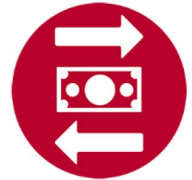


Integrity is integral to climate solutions

Transparency initiatives to tackle corruption in climate finance should align with calls for increased funding

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Bonn, 9 December 2024. The UN Climate COP29 at Baku ended with negotiators agreeing on a new goal to triple the money required to address climate change. Rich countries have agreed to pay US\$300 billion annually to the poorest countries, albeit not in the form of no-strings-attached grant money that poorer nations hoped for. While this promise inspires hope, recent reports of misuse of money allocated for clean energy projects in corruption scandals call for an urgent need for transparency. In Germany, the German Federal Environment Agency (UBA) recently uncovered fraud in eight upstream emission reduction projects in the oil and gas sector for climate change

mitigation awaiting approval. UBA rejected these projects due to commercial fraud and related irregularities. In the clean energy space, US federal prosecutors have issued an arrest warrant for one of the richest Indian billionaires indicted for his role in a bribery scheme worth US\$250 million used to acquire energy contracts for mega solar power plant projects by bribing Indian government officials.

Such news is not new; corruption tainting the 'clean' image of clean energy is emerging worldwide. Positive terms like 'clean,' 'green,' or 'sustainable,' often associated with renewable energy, can help hide corruption that this industry, too, can feed into. The urgency of climate action can lead to situations where proper supervision and monitoring of mitigation and adaptation projects are not prioritized.

Understanding and dealing with corruption in development finance has been a research topic for some time. It is critical to put integrity at the front and center of money allocated for climate finance. Different sets of actors participate and benefit from corruption in this sector. Due to the cross-boundary nature of investments, different legal systems operate in this space with different tolerance levels for corruption. In many countries, such as India, renewable energy projects have opened the door for private investors in the power production market, replacing the public sector traditionally involved in energy production. Consequently, new corruption channels have emerged with new players who can offer or receive bribes. Indirect corruption includes rent-seeking behaviors of investors, patrimonialism, and the capture of renewable energy projects by powerful elites.

“Strong transparency measures are urgently required to safeguard climate finance from being misused in fraudulent practices at national and local levels in countries with high levels of corruption.”

Corruption is not just a problem in multi-million dollar projects; it can also thrive in small-scale, off-the-grid renewable energy projects in remote and poor communities in the developing world. It becomes difficult for local communities with limited financial resources, governance support, and social capital to deal with corruption, especially when local power elites capture public renewable energy projects for their personal

use or to wield political power. Even when constructed on public lands, local political leaders can privatize the systems for their use and profit-making pursuits. At the same time, these projects are designed and funded by development agencies or public-private partnerships (PPP) to benefit poor households, such as communities dealing with energy poverty, and elite capturing thwarts such outcomes. In addition to not receiving solutions to chronic energy poverty, poor and vulnerable community members also suffer from local corruption. Such misuse of projects also lessens their chance of getting continued support from local NGOs. Additionally, protesting against local power elites endangers the lives and livelihoods of dissenting community members.

Controlling corruption is a complex task as its tentacles reach far. Much work is needed to fix corruption at the national level, especially in countries with high levels of corruption. For this, spaces and institutions must be built so that actors from all sectors can report and seek redress for corrupt practices in climate action. Robust systems of checks and balances, including legal frameworks and institutionalized governance mechanisms, are essential. However, examples like Vietnam, a participant in the Just Energy Transition Partnerships (JETP), highlight the challenges. Since 2021, Vietnam has arrested six environmental activists and blocked their participation in governance processes, undermining transparency and stakeholder participation. Such actions demonstrate how the absence of inclusive governance structures and legal safeguards can hinder efforts to combat corruption and ensure accountability in climate mitigation projects.

Climate action requires access to billions of dollars for investments in climate change adaptation and mitigation projects. Concurrently, it also requires proper use of that money on projects that would benefit all, especially those most affected. For this, demand for transparency initiatives and implementation of solid anti-corruption laws at all levels in countries with high levels of corruption should echo the calls for larger pots of money for climate finance.