



## OECD DAC Declaration on a new approach to align development co-operation with the goals of the Paris Agreement on Climate Change 27 October 2021

### Preamble

1. In advance of the 26th UN Climate Change Conference of the Parties (COP26) we, the members of the OECD Development Assistance Committee (DAC), have a **new approach to align development co-operation with the goals of the Paris Agreement on Climate Change** (“the Paris Agreement”).
2. The climate crisis is existential, closely linked to environmental and ecosystem degradation, desertification and biodiversity loss. The world’s most vulnerable people, including but not limited to those living in poverty – especially women and girls – are hardest hit across all the Sustainable Development Goals (SDGs). **Urgent action is essential to address climate change and deal with its impacts, including food and water insecurity, increased inequalities and exacerbation of conflicts.**
3. **The 2030 Agenda for Sustainable Development and the Paris Agreement are intrinsically linked.** Sustainable development and climate action – including tackling nature loss and persistent inequalities – must be pursued in a coherent way to ensure that progress towards these objectives is effective, equitable and supports the best outcomes for all, including developing countries. To achieve the SDGs and the goals of the Paris Agreement, developing countries must have inclusive economic development, and for that they need electricity, which many poor people still live without. In this context, we will help address the rising energy demands of developing countries, to support their development priorities in the most sustainable way possible.
4. Despite many developing countries contributing very little to climate change, particularly Least Developed Countries (LDCs) and Small Island Developing States (SIDS), many suffer disproportionately from its impacts. **We especially recognise the need to support adaptation actions in LDCs and SIDS,** consistent with the Paris Agreement.
5. To keep the 1.5°C temperature goal of the Paris Agreement within reach, production and use of energy – which contributes three-quarters of greenhouse gas (GHG) emissions – must be rapidly decarbonised. To achieve this, as outlined in the Intergovernmental Panel on Climate Change’s 2018 special report on 1.5°C pathways, **international financing must be directed to low GHG emissions alternatives.** It must facilitate developing countries’ access to green technologies, make clean and sustainable energy technologies more easily available, accessible, affordable and efficient and support transitions to net zero emissions by 2050.

## What does the DAC want to achieve?

6. **The DAC's core focus is sustainable development co-operation. We are committed to the SDGs and the Paris Agreement, including the transition to net zero GHG emissions and a climate-resilient future.** We are encouraged that developing countries share our ambition. The primary climate objectives of DAC members' Official Development Assistance (ODA) are: a) to support partner countries' own just transitions to sustainable pathways and to achieve global net zero emissions; and b) to increase their ability to adapt to the adverse impacts of climate change and improve resilience.
7. **These transitions should be just and fair. They will vary by country and must be driven by country context and led by developing countries,** as expressed in their Nationally Determined Contributions (NDCs), National Adaptation Plans (NAPs), long-term low GHG emission development strategies (LTSSs), Disaster Risk Reduction Strategies, and other climate-resilient national plans. For some developing countries with limited access to energy, it may be possible – with additional and blended finance – to leapfrog to clean and efficient sources of energy production. For other developing countries, the transition to more sustainable and efficient energy production may be longer and include low-emissions energy sources. In these exceptional circumstances, we should support the best available option. This support should be part of national energy system transition plans and reflect the Paris Agreement goals. The risks of stranded asset and carbon lock-ins must also be considered. Encouragement and facilitation of the faster roll-out of renewables and other cost-effective, efficient and low-emissions technology options in developing countries must be prioritised.
8. Net zero emissions energy resources, including renewables, are increasingly the cheapest and most sustainable option for energy production in many developing countries. These technologies should be promoted and can create substantial environmental, social, economic and health benefits. Emissions reduction measures and renewable energy investments have the potential to increase innovation and improve access to energy and jobs. **We will use our ODA and mobilise other resources to help developing countries access more technical opportunities to enable and accelerate a clean, sustainable and just energy transition on voluntary and mutually-agreed terms.**
9. Developing countries are very clear about their need for increased support for adaptation, risk reduction and building resilience. **We recognise that scaled-up efforts for adaptation and building inclusive climate-resilient societies are an essential and integral part of sustainable development.**

## What are we going to do?

10. **DAC members are fully committed to implementing article 2.1.c of the Paris Agreement,** and to making financial flows consistent with pathways toward net zero GHG emissions and climate-resilient development, while facilitating access to green technologies especially in the energy sector. We welcome the recent G7 commitment to support and accelerate global action to tackle climate change and make official finance flows consistent with the goals of the Paris Agreement. We also welcome the concrete steps by the international financial institutions and multilateral and bilateral development banks towards similar alignment. In combination with partner country investments, ODA has an important role to play in helping them shift their policies, regulations and laws in support of mitigation and adaptation.

11. As the custodians of the governance of ODA, **we commit to aligning our ODA with the goals of the Paris Agreement.** Climate and environmental impacts must be considered in all ODA spend, including in sectors not traditionally associated with climate and the environment. Alignment with the Paris Agreement will recognise the unique circumstances of partner countries and support their own low-carbon, climate-resilient development pathways and transition towards net zero economies, while minimising the risk of creating stranded assets.
- a) We will prioritise support to technologies focused on accelerating progress towards net zero systems, in particular renewable energy and energy efficiency. We could also consider carbon capture, utilisation and storage. We all make the same commitment as the G7 commitment to end new ODA for unabated international thermal coal power generation by the end of 2021.<sup>1</sup>
  - b) We will examine the type of power generation facilities that could be supported by ODA to meet the increasing demand from partner countries, including cost-effectiveness considerations.
  - c) Based on thorough analysis of power generation needs and the role of ODA, we will develop henceforth an approach to transitioning ODA investments toward net zero. This will take account of developing countries' needs and NDC commitments, and be in line with the Paris Agreement, 1.5°C goal and best available science.
12. As part of partner country energy system planning, **we will work to identify alternative sustainable, low-emissions, efficient, clean and renewable energy solutions to any current ODA fossil fuel support.** While energy transitions will have many benefits for developing countries, we will work with our partners to mitigate any unintended harmful consequences to populations with heavy dependence on fossil fuels. We commit to promoting innovation and well-functioning markets to increase access to sustainable, low-emissions, clean and renewable energy in such circumstances.
13. **We commit to greater accountability and transparency in how we define, account for and report ODA related to climate, biodiversity and the environment,** and in climate finance more broadly. By the end of 2022, we will:
- a) Be more transparent in how we track our development and climate finance and the amount of climate-related development finance;
  - b) Review the DAC's relevant statistical reporting and data sharing processes to make them more accessible to developing countries and more easily understood;
  - c) Enhance the compatibility of DAC data, national databases and aid transparency initiatives;

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<sup>1</sup> We, Austria, Belgium, Canada, Czech Republic, Denmark, European Union, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Korea, Luxembourg, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, United Kingdom and United States further commit to limit our ODA investments in fossil fuels to when there are no economically or technically feasible clean energy alternatives; and are part of host country transition planning, consistent with Paris Agreement and NDC commitments. ODA may be used to support efficiency improvements of existing fossil fuel based power generation facilities, as well as their decommissioning and we will notify the DAC of intended activities. We also recognise that in limited contexts – such as emergency and humanitarian crises – where access to grid-based power is unavailable, fossil fuel based power may still warrant ODA support.

- d) Harmonise DAC members' reporting in our Creditor Reporting System (CRS), especially with regard to the Rio markers;
- e) Develop a method for the CRS to measure specifically donor efforts on sustainable energy transition, in recognition of the importance of supporting transitions in sustainable development.
14. **We will work with the multilateral system, especially the United Nations, the international financial institutions and regional and multilateral development banks, to deliver this Declaration.** This will include: aligning our country-level assistance strategies more clearly with the latest available science, NDCs, NAPs, LTSs, Disaster Risk Reduction Strategies and other climate-resilient national plans as appropriate; and working through them to develop in-country capacity, take climate mitigation measures and reduce vulnerability to natural hazards related to climate change.
15. **We recognise the urgent need to support investments in adaptation and resilience that are nature positive, locally-led, inclusive, transparent and gender-responsive,** including through nature-based solutions, climate information services, technology development and transfer, and monitoring and evaluation. Adaptation to the impacts of climate change is integral to sustainable and inclusive development, safeguarding gains made to date and preventing future losses.
16. The Paris Agreement recognises **the importance of averting, minimising, and addressing loss and damage associated with the adverse effects of climate change. To maximise effectiveness for developing countries, action should align with existing mechanisms,** such as the Sendai Framework for Disaster Risk Reduction and the DAC's Humanitarian-Development-Peace Nexus Recommendation. This includes being risk-informed, tailored to specific circumstances, integrated with adaptation, humanitarian aid, and emergency preparedness and response.
17. Healthy and sustainable ocean management is an integral part of our response to climate change, environmental degradation and protecting biodiversity. **We are committed to promoting resilient and sustainable ocean economies. We must give greater priority to global co-operation to help protect the oceans that support communities in coastal developing countries and SIDS, as well as in the rest of the world.** We will help SIDS and coastal developing countries diversify their economies sustainably, supporting the conservation and sustainable use and management of ocean and coastal resources. **SIDS face particular barriers in accessing international climate and environmental funds, as well as multilateral and private finance. We commit to reducing these** and to mobilising finance for SIDS from all sources including using the catalytic role of ODA.
18. Climate change threatens water and food security and increases the risk of conflict over natural resources. Impacts are particularly severe in developing countries and fragile contexts least equipped to deal with the consequences of climate change. **We commit to supporting innovative, climate-resilient integrated water resources management and water, sanitation and hygiene services.** All water interventions need to prioritise sustainable use and conservation of ecosystems, particularly wetlands. Climate change is increasing the conflict over water, which demands greater dialogue and co-operation.

19. Nature and biodiversity play a fundamental role in sustainable development and in tackling climate change. As part of our commitment to the SDGs, the objectives of the UN Convention on Biodiversity and the goals of the Paris Agreement, we must conserve, protect and restore biodiversity and ecosystems, while addressing the causes and risks associated with its loss. We recognise that development finance needs to be aligned better with our environment and biodiversity objectives. We recognise the essential role of nature-based solutions to enhance climate mitigation and adaptation, while tackling deforestation and restoring biodiversity, building resilience and mitigating GHG emissions. They also provide a range of economic and social benefits, including for indigenous peoples and local communities. **We will work to embed nature into our analyses, policy dialogue and operations to ensure that ODA does no harm to nature.**

### Financing solutions for developing countries

20. **ODA represents a small share of total resources needed for sustainable development. Developing countries' domestic resources and private sector finance are already, or have the potential to be, far more substantial.** The integration of climate and environmental action into national budgetary, fiscal and planning processes is fundamental to successful and equitable transitions. In support, ODA can be transformative, enabling access to the best technology and equipment on voluntary and mutually-agreed terms, to take risks, to finance innovation and to leverage additional public, private and blended finance.

21. **We underscore our commitment to supporting developing countries in their just, managed, climate-resilient, inclusive and equitable transitions.** Increased quantity and improved quality of finance from all sources is needed to support climate and environment objectives. It must be aligned with partner countries' own national plans and priorities. **We will work across our governments to ensure the visibility of developing countries' needs in international climate discussions.** We remain committed to continue scaling up climate finance from a wide variety of sources. We remain committed to the goal of mobilising USD 100 billion a year, from a wide variety of public and private sources to address the needs of developing countries, in the context of mitigation and adaptation actions.

22. Recognising the need to support developing countries in tackling climate change, **we underscore the need for all countries that can do so to provide and mobilise climate finance.** We welcome the increasing number of countries providing public finance with these objectives and encourage others to join this global effort.

23. **We will use blended finance and risk mitigation instruments to stimulate more climate-related private sector investment.** Attracting more private domestic and international finance for climate action requires enabling policy frameworks and investment climates. We will work with developing countries to help them increase sustainable investment opportunities and strengthen the requisite enabling conditions. We have learnt from COVID-19 vaccine development that investing early and being prepared to finance risky – but critically important – innovation can yield substantial results, increase access to new technologies and incentivise countries to invest in new mechanisms. **ODA and other official finance can play a critical role.**

24. We are particularly concerned about the challenges developing countries face in accessing climate finance. As key shareholders and contributors, **we commit to working with relevant bilateral and multilateral finance institutions to improve access.** Best practice from development co-operation can usefully inform climate and environment finance institutions to facilitate access and support just and inclusive transitions. We must also develop capacity to help countries access and absorb this climate finance, especially LDCs, SIDS and landlocked developing countries.
25. We recognise that more – and more efficient and innovative – finance is needed to support adaptation and that most climate finance is currently invested in mitigation. **We commit to increasing support by scaling up finance for adaptation.** In line with the Paris Agreement, we reaffirm that scaled-up financial resources should seek a balance between adaptation and mitigation, reflecting country-driven strategies.

### Using the resources we have more effectively

26. Existing resources must be used more effectively and consistently. We will work across our governments to find innovative ways to use these resources to maximise impact for our partners. **The development effectiveness principles, to which the DAC remains committed, must be applied systematically to how we use development co-operation to support the goals of the Paris Agreement.** We will share best practice and peer learning to enable and improve climate and environment policies. More effective development co-operation for climate needs better co-ordination across governments and funders, improved predictability and effective engagement with civil society organisations, to ensure interventions are localised and community-driven. **As key shareholders in the multilateral system, we will work to promote development effectiveness principles across multilateral climate finance and ODA.**
27. We commit to learning and using development best practice to inform our climate-related activities and will adapt or develop better tools, reflecting what we have learnt from COVID-19 about the importance of flexible, adaptable and shock-responsive mechanisms. **We recognise the role that ODA can play in providing risk financing for innovation and commit to supporting partners wherever possible to finance risky – but potentially transformative – new ideas.**

### Conclusion

28. This Declaration will guide the DAC's work on climate, environment, ecosystem degradation and biodiversity loss henceforth. **We commit to reviewing progress on our approach at our High-Level Meetings.**