How the Finance flows:

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THE BANKS FUELLING THE CLIMATE CRISIS AND IRELAND'S ROLE IN ENABLING THIS

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Executive Summary

The climate has a cash flow problem – and Ireland plays a role in this.

As the climate crisis alarmingly escalates, fossil fuels and industrial agriculture – the two industries that are the largest contributors to climate change – continue to expand and thrive. New ActionAid research shows that bank financing provided to the fossil fuel industry and to the largest industrial agriculture companies in the Global South reached an estimated US$3.2 trillion and US$370 billion respectively in the seven years since the Paris Agreement on Climate Change was adopted. Banks have provided 20 times more financing to fossil fuels and agriculture activities in the Global South than Global North governments have provided as climate finance.

These figures are staggering.

Ireland's role - a matter of policy coherence

This unsustainable financing is provided by many of the world's biggest banks- and Ireland enables billions of this money to flow. More than 1,200 multinational companies have established themselves in Ireland.[1] Investment managers registered in Ireland held **US$ 6.2 billion** in bonds and shares attributable to fossil fuels and agribusiness in the Global South. The top six investments are all oil and gas companies.

It is completely by design that Ireland acts as a channel for global institutional investors to profit from their fossil fuel investments in the Global South.

Ireland needs to address this and ensure policy coherence. The landmark 2018 Irish Fossil Fuel Divestment Act made Ireland a global pioneer in divesting public money from fossil fuel assets. In 2023, as the scale of the climate crisis deepens, so too must our actions.

The Act needs to be amended to include all fossil fuel use, not just undertakings, it should not exclude 'indirect' investments in exclusion of financial derivatives, exchange traded funds and hedge funds of fossil fuel exploration- undermining the spirit of divestment from fossil fuels, it should include agribusiness and agrichemical companies, it should have a wider scope beyond one public fund. It also fundamentally does not address the billions of private finance flows.

There are still opportunities for Ireland to play a leadership role. More urgent implementation of the Climate Action Plan, and a rapid scaling up of the state's climate finance commitments, at a European level supporting the ongoing negotiations on the Corporate Sustainability Due Diligence Directive, and domestically in introducing amendments to the Fossil Fuel Divestment Act. Immediate action must be taken to ensure that all government policies are realigned in support of our global climate objectives.

Executive Summary

Inaction comes at a price for the world's poor, and particularly women living in poverty

People in the Global South have been experiencing the extreme effects of the global climate and biodiversity crisis for years. This compounds poverty and inequality and undermines attempts to alleviate poverty. It is a crisis not of their making.

Malawi and Mozambique have faced the terrifying effects of Cyclone Freddy, the longest-lasting cyclone on record. Five seasons without rainfall have left severe drought and unprecedented hunger across Eastern Africa. Devastating floods in Pakistan put one third of the country underwater. Women are profoundly affected with rising poverty levels, inequality, food insecurity and displacement. Women and children are 14 times more likely to die from climate disasters as men.[2]

Financing fossil fuels and industrial agriculture lead to conflicts over land and water, cause premature deaths, destroy ecosystems, poison rivers and lakes, and drive up the climate change impacts already devastating their communities and risks locking Global South countries into building expensive and debt-dependent infrastructure rather than developing alternatives.

There are alternatives – and ways to finance them

Renewable energy has the potential to far exceed projected global energy demand by 2050, and renewables are already more affordable than fossil fuels in most cases.[3] Agroecology, more sustainable and small scale farming is increasingly recognised as a viable alternative to the dominant industrialised agriculture model. Appropriate financing is still lacking for both.

There should be unconditional debt cancellation so that Global South governments can be freed from the burdens of debt repayment to focus on scaling up renewables and agroecology. Wealthy governments in the Global North who have done the most to cause the climate crisis, must rapidly increase their climate finance grants and address tax avoidance, ensure progressive taxation, and put fair tax obligations on wealthy tax corporations and individuals. Windfall and wealth taxes should be considered.

There must be a transformation of food systems globally and a feminist just transition is needed to scale up climate solutions and to avoid unintended harm, to protect the rights of people at risk from losing out from these transitions in energy and food systems and address the disproportionate impact on women.

Every action matters

The climate science clearly shows that our window of opportunity for keeping global warming under the key threshold of 1.5°C is closing fast. Climate change is bringing hunger, poverty, terror and grief to millions of people. But the responsibility for climate change is not shared evenly. We need to act now.

Introduction

The world is burning. "The era of global warming has ended; the era of global boiling has arrived" according to the UN Secretary General Antonio Guterres.[4] New record high temperatures are being regularly recorded. Large parts of Europe, north America, Asia, are battling raging wildfires. People in the Global South have already been experiencing the extreme effects of the global climate and biodiversity crisis for years. A study published in July 2023 warned that the Gulf Stream could collapse as early as 2025, with catastrophic climate effects.[5]

Halimo from Somaliland is forced to spend her days searching far and wide for water for her family.

As the climate crisis escalates, *fossil fuels and industrial agriculture – the two industries that are the largest contributors to climate change – continue to expand and thrive.* Meanwhile, the solutions needed to address the climate crisis remain woefully underfunded.

Financial flows are the lifeblood of climate destruction, sustaining and perpetuating climate injustice and poverty. A new report by ActionAid sets out groundbreaking research completed in partnership with independent research organisation Profundo, to examine how international banks are financing fossil fuels and industrial agriculture in the 134 countries of the Global South. *"**How the Finance Flows:** the banks fuelling the climate crisis"* exposes the absurdity that banks are channelling more money to climate-harming activities, than climate-vulnerable countries are receiving to implement adaptation or mitigation solutions.

This report by ActionAid Ireland draws on the ActionAid global data and highlights specific research by Profundo on Ireland. This report puts Ireland under focus for its role in enabling these deeply problematic financial flows. This report highlights how such investment managers registered in Ireland held US$ 6.2 billion in bonds and shares attributable to fossil fuels and agribusiness in the Global South.

In highlighting these destructive practices, and Ireland's role in financing them, this report draws critical attention to the incoherence across Irish government policy that undermines the State's efforts to play its role in vital global efforts to reduce emissions and limit global warming, and to tackle poverty and support the most vulnerable to adapt and respond to the climate crisis in the Global South.

It also highlights that in spite of Ireland's pioneering Fossil Fuel Divestment Act (2018), intended to divest public money from fossil fuel assets, legal loopholes mean that Ireland's Strategic Investment Fund (ISIF) still allows for fossil fuel investments.

The impact of climate change on poverty and women rights

People in the Global South continue to suffer the worst effects of climate chaos - more extreme weather events, more frequently. This compounds poverty and inequality and undermines attempts to alleviate poverty. It is a crisis not of their making, but the result of the carbon intensive industrialisation of countries of the Global North and those countries' insatiable need to live and consume at rates beyond what the planet can sustain.

It is estimated that 75% of the costs of the global crisis will be borne by countries of the Global South, despite the poorest half of the world's population causing just 10% of carbon dioxide emissions.[6] Malawi and Mozambique have faced the terrifying effects of Cyclone Freddy, the longest-lasting cyclone on record. Five seasons without rainfall have left severe drought and unprecedented hunger across Eastern Africa. Devastating floods in Pakistan put one third of the country underwater. Previous research by ActionAid has found that even if current climate targets are met by the world's governments, by 2050 more than 60 million people in South Asia alone are likely to be displaced by the impacts of rising sea levels, water stress, crop yield reductions, ecosystem loss and drought.[7]

Food systems like farms and fisheries are highly sensitive to changing weather patterns and soaring temperatures. The worsening extremes of climate change undermine food sovereignty and water security, and have already damaged the health and livelihoods of many millions of people, with the most vulnerable people disproportionately affected.[8] This has particularly adverse effects on gender and social equity.[9] Women and people marginalised by their race, class, ethnicity, sexuality, indigenous identity, age, disability, income, migrant status and geographical location are subjected to greater inequality as they are often excluded from social protections, and experience greater vulnerability to climate change impacts.[10]

Asiya Ngalande is a 28-year-old mother and farmer from Nkhulambe Village in Malawi. Four of her children were killed during Cyclone Freddy, the longest-lasting cyclone ever recorded.

BOX 1 The disproportional impacts of climate change on women and girls

Across the Global South nearly half of the agricultural workforce are women, and in sub-Saharan Africa the proportion is far greater.[11] This means women's livelihoods and food security are particularly vulnerable to the effects of climate change.

Women and children are 14 times more likely to die from climate disasters as men,[12] and the greater the gender and economic inequality, the greater the disparity between men and women's chances of survival.[13] 80% of people displaced by climate disasters are women.[14] When water sources dry up, women and girls must walk further to fetch water. When crop failure impacts on family income, women are more likely to skip meals than men. Girls are pulled out of schooling before their brothers either to save on school fees or so they can be sent to fetch water, setting them on an unequal path for life. They may be married off at an early age by parents who can no longer afford to feed them, depriving them of schooling and exposing them to gender based violence. When climate change leaves families hungry, women report higher incidences of domestic violence.[15]

Many factors increase women's exposure to the effects of climate change. These include discriminatory patriarchal norms and gender-blind or gender-biased policies that place an unequal burden of care on women while reducing their access to land, markets, finance, public services, agricultural extension services and climate information.[16] Women farmers are therefore less able to invest in resilience, while earning less for their efforts than male farmers. Patriarchal norms in which men hold more power, privilege and property rights also often result in the exclusion of women and girls from participating in local decision-making processes and humanitarian responses. In 2018, only 54% of crisis contexts were found to have held at least one consultation with local women's organisations in the planning of their humanitarian response strategies.[17]

Another factor making women more vulnerable is accelerating migration from rural to urban locations. It is common for men of working age, particularly young men, to migrate from rural areas in search of employment. This trend is leaving many communities across Africa, Asia and Latin America with few men, driving the feminisation of agriculture and further increasing the multiple burdens on women.[18] Women report increased exhaustion, poverty and hunger. In some communities, women report that the absence of their husbands means that that they are at greater risk of harassment and sexual and violent assault outside of their homes.[19] Hunger and poverty has forced some women into transactional sex work in order to feed their families, exposing them to violence and HIV.[20] Meanwhile, young women in South Asia who are also driven to migration are more likely to experience trafficking and exploitation.[21]

The Money Flow: How financial flows are harming the planet

New global research by ActionAid shows that:

- **Bank financing provided to the fossil fuel industry in the Global South reached an estimated US$3.2 trillion in the seven years since the Paris Agreemen**t on Climate Change was adopted.[22]
- **Bank financing provided to the largest industrial agriculture companies operating in the Global South amounted to US$370 billion over the same period.**
- Since the Paris Agreement, **banks have provided 20 times more financing to fossil fuels and agriculture activities in the Global South than Global North governments have provided as climate finance** to countries on the front lines of the climate crisis.

This glut of unsustainable financing is being provided by many of the world's biggest banks. The largest European financiers of fossil fuels and agribusiness are HSBC, BNP Paribas, Société Générale, Barclays and Standard Chartered. In the Americas, the three largest US banks – Citigroup, JPMorgan Chase and Bank of America – were the most enthusiastic funders of both industries. The largest Asian financiers of fossil fuels and industrial agriculture are the Industrial and Commercial Bank of China, China CITIC Bank, and Bank of China.

Fossil fuels are by far the largest contributor to climate change, accounting for over 75% of global greenhouse gas emissions.[23] While this climate impact of burning fossil fuels is well known, the role of industrialised agriculture in the climate crisis is less widely publicised. Agriculture is the second-largest contributor to climate change, and industrialised approaches marketed and controlled by giant agribusiness corporations are responsible for the bulk of emissions in the sector.[24] These industrialised agriculture approaches drive deforestation, aggressively market agrochemicals that lead to large amounts of greenhouse gas (GHG) emissions and expand factory farming. They also undermine billions of smallholder farmers and their agroecological farming systems which could otherwise feed the world while cooling the planet. Industrial agriculture's reliance on fossil fuels to produce agrochemicals is just one way in which the two industries are deeply co-dependent.

Countries in the Global South, already disproportionately affected by the impacts of the climate crisis, are playing host to an increasing number of fossil fuel and industrial agriculture developments such as coal mines, gas wells, oil pipelines, coal-fired power plants and monoculture plantations blasted with agrochemicals such as fossil fertilisers and pesticides. These lead to conflicts over land and water, cause premature deaths, destroy ecosystems, poison rivers and lakes, and drive up the climate change impacts already devastating their communities.

Financing fossil fuels and industrial agriculture also risks locking Global South countries into building expensive and debt-dependent infrastructure that will quickly become outdated, rather than investing in sustainable opportunities for development like renewable energy and agroecology.

The financing provided for fossil fuels and industrial agriculture in the Global South is likely to dwarf the financing provided by banks for renewable energy and agroecology over the same period. Recent research has shown that only 7% of the financing provided by the major international banks featured in our report has gone to renewable energy in the seven years since the Paris Agreement.[25] Although no equivalent dataset exists for agroecology financing, lending from 'traditional' banks accounts for only a small proportion of the financing in this sector.[26]

ActionAid's global report profiles nine of the major financiers of industrial agriculture and fossil fuel activities in the Global South. These profiles show that:

- **X** Many of these banks have committed to reach 'net zero' emissions in their financing portfolio by 2050, but none have adequate policies in place to genuinely decarbonise their portfolio.[27]
- **X** Several banks (including Barclays, BNP Paribas, HSBC and Citigroup) now have long-term targets to phase out coal lending, but continue to finance some of the largest coal power producers and mining companies in the interim.[28]
- **X** Major banks are funding corporations responsible for controversial projects which are devastating local communities and ecosystems.
- **X** None of the major banks has a policy to fully phase out oil and gas financing, even though this is required if their financing is to be consistent with a 1.5°C climate goal. Instead, the main recipients of bank financing are the largest oil and gas companies.[29]
- **X** None of the banks surveyed by ActionAid have policies limiting the financing of industrial agriculture or favouring agroecology.
- **X** Where agricultural commodity policies exist, these usually relate to specific sectors – palm oil and soy in particular – but are over-reliant on certification schemes that have proven ineffective.
- **X** Policies addressing the role that beef producers play in driving deforestation (especially in the Amazon) are inadequate, or lacking altogether.
- **X** The harms caused by the agrochemicals sector also go unaddressed by bank policies. No bank recognises or seeks to reduce the climate harm resulting from the production and application of fossil-fuel based nitrogen fertilisers by industrial agriculture corporations.

Net zero is not zero

Even though it may sound similar, the phrase 'net zero emissions' does not mean 'zero emissions'. There are growing concerns that the term is being used to provide a veneer of climate credibility to business-as-usual pollution.[30]

Most net zero targets involve vague plans with long timelines that allow emissions to continue rising, often for decades.[31] Many rely on the false assumption that their emissions can be neutralised by carbon offsets (usually tree plantations that are likely to drive harmful land grabs in the Global South),[32] or that new technologies – which are unproven at scale, and which may also themselves cause harm - will be able to remove carbon dioxide from the atmosphere in the future.[33]

Methodology

The research methodology used to determine financial flows to fossil fuels and agriculture to the Global South from Ireland.

For this ActionAid Ireland report, Profundo analysed financial institutions headquartered and registered in Ireland, looking at both agribusiness and fossil fuel industries.

For agribusiness, this focused on agricultural value chains in the Global South and the connected social and environmental impacts. Ten market segments were chosen and a total of 45 companies were eventually included in the analysis of financial relationships. For fossil fuels, the research utilized recent data prepared for Reclaim Finance, which identified financial flows to companies on urgewald's Global Coal Exit List and the 100 largest upstream and 100 largest midstream companies on urgewald's Global Oil & Gas Exit List.

Types of finance examined included corporate loans, project financing, working capital, share issuances, bond issuances, managing shareholders, and managing investments in bonds.

Several agriculture companies included in this study are active in multiple sectors and multiple geographies. Similarly, many of the fossil fuel companies in the study are active in multiple geographies. Therefore, in order to attribute financial flows to agriculture in the Global South, segment and geographic adjusters were calculated, and to attribute financial flows to fossil fuels in the Global South, geographic adjusters were calculated.

The segment and geographic adjusters were then applied to all identified financing to estimate the value of financing attributable to fossil fuels and agriculture in the Global South.

The timeframe of this research for credit activities (Corporate loans, bond and share issuances) was from January 2016 to September 2022 for fossil fuels and December 2022 for agriculture. Investment in bonds and shares was researched at the most recent filing dates in September 2022 for fossil fuels and January 2023 for agriculture.

The Money Flows: the role Ireland plays in enabling harmful practices

While the research did not reveal any credit flows from Ireland to the Global South from Irish banks to fossil fuels, Ireland's role in the financing of these destructive activities is significant. ActionAid research established the following:

Creditor and investor analysis of fossil fuels and agribusiness

- In the period of study, only the Bank of Ireland provided any identified agribusiness credit attributable to the Global South. All of this financing was the Bank of Ireland's contribution to a loan provided to Brazilian meatpacker JBS. The Bank of Ireland provided JBS US$ 61 million in 2022.

- Irish financial institutions: On January 2023, Irish financial institutions held US$ 13.2 million in bonds and shares attributable to fossil fuels in the Global South. Of this, the Ireland Strategic Investment Fund (ISIF) held US$ 11.2 million, mostly in bonds issued by Chinese electric utility company State Grid Corporation of China. At the beginning of 2023, the ISIF also held US$ 12.5 million in bonds and shares attributable to agribusiness in the Global South. Of this, the Ireland Strategic Investment Fund (ISIF) held US$12.1 million and Waystone[34] accounted for the majority of the remaining investments.

Investments by large institutional investors with Irish subsidiaries

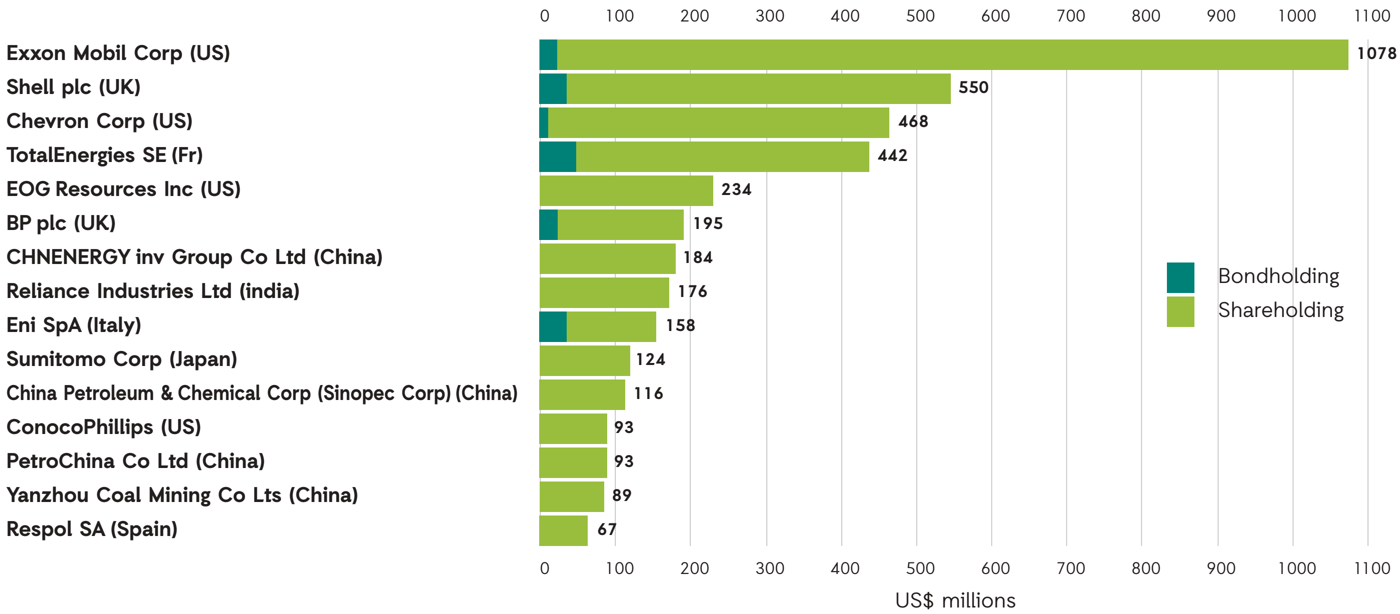
- A number of large international institutional investors have subsidiaries registered in Ireland. Investment managers registered in Ireland held **US$ 5.2 billion in bonds and shares attributable to fossil fuels in the Global South**. The three largest investors are subsidiaries of US-headquartered asset managers. Irish subsidiaries of BlackRock held US$ 2.3 billion in bonds and shares attributable to fossil fuels in the Global South. They were followed by subsidiaries of State Street (US$ 1.0 billion) and Marsh & McLennan (US$ 383 million).

- Investment managers registered in Ireland held US$ 1.0 billion in bonds and shares attributable to agribusiness in the Global South. By far the largest investor was US-headquartered asset manager BlackRock (US$ 720 million). It was followed by Irish subsidiaries of its US peer State Street (US$ 78 million) and French banking group Crédit Agricole (US$ 55 million).

- Ireland functions as a **channel for global institutional investors to profit from their fossil fuel investments in the Global South**.

- Figure 1 shows that the highest value of investments attributable to fossil fuels in the Global South was in large international oil & gas companies (Exxon Mobil – US$ 1.1 billion, Shell – US$ 550 million), Chevron – US$ 468 million). The **top 6 investments are all oil and gas companies.** They are followed by two coal mining and coal-power companies (CHNENERGY and Reliance Industries). Notably, four of the top fifteen investments are in Chinese companies.

Fig 1 Irish investment managers' fossil fuels in the Global South investments (2023 January, US$ millions)



Given Ireland's position in the global financial architecture, and the importance of Foreign Direct Investment (FDI) to the State, this is not surprising that Ireland is a channel for billions worth of fossil fuels and agribusiness investment. More than 1,200 multinational companies have established themselves in Ireland,[35] attracted to locate in Ireland by its access to the European single market, an English speaking workforce, and a very attractive corporation tax regime. In 2022, corporation tax receipts accounted for more than a quarter of Ireland's overall tax take.[36]

But Ireland's tax regime has also been widely criticised, including for its negative impact on the human rights and poverty levels of citizens of the global south, and for its lack of coherence with Irish Aid development and poverty objective.[37] [38] Research shows that Ireland's tax regime plays an important role in allowing multinational companies to avoid tax in countries of the Global South, by funnelling profits out of those countries and into low tax Ireland. Most recently the UN Committee on the Rights of the Child called on Ireland to ensure that Irish tax policies were not undermining the ability of other countries to raise revenue to address poverty experienced by children in those countries.[39]

In many respects Ireland's much vaunted corporation tax regime can be considered a success. However it comes at a price to many other countries who lose out on revenue that could be used for funding essential public services - hospitals, schools, roads etc. and for funding for climate adaption and transitions. At a time of unprecedented climate breakdown, there is also an obvious and untenable contradiction between government policies that on the one hand facilitate the ongoing flow of money through the State that sustains and exacerbates the climate crisis, and Ireland's obligations to play its role in reducing global emissions under the Paris Climate Agreement, on the other.

The legal gaps to address this issue

Unbelievably - in the face of the climate crisis the world faces - businesses, banks and private pension funds have no legal obligation to divest from practises that are harmful to the environment.

Across the globe, NGOs, activists, communities and movements are leading calls for both the Binding Treaty on Business and Human and the Fossil Fuel Non-Proliferation Treaty. On the international level, both potentially could address many aspects of harmful financial flows.

In Ireland, two pieces of legislation are of relevance. The Fossil Fuel Divestment Act 2018 and the proposed EU Corporate Sustainability Due Diligence Directive.

The Fossil Fuel Divestment Act 2018

In 2018, Ireland became the first country in the world to divest public money from fossil fuel assets. The Fossil Fuel Divestment Act (Act) 2018[40] drew important attention to the responsibility states have in ensuring its investment of public monies does not exacerbate the climate crisis. The 2018 Act amends the National Treasury Management Agency (Amendment) Act 2014 (the "2014 Act") by inserting a new section, section 49A, into the 2014 Act to restrict certain investments of the Ireland Strategic Investment Fund (ISIF). The Act compelled the ISIF to sell off its investments in the global fossil fuel industry, which as of June 2017, stood at €318 million, across 150 companies worldwide.[41]

The Fossil Fuel Divestment Act was a landmark achievement for climate activists in 2018, making Ireland's a global pioneer in its efforts to divest public money from fossil fuel assets. Irish citizens could have the impression that the law means that the majority of public investment institutions in the country are fossil-fuel free, which is not true. Equally, the global climate situation has worsened since that time and the window in which to limit global warming to a safe level is closing fast. In order to align the Act with what the climate scientists tell us is necessary, a number of amendments to the Act should be considered. ActionAid research shows the gaps and weaknesses in the Act:

- The Act is principally concerned with fossil fuel exploration (undertakings) only as opposed to all fossil fuel use, with a limited exception. This essentially still allows for investment from the ISIF in fossil fuel use.

- However the Act excludes indirect investments in exclusion of financial derivatives, exchange traded funds and hedge funds of fossil fuel exploration - this could be seen as contrary to the spirit of the Act. So, put simply, the NTMA is prohibited from holding an outright investment in a particular fossil fuel undertaking (called "Company X"), but permitted to have an indirect holding in Company X through a hedge fund. This arguably goes some way to undermining the overall intention behind 2018 Act which is to divest ISIF assets from companies like Company X.

- It also shows that investments in companies that depend on fossil fuels, such as agribusiness and agrichemical companies are not prohibited by the Act, thereby allowing for the continued financing of environmentally damaging activities.
- The Act is only concerned with ISIF investments. The fact that Irish investment managers held US$ 6.2 billion in bonds and shares attributable to fossil fuels and agribusiness in the Global South is neither permitted nor prohibited by the 2018 Act. Neither does the Climate and Low Carbon Act 2015 regulate such investments.
- Two investments are identified in the Profundo Report which refer to investments made by ISIF, namely a US$ 11.2 million in "State Grid Corporation of China" and a number of investments amounting to US$ 12.1 million in Bunge, Bayer, Cargill, Merck and BASF respectively. These investments are prima facia within the scope of the 2018 Act insofar as they are investments made the by NTMA of assets in the ISIF. While it does not appear these are in breach of the Act, a detailed review would be required to investigate if any of these related to fossil fuel explorations.
- The definition of a fossil fuel undertaking requires one to consider its turnover by reference to "most recently published audited financial statements." The nature of multinational company ownership is often complex and opaque, and annually published audited accounts in many jurisdictions are not always easy to secure. Arguably, the 2018 Act would benefit from a provision which would allow one to estimate such figures by reference to other publicly available information in the event that "most recently published audited financial statements" are not available.
- It is not unusual for legislation such as the Divestment Act to be subject to a review after a certain period of time to assess, inter alia, its effectiveness and to identify any unintended consequences. The pace of climate change, and urgency with which the international community needs to act should make periodic review of the Act an essential element. For example, under any review the inclusion of any company using fossil fuels, such as those companies involved in the agribusiness and agrichemical sectors, should be strongly considered, along with extending the Act to all fossil fuel use and not just exploration.

Photo: **Nora Awolowo/ ActionAid**

Martha Onisuru is a fisherwoman in the Niger Delta where Shell has devastated her community.

The EU Corporate Sustainability Due Diligence Directive (CSDDD)

Research has highlighted a number of cases where financial institutions have contributed to human rights abuses and increased poverty levels.[42] Investments in land funds made by pension institutions are linked to illegal land grabbing in Brazil, loans given out by a consortium of European banks to a bauxite mining company enabled the destruction of local people's livelihoods in Guinea, and the investments of several microfinance investment funds made in microfinance institutions have led to overindebtedness in Cambodia.

The EU Corporate Sustainability Due Diligence Directive (CSDDD) currently being negotiated in Brussels has the potential to change this, and put companies' obligation to identify, prevent and mitigate human rights and environmental violations in their value chain on a legal basis.

However, inclusion of the financial sector is currently one of the most contested areas in the ongoing negotiations and has been the subject of significant lobbying from investment firms keen to ensure that their activities do not fall within the scope of this legislation.[43] Whereas Council members (i.e. member states) would like the inclusion of financial institutions only to be at the discretion of individual member states, the European Parliament's position is that due diligence requirements should apply to the financial sector including asset managers and institutional investors. Divisions between Council members over the scope of the Directive have also emerged, with some member states wanting due diligence requirements only to apply to a company's supply chain. Other states want to see those requirements applied to the entire value chain which would include the downstream impacts of a company's value chain. The 'supply chain only' approach is favoured by financial institutions who do not want to be held liable for what their invested money might be put to use for.[44]

Any attempts to create a special regime for the financial sector under the CSDDD would be a regressive step in the protection of human rights and the climate and would exacerbate poverty, and has attracted criticism.[45]

The recently updated (2023) OECD Guidelines for Multinational Enterprises on Responsible Business Conduct also makes clear that the financial sector, in all aspects, are included within the scope of its Guidelines, and that all domestic due diligence regulations such as the CSDDD need to be fully coherent with global standards, such as the Guiding Principles and the OECD's Guidelines.[46] This was emphasized by the representatives of the OECD member states and 13 other countries in a joint declaration on responsible corporate governance in the global economy in February 2023.[47]

Furthermore, 142 individual investors representing approximately $1.5 trillion in assets under management signed a statement[48] supporting an ambitious and effective CSDDD and called for robust human rights and environmental due diligence to apply to the financial sector.

Some EU member states are seeking to exempt asset managers and institutional investors from the scope of the Directive.[49] The Irish State should work to ensure the inclusion of institutional investors and asset managers within the Directive, and work with other Council members to ensure the highest degree of effectiveness of the Directive in its objectives to protect people and the planet.

A matter of policy incoherence

In the face of the climate crisis we face, everything matters. Every action, regulation, policy and steps taken by governments will make a difference. Ireland's actions matter - domestically and internationally. Ireland has made important and valuable commitments in it's foreign and development policies to tackling climate change and supporting countries in the Global South who are most affected, and in the domestically focused Climate Action Plan to reduce our own emissions. Ensuring our policies and actions are coherent is critical, this includes examining its role in this global financing of destructive climate practices.

In many respects, the huge volumes of financial flows through Ireland is evidence of Irish economic policy working exactly as it is designed to. A large number of international investment firms have subsidiaries in Ireland including 20 of the world's top 25 financial services companies,[50] 17 of the world's top global banks, and 9 of the world's top 10 global pharmaceutical firms. Significant deviation from this policy is highly unlikely with the most recent government White Paper on Enterprise[51] reaffirming again the centrality of Foreign Direct Investment and trade to Ireland's growth model and economic model.

However, the same White Paper also identifies embedding decarbonisation into enterprise policy as 'an environmental and economic imperative,' and commits to leverage [the State's] green transition as a core component of our proposition to overseas investors by showcasing Ireland as a climate-friendly and sustainable business environment.' Failure to do so would 'jeopardise [the State's] climate action commitments,' the White Paper says.[52] Clearly commitments to decarbonisation do not extend to the investment portfolios of firms the State is so committed to attracting to Ireland.

These statements capture well the incoherence at the very heart of Irish policy making. Failing to embed decarbonisation into enterprise would indeed be damaging to Ireland, but it is the consequences of destructive fossil fuel based activities in the Global South, funded by investments routed through Ireland, that actually jeopardise Ireland's climate commitments and efforts to tackle poverty globally.

This is an untenable position for the State to hold at a time when emission reduction policies currently in place globally point to a 2.8°C temperature rise by the end of the century. More damningly, Irish emissions per capita remain extremely high, with the most recent projections from the Environmental Projection Agency (EPA) is that Ireland is on course to achieve only a 29% reduction in Greenhouse Gas (GHG) emissions by 2030 compared to a target of 51%, while the State's first two carbon budgets (2021-2030) will be substantially exceeded.[53]

Scaling up alternatives and the need for systems change

Climate change is bringing hunger, poverty, terror and grief to millions of people. But the responsibility for climate change is not shared evenly. The responsibility lies mainly in the industrialised Global North countries, and corporations based in the Global North continue to play a disproportionate role in fossil fuel exploitation and expansion.

Destructive financial flows could jeopardise Ireland's commitments on climate financing

Significant volumes of finance are already needed to fund robust infrastructure, floodwalls, early warning systems, and other protection strategies to help countries on the frontline of the climate crisis adapt to the rapidly changing climate and to meet their climate targets. However, a pledge by countries of the Global North to provide $100bn each year in climate finance by 2020 failed to materialise in full, damaging trust between countries of the Global North and South. A report published by the Independent High Level Group on Climate Change Group at COP 27 estimating that Global South countries will require as much as $1trillion each year by 2030.

Ireland's climate finance contributions are acknowledged as being of high quality, with the finance coming in the form of grants rather than loans and gender responsive. However, the amount of finance being delivered falls considerably short of what Ireland's contribution is estimated to be. Ireland's projected contribution of €225m by 2025 would be more than double its contribution in 2021, but is less than half of what estimates consider Ireland's fair share to be, and represents a drop in the ocean compared to the financial flows going through the state to fund fossil fuel activities in many of the same countries CHANGE to Ireland's projected contribution of €225m by 2025 would be more than double its contribution in 2021, but is less than half of what estimates consider Ireland's fair share to be, and represents a drop in the ocean compared to the financial flows going through the state to fund fossil fuel and agribusiness activities in many of the same countries

The climate science clearly shows that our window of opportunity for keeping global warming under the key threshold of 1.5°C is closing fast. Global emissions need to reach zero by 2050 if we are to have even a 50% chance of keeping under 1.5°C. Meeting that goal requires rapid action now to ensure that emissions fall to almost half of their 2010 level by 2030.[54] Current pledges made by the world's governments, however, add up to barely any reductions in annual global emissions, and we are far off track from the GHG cuts needed to keep under the 1.5°C warming threshold. As the UN Secretary General has stressed, this "spells catastrophe" and "will destroy any chance of keeping 1.5°C alive."[55]

Despite its promises, the industrialised food system is still failing to feed the world properly. A shocking 2.4 billion people did not have access to sufficient, safe or nutritious food in 2022.[56] A full 11.7% of the global population faced severe insecurity that same year. The Covid-19 pandemic has increased global hunger by as much as 150 million people. Even without the impact of the pandemic, however, the current global food system would still leave more than one in four people food insecure around the world.

Many of the people who are going hungry under this system are themselves food producers, and women farmers are particularly at risk.[57] This exposes the faulty logic of the industrial agriculture system, based on the exploitation of nature and cheap labour, including women's unpaid work.

Public financing has the capacity to contribute greatly to solutions to the climate change crisis but remains a big part of the problem. Governments continue to channel public funds to fossil fuels and industrial agriculture through a web of public subsidies, state-owned enterprises, state-owned banks, national wealth and pension funds, and official development assistance (ODA).

Fossil fuels and industrial agriculture are not, in fact, designed to meet the food, energy, livelihood and development needs of Global South communities. They are simply the most commodifiable and exportable options.

Real solutions are needed. These solutions must address food, energy and livelihood priorities, and they must be equitable, and work for the climate, nature and people – particularly women and marginalised communities. These approaches must be designed so that communities and countries in the Global South can retain sovereignty over their own food and energy resources.

The good news is that these solutions already exist.

Renewable Energy

Particularly solar, wind and micro-hydro – can and must be scaled up to replace fossil fuels and address energy poverty, while avoiding the climate-devastating emissions associated with fossil fuels. Renewable energy has the potential to far exceed projected global energy demand by 2050, and renewables are already more affordable than fossil fuels in most cases.[58] However, appropriate financing is still lacking, including scaled up climate finance to help reach the goal of achieving universal energy access. ActionAid promotes a model of energy democracy that requires improved energy governance and a diversified production model based on renewables.[59]

Agroecology

Agroecology is a term to describe farming and managing crops, livestock, forests and fisheries in a way that works with nature, avoids emissions, and offers various other environmental, social and cultural benefits such as addressing food and water scarcity, and poverty. Agroecology supports farmers to mitigate against the worst effects of climate change. Soils packed with organic matter are spongy, retain water, and are slow to dry out. And so, in times of reduced rainfall and higher temperatures, water is available to crops for longer, extending growing times and increasing yield. In addition, improving soils and adding trees significantly reduce the risk and impact of flooding in times of heavy rainfall.

Several studies have shown that 70% of the world's population is fed by food grown on small farms, largely using agroecological approaches and diversified cropping systems, even though these farms only use about a quarter of the world's agricultural land.[60] In recent years, this number has been subject to debate, with new studies claiming that smallholder farmers produce 30-35% of the world's food.[61] Even this number demonstrates the efficiency of smallholder farming, given that smallholders only use 25% of the world's agricultural land.

A transformation of food systems is needed to address the climate crisis and meet the world's food and livelihood needs, and agroecological farming is increasingly recognised as a viable alternative to industrialised agriculture.[62] But this transformation requires that governments and funders prioritise food sovereignty, moving from an extractive focus on producing commodities for export, and the overuse of agrochemicals, to an approach that centres and builds upon the contributions of smallholder farmers, and particularly women smallholder farmers. Promoting agroecology requires scaled up financial and technical support, including gender-responsive training, support for accessing markets, subsidy shifts, and investment in infrastructure, production and processing facilities.

BOX 2 What is Agroecology ?

Agroecology is sustainable farming that works with nature, rather than against it. This includes several ways of farming sustainably, like permaculture, organic agriculture, biodynamic agriculture, and agroecology. Agroecology champions a holistic approach, which values the experience and knowledge of farmers and indigenous people and combines it with evidence-based, natural agricultural practices and innovations that promote ecological and socio-economic benefits.

Agroecology promotes agricultural biodiversity by planting multiple varieties of crops which can increase the resilience of farmers to extreme climate events by spreading risk. This kind of farming helps farmers to able to adapt and minimise the effects of erratic rainfall patterns, droughts, floods and pests. By adding nutrient and carbon-rich organic matter such as compost and manure to soils, agroecology avoids the need for climate-harming and soil-degrading synthetic nitrogen fertilisers. Rich, naturally healthy soils can lead to abundant yields.

Sabitri Gurung (52) who lives in Kathmandu, Nepal said: "We can make good money from this approach. Not only does agroecological farming have health benefits, but it is also environmentally friendly and can resist drought better in comparison to pesticide-based farming. Since it requires no use of chemical pesticides or fertilisers, we need less investment and less labour."

Photo: ActionAid

A feminist just transition

A feminist just transition is needed to scale up climate solutions and to avoid unintended harm, to protect the rights of people at risk from losing out from these transitions in energy and food systems. The term 'Just Transition' does not only describe what the new food and energy systems will look like, but also how the transition should be carried out.
Remembering the challenges and opportunities faced and brought by women, feminist just transitions must follow the following four principles of just transition, defined by ActionAid as:[63]

- Addressing and not exacerbating inequalities
- Transforming systems to work for people, nature and the climate
- Ensuring inclusiveness and participation
- Developing comprehensive plans and policy frameworks.

Deep inequality already exists across the world's food, energy and economic systems. Women experience higher rates of exploitation, risky working conditions and low incomes. Policy makers systematically ignore marginalised women's perspectives. Corporations own a disproportionate amount of land and wealth, causing rising hunger and vulnerability across the food, agriculture, energy and extractive sectors. Economies fail to value unpaid care work – the caring, cooking, growing food and fetching water – that is almost always carried out by women. Workers, women and communities must be given opportunities for a better future. However, communities living a precarious existence may not have the necessary skills or resources to take advantage of the opportunities that a shift can bring, and may find themselves in an even worse situation than before.[64]

Shifting to farming systems that are better for the climate and work with nature must also avoid creating new risks for workers and farmers. Shifts to renewable energy and agroecological approaches must avoid clumsy and harmful top-down policy impositions that place unfair and disproportionate burdens on the people who are least able to bear them.

Successful climate transitions must also address power inequalities in food and energy systems. They must give marginalised communities – particularly women – a seat at the table, and value every type of work. Inclusive processes must give rise to comprehensive plans and policy frameworks which provide the necessary training, support, and policies to ensure that everyone can participate fully in the transition, and not be left behind.

Financing the transition

Strategies to scale up agroecology and renewable energy rely on a major **scaling up and redirecting of finance**, particularly public finance. National and international finance policies, and the international community all have a key role to deliver on these urgent transitions.

As a first low-hanging fruit, Global North countries and Multilateral Development Banks (MDBs) must finally agree to unconditional debt cancellation so that Global South governments can be freed from the burdens of debt repayment that bind them to economies based on extractive commodity exports to repay unjust external debt.[65]

Financing the transition

Debt-free, Global South governments can finance their own climate transitions and make rational decisions in their citizens' interests, for example by scaling up agroecology and renewable energy.[66]

In addition, wealthy governments in the Global North who have done the most to cause the climate crisis, must rapidly increase their climate finance grants. They must first deliver on the overdue UN climate finance target of US $100billion per year by 2020, in the form of grants. Under the UN Framework Convention on Climate Change (UNFCCC) rich countries must also agree to and deliver on a New Collective Quantified Goal (NCQG) on finance in proportion to the scale of need. This is likely to be several trillion dollars a year. Climate finance provided under the NCQG must also be in the form of grants, not loans.

Tax justice policies in the Global South and North also have potential to raise significant amounts of finance through policies that address tax avoidance, ensure progressive taxation, and put fair tax obligations on wealthy tax corporations and individuals. Recent research by ActionAid and Oxfam has found that a tax of 50-90% on the 2021-22 windfall profits of 722 mega-corporations could generate US$1 trillion, which could be used to tackle poverty and climate change.[67] Of these, 45 energy corporations made on average US$237 billion a year in windfall profits in 2021 and 2022. The largest fossil fuel and industrial agriculture companies avoid paying taxes in the Global South, depriving governments of urgently needed revenue for public services and for responding to the climate crisis.

Global tax reforms could be transformative, and momentum behind these is growing. Research by Oxfam has also found that US$1.7 trillion a year could be raised through wealth taxes of just 5% on the world's multi-millionaires and billionaires.[68]

Photo: Chiara Rossolini/ ActionAid

Mrs Katsande uses agroecological techniques on their plot of land. Even though the region has faced droughts, her harvests have not failed, and she has never faced hunger.

Conclusion and Recommendations

The climate has a cash flow problem. Far more of the world's money is flowing to the causes of the climate crisis than to the solutions. A fundamental change needed is that banks, investors and pension funds need to stop investing in fossil fuel and harmful agribusiness and radically scale up investments in more sustainable alternatives.

Ireland is on one hand making important commitments on climate financing, poverty reduction and domestic climate targets - all of which need greater action and implementation. But Ireland needs to examine the role it plays in enabling billions to flow to harmful fossil fuel and agribusiness in the Global South. This money comes at a price, particularly to women and marginalised communities in the Global South.

There are opportunities for Ireland to play a leadership role in tackling the climate crisis. More urgent implementation of the Climate Action Plan, and a rapid scaling up of the State's climate finance commitments should be immediately prioritised. Legislatively, there is also a leadership role for the State to play - at a European level in the ongoing negotiations on the CSDDD, and domestically in introducing amendments to the Fossil Fuel Divestment Act and globally in supporting changes on tax, debt relief and the non proliferation of fossil fuels.

Immediate action must be taken to ensure that all government policies are realigned in support of our global climate and development objectives. At the moment, finance flowing through Ireland is damaging the globe, and in particular people in the Global South and poverty levels there. We need to act quickly to change this, and make Irish finance a force for good.

Recommendations

Banks, investment funds and pension funds:

STOP FINANCING FOSSIL FUELS: Investment and pension funds based in Ireland must avoid investment in new fossil fuel exploration, as well as ongoing fossil fuel activities. This means stopping bond investments in companies that are expanding, extracting and producing fossil fuels in contradiction to the 1.5°C goal, and selling off equity investments in their shares.

STOP FINANCING DEFORESTATION AND OTHER HARMFUL AGRIBUSINESS ACTIVITIES: Investment and pension funds based in Ireland must end new investments and sell off current bonds and shares in industrial agribusiness corporations proven to be driving deforestation and land grabs. They must improve standards for investment in corporations involved in agricultural commodities such as palm oil and soy, through enhanced due diligence and supply chain checks, and alignment with the EU's deforestation-free value chain legislation.

The Irish government SHOULD:

AMEND AND UPDATE THE FOSSIL FUEL DIVESTMENT ACT 2018: The Fossil Fuel Divestment Act, 2018, should be reviewed and amended to consider the following:

- Consider widening the scope of the Act beyond just the Irish Strategic Investment Fund, consider including investments in harmful agribusiness companies and extend the Act beyond just undertakings or exploration to include all fossil fuel use.
- Prohibit the indirect investment in fossil fuel undertakings through hedge funds, and other financial vehicles.
- In the absence of publicly available audited accounts, allow estimates of those figures to be made through other public information
- Insert a requirement for periodic review of the Act, to ensure ongoing alignment with climate science and its implications.

PROMOTE GREATER CORPORATE ACCOUNTABLITY FOR FINANCIAL INSTITUTIONS TO REDUCE POVERTY AND ENSURE ENVIRONMENTAL PROTECTIONS

- Ireland should support the highest level of ambition in the European Union CSDDD and continuing to support the inclusion of institutional investors and asset managers within the scope of the CSDDD.
- Actively support the proposed Global Treaty on Business and Human Rights.
- Actively support fairer global tax rules through a new UN Framework Convention on International Tax Cooperation.

DELIVER OUR FAIR SHARE OF CLIMATE FINANCE: Increase our climate finance contributions to €500million per annum in line with Ireland's historical responsibility, current emissions, and relative wealth.[69] Ensure our contributions are made in the form of grants not loans and are gender responsive.

ENSURE STRONGER CLIMATE ACTION TO REDUCE EMISSIONS IN IRELAND: Urgently increase the rate of implementation of Ireland's Climate Action Plan in order to stay within our climate budgets and improve Ireland's prospects of making up for lost ground in reaching our 51% cuts by 2030 target.

ENSURE POLICY COHERENCE TO SUPPORT OUR DEVELOPMENT AND CLIMATE OBJECTIVES: Ireland must ensure that it reviews and analyses relevant structures and processes to ensure that investment made through Foreign Direct Investment and international subsidiaries based in Ireland don't undermine our climate and development objectives.

Globally, all governments SHOULD:

SCALE UP SUPPORT AND PLANNING FOR JUST TRANSITIONS TO REAL SOLUTIONS:

Governments must develop ambitious climate transition plans consistent with the 1.5°C climate goal, based on just transitions that address inequality and include workers, communities and women in planning, while providing them with the necessary support to enable change. State-owned enterprises should develop transition plans to move away from fossil fuels and harmful industrial agriculture, with five-year interim targets. Public finance must be deployed in a progressive manner to accelerate this shift, by shifting subsidies away from fossil fuels and fossil fertilisers, and redeploying resources to scale up renewable energy access, agroecology, gender-responsive agricultural extension services, adaptation, food sovereignty, health, education, public transport and social protection.

UNCONDITIONAL DEBT CANCELLATION: Global North countries and Multilateral Development Banks (MDBs) must finally agree to unconditional debt cancellation so that Global South governments can be freed from the burdens of debt repayment that bind them to economies based on extractive commodity exports to repay unjust external debt

SUPPORT CALLS BY CIVIL SOCIETY FOR A FOSSIL FUELS NON-PROLIFERATION TREATY

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Authors: Sorley McCaughey and ActionAid Ireland

Data Analyst: Ward Warmerdam, Profundo

Designer: Joe O'Rourke

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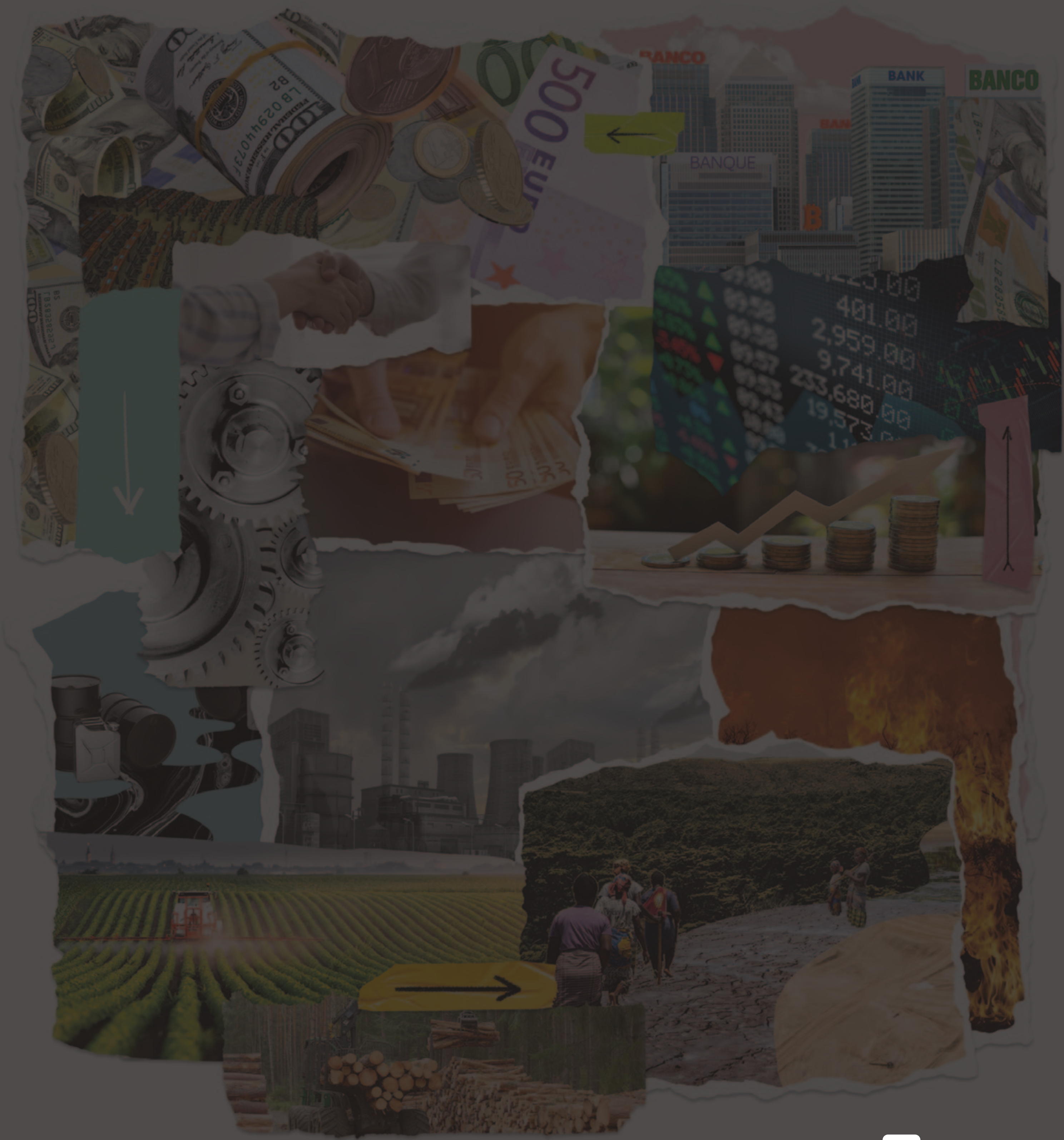
172 Ivy Exchange, Granby Place,
Parnell Square, Dublin 1, D01 V125.



01 8787911

info@actionaid.ie

www.actionaid.ie

ActionAid Ireland

@Actionaid_Ire

ActionAid Ireland