building better environmental governance, especially when linked to bilateral trade relations. The UK should work with developing country governments to agree bilateral instruments to prevent trade in illegally harvested resources, building on the success of the existing European initiative in this area, This could be combined by UK cooperation with other major consumers of natural resources to ensure they enact and enforce the provisions of the UN Convention on Corruption relating to the activities of their companies in resource-intensive sectors abroad.

But new institutions and laws will only be meaningful if citizens and communities can enforce their rights through the legal system. The UK should work with other development agencies to set standards for equitable access of

poor people to natural resources through land reform and tenure systems, water allocation systems and forestry use rights. The UK should building on its existing support for government/NGO initiatives such as the Partnership for Principle 10 (www.pp10.org) that monitor and implement the rights to environmental justice, consultation and redress agreed at the Rio and Johannesburg Conferences.

Conclusion

The biggest challenge facing international cooperation on environmental issues is not identifying correct goals or objectives; these have been largely defined by the Rio Conference in 1992 and its daughter agreements. The real challenge is to drive change in global and national environmental management systems at a rate consistent with the growth of ecological pressures. Given that many environmental problems are irreversible, a failure achieve adequate change now will narrow future choices and impose large costs on the next generation.

Motivating change requires a new politics of environmental responsibility, and institutional reform and innovation to ensure promises and policies lead to action.

A progressive UK Government should take a lead in defining a new politics of interdependence and cooperation. Co-operation is not easy or simple, and the pressures to free-ride on global action are high. These pressures come from the disproportionate weight that domestic lobbies exert on governments, and are compounded by the traditional mindset of foreign relations which sees all interaction with other countries as a process of win-lose negotiation.

The UK should articulate a political narrative of global interdependence in which country interests are analysed in terms of common interests rather than power relations. It should advance a new ethic: the globalisation of responsibility. This would put an ethical perspective at the heart of foreign affairs and move beyond a zero-sum mentality.

This approach will need to be embedded in a new operating system for policy making if it is going to survive. The fundamental challenge of delivering complex, international, long term solutions has been underestimated. These types of policies cannot just be implemented by existing institutions; that would be like trying to play a Playstation 3 game on a 1990s IBM PC. A different set of skills and approaches are needed.

Environmental problems require investment in prevention. But governments are always better at reacting to crises than preventing them in the first place. The UK government must become better at making the case for preventive investment of political, financial and organisational capital to reduce the risk of irreversible and catastrophic environmental losses. The UK has led the world on building the moral and economic case for poverty reduction. The Stern Review has provided part of the case on climate change, but similar rigour needs to be applied to a range of environmental problems.

The UK should make risk management of environment and resource issues a core competency at the centre of government by building a specialised Sustainable Development Unit inside the Cabinet Office with responsibility for monitoring these risks. This would work in partnership with the existing external watchdog body the Sustainable Development Commission.

No one actor has the capacity or scale to tackle these problems, which require new networks of action to deliver effective collaboration. The UK should expand and deepen its Sustainable Development Dialogues with India, China, Mexico, Brazil and South Africa, involving a wide range of UK institutions and actors inside and outside government to align around agreed agendas for change. These dialogues should become a primary vehicle for building a global politics of responsibility. The existing UK partnerships with business and civil society in areas such as forestry, water, finance, energy and tourism should be assessed for real impacts and reformed or reinvigorated as necessary. This will require significant additional funding in the 2007 spending round.

DEFRA, DFID and FCO should agree a joint international strategy to guide these investments and partnerships; complementing the emerging strategy for climate change. This would ensure that environmental and resource issues are truly mainstreamed into the main international departments, and reverse the negative trends on environmental issues inside DFID.

Taking forward this ambitious agenda will require government to have new skills and expertise. Though the UK government has done much to open up its structures by bringing in secondees and processes of external challenge the impacts on performance have been limited. Many of these areas require high degrees of professional skills and experience, and the UK has a wealth of talent to use outside government to advance its interests.

DEFRA, DFID and FCO should agree on a range of civil service posts in these areas, including at least 60% of senior grades, which will become permanently open for external competition.

Finally, there is a need for greater democratic accountability and oversight over the UK's international policy on environmental issues, starting with creation of a clear UK international environmental strategy going beyond climate change. As part of broader reforms, a more powerful Parliamentary Environmental Committee should be created combining the existing bodies and with dedicated analytical support (similar to that given to the Sustainable Development Commission.) The Climate Change Bill planned for 2007 will have a powerful and independent climate committee to oversee UK domestic action, but there is no comparable oversight of the international agenda. The Climate Committee should be given powers to examine the government's international cooperation in this area.

This amounts to a significant agenda for reform, which must encompass both the key international departments of foreign policy, development, trade and defence and integrate elements of environment, energy, industry and law enforcement. Such wide ranging reforms will require significant political will to drive forward, but the urgency and impact of climate change and environment degradation requires that such changes are made if the UK is to have a progressive and effective foreign policy capable of preserving the environmental conditions for long-term prosperity and security.

