

# Aiding and Abetting Climate Change

The Australian aid budget and the energy sector

May 2004

**AID** WATCH

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## 2. Definitions

**Renewable Energy:** New renewable Energy sources include modern biomass, World Commission on Dams (WCD) compliant small (up to 10 MW) hydro (mechanical as well as electric), geothermal, wind, all solar, tidal, wave and other marine energy.

Note that AusAID and other institutions such as the World Bank and Asian Development Bank class large hydro as renewable.

**Energy Efficiency:** refers to all dynamically improved energy efficiency and energy conservation measures on the demand/end user side such as appliances, motor drives, housing and services including transport.

(For more on renewable energy definitions please go to [www.cures-network.org](http://www.cures-network.org))

**Renewable Energy Technologies (RET) also called Sustainable Energy Technologies or (SETs):** Technologies and processes used to generate electricity without burning fossil fuels.

**Fossil Fuels:** Coal, oil, shale oil and gas.

### 3. Executive Summary

This report reviews the support for the energy sector, in particular the Renewable Energy Sector funding allocated through the Australian Aid program. The findings are clear. Funding for Renewable Energy projects have plummeted from \$20 million in 1996/7 to a mere \$647 000 in 2002/3.

This drastic reduction in Renewable energy funding reflects a decrease in the overall energy sector funding but we have found that along with the overall decrease, there remains a steady commitment to fossil fuels in the Australian aid program.

These figures reflect a decreasing commitment by the Australian aid agency, AusAID, to provide clean energy solutions to low income countries while these very countries face the first impacts of climate change – rising sea levels and increasingly unpredictable weather.

There are clear links between energy and economic growth and AusAID are well aware of these links.

AusAID have made the Pacific region a priority focus of the program. Statistics suggest that at least 80% of people in this region have no access to electricity sources. Additionally climate change is a vital issue for the countries of the Pacific.

Despite these facts AusAID have decreased their funding to Renewable energy projects to an all time low and continue to fund Non-Renewable categories at a steady level.

This represents a clear policy perversity both within AusAID, who are refusing to address key issues in its priority geographic area and within Government policy, which promotes the continuation of the fossil fuel industry despite the climate impacts.

Australia is directly responsible for influencing energy sector policy and practice in many low-income countries through the financing of energy projects and policy through the aid budget. This public funding is in effect locking developing countries in to fossil fuel dependency. This is occurring whilst the Government refuses to sign the Kyoto Protocol because of the very policies promoted by AusAID. This appears highly conflicting policy at best.

AusAID needs to address the key issues of climate change and energy provision by prioritizing sustainable and appropriate energy projects which would better position AusAID to reach its stated objectives of poverty alleviation and sustainable development. AusAID must phase out all funding for fossil fuels immediately and shift the energy sector funding to 100% appropriate renewable energy. This would directly assist in attempts to combat climate change, rather than perpetuating it, as is the current status.

#### **4. Introduction and Overview**

In 1996 AID/WATCH conducted a review of Australia's support for the coal industry through the aid program. This report titled 'Aiding Global Warming: An Analysis of Official Development Assistance for the Coal Industry', illustrated significant Government support for the Australian coal industry and in contrast minimal public funding of the Renewable Energy industry. The links between coal and CO2 emissions is incontrovertible and the findings illustrated that Australia, as the world's largest coal producer was more interested in promoting Australian business interests than the environmental consequences of the product of this business.

In 2002, the Mineral Policy Institute conducted a report titled "Up in smoke – Australian Coal Exports to South East Asia". This research indicated that the Australian Government had done little to avert this trend over the intervening period. This report aims to evaluate the performance of AusAID funding to challenge the issue of climate change, primarily through its bilateral program.

The period under evaluation includes the year prior to the change of government in Australia and the following 8 years of Liberal/National Party Coalition Government. This period was chosen as it would indicate shifts from the policy of the previous government and discern any trends from and over this period.

The findings illustrate that a threefold increase in energy allocated funding through the aid program was evident in the first term of the Government in 1996/97 from \$12.9 Million to \$51.9 Million. Renewable energy funding increased dramatically over this period, as did funding for Non-Renewable energy projects and programs. This trend appeared linked to shifts in development priorities to a focus on poverty alleviation and evidence to support the link between energy and poverty, as attested by development policy drivers, the World Bank. Australian Government comments around this time also indicate an awareness of the link between poverty alleviation and energy availability.

During the fiscal year of 1996/97 the Kyoto Protocol was adopted at the UNFCCC conference in Japan. Australia came under fire for refusing to sign this international agreement that aimed to limit the amount of CO2 and other emissions and thereby challenge the onset of climate change.

The Minister for the Environment at the time commented that the Federal government would refuse to ratify the Agreement, as developing countries would not have to adopt the same targets as Australia.

The Minister for the Environment, Dr David Kemp argued in late 2002 that:

“The Kyoto Protocol is flawed... the Kyoto Protocol does not require greenhouse reductions from developing countries, which will soon be producing more than half the world’s greenhouse gases”<sup>1</sup>.

The following year 1997/98 saw a massive decline in the funding of energy projects and programs through the aid program. Renewable Funding was cut by 1/10th and energy funding overall was also reduced by a quarter.

Energy sector funding has remained relatively stagnant since then with the Renewables component in terminal decline, Non-Renewable Funding is steady and Energy Policy, Research, Administration and training on the incline.

This failure of the Australian Government to challenge the impact of climate change in a sustainable manner through the aid program is alarming considering it appeared well aware of the dangers of climate change, as the report circulated by Foreign Minister Downer asserted in 1996/97<sup>2</sup> and as his department affirmed again in 2000<sup>3</sup>.

Of increasing concern is the failure of the Australian Government to allocate a significant percentage of the aid budget to sustainable energy sources despite its clear recognition of the links between energy and poverty.

Add to this the change in focus of the aid program in 1997 to prioritise the Pacific area and then to not deal with two of the primary areas that this area needs urgently addressing (namely climate change and the provision of energy projects and programs) and the Australian government can be seen to have been neglectful of its responsibilities and its duties.

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<sup>1</sup> The Hon Dr David Kemp MP, Minister for the Environment, in a media release dated 19 November 2002, accessible at <http://www.ea.gov.au/minister/env/2002/mr19nov202.html>

<sup>2</sup> Downer, A., (1996) Australia’s Overseas Aid Program 1996/97, circulated by the Hon. Alexander Downer Minister for Foreign Affairs, Australian Government Publishing Service, Canberra, ACT.

<sup>3</sup> AusAID (2000) Power for the People: Renewable Energy in Developing Countries, a summary of discussion at the renewable Energy Forum, Canberra, ACT Australia, 18 October.

## 5. Australian Official Development Assistance (ODA) – the aid program

Australia's International Development and Cooperation Program, or the Australian aid budget, is administered by the Australian Agency for International Development (AusAID).

The Minister responsible for AusAID is the Foreign Affairs Minister, Alexander Downer and his Parliamentary Secretary is the Hon. Christine Gallus who undertakes a significant component of the Government's official aid activities.

The aid budget is dedicated from public funds via the Treasury and ultimately provided by the taxpayer. In 2004/05 it is estimated this amount will exceed \$2.133 Billion as Official Development Assistance (ODA or more commonly referred to as aid)<sup>4</sup>.

AusAID administers the aid budget through several channels: bilaterally on a country to country and regional program and project basis; multilaterally through agencies such as the World Bank, the Asian Development Bank and United Nations Organisations; for emergency relief and humanitarian activity; through other government departments such as the Australian Centre for International Agricultural Research, the Department of Immigration Multicultural and Indigenous Affairs and the Attorney General's Department; and through Volunteer and Community programs.

AusAID funds are allocated over various sectors<sup>5</sup>:

- Social Infrastructure and Services – including Education, Health and Water supply and sanitation,
- Economic Infrastructure and Services - including Transport and storage, Communications, Energy Supply, Banking and financial services, Business and other services,
- Production Sectors – including Agricultural, forestry and fishing, Industry, mining and construction, Trade and tourism,
- Multisector/Crosscutting – including General environmental protection, Women in Development and Other multisector,
- Commodity aid and general assistance – including Structural adjustment through the World Bank/IMF, Development food aid and Other general program and commodity assistance,
- Emergency Food aid and Other – including Emergency food aid, emergency and distress relief, action relating to debt support to NGO's and Administration costs to Donors.

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<sup>4</sup> AusAID, (2004) Australian International Development Cooperation 2004/2005, AusAID, Canberra, ACT, Australia.

<sup>5</sup> AusAID, (2003) Statistical Summary 2001/2002, Australia's Overseas Aid Program, Australian Agency For International Development, ACT, Canberra.

The area we are focusing on in this report is in the Sector of Economic Infrastructure and Services and is the category: Energy Supply. Other categories may relate specifically to the promotion/alleviation of climate change but these sectors are not specifically dedicated to addressing this issue. Other factors will be addressed in the penultimate chapter.

## 6. Energy Funding through the Australian aid program

Throughout the 1990's there had been a significant catalogue of research indicating that there was a clear link between the provision of energy and poverty alleviation. The World Bank, recognised as one of the main drivers of development policy, reported in 1994 that the

'links between energy and economic development are indisputable'<sup>6</sup>.

As far back as the first aid budget Foreign Minister Alexander Downer delivered in 1996/97, there was clear evidence that Downer was aware of this and would make this sector a priority for the Aid program under his leadership.

This seemed sound policy and indicative of the evidence supplied by the World Bank on the link between poverty and energy and would be further corroborated by the Simon's Review<sup>7</sup>, in its calls to focus on poverty alleviation. Downer and his department were also aware of the imminent threat of climate change and were working to avert it, as they asserted in 1996/97,

"AusAID is currently supporting approximately 50 bilateral and regional projects across the Asia Pacific region and also in Africa, valued at \$90 million, which contribute to greenhouse gas abatement"<sup>8</sup>.

The recognition of energy provision and its link with poverty and the need to deal with this in a sustainable manner was clear in the comments made by Downer and AusAID and was further reflected in the substantial increase in funding that occurred in the Energy Sector component of the aid budget (See Table 1). The funding allocation leapt from \$12.8 Million in 1995/96 to \$51.9 million in 1996/97 (See table 1). A fourfold increase in the aid funding allocation seemed a strong indication that the recognition of the importance of this sector to alleviating poverty had been acted upon.

In comparison to the entire aid budget of \$1.76 billion (2001/02) this funding accounted for just 3% of the entire aid allocation. In a year when the aid budget dropped 10% in real terms, this increase in energy sector funding, the large increase and focus on renewables together with the recognition of climate change as an important issue indicated a new

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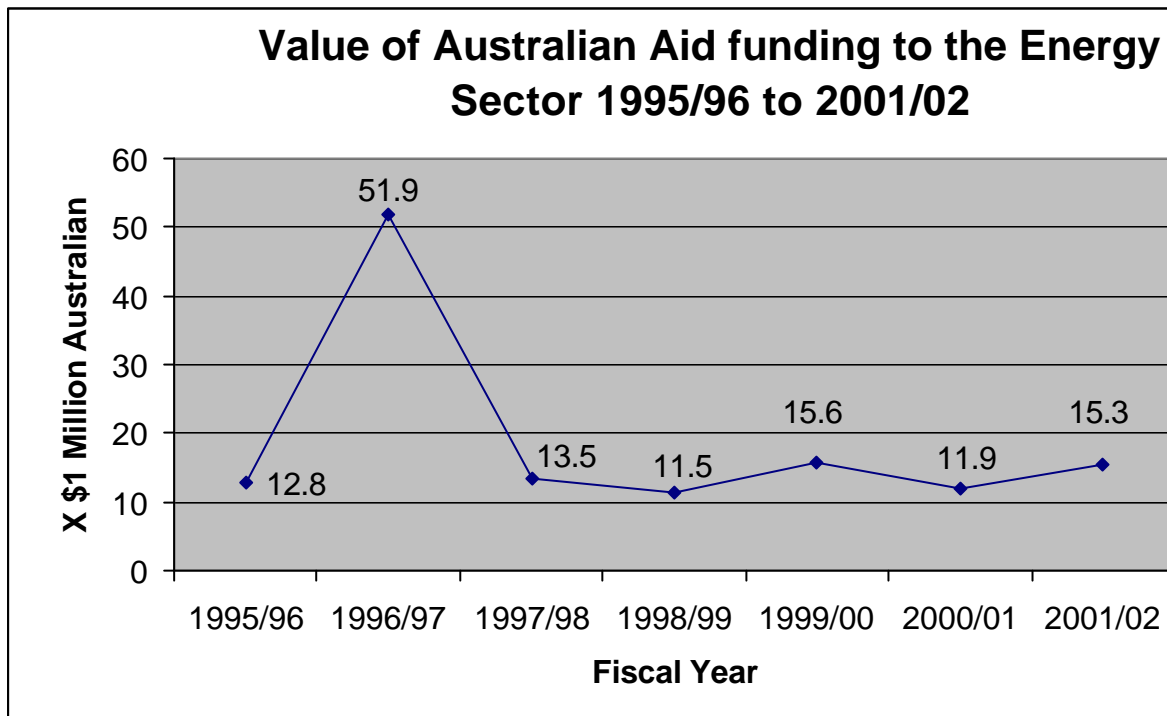
<sup>6</sup> World Bank (1994) World Development Report 1994 – Infrastructure for Development, New York, Oxford University Press.

<sup>7</sup> The Simons review was an independent report commissioned by Foreign Minister Downer to evaluate the Australian aid program. It made over 70 recommendations chief among them to focus on the alleviation of poverty through sustainable development. Simons, H.P., Hart, G., & Walsh, C., One Clear Objective – Poverty Reduction through sustainable development, Report of the Committee of Review 1997, AusAID, Canberra, ACT, Australia p12.

<sup>8</sup> Downer, A., (1996) Australia's Overseas Aid Program 1996/97, circulated by the Hon. Alexander Downer Minister for Foreign Affairs, Australian Government Publishing Service, Canberra, ACT.

direction in the aid program that sought to utilize this link between poverty and energy.

**Table 1: Value of Australian aid funding to the Energy Sector 1995/96 to 2001/02<sup>9</sup>**



During the fiscal year of 1996/97 the Kyoto Protocol was adopted at the UNFCCC conference in Japan. Australia came under fire for refusing to sign this international agreement that aimed to limit the amount of CO<sub>2</sub> and other emissions and thereby challenge the onset of climate change.

The Minister for the Environment at the time commented that the Federal government would refuse to ratify the Agreement as developing countries would not have to adopt similar emission targets as Australia.

The Minister for the Environment, Dr David Kemp argued in late 2002 that:

‘The Kyoto Protocol is flawed... the Kyoto Protocol does not require greenhouse reductions from developing countries, which will soon be producing more than half the world’s greenhouse gases’<sup>10</sup>.

<sup>9</sup> AusAID (Various) Figures taken from ‘Statistical Summaries’ from various years, specifically from Table 7 (years 1995/96 to 2001/02), Australian Agency for International Development, Canberra, ACT.

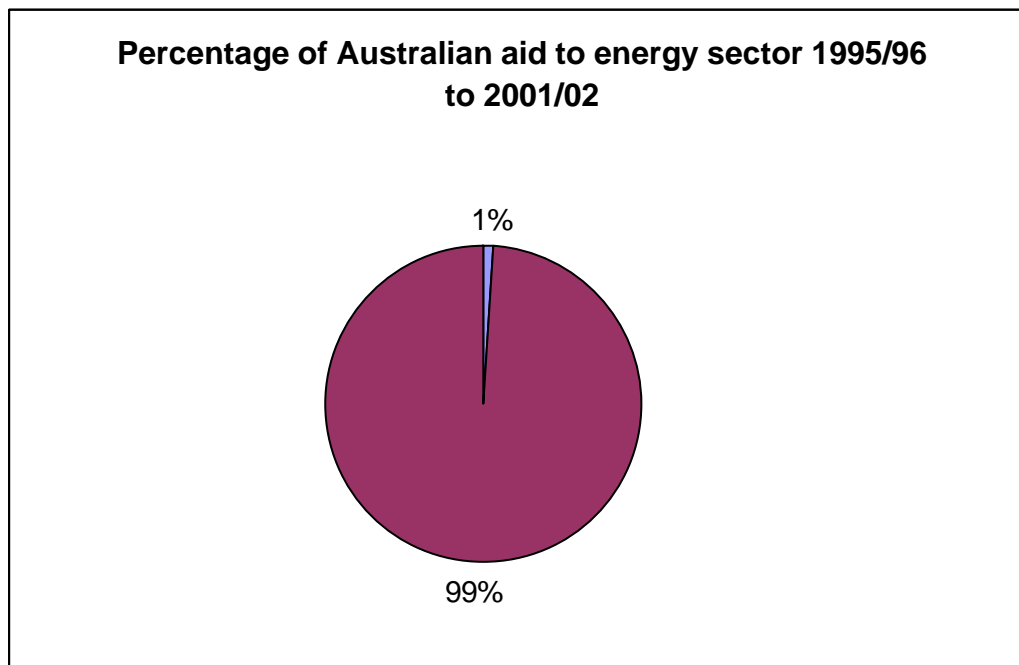
<sup>10</sup> The Hon Dr David Kemp MP, Minister for the Environment, in a media release dated 19 November 2002, accessible at <http://www.ea.gov.au/minister/env/2002/mr19nov202.html>

These sentiments show clearly the carbon hypocrisy of the Federal Government. Australia is directly responsible for influencing energy sector policy and practice in many low-income countries through the financing of energy projects and policy through the aid budget. This is occurring whilst the Government refuses to sign the Kyoto Protocol because of the very policies promoted by AusAID. This appears highly conflicting policy at best.

The following fiscal year 1997/98 saw a significant decrease in the funding allocation for the Energy Sector of the aid program. This decrease of \$38 million is indicative of an about face on utilizing energy provision as a means to promote economic growth. Funding for energy through the aid program has stagnated since this time, slipping as low as \$11.5 million (1998/99) and rising to \$15.6 million (1999/00). Energy provision seems on the outer in relation to aid program priorities, despite significant evidence to the contrary. The energy funding allocation has stagnated at \$15.3 million (2001/02) or 1% of the Australian aid budget.

In current prices over this period the sum total of all Australian aid was \$11.08 Billion and the amount allocated for the Energy Sector was \$132.5 Million or the equivalent of 1% (See Table 2). Indicating energy promotion had not become a significant AusAID priority despite the evidence which suggested it should be.

**Table 2: Percentage of Australian aid to the Energy Sector 1995/96 to 2001/02<sup>11</sup>**



## 7. Australian Aid Energy Sector Category Analysis

<sup>11</sup> Figures taken from Various Statistical Summary documents 1997/98 to 2001/02, Australian Agency for International Development, Canberra, ACT, Australia

The energy sector of the Australian aid program provides funding to 14 different categories, for the purposes of this study these categories have been condensed into 3 categories:

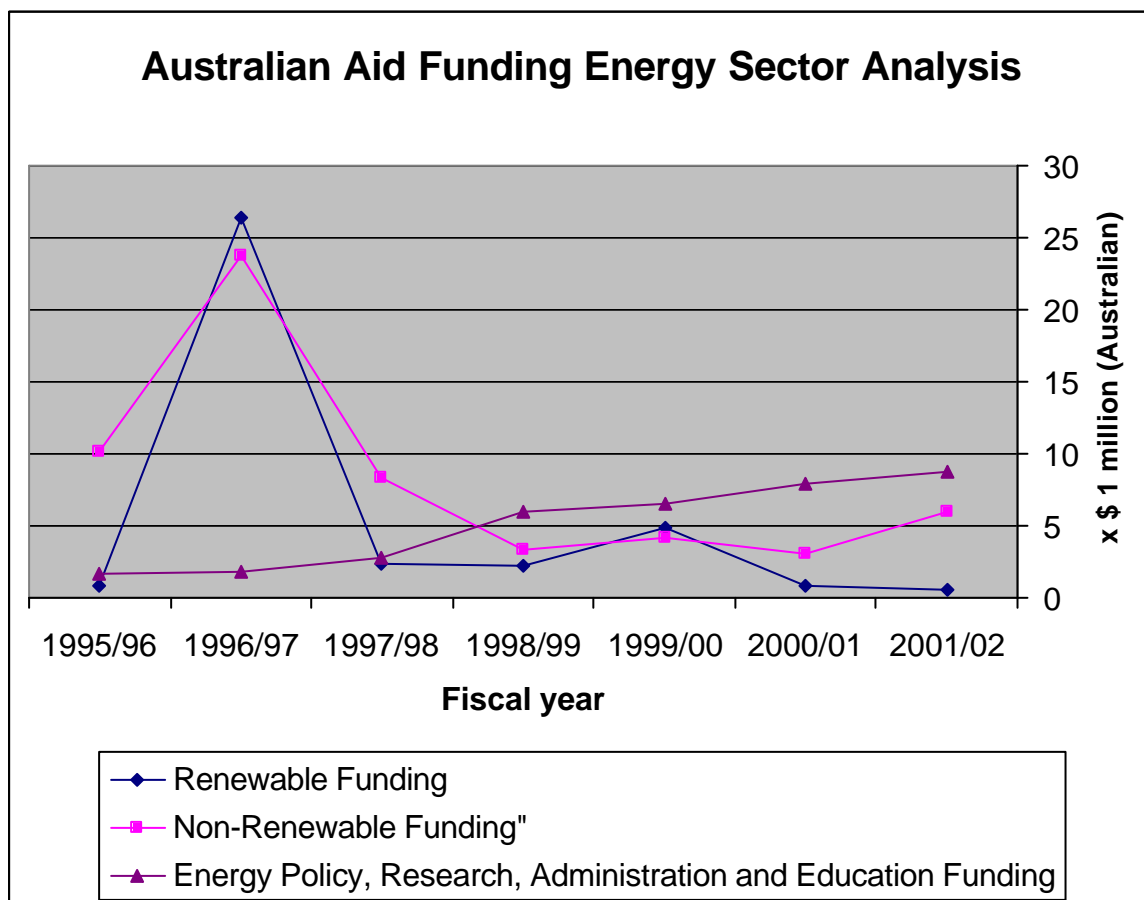
1. Renewable Funding – includes Power Generation/renewable, Solar Energy, Wind Power, Ocean Power, Biomass and Hydro-electric Power plants

(Note that AID/WATCH does not classify large-scale hydroelectric plants as renewable but have done so for the purposes of this report – in line with AusAID reporting procedures).

2. Non- Renewable Funding – includes Power Generation/Non-Renewable, Electric Transmission/Distribution, Oil Fired Power Plants, Coal Fired Power Plants and Nuclear Power Plants
3. Energy Policy, Research, Administration and Education (RPRAE) - includes, Energy Policy and Administrative Management, Energy Education/Training and Energy Research

For the breakdown of these 3 areas please see Table 3.

**Table 3: Australian aid funding Energy Sectoral Analysis<sup>12</sup>**

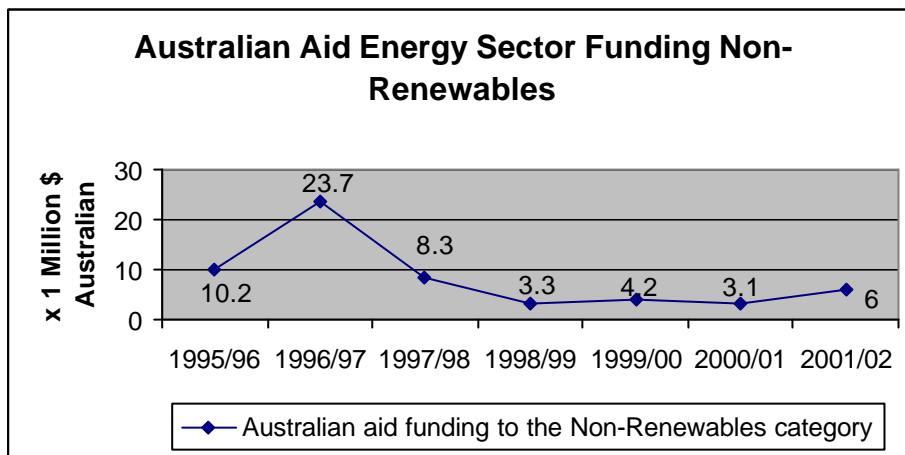


<sup>12</sup> AusAID (Various) Figures taken from 'Statistical Summaries' from various years, specifically from Table 7 (years 1995/96 to 2001/02), Australian Agency for International Development, Canberra, ACT.

## **Non-Renewable Energy Funding in the Aid budget 1995/96 to 2001/02**

The Non-Renewable Sector has benefited from the Australian aid program in the past. AID/WATCH in 1996<sup>13</sup> illustrated that there were significant government mechanisms utilised in promotion of the fossil fuel industry. This was more recently corroborated in 2002 by the Mineral Policy Institute<sup>14</sup>, also with a specific focus on government support for the coal industry.

**Table 4: Non-Renewable funding of the Energy Sector of the aid Budget 1995/96 to 2001/02<sup>15</sup>**



The funding for Non-Renewables dramatically increased in 1996/97 doubling from 1995/96 at \$10 million to \$ 20.3 million. This was indicative of the increase in overall funds to the energy sector and appeared to illustrate a shift in the aid program focus in line with international development trends.

This funding then decreased substantially the following year down to \$8.8 million (1996/97) and further to an ebb of \$3.2 million in 1998/99 from where it has fluctuated from \$4.1 million in 1999/2000 to \$3.1 million in 2000/01 and now has increased slightly to \$5.8 million in 2001/02.

This component equates to 0.3% of the total aid budget and represents 38% of the energy sector allocation in the 2001/02 aid program. This increase was largely due to the funding for oil-fired power plants a worrying trend in relation to climate change (increase from \$311,000 in 2000/01 to \$2.1 Million in 2001/02).

Non- Renewable Energy is historically the largest component of the energy sector, which gives a clear indication of the level of consideration for climate change in the policy formulation.

<sup>13</sup> Imhof, A. (1996) Aiding global Warming: An analysis of Official Development Assistance for the Coal Industry, AID/WATCH, Sydney, Australia.

<sup>14</sup> Mineral Policy Institute (2002) Up in Smoke – Australian Coal Exports to South East Asia, Mineral Policy Institute, Sydney, Australia.

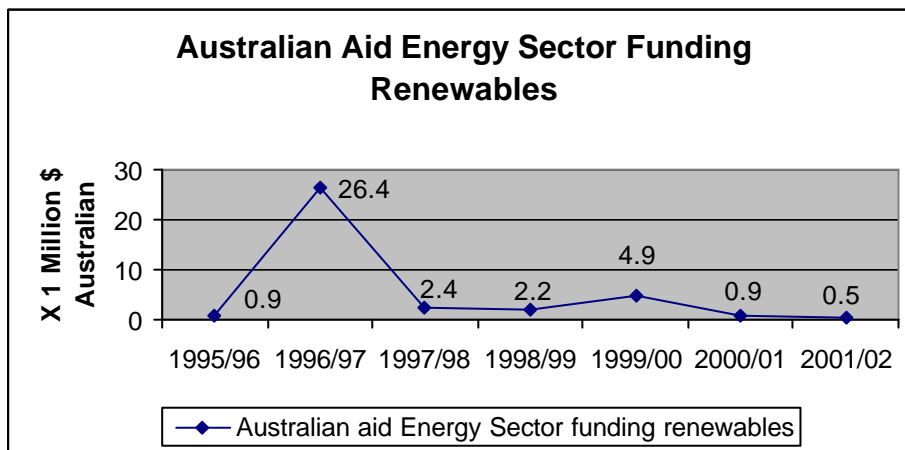
<sup>15</sup> AusAID (Various) Figures taken from 'Statistical Summaries' from various years, specifically from Table 7(years 1995/96 to 2001/02), Australian Agency for International Development, Canberra, ACT.

## **Renewable Energy Funding in the Aid budget 1995/96 to 2001/02**

The years 1996/97, as mentioned, heralded a huge increase in funding of energy sector projects in the aid budget. Unpacking this we see that Renewable energy was the big winner increasing from \$1.1 Million in 1995/96 to \$29.7 million in the following financial year. This funding increase, twenty five times greater than funding available for this category under the previous Government, also indicated a clear conviction by Downer and AusAID to challenge the issue of climate change and energy shortages in recipient countries in a sustainable manner.

It is disappointing that the year the Kyoto Protocol was adopted, 1997, coincided with a significant decrease in funding of the Australian aid budget to the Renewables category of the Energy Sector (see Table 5a – blue line depicts allocated Renewable funding).

**Table 5a: Australian Aid Energy Sector Funding for the Renewables Sector 1995/96 to 2001/02<sup>16</sup>**



The following year the Renewables budget slid by an equivalent margin, falling to \$2.5 million from where it has remained in steady decline. A small increase was heralded in 1999/2000 where renewables attained funding of \$4.9 Million but has since fallen to an all time low under the Howard Government of just \$627 000 - and appears in terminal decline.

As a categorical unit of the Energy Sector, total Renewables funding accounts for just 4% of the energy category and a tiny percentage of the entire aid budget at 0.03% is allocated for renewable funding in 2001/02.

This is similar to the funding trend for Non-Renewables although Renewable funding appears in perpetual decline whilst evidence suggests non-renewable funding is on the way up. This trend certainly

<sup>16</sup> AusAID (Various) Statistical Summaries from various years, specifically from Table 7(1995/96 to 2001/02), Australian Agency for International Development, Canberra, ACT.

questions Australia's actions in challenging the issue of climate change.

**Table 5b: Australian Aid Energy Sector Funding Analysis 1995/96 to 2001/02<sup>17</sup>**

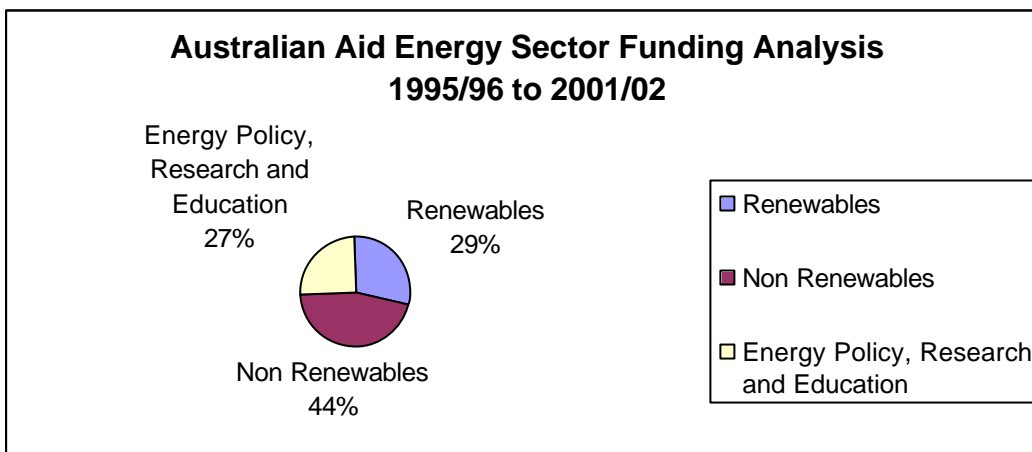
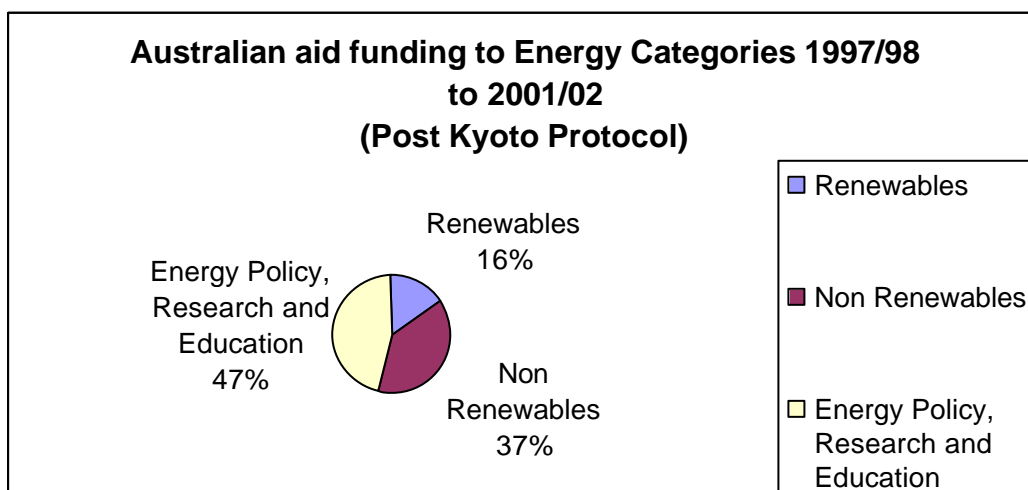


Table 5b indicates the total funding to all sectors of the Energy program between the fiscal years of 2001. The total funding of \$132.5 million over this the period was split between: Renewables with \$38.2 Million, Energy, policy, research and education received \$35.5 million and Non-Renewables received \$58.5 million. It should be noted that of the \$38.5 million allocated to Renewables the major component of this was the 1996/97 allocation (pre Kyoto) of \$26.4 Million. Since Kyoto was announced the funding for Renewables has decreased substantially as can be seen in Table 5c.

**Table 5c. Australian aid funding to the Energy sector from 1997/98 to 2001/02.**



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Graph Table 5c. illustrates the severe cut to Renewables funding which has occurred since Kyoto was announced. Renewables funding

<sup>17</sup> AusAID (Various) Statistical Summaries from various years, specifically from Table 7(1995/96 to 2001/02), Australian Agency for International Development, Canberra, ACT.

<sup>18</sup> Ibid

over this period has fallen to around half of its percentage of the overall time period (from 29% and \$38.8 Million). Equating to just 16% or \$10.9 Million for Renewables this equates to just over \$2 million per fiscal year on average. The averages belie the real story that asserts that Renewables funding has continued to fall even further.

**Table 5d: Australian Aid Program Energy Sector Funding 2001/02**

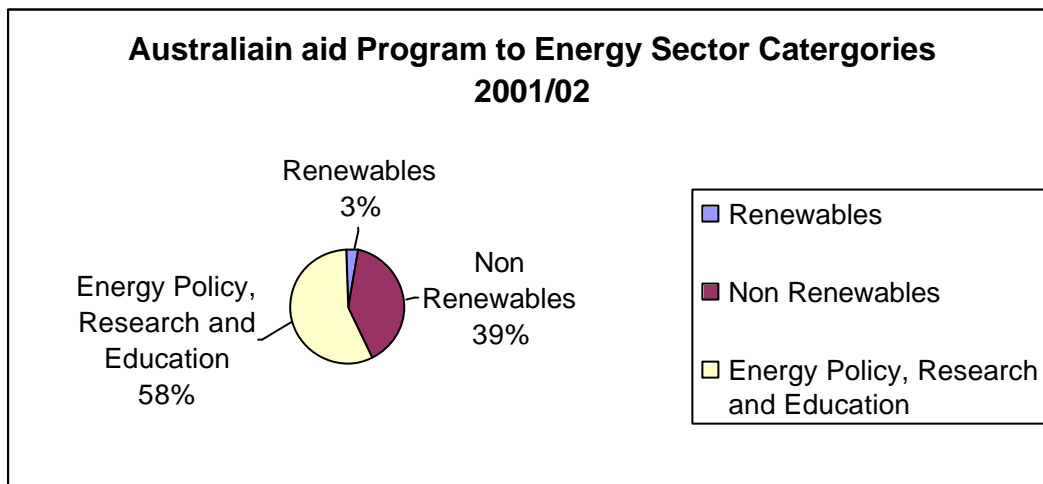
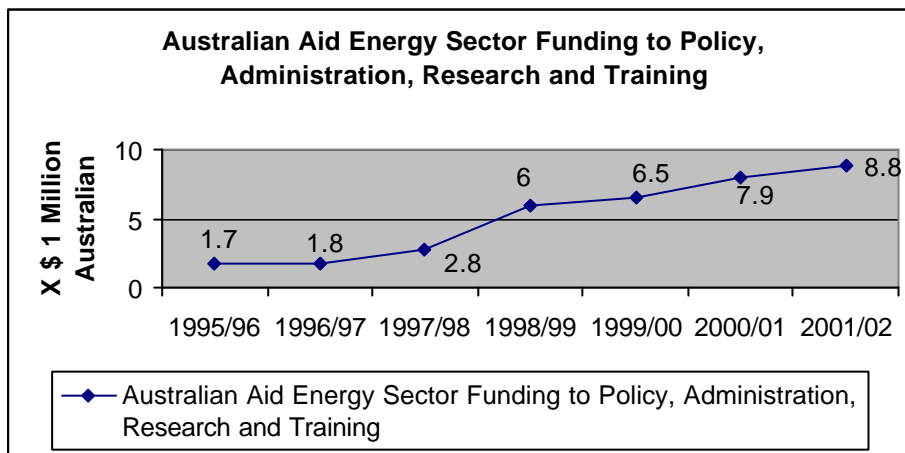


Table 5d. illustrates the massive decline in funding to Renewables over this period. While the focus has been on climate change, post- Kyoto, Renewables funding in the aid program has fallen to an all time low while Non-Renewable funding has remained relatively stable. Such action again begs the question of why the Australian government continues to promote climate change inducing Non- Renewables and have not done more to promote sustainable Renewable technology through the aid program.

**Energy Policy, Research, Administration and Training (RPRAE)  
as Energy Funding in the Aid budget 1995/96 to 2001/02**

Bucking the downward trend in the energy sector, RPRAE has been an area that has continued to grow since the Howard Government has come to Power (see Table 6). Increasing steadily from an allocation of \$1.7 million in 1995/96 where the majority, \$1.1 million was spent on education and training) through \$1.8 million 1996/97, \$2.8 million 1997/98, \$6 million 1998/99, \$6.5 million 1999/2000, \$7.9 million 2000/01 and continuing to \$8.8 million in 2001/02.

**Table 6: Australian Aid Energy Sector Funding to Policy, Administration, Research and Training 1995/96 to 2001/02**



In 1995/96 the majority of money allocated in this category was for education and training. This sub-category in 2001/02 receives just \$1.8 Million whilst there has been a huge increase in funds allocated to the Energy Policy and Administration sub-category receiving 12 times more funding than it was allocated in 1995/96 (\$ 532 000) and is now receiving \$6.9 million.

APACE, a sustainable energy provider with over 20 years experience delivering sustainable energy projects in the Pacific, is critical of this move, suggesting that too much money is spent on consultants, so called 'experts' and their many weighty but seemingly little read reports. "More money needs to be put into training," says Apace worker Paul Bryce. "Too little resources are put into this area and too many wasted on more reports that no one reads let alone implements". Bryce points to a lack of coordination in the policy approach that sees, many of the reports duplicating previous policy and analytical work and suggests, 'there are models like the one utilised by APACE that are proven effective in the context of the Pacific and have proven sustainable for up to 20 years. There needs to be more support and education and training initiatives for these projects and less focus on reports and policy"<sup>19</sup>.

<sup>19</sup> Bryce, P (2004) APACE Village First electrification group- Interview conducted on Monday 17<sup>th</sup> May 2004 at AID/WATCH Offices.

## 8. Energy and Economic development

**“Energy is central to economic development — there is a clear correlation between energy consumption and living standards. More than half of the world’s populations living in rural areas still have no access to modern forms of energy. In recognition of the need to find sustainable solutions to this lack of access to energy in developing countries, AusAID’s The Environment Consultative Committee called this forum.”**

POWER FOR THE PEOPLE:  
RENEWABLE ENERGY IN DEVELOPING COUNTRIES  
A Summary of Discussion at the Renewable Energy Forum,  
Hosted by the Australian Agency for International Development (AusAID),  
Canberra, 18 October 2000.<sup>20</sup>

The above quote provides clear evidence that by the year 2000, when energy provision through the aid program had ceased to be popular there remained clear recognition by AusAID of the importance of the link between energy and economic development and the need to address these pressing energy issues in a sustainable manner. The fact that AusAID hosted this conference gives credence to this suggestion but there was no increase in funding for renewable energy projects – in fact a massive decrease occurred in the following fiscal year and as was mentioned in the chapter on renewable energy provision, the category now seems in terminal decline.

The Simons Review<sup>21</sup> recommended that Australia should adopt a tighter geographic focus in its aid program and that this should include a priority on PNG and the Pacific. This recommendation was dually adopted. Adopting such a policy has deflected other potential funding sources from the region and inherently brings with it clear responsibility to the people in these countries.

Whilst the link between energy provision and poverty appears clear and well known to both AusAID and the Minister it is clear that Australia should be putting more of its aid funding into sustainable (as is stipulated in the objective of AusAID) means of providing electricity for the many people (at least 80% of people) in this region who do not have access to it.

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<sup>20</sup> AusAID (2000) Power for the People: renewable Energy in Developing Countries, a summary of discussion at the renewable Energy Forum, Canberra, ACT Australia, 18 October.

<sup>21</sup> Simons, H.P., Hart. G., & Walsh, C., (1997) One Clear Objective – Poverty Reduction through sustainable development, Report of the Committee of Review 1997, AusAID, Canberra, ACT, Australia

## 9. Energy in the Pacific Context

Energy has been proven to be an important instigator of economic growth and this link is well recognized by AusAID, Downer and the World Bank as has been discussed.

The 'Pacific' as it is commonly referred, constitutes an enormous area of ocean with a scattering of islands and archipelagos that house many island states. In themselves these island states and the islands that home to them are incredibly diverse ranging from Papua New Guinea, with a population of 5 million people and consisting of several islands, enormous resource reserves, a rich mix of cultures speaking over 800 individual languages. In contrast Tuvalu has no mountains or mineral resources or even rivers or streams and less than 12000 people inhabit the entire country. Other countries include Fiji, Vanuatu, Solomon Islands, Samoa, Tonga, Kiribati, Cook Islands, French Polynesia, Marshall Islands, Federated State of Micronesia, Nauru, New Caledonia, Niue, Palau and the Tokelau Islands.

These Island states share between 5 000 and 50 000 years of isolated existence where ties of kinship, language and community have been able to develop independently. Traditional land and resource ownership rights still exist in many of these countries providing a social security net for the many who do not participate in the formal economy. Over a quarter of the world's languages are also in existence in this small area and cultural diversity that is reflective of this broad language diversity.

The economic context of the Pacific is also quite unique. The area consists of 22 developing nations and 5 least developed nations. These countries represent tiny markets with some populations equivalent to those of small Australian cities and many less people in their entire country than exists in Sydney or Melbourne. This small population spread over a vast geographic area both within the Pacific and often within the individual countries means transport costs are very high for things such as fuel, raw materials and other goods and services. Energy Poverty in this region is equivalent to sub-Saharan Africa.

Additionally there are very limited export products with few resources and scant opportunity to value add. This generally equates to a very small private sector confined to urban centres that do have energy, communications and transport services, although these are often also sporadic.

There are often too few human resources for a market based formal economy. E.g. Marshall Islands' Energy Ministry comprises one graduate Engineer, straddling policy development, participating in international events, delivering energy projects, researching and advising its Government, doing field installation and maintenance. Also each multilateral, bilateral or NGO initiative at the top level depends upon a tiny urban 'elite' churning opportunistically between foreign-funded 'projects'.

Although there is an incredible diversity of people, wealth, culture, resources and populations in these countries, there are also a number of other factors they have in common. For instance they all exist in extraordinary isolation from overseas markets, from major air and shipping routes, often from their own neighbours and also from other communities and people within their own country. Over 80% of Pacific Island citizens remain in small rural villages that have little in the way of infrastructure or attachment to the formal economy and remain in the non-formal economy where money is used sparsely and gained through buying and selling of food or products often produced in the garden or the home.

Hence one of the most pressing issues for these many people is access to electricity. The World Bank estimates that over 80% of the people in these countries do not have access to electricity. Paul Bryce from APACE – Village Electrification Group, who has been working on electricity and power projects in the Pacific Islands for over 20 years, says that the real numbers are likely to be much higher if factors such as affordability and reliability are considered. "Power companies have no way of checking who has access", according to Bryce, "as the means of testing involve sending a current down the line and that way it can only be judged if the line is working and the power is getting there. Many people (in the Pacific Islands) have no access to the cash economy and therefore can't afford to pay their bills.

Additionally, reliability is a huge problem. In the Solomon Islands and Papua New Guinea, even in Port Moresby and Honiara, people are forced to organise their day around when the power is expected to be on and off".<sup>22</sup>

This equates to a very unique context that in turn requires a very unique approach in dealing with the many diverse issues, energy provision being prime among them.

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<sup>22</sup> Bryce, P., (2004) APACE – Village First Electrification Group, Interview conducted on the 12<sup>th</sup> May 2004.

## **10. Australian Aid and Climate Justice**

Further analysis of the energy sector of the aid budget also provides evidence of a clear neglect in challenging another key area of policy that is impacting upon the Pacific region - that being the issue of climate change and its closely associated accomplices of sea-level rise and global warming.

The impacts of climate are not simply a matter of science and there are many indicators coming from the region of the increasing negative impacts of climate on human rights and communities.

Small island states such as Tuvalu and Kiribati are directly under threat from rising sea levels. Other Pacific Island States are also suffering the destruction of coral reefs through global warming which directly impacts upon their food security.

Additionally rising sea waters are rendering previously arable lands unfit for cropping due to salination. These impacts are well documented (a comprehensive overview can be obtained from the Intergovernmental Panel on Climate Change <http://www.ipcc.ch/> and from the Ministerial Conference on Environment and Development in the Asia Pacific – Climate Change and the Pacific Islands <http://www.unescap.org/mced2000/pacific/background/climate.htm>)

The challenge for many Pacific nations will be the immediate social and environmental consequences of sea level rise already resulting in the increase of environmental refugees flowing to other parts of the world.

## 11. The Global Environment Facility (GEF)

The alarming failure of the Australian Government to attend to the urgent issue of climate change also provides a clear indication that Australia is failing in its responsibility to its neighbouring region, where the aid program is focused.

This failure is further exacerbated by the current 2004/05 budget of \$0.00 allocated to the Global Environment Facility.

The Australian aid program under Downer has heralded the GEF, as

“[The Global Environment Facility is] Australia’s single major contribution to the abatement and negation of greenhouse gas emissions in developing countries”<sup>23</sup>

Last year Australia contributed \$68<sup>24</sup> Million to this program and this year the funding for this vital issue in an area where the aid program is supposedly focused has slipped to no contribution what so ever.

In relation to aggressive negotiating by Australia at the Pacific Islands Forum and the insertion of an Australian to head this body, the recent controversy over similar aggressive behaviour over the PACER<sup>25</sup> agreement and the tension that these negotiations have created, this move to cut funding to the GEF could be seen, in relation to aforementioned developments, as potentially very inflammatory.

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<sup>23</sup> Downer, A., (1996) Australia’s Overseas Aid Program 1996/97, circulated by the Hon. Alexander Downer Minister for Foreign Affairs, Australian Government Publishing Service, Canberra, ACT.

<sup>24</sup> AusAID (2004) 2004/2005 Australian Aid Budget, Australian Agency for International Development, Canberra, ACT.

<sup>25</sup> Kelsey, J. (2004) Big Brothers Behaving Badly – the implications for the Pacific Islands of the Pacific Agreement on Closer Economic Relations (PACER), Pacific Network on Globalisation, Suva, Fiji.

## 12. Conclusion

The Australian aid program has made the Pacific Island States, our neighbouring region, the highest priority in the Australian aid program.

Despite this, two areas observed by AusAID and the Minister as important in the context of development 1) energy and 2) climate change, have received scant funding since the Kyoto Protocol was launched in 1997. This has occurred despite the clear recognition by Downer and AusAID that both these issues are of significant importance.

Since 1997/98 funding for Renewable energy from AusAID has virtually evaporated while funding for Non-Renewables and policy programs has continued at a steady level. Whilst Australia is twiddling its thumbs when action is required - sea levels in the Pacific continue to rise.

Despite the failure of the GEF to adequately address the particular needs of the Pacific Island States in its provision of sustainable energy projects Australia's failure to continue to fund the Global Environment Facility are further indication of this worrying trend. Particularly considering the GEF was promoted as Australia's major contribution to greenhouse gas abatement.

Other energy funding mechanisms do not properly accommodate the particular situation that is unique to the Pacific Island States. Australia has taken on this geographic area as a focus and we need to meet the responsibility such a task involves.

Providing sustainable, community driven and appropriate energy programs and projects is a vital aspect of this responsibility.

In addition Australia needs to address its unsustainable support for fossil fuel projects and we urge the Australian Government to urgently consider this a priority and phase out this funding of the fossil fuel industry.

## 13. Recommendations

**These recommendations are in 4 parts**

- Transparency
- Phase out of Fossil Fuels
- Renewable technology
- Energy policy coherence

### **Transparency**

**AusAID needs to increase the information provided to the public about energy projects and provide a climate analysis of the institution as a whole.**

- Increase transparency within the Aid budget and provide increased reporting of energy projects.
- Commission a review on the number, dollar value, nature and CO2 emissions associated with fossil fuels and fossil fuel technology over the course of AusAID's lifetime to date. In so doing, provide a carbon disclosure for AusAID over this period. In this way AusAID will be able to make public a clear and accurate picture of the extent of AusAID's role in climate change. There are methodologies available to determine institutional climate impacts.

### **Phase out Fossil Fuels**

**AusAID must immediately phase out all support for fossil fuels and climate intensive industries.**

- Immediately phase out all public funding for fossil fuels, fossil fuel infrastructure, nuclear and climate intensive industries.
- Begin this process with a moratorium on support for investment in fossil fuel and energy intensive projects.

### **Renewable Technology**

**Renewable energy technology must become the focus of the energy program.**

- Accept and use a definition of renewables as wind, solar, small hydro and thermal and biomass. (see [www.cures-network.org](http://www.cures-network.org) for more information)
- Shift the AusAID energy portfolio to 100% renewable energy projects using appropriate technology.
- These energy projects should focus on small scale, culturally appropriate technology that is locally owned and managed. Accept that a scale dimension will be important – large scale technologies, irrespective of their climate dimension can have a negative impact from the point of view of climate justice.

- Ensure that all projects have free, prior and informed consent of any indigenous people and that local communities are involved in any project design from the beginning.

### **Energy policy coherence**

**There needs to be an urgent move towards a whole of government approach to combating climate change.**

- Increase the overall level of funding for the AusAID energy portfolio.
- Move to a whole of government approach on climate change with policy coherence across departments to reduce the overall greenhouse gas emissions domestically and internationally.

## **14. About AID/WATCH**

AID/WATCH is a community-based, not for profit, activist group that campaigns on Australian involvement in overseas aid and trade projects, programs and policies. As we 'Monitor the Development Dollar', we work to ensure that aid money reaches the right people, communities and their environments.

AID/WATCH works in conjunction with support partner groups and communities in low-income countries, predominantly in the Asia-Pacific, where people are adversely affected by Australian development activities. This may occur through bilateral aid programs, multilateral development banks to which Australia contributes such as the World Bank, the International Monetary Fund and Asian Development Bank, and Australian corporations including the government-owned Export Finance and Insurance Corporation.

Our mission:

- To support people and communities in low-income countries to determine their own development futures;
- to ensure that aid money reaches the right people, communities and their environments,
- and that aid projects are implemented with stringent environmental, ethical, social and cultural guidelines.

### **Author**

This report was authored by Tim O'Connor, Aid Campaigner at AID/WATCH and edited by Kate Walsh. Thanks also to Liam Phelan for his assistance.

### ***AID/WATCH - Monitoring Aid and Trade***

19 Eve Street Erskineville  
NSW 2043 AUSTRALIA  
Phone: +61 (0)2 9557 8944  
Fax: +61 (0)2 9557 8922  
Email: [aidwatch@aidwatch.org.au](mailto:aidwatch@aidwatch.org.au)  
Web: [www.aidwatch.org.au](http://www.aidwatch.org.au)