HM Government

Together for People and Planet

UK International Climate Finance Strategy

March 2023

Acknowledgements

Cover image: Indonesia women farmers

Credit: Faujan Ijazah, World Bank

Contents

Frequently Used Acronyms

AFOLU	Agriculture, Forestry and Other Land Use
BECCS	Bioenergy with Carbon Capture and Storage
BII	British International Investment
BIP	British Investment Partnerships
CBD	UN Convention on Biological Diversity
CCUS	Carbon Capture, Usage and Storage
CIF	Climate Investment Funds
COP26	26th United Nations Conference of the Parties Climate Summit
CSO	Civil Society Organisations
FGMC	Forest Governance Markets and Climate
GCF	Green Climate Fund
GEF	Global Environment Facility
GESP	Global Energy Storage Programme
GHG	Greenhouse Gas
GNU	Germany, Norway, UK
GW	Gigawatts
ICAI	Independent Commission for Aid Impact
ICF	International Climate Finance
ILO	International Labour Organization
IPBES	Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services
IPCC	Intergovernmental Panel on Climate Change
JETP	Just Energy Transition Partnership
KPI	Key Performance Indicator
LDC	Least Developed Country
MDB	Multilateral Development Bank
MEL	Monitoring, Evaluation and Learning
MW	Megawatts
NDC	Nationally Determined Contribution
OECD	Organisation for Economic Cooperation and Development
ODA	Official Development Assistance
PIDG	Private Infrastructure Development Group
RE	Renewable Energy
REDD+	Reducing Emissions from Deforestation and forest Degradation, conservation and enhancement of forest carbon stocks and sustainable management of forests
RD&D	Research, Development and Demonstration
SDG	UN Sustainable Development Goal
SIDS	Small Island Developing States
TNFD	Task Force on Nature-related Financial Disclosures
UKCI	UK Climate Investments
UN	United Nations
UNFCCC	United Nations Framework Convention on Climate Change

Overview: Rising to the Climate and Nature Challenge

Urgency and scale of the challenge

Climate change and nature loss are among the most pressing challenges that we face globally. Our choices and actions now and in the years to come will have profound, long-term consequences for our planet and our way of life, including for the natural environment and biodiversity, global prosperity, poverty eradication, health and wellbeing, security, and resilience to shocks.

The 2020s are a critical decade for delivery of climate ambition. The window of opportunity for effective action to secure a sustainable future for all is rapidly closing. The world's remaining carbon budget will be exhausted within the decade if emission rates continue at their current levels. As warming increases, so does the risk of reaching irreversible tipping points in climate and ecological systems, highlighting the increasingly urgent need for action. The Intergovernmental Panel on Climate Change (IPCC) has made clear, "without immediate and deep emissions reductions across all sectors, limiting global warming to 1.5°C is beyond reach". Global coordination is critical to limit temperature increases to 1.5 degrees above pre-industrial levels by 2030 and drive progress to adapt and build resilience to the impacts of climate change now and in the future and to halt and reverse nature loss. As early as 2030, the effects of climate change could push between 68 and 132 million people into poverty if effective action is not taken. This will disproportionately impact those already facing inequalities and higher levels of poverty, such as women and girls, indigenous and local communities, people with disabilities and other marginalised groups.

Major investment in decarbonisation is needed over the next five to ten years to limit warming in line with the goals of the Paris Agreement and Glasgow Climate Pact. Accelerating the global development and deployment of clean technologies is critical, with the aim of making clean technologies the most affordable, accessible and attractive choice globally in power, road transport, steel, hydrogen and agriculture sectors by 2030. In addition, protecting nature and biodiversity matters. Terrestrial and marine ecosystems are the sole sinks for anthropogenic carbon emissions, with gross sequestration of 5.6 Gt carbon per year (60% of global anthropogenic emissions). Biodiversity supports the global economy, food and health security, livelihoods and well-being, with over half of the world's total GDP, moderately or highly dependent on nature (WEF, 2020). Current extinction rates are around 100 to 1,000 times higher than the background rate, the standard rate of extinction in earth's history – and they are accelerating. An estimated US$10 trillion in global GDP will be lost by 2050 if current economic and environmental policies are pursued, with low- and middle-income countries bearing the greatest costs.

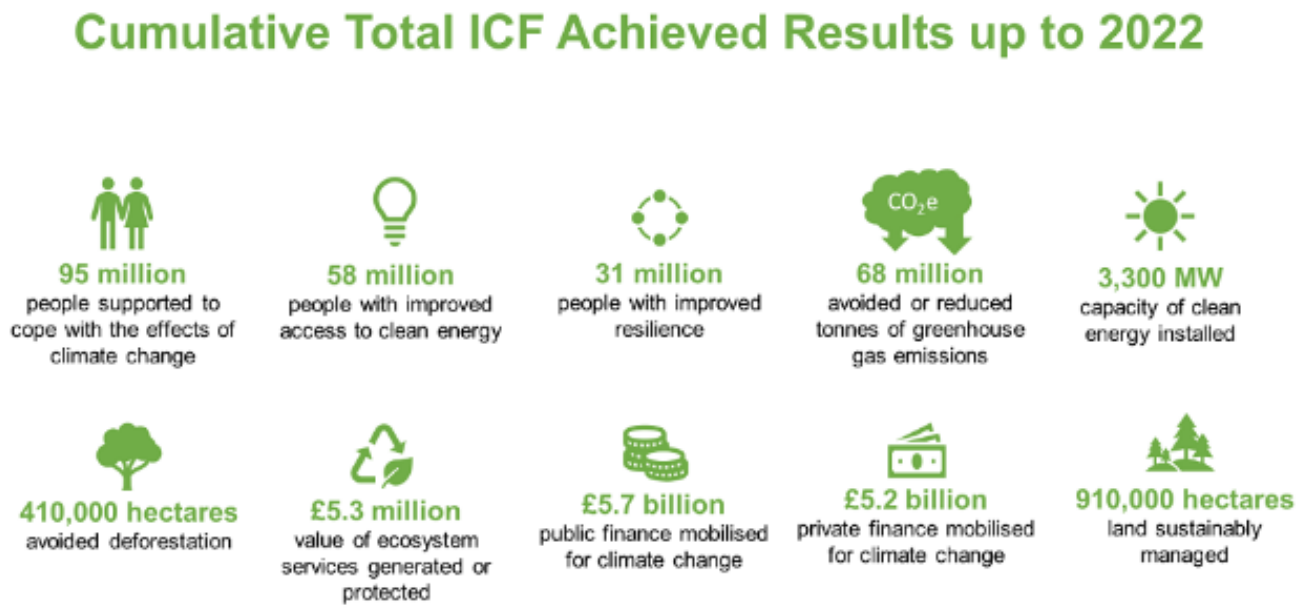
Climate change has been recognised by the World Health Organisation as the biggest health threat facing humanity and by the World Economic Forum as the most significant risk to the global economy over the next decade. We need action now to help create a low-carbon world where healthy ecosystems provide the foundations for economic growth; our energy provision is cheap, sustainable and secure; our air is cleaner, our food and water supplies more secure; natural spaces and global biodiversity are protected, our cities are more sustainable and we are creating jobs in new and innovative sectors that can power our economies in the decades to come.

The role of Climate Finance

The provision of Climate Finance is central to the Paris Agreement. The UK and other developed countries have committed through the UNFCCC to a collective target of providing and mobilising US$100 billion climate finance a year for developing countries from public and private sources. The UK met its target to deliver at least £5.8bn ICF between 2016/17 and 2020/21 and in 2019 we announced that we would double this to £11.6bn between 2021/22 and 2025/26. Subsequently, under the UK's UNFCCC COP Presidency, 95% of the largest developed country climate finance providers made new, forward-looking commitments, with many doubling, or even quadrupling, their support. However, more needs to be done to deliver on these commitments. We must make climate finance more accessible, increase the share going to adaptation, scale up mitigation finance to drive low carbon investments, increase gender-responsiveness (as set out in the enhanced Lima work programme on gender and The Gender Action Plan) and integrate nature and social inclusion benefits, such as disability. Climate finance aims to provide the necessary capital investment, technical assistance, and capacity building to drive the transition to low-carbon, climate resilient and nature positive development paths, drawing in investment from the private sector and elsewhere.

Since 2011, UK ICF investments have helped 95 million people to cope with the effects of climate change, provided 58 million people with improved access to clean energy and reduced or avoided 68 million tonnes of greenhouse gas emissions.

Figure 1: Cumulative Total ICF Achieved Results up to 2022



Source: HMG (2022), UK International Climate Finance Results 2022

Our Ambition

The UK is delivering on our pledge to double our ICF to £11.6bn between 2021/22 and 2025/26, including at least £3bn on development solutions that protect and restore nature. This funding will result in strong outcomes for climate mitigation and adaptation, biodiversity and poverty reduction through creating jobs and supporting sustainable economic growth for communities acutely at risk. The Prime Minister announced at COP27 that we are tripling our adaptation finance from £500 million in 2019 to £1.5 billion in 2025. We will work to accelerate the global shift to net zero by giving developing countries access to more, better and faster finance, using British Investment Partnerships

(BIP) to build stronger, more transparent economic partnerships and drawing economic partners closer to major free-market democracies. We will use public finance to help mobilise the trillions that are urgently needed from the private sector to meet our climate and nature goals.

The UK will balance our ICF between support for mitigation and adaptation. We will invest in mitigation where emissions are growing rapidly and in nature-rich countries that play a role as major carbon sinks to reduce future climate impacts. At the same time we will support the most vulnerable to adapt and become more resilient. We will strengthen the gender-responsiveness and inclusivity of UK climate finance for both adaptation and mitigation, including by increasing the proportion of climate finance that has gender equality as a principal or significant objective as defined by the OECD Development Assistance Committee Gender Equality policy marker. Over the five years covered by the strategy, UK ICF will focus on driving the rapid transformation and systemic shifts required to achieve the Paris Agreement goals and deliver on the Glasgow Climate Pact across the following four themes:

- **Clean Energy:** Reducing global reliance on fossil fuels is critical. Our ICF programming will support accelerating the clean energy transition in both energy-producing and energy-consuming sectors to help countries provide access to affordable, reliable, and clean energy for all. This transition will reduce or avoid high emissions pathways, making use of innovation, different technologies, and carbon pricing and addressing social and gender barriers to clean energy access.

- **Nature for Climate and People**: In line with the recommendations from the Dasgupta Review and the commitments set out in the Kunming-Montreal Global Biodiversity Framework, we will protect, sustainably manage and restore nature, reviving natural and degraded terrestrial and marine ecosystems. We will work to reduce demands on nature by ensuring our global financial and economic systems tackle unsustainable production and consumption while supporting communities and livelihoods. We will help the transition to nature positive economies by supporting governments, central banks, businesses, and financial institutions to integrate the value of nature into their decision-making.

- **Adaptation and Resilience:** Climate impacts have been observed in all regions of the world, affecting people, economies and ecosystems. Without action, hard won development gains risk being reversed. Those living in poverty, women and girls, indigenous and local communities, people with disabilities and other marginalised and crisis-affected groups are already being hit hardest and they stand to suffer most unless urgent action is taken. We will build the capacity of people and communities to adapt and become more resilient to the impacts of climate change, supporting transformation of systems, and helping countries and communities deal with impacts when they occur.

- **Sustainable Cities, Infrastructure and Transport:** With 68% of the world population projected to live in urban areas by 2050 and cities accounting for 75% of global CO2 emissions today, investment in sustainable cities is vital if we are to meet both our development and climate goals. In the context of rapid urban growth, we will support low-carbon, green and resilient urbanisation in order to promote sustainable and accessible cities, along with enabling access to clean and reliable infrastructure, including by attracting investment across the transport, digital, built environment, water and waste sectors.

Effective delivery and UK leadership will harness the overlap and common approaches across these four separate themes. For example, ecosystem-based adaptation and other nature-based solutions can reduce a range of climate change risks to people, biodiversity and ecosystem services with multiple co-benefits. Urban greening using trees and other vegetation can provide local cooling. Natural river systems, wetlands and upstream forest ecosystems can reduce flood risk by storing water and slowing water flow. Coastal wetlands can protect against coastal erosion and flooding associated with storms and sea level rise.

Building on our Record of Accomplishment of Results

The UK has a strong track record of growing our economy whilst reducing our emissions. We were the first major economy to legislate for net zero emissions by 2050 and to set statutory targets in the Climate Change Act 2008. Our net zero commitment was backed up by our increased and world leading pledge (Nationally Determined Contribution) under the Paris Agreement. Our Adaptation Communication to the UNFCCC (2021) and the National Mitigation Communication to the UNFCCC (2022) set out actions we are taking at home to ensure we are following through on our NDC commitments, as well as being resilient and prepared for current and future climate risks.

As part of our Powering up Britain plans, we are publishing a new Net Zero Growth Plan and the Energy Security Plan alongside this ICF strategy. These are complemented by the 2023 Green Finance Strategy, and the 2030 Strategic Framework for International Climate and Nature Action. This package of announcements builds on the UK's Net Zero Strategy, Environmental Improvement Plan 2023, support for the Montreal Protocol and our commissioning of and response to the Dasgupta Review on the Economics of Biodiversity, evidencing the UK's commitment to climate leadership following our COP26 Presidency.

We have led international efforts on adaptation, resilience and tackling environmental degradation. Along with our partners, we delivered the $5 billion GNU pledge to reduce deforestation and we worked behind the scenes over many months alongside Ecuador, Gabon, and the Maldives, to develop a credible 10 Point Plan for Financing Biodiversity, which has now been endorsed by over 40 geographically and economically diverse countries. At the COP26 World Leaders' Summit, the UK launched the Glasgow Leaders' Declaration on Forests and Land Use. To date, over 140 countries accounting for more than 90% of the world's forests have signed up to halt and reverse forest loss and land degradation by 2030. The Declaration was backed by almost £14 billion in public and private funding. We also secured a new agreement with Congo Basin countries to end deforestation and protect their uniquely valuable biome, matched by commitments of $1.5bn. We announced a major new UK commitment of £300m to support ambitious countries in the region to protect the Amazon; and 28 countries pledged to work together to break the link between agricultural commodities and deforestation. We also contributed to the ground-breaking, multi-donor Forest Tenure Pledge, led by the UK, that committed $1.7bn to advance the tenure rights of forest communities and their role as stewards of forests and nature. Furthermore, we formed the Global Ocean Alliance to help safeguard the seas and through the Blue Belt programme we have protected over 4 million square kilometres of ocean around our Overseas Territories.

We have seized the initiative to push the clean energy agenda with an emphasis on phasing out fossil fuels such as coal at COP26 and carried this momentum forwards in collaboration with partners through various initiatives which are beginning to demonstrate success. These include flagship projects from the Climate Investment Fund (CIF) like the 500MW Noor Concentrated Solar Power complex in Morocco which supplies clean energy to over 1 million people, and the 2245MW (2.2GW) Bhadla solar park in Rajasthan, India which is the world's largest solar farm and forms part of India's ambitious plan to install 100GW of solar by 2022; employing over 25,000 people. The scale of these projects has helped drive down costs for clean technologies, to the same or cheaper levels than the costs of traditional fossil fuel technologies. In energy-consuming sectors we have invested in programmes such as the Global Facility for Decarbonising Transport at COP26, the CIF's industry programme at COP27 and have strengthened our portfolio of innovation climate investment programmes under the UK's £1bn Ayrton Fund commitment. Under the Breakthrough Agenda launched by World Leaders at COP26, we are building coalitions, partnerships and platforms with the ambition that developing countries have ready access to aggregated, coordinated and impactful assistance in each sector of the economy. At COP26, the UK also launched the International Just Transition Declaration as part of our commitment to ensuring no one is left behind in the transition towards net zero economies.

Hydrofluorocarbons from cooling and refrigeration are amongst the fastest-growing source of emissions in the world. Currently 7% of the world's emissions come from cooling including refrigeration for food and vaccine storage, and air conditioning. We will continue the

effective implementation of the UN Montreal Protocol, considered the world's most successful climate multilateral environment agreement. This Protocol is now focussed on phasing down Hydrofluorocarbons globally under the 2016 Kigali Amendment, avoiding up to 0.4 degrees of warming by 2100. Integrated energy efficiency improvements for cooling technologies alongside the HFC phase down, could double the benefits of the Kigali Amendment.

We stand ready to support developing countries to mitigate, adapt and build resilience to climate change and environmental degradation. We joined the Generation Equality Forum, making commitments on women and girls' climate resilience, access to finance and empowerment in the green economy. Our resolve and intent are evidenced in our commitment to align all new bilateral UK ODA with the Paris Agreement. This means no UK ODA investments will be made that undermine our commitments or those of partner countries under Paris. New programme controls are being introduced, complemented by a strategic approach to Paris Alignment and comprehensive environmental safeguards to ensure no harm is done to nature through our programmes. We also committed in the IDS to take steps to ensure that bilateral ODA becomes 'nature positive', aligning with the Kunming-Montreal Global Biodiversity Framework (GBF) and the international goal to halt and reverse biodiversity loss by 2030.

Delivering our Policy goals

We continue to work with countries across the world to ensure our Climate Finance effectively supports the increase in ambition needed to reach the targets set out under the Paris Agreement and deliver on the Glasgow Climate Pact. We will work closely with multilateral development banks and the private sector to mobilise finance at scale, whilst supporting meaningful engagement (with partner countries, civil society organisations and the individuals and communities most impacted by climate change and biodiversity loss) to ensure a just transition to a net zero world.

UK ICF will continue to target those most vulnerable to climate impacts, while considering gender equality, disability inclusion and supporting the delivery of the Sustainable Development Goals (SDGs). This strategy sets out how our ICF, alongside other levers, will help developing countries tackle climate change, a priority in both the International Development Strategy, published in May 2022 and the Integrated Review Refresh, published in March 2023. Our work will also support our wider international climate and environment policy objectives, including our commitments to the UN Convention on Biological Diversity and the Kunming-Montreal Global Biodiversity Framework, the Call to Action on Adaptation and Resilience, the Global Ocean Alliance and the UNFCCC Gender Action Plan. Such coherence stands to deliver stronger and more effective outcomes for the UK and our partners.

Clean Energy

The Challenge

The IPCC Sixth Assessment Report estimates that 34% of global greenhouse gas (GHG) emissions in 2019 were from the energy supply sector. An additional 32% of emissions were from energy use in the buildings, transport, and industry sectors - thus two-thirds of global greenhouse gas emissions come from energy generation or use.

The IPCC pathways help illustrate how the speed and depth of emission reductions in energy sectors affect the likelihood of overshooting 1.5°C of warming. Crucially, IPCC modelling shows that without mitigation, energy emissions will continue to rise. In pathways limiting warming to 1.5 degrees, CO2 emissions from energy supply reach net zero around 2041. The 2017 UNEP Emissions Gap report set out how much emissions in each sector could technically be reduced by 2030 with the highest basic potential being in energy supply (37% of total potential) and AFOLU (26%), followed by the Buildings, Transport and Industry sectors (36% in total).

FIEA Renewables 2022 report, renewable energy sources are likely to become the largest source of global electricity generation by early 2025, surpassing coal. Despite falling costs for established technologies, such as solar and wind power, there remain regulatory, investment and market barriers to reaching significantly higher levels of renewable energy penetration, including energy sector reform, valuation of energy storage, decisions on who bears the cost of grid strengthening and flexibility as well as broader investment conditions. Indeed, rather than cost, the primary power sector transition challenge today is how to reliably integrate intermittent renewable power into energy systems at scale and ensure access for dispersed populations. This requires the rapid development and global deployment of domestic and cross-border grids, power system solutions and skills, and energy storage technologies – areas increasingly being addressed by initiatives such as the UK-led Green Grids Initiative launched at COP26.

Progress is not yet on track for reaching universal energy access by 2030. Currently nearly 800 million people do not have access to electricity at all and for many more supply is intermittent and expensive. This stifles economic growth and increases vulnerabilities, for example, through limited access to reliable cold-chains for food and medicine. Over 2.6 billion people still rely on polluting fuels and technologies for cooking, resulting in around 2.5 million premature deaths due to indoor air pollution. Women and girls are disproportionately affected by energy poverty and they are often responsible for the time-consuming collection of fuel and water.

In the road transport sector, zero emission vehicles (especially light duty vehicles) are well on their way along the ‘s curve’ with global take-up and cost reductions proceeding exponentially, although we must ensure developing countries are not left behind in this transition. In other areas, such as heavy industry, there is a long way to go. The IEA estimate that around half of the emissions reductions needed to meet global climate goals rely on clean technologies that are not yet commercially viable, underlining the urgent need to step up our investment to accelerate the development and deployment of innovative clean technologies, including in harder-to-abate sectors, and drive down costs for the benefit of all.

Well-targeted climate finance has a crucial role to play in overcoming many of these barriers by building capacity and capabilities in developing countries, catalysing clean technology innovation tailored to local markets and reducing costs and risk perceptions of low-carbon, innovative investments. In doing so, it helps projects reach financial close, demonstrating that low carbon, climate resilient development paths are viable and compatible with economic growth and poverty alleviation. Moreover, through the Glasgow Breakthroughs, we have a mechanism to align these efforts with a package of focused collaborative international actions – including stronger coordination of sector-specific international climate finance - to help speed up and scale these efforts across the power, road transport, steel and hydrogen sectors.

A further challenge is emerging around the supply of critical minerals and metals required for the energy transition. The IEA's report on *The Role of Critical Minerals in Clean Energy Transitions* highlights that projected demand exceeds expected supply for most minerals. For critical minerals, this means recognising the need for additional investment to ensure supply can meet that demand, which in turn will enable countries to move to renewable energy sources on a sufficient and affordable scale. Key to this will be increasing efforts to build a more circular economy, developing innovative technologies less dependent on scarce resources (for example, Sodium Ion Batteries), and developing global standards that improve market transparency, resource efficiency, sustainability, and frictionless trade.

There is also the need to effectively address the social and economic impacts of this transition and to exploit the opportunities presented, especially the employment potential in partner countries. If poorly managed this could result in increased poverty and inequality and limit progress. Opportunities exist for expanded manufacture of clean energy technologies, such as batteries and next generation solar modules in developing and emerging economy markets, reducing costs and emissions from shipping, and expanding local benefits of the transition.

By 2030, this pillar of UK ICF will contribute to

- The provision of affordable, reliable, sustainable and modern energy for all, in line with SDG 7, which includes three targets on universal access to energy (electricity and clean cooking), expanding renewables and doubling energy efficiency by 2030.
- Making clean energy technologies more affordable, reliable, and accessible than their fossil fuel counterparts in every major sector by 2030.
- Accelerating the innovation and deployment of clean technologies and applications, tailored to specific developing country contexts and needs.
- Supporting smart hydropower that responds to environmental risk, accounts for climate futures and minimises impacts on nature.
- A significant upscaling in clean energy supply-side and enabling system investments that support clean, inclusive and sustainable economic growth and development at national and regional levels and in vulnerable islands, and relevant to industry, SMEs, public services such as health centres, and humanitarian contexts.
- Significant integration of larger shares of variable renewable energy into power supplies across Asia, including the Indo Pacific, Africa, and Latin America and the Caribbean, including work on regional, national, island and mini-grid distribution systems connecting least cost renewables with consumers, increasingly integrating smart systems, storage, and demand side response etc.
- The implementation of nationally appropriate solutions for the rapid and socially responsible reduction in coal-fired power generation, and support to a Just Energy Transition in coal-reliant areas.
- A substantial reduction in emissions from energy-intensive industry through fuel-switching; deep energy efficiency and digitalisation; carbon capture, usage and storage (CCUS) and demand reduction, in line with SDG 9 (resilient, inclusive and sustainable infrastructure) and SDG 13 (climate action).
- Promotion of regional integration of energy markets and infrastructure planning where this unlocks greater viability to invest in renewable energy generation and use.

UK ICF will achieve this through

- Rapidly expanding the Portfolio of renewable power investments via British International Investment (BII), the UK's development Finance institution. Since 2019, the percentage of power generated from renewable sources in BII's energy Portfolio has more than doubled from 15% (2019) to 37% (2021) with more projects due to come online in the coming years. Since 2018, BII has made more than $1.7 billion of Climate Finance investment commitments.

- Working through coalitions and partnerships under the Breakthrough Agenda to leverage effective coordinated international actions to accelerate global sectoral transitions, including developing and delivering a stronger, dedicated and coordinated international assistance offer in major emitting energy sectors.

- Increasing our investment in research, development and demonstration of low carbon technologies and business models via the Ayrton Fund to up to £1bn, to accelerate the clean energy transition in developing countries, by making clean energy options the most affordable, accessible and attractive options. The Ayrton Fund will focus on a series of high priority Ayrton Challenge technology areas, which are critical but off-track for delivery of SDG7 and 13, and where the UK is well-placed to support. These include areas such as energy storage, next generation solar, sustainable cooling, green hydrogen, smart energy systems and more.

- Supporting strengthened governance, policy and regulatory frameworks that will incentivise investment in clean energy, reform of fossil fuel subsidies and the extension of coal phase-out (including through supporting the development of a strong carbon price with increased coverage and the mobilisation of private sector finance).

- Supporting strategic energy systems planning (which will highlight the low carbon opportunities available to partner countries) and enhanced energy ambition in next generation Nationally Determined Contributions (NDCs).

- Accelerating the deployment of high-quality clean energy, sustainable cooling, and energy efficiency projects in the electricity (on and off-grid) and energy-intensive industrial sectors. This includes supporting emerging technologies and industries focusing on transformative sectors such as clean cooking; energy storage and grid technology; resource efficiency; promoting knowledge sharing and technology transfer. This will include support to pull emerging technologies into markets and investment to accelerate deployment.

A focus on high emitting and potential high emitting countries is necessary to curb global emissions. This will include work to end international coal financing and support the creation of new financial frameworks, and country platform approaches to deliver just transitions from carbon intensive industries while creating jobs and driving efficiency in key products sold globally. We will also focus on clean energy access and low carbon development in lower income and poorer countries, still essential for global development and climate agreement. Low- and middle-income countries will need to expand their energy supplies to raise living standards and industrialise but need to be supported do this without adding significantly to global emissions. More widely under this theme, we will

leverage UK expertise where there is demand for this, such as in the offshore wind sector or integrating variable renewables, to support clean energy transitions in developing countries.

Case study: Climate Investment Funds

The UK is one of the founding members of the Climate Investment Funds (CIFs), established in 2008 to scale up finance for mitigation and adaptation activities and learn lessons for the international climate finance architecture. Donors have contributed over $10 billion in funding (of which $3.7 billion is from the UK), which is expected to result in over $60bn in overall co-finance for CIF supported projects. The Clean Technology Fund (CTF) is a multi-donor trust fund under the CIF framework which promotes scaled-up financing for demonstration, deployment and transfer of low-carbon technologies, working in 19 countries with over 155 individual projects and programmes.

The CIFs have reported strong results: providing clean energy access to 10 million people, installing 32.8 GW of clean power capacity and putting 41 million hectares of forest under improved management.

Flagship projects supported by the CIFs include:

- the 500 MW Noor Concentrated Solar Power complex in Morocco which supplies clean energy to over 1 million people and helped reduce Morocco's dependence on imported fossil fuels. Its sheer scale has driven down the costs of this technology by 40% and enabled the Moroccan government to meet its Renewable Energy (RE) target of 42% in 2020 and raise its 2030 target to 53% (from 42%).
- the 100 MW KaXu Solar Plant in South Africa which received a UN award for its approach to tackling climate change. The plant supplies clean energy to approximately 80,000 African homes while offsetting 315,000 tonnes of CO2 emissions a year. Being the first of its kind in country, it has helped pave the way for new solar plants which together are helping South Africa achieve its goal of 17,800 MW of RE by 2030 and reduce its dependence on oil and natural gas resources.
- the 2245 MW (2.2 GW) Bhadla solar park in Rajasthan, India which is the world's largest solar farm and forms part of India's ambitious plan to install 100 GW of solar by 2022, reducing its dependence on fossil fuels. This project has also employed over 25,000 people.

Other programmes contributing to this theme include

- **Transforming Energy Access (TEA)** is a research and innovation platform supporting early-stage testing and scale-up of innovative technologies and business models that accelerate access to affordable clean energy for poor households, enterprises, and social institutions in Sub-Saharan Africa, South Asia, and the Indo-Pacific. It was scaled-up at COP26 in Glasgow to become a key delivery platform for the £1 billion Ayrton Fund for clean energy innovation between 2021-2026, focused on Innovations delivering an inclusive energy transition in developing countries. Up to March 2022, TEA has improved clean energy access for 16 million people in developing countries, leveraged £890 million of additional investment into clean energy technology research, innovation and scale-up from both private and public sources, created 96,000 sustainable long-term jobs, stimulated research and development of nearly 500 new clean energy technologies and business models, and led to the avoidance of at least 1.3 million tonnes of carbon dioxide emissions.
- **Clean Energy Innovation Facility (CEIF) Platform** aims to accelerate the commercialisation of innovative clean energy technologies in developing countries. It is one of the major

platforms under the Ayrton Fund commitment and focuses on key thematic areas that are off-track for meeting Net Zero Climate targets by 2050: Industrial decarbonisation, sustainable cooling, critical minerals, Clean Hydrogen, Smart Energy, Energy storage, Energy efficiency and Clean Transport. To date, the £50m CEIF 1.0 programme has supported 87 technologies in 19 countries to accelerate towards commercialisation, has leveraged at least £36.1m in direct private investments and delivered over 200 capacity building training programmes, and 64% of pilot projects have demonstrated the innovation's potential for scalability.

- **Energy Sector Management Assistance Programme (ESMAP)** supports low and middle-income countries to reduce poverty and boost growth through environmentally sustainable energy solutions. They work to accelerate the energy transition required to achieve Sustainable Development Goal 7 (SDG7) to ensure access to affordable, reliable, sustainable, and modern energy for all.

- **Mitigation Action Facility** (formerly the NAMA Facility) enables developing countries to reduce their emissions through implementing sectoral decarbonisation projects as building blocks of NDC implementation. This is delivered through projects that have a combination of a permanent policy shift (to create an enabling environment) and capital investment to create financing offers for scaling up deployment of clean technologies. The UK is one of the main donors to this fund.

- **Modern Energy Cooking Services (MECS)** is a research and innovation programme that is developing research products via a consortium of world-leading UK universities and innovators to support the transition from biomass to genuinely clean and modern cooking in developing countries. MECS has a budget of £40.5 million, and to date is estimated to have supported over 2.2 million individuals with improved access to clean cooking. Furthermore, the programme has mobilised £241 million of additional investment into clean cooking research and implementation. The programme has also developed over 200 research papers around modern energy cooking.

- **Climate-Compatible Growth (CCG**) is a research and innovation platform that seeks to accelerate the roll-out of improved infrastructure that supports low-carbon transitions and inclusive growth. It builds partnership with countries and international organisations, supporting them with a consortium of world-class UK and international researchers to develop data, tools and evidence with the end goal of enabling countries to attract investment into low-carbon growth opportunities**.** CCG played an important role in informing and enabling action at COP26 via its support to the Energy Transition Council. CCG is one of the UK platforms for the £1 billion Ayrton Fund for clean energy innovation between 2021-2026.

Nature for Climate and People

The Challenge

Transforming the way in which we use land and water will be crucial in meeting the triple challenge of tackling climate change, halting, and reversing biodiversity loss and alleviating poverty. We are losing nature faster than ever before, with more than 1 million species at risk of extinction. More than half of global GDP ($44 trillion) is estimated to be moderately or highly dependent on nature. Estimates on the cost to the world's economy from the loss of nature are US$479bn annually, over the period 2011 to 2050, under a business-as-usual scenario. Should the world adopt more sustainable development pathways and safeguard important areas for biodiversity and ecosystem services an annual net gain of US$ 490 billion per year could be generated. The UK is delivering on its commitment to spend at least £3 billion of ICF to protect, restore and sustainably manage nature by 2025/26, reflecting our commitment to invest in nature and a 'nature positive' economy.

Protecting and enhancing global natural assets and the biodiversity that underpins them, is crucial to achieving a sustainable, resilient economy. Our economies, livelihoods and well-being all ultimately rely on nature. Yet sustainable progress cannot be achieved without transforming the way in which we value, use and protect nature. The UK along with the 196 parties to the Convention on Biological Diversity adopted a landmark new global deal for nature at COP15 held in Montreal in December 2022. The Kunming Montreal Global Biodiversity Framework contains 4 goals and 23 targets, including:

- A mission to halt and reverse biodiversity loss by 2030.
- A commitment to effectively conserve at least 30% of the land and 30% of the ocean globally by 2030.
- Commitments to mobilise $200bn annually of biodiversity finance from all sources, phase out $500bn of environmentally harmful subsidies, and establish a new international fund for tackling nature loss. Developed countries also committed to increase international finance flows, including but not limited to ODA, to developing countries to $20bn by 2025 and $30bn by 2030.

This framework is a critical step towards supporting the livelihoods of the 70% of people living in poverty who depend directly on the natural environment, its biodiversity and natural resources. This will also support to role that nature plays in helping to regulate our climate, acting as both a carbon sink to help mitigation as well as supporting resilience and adaptation to climate change through well-functioning and diverse ecosystems. Without radical reform of how we work with and through nature there is no pathway to net zero and remaining well below 2ºC. For example:

- Accounting for around a quarter of all greenhouse gas emissions, the Agriculture, Forests and Other Land Use (AFOLU) sector is the second major source of greenhouse gas emissions after energy and is the main driver of biodiversity loss and of declines in regulating and supporting ecosystem services. Conserving, restoring, and improving management of land can provide up to 37% of the emission reductions needed by 2030 to keep global temperatures under 2°C, if implemented with aggressive fossil fuel emission reductions. Restoring 350 million hectares of degraded or deforested landscapes by 2030 could sequester between 1 and 3 billion tonnes of CO2 per year while also generating about $170 billion per year in other benefits from ecosystems.

- The ocean is a vital part of the global carbon cycle, naturally storing carbon and heat and acting as a 'buffer' to the effects of climate change. The ocean has absorbed up to 90% of the excess heat caused by human activity and up to 30% of the annual human CO2 emissions since the 1980s. Marine sediments provide one of the most expansive carbon reservoirs on the planet. Studies show that protecting key marine areas could safeguard 80% of the habitats for endangered marine species, lead to increase fishing catches by more than 8

million metric tons compared to business as usual and reduce the risk of carbon disturbance due to bottom trawling. Largely funded through ICF, the UK is delivering a portfolio of programmes under the £500m Blue Planet Fund to support the protection and restoration of marine environments and the development of sustainable blue economies in developing countries to deliver positive outcomes for climate, biodiversity and poverty.

The loss of the world's natural ecosystems and biodiversity, both terrestrial and marine, also threatens the delivery of key services, including water provision and purification, diversity of food systems, pollination, energy production, air quality, and resilience against natural disasters and pandemics. These services underpin life as we know it. In many contexts, these services are crucial for the livelihoods and incomes of indigenous and local communities and millions of people, particularly those living in poverty and women and girls, are acutely at risk. This is exacerbated by the widespread threats to food security that stem from rising environmental degradation. Continuing these downward trends will undermine development gains as well as compromise the ability of communities and nations to adapt to the growing risk of extreme climatic events.

To secure the SDGs, meet our Paris targets, deliver on the Glasgow Pact and wider COP26 commitments, we must transition to an approach to development based on the sustainable use of land and the ocean in a way that delivers positive outcomes for people, climate and nature. Pursuing short term poverty alleviation will ultimately be unsustainable if in doing so we are undermining the nature systems that the poorest most rely on. Indeed, it will not be possible to deliver the SDGs without protecting the environment, so we are taking steps to ensure UK bilateral ODA becomes overall 'nature positive' aligning with the Kunming-Montreal Global Biodiversity Framework, and the international global mission to halt and reverse biodiversity loss by 2030.

Solutions in this area offer significant adaptation and mitigation benefits. Better ecosystem management helps to improve the resilience of local communities against shocks and reduce their vulnerability to climate change and in some cases, such as when the ecosystem is not severely degraded, decrease the cost of adaptation initiatives. For example, securing forest communities' tenure rights presents a significant opportunity for effective conservation.

COVID-19 has thrown new light on the relationship between unsustainable use of natural resources, their biodiversity and our vulnerability as a global community to pandemics. The Independent Panel for Pandemic Preparedness and Response's recent report on the international response to COVID-19 highlighted that a One Health approach needs to be an essential part of pandemic preparedness given the inextricable links between the threats to human, animal and environmental health. It is noted that the Kunming-Montreal Global Biodiversity Framework is also to be implemented with consideration of the One Health approach. We must therefore address these threats through revisiting our relationship with and treatment of critical ecosystem services to prevent and improve our preparedness for future shocks.

There is growing demand from investors and within financial institutions to better understand and reduce their negative impacts on nature, biodiversity and the local communities that depend on affected land and resources. We must work to increase our understanding of the risks, dependencies and impacts that business sectors have on nature and ecosystem services and on local communities. We will then work to influence decision making to take better account of the importance of nature-positive investment, catalysing lending opportunities as they emerge.

By 2030, this pillar of ICF will contribute to

- A reversal of carbon and biodiversity-rich natural habitat destruction, with 30% of global land and global sea protected, large-scale ecosystem restoration, including reversal of forest loss.

- A transition to sustainable and inclusive patterns of production, consumption, food systems and trade that meet people's needs and protect communities' legitimate land and resource rights while ensuring long-term global sustainability and limiting climate change in line with the

objectives of the Paris Agreement. This will require a transformation in the ways in which we use land and sea and ensure sustainable supply chains, resulting in the protection and restoration of nature.

- Nature being valued in political and economic decision making. This will be achieved by supporting governments, central banks, businesses, and financial institutions to understand their nature-related risks, dependencies, and impacts; integrate the value of nature into their decision making and redirect global financial flows towards a nature-positive future. Increased flows of finance (public and private) towards a nature positive economy in alignment with our commitment in the Integrated Review, the Paris Agreement, the Glasgow Climate Pact, Kunming Montreal Global Biodiversity Framework and the SDGs. This includes integrating nature-based solutions for infrastructure into planning and investment.

- Significant global reform of subsidies and incentives that are harmful to nature including in ocean and land use, fisheries and agriculture, reducing habitat loss and improving ecosystem functioning.

- Participative and inclusive approaches, meaningfully engaging indigenous and local communities that depend on natural resources and women and girls and other marginalised groups in decision-making and leadership, and to include, consult and partner with them in the design and implementation of relevant programmes and finance instruments, while protecting their rights and supporting women's equal access to and control over land and natural resources, is critical to an effective response.

UK ICF will achieve this through

- Investing more to protect, sustainably manage and restore terrestrial ecosystems and their biodiversity. This will deliver a range of benefits for food and economic security, help to tackle climate change mitigation and adaptation, and support poverty reduction. This includes the Biodiverse Landscapes Fund, working across six biodiversity hotspots[1] , supporting countries to deliver on the protection of 30% of terrestrial ecosystems by 2030 and other targets agreed in the Kunming-Montreal Global Biodiversity Framework.

- Activities that protect, restore or sustainably manage forests in order to strengthen livelihoods and food security and capture carbon while delivering nature benefits. For example, by improving forest governance, supporting indigenous and local forest communities to recognise and secure land rights, increasing public and private finance flows for forests by unlocking finance from fair and inclusive carbon markets for high-quality nature-based credits, including through REDD+, and expanding asset classes and payments for ecosystem services.

- Support for just transitions to more sustainable food systems that will deliver nutritious food; adapt and build resilience to climate shocks and reverse the negative impact from unsustainable supply chains (including production, storage, transport, loss and waste). By helping countries and other stakeholders identify opportunities and implement solutions to redirect investment, policy and practice towards sustainable agriculture and resilient food systems we can deliver wins for people via healthy diets and sustainable economies, along with benefits for the climate and nature. Programmes will focus on countries facing significant agriculture production and food security challenges, exacerbated by climate impact; and/or where there is political commitment to sustainable approaches and a willingness to engage in the transition.

[1] Andes/Amazon (covering areas of Ecuador and Peru); Kavango Zambezi (KAZA) Transfrontier Conservation Area (covering areas of Angola, Botswana, Namibia, Zambia and Zimbabwe); Western Congo Basin (covering areas of Cameroon, Gabon and Republic of Congo); Mesoamerica (covering areas of Belize, El Salvador, Guatemala and Honduras); Lower Mekong (covering areas of Cambodia, Laos and Vietnam); and Madagascar.

- Investments in water catchment management, including in nature and aquifer recharge. This will bring climate resilient development gains, food and energy security and economic growth by conserving wetlands and paddy rice, as well as reduces emissions from, efficiencies in water pumping, transport, purification, and methane capture. Sustainable water use, management and water security programmes will be focussed on countries where water climate risk is high and likely to impact the poor and vulnerable.

- Investing in the protection, restoration and sustainable management of ocean and coastal ecosystems and resources that support climate change mitigation and adaptation and build coastal communities' resilience. Interventions through the Blue Planet Fund include establishing marine protected areas; promoting inclusive, sustainable fisheries management that considers climate change impacts; investing in sustainable marine economies and livelihoods; and reducing marine pollution that negatively impacts climate sensitive marine ecosystems. We will also work with Small Island Developing States, who steward almost one third of the global ocean, to support sustainable blue economies that protect biodiversity and support poverty reduction.

- Promoting better understanding of 'what works' in delivering strong nature outcomes through science, research and innovation and a significant increase in the delivery of these approaches at scale including through demonstration effects.

- Working with national and local governments to integrate nature into their planning and decision making, including improved climate and biodiversity strategies that deliver for nature climate and people. We will support governments to prioritise nature and redirect global financial flows towards nature-positive activities. Alongside we will work with key private sector and financial institutions to integrate climate and nature related risks, dependencies, impacts and opportunities into their investments to better support the communities that depend on affected land and resources.

- Accelerating the implementation of consistent approaches and standards for key local and international supply chains that embed environmentally sustainable and deforestation-free commodities in markets.

Case study: Forests, Governance, Markets and Climate

Forest Governance Markets and Climate (FGMC) is a 12-year programme that brings together trade policy with development assistance to improve global forestry business practices. It promotes policies, incentives and business standards that secure rights and rule of law, while protecting livelihoods linked to the forest sector, promoting growth and curbing deforestation. FGMC helps countries tackle illegal logging and weak governance and trade their way out of poverty. Its goal is to change the way timber is bought and sold across the globe, helping avoid dangerous levels of deforestation, stamping out the crime associated with the current trade, enabling countries to raise revenues, and helping people to earn a living from the forests, free from abuse and intimidation. It does this by ensuring timber exports can be certified as coming from sustainable, properly regulated sources. It requires working both on the supply of timber – work in countries with forests – and on the demand – working with countries and businesses who buy timber.

Some headline results:

- Transformational change of Indonesia's timber sector resulting from the reforms driven by Government, civil society, and the private sector: tracking and control systems now verify compliance across the entire country for all exports to 195 countries. In 2005, just 20% of Indonesia's timber was legal. Today, 100% of timber exports are sourced from independently audited factories and forests. Over 20.3 million hectares of forests are independently certified.

- China is a dominant (60%) market destination for forest products exported from developing countries. A revision to the Forest law makes clear for the first time that no-one should buy, process or transport illegally sourced timber. This requirement will mandate stronger import regulations, greater uptake of Environmental Social Governance (ESG) guidance and encourage recognition of national systems in producer countries (such as Indonesia). The revision was informed by FGMC expertise, analysis, investigations, and advocacy.

- Increasing transparency in public policy making, new tools are transforming forest management practices and the timber trade. Innovations include electronic wood tracking, digital barcodes to trace the supply chain and empowering communities, using a smartphone app, to report illegal logging in real-time.

- Empowering stakeholders to act: In five countries in Africa, our delivery partners are supporting communities and local civil society organisations (CSOs) to advocate for their rights and contribute to legal reforms. They are assisting forest communities in the negotiations of social contracts with logging companies. A new land rights act was signed in Liberia which for the first-time recognised women's rights to land.

We will continue to build on the success of this programme, expanding it to address new threats to forests such as mining and applying multi-stakeholder governance approaches to national land use and climate strategies and a focus on forests.

Other programmes contributing to this theme include

- **Lowering Emissions by Accelerating Forest Finance (LEAF) Coalition:** An initial $1 billion in public-private commitments will provide finance to countries dedicated to protecting their tropical forests, with support from the UK Government. LEAF aims to kick off what is

expected to become one of the largest ever public-private efforts to protect tropical forests and support sustainable development.

- **Reversing Environmental Degradation in Africa and Asia programme (REDAA):** In this critical decade, the UK is investing to restore ecosystems in Africa and Asia that are better able to remove and store greenhouse gases from the atmosphere. REDAA catalyses research, innovation and action to help people and nature to thrive together in times of climate, resource and fiscal insecurity.

- **Nature Positive Economy Programme**: In partnership with the UNDP's Biodiversity Finance Initiative (BioFin) and Financial Sector Deepening Africa (FSD Africa), the UK Government launched a Nature Positive Economy Programme at CBD COP15. The programme will provide capacity building and technical assistance to support the transition of developing countries to nature positive economies; supporting governments, central banks, businesses, and financial institutions to integrate nature-related risks and opportunities into their decision-making. The programme also supports engagements with governments on redirecting or repurposing environmentally harmful subsidies.

- **Territorios Forestales Sostenibles (TEFOS):** TEFOS supports the Government of Colombia in reducing deforestation in areas affected by conflict and high deforestation rates. The programme aims to improve land registry systems to incentivise sustainable land management; strengthen the criminal justice system to tackle environmental crime in deforestation hotspots; and create sustainable economic opportunities for communities that depend on these forest ecosystems.

- **Climate and Ocean Adaptation and Sustainable Transition programme (COAST):** COAST aims to improve the adaptive capacities, climate resilience and prosperity of vulnerable coastal communities, and drive a more sustainable and inclusive management of their marine and coastal resources. It will implement an integrated approach to deliver co-benefits for people, climate and nature, focussing on nature-based solutions, coastal livelihoods and coastal planning and governance.

Adaptation and Resilience

The Challenge

The impacts of climate change and environmental degradation are being felt now, devastating lives, livelihoods, and communities. The IPCC Sixth Assessment Report found that 'global warming, reaching 1.5°C in the near-term, would cause unavoidable increases in multiple climate hazards and present multiple risks to ecosystems and humans. On a 1.5°C trajectory, we can expect a higher frequency of extreme temperatures, drought, sea level rises and extreme weather events. Climate-related risks to the environment, health, food security, water supply, and economic growth are projected to increase further with increasing temperatures. People living in poverty, those that have and continue to contribute least to the problem, are most at risk.

Failure to act will result in a huge economic and human toll, causing widespread increases in poverty and undermining long-term global economic prospects. Global economic losses resulting from natural catastrophes were around $190 billion in 2020. In those areas most vulnerable to climate change, these losses are already having devastating impacts on development. The World Bank estimates that by 2030, climate change will force between 68 and 132 million people into poverty.

Between 2030 and 2050, climate change is projected to lead to 250,000 additional deaths each year globally from health-related conditions; 95,000 from childhood undernutrition, 60,000 from malaria, 48,000 from diarrhoea and 38,000 from exposure of the elderly to heat. More frequent floods and droughts, shifting weather patterns and growing climate insecurity are expected to reverse previous gains in reducing food insecurity and malnutrition, resulting in 540 to 590 million people undernourished at 2°C warming and an additional 10.1 million stunted children in the world by 2050. The impacts of climate change also have implications for international peace and security. Fragility can inhibit a country's adaptive capacity, further exposing them to climate change impacts. 12 of the 20 countries most vulnerable to climate change are already affected by armed conflict. The Glasgow Climate Pact called for developed countries to double adaptation finance from 2019 to 2025, in recognition of the historic underfunding of adaptation finance and the critical challenges many developing countries are facing right now.

Gender and other forms of inequality and exclusion, such as those relating to poverty, race, ethnicity, disability and age, drive vulnerability to the impacts of climate change and biodiversity loss and undermine resilience. Climate change and biodiversity loss further exacerbates these same inequalities along with related issues such as gender-based violence. At the same time, women and girls, indigenous groups, people with disabilities and marginalised people are frontline responders and critical agents of change to drive adaptation action. Leadership at the local level, including access to finance and the meaningful engagement of civil society organisations such as women's rights, indigenous groups and Organisations of Persons with Disabilities (OPDs) is fundamental to ensuring action is effective in building resilience efforts that leave no one behind.

Adapting and building resilience is about planning for and doing development differently; systematically taking account of climate risks in all policy, investment, spending and programming decisions and as part of this considering the roles that protection and enhancement of nature can play. As the Paris Agreement and Glasgow Climate Pact make clear, adaptation action should follow a country-driven, gender-responsive, disability inclusive participatory and fully transparent approach. Adaptation action provides opportunity for new green sectors and jobs. Our work will support countries to plan and identify climate risks, to be less reliant on sectors that are vulnerable to the effects of climate change and to increase people's capacity to withstand climate and nature-related shocks.
In the UK, we are developing a third National Adaptation Programme, for publication in July 2023. Our objective is to build a society which makes timely, far-sighted, and well-informed decisions to address the risks posed by a changing climate in order to save lives, protect livelihoods and reduce vulnerability to the impacts of climate change across societies. Working with domestic stakeholders,

such as the Environment Agency and delivering an ambitious National Adaptation Programme will create opportunities for synergy and mutual learning between national and international approaches.

By 2030, this pillar of ICF will contribute to

- Helping millions of people adapt and build resilience to cope with the effects of climate change and biodiversity loss including those living in poverty, women and girls, people with disabilities, indigenous and local communities, marginalised and crisis-affected people.
- Making a billion people safer from disasters through improving accessible early warning systems and preparations as well as developing the capacity to act on the risks identified and strengthening the delivery mechanisms that enable effective early action to reach those who need it most.
- Supporting small-scale agricultural producers in low- and middle-income countries to enhance their resilience to a changing climate, including climate shocks and extreme events, increase household incomes and food security and reverse ecological decline.
- Supporting the development of more resilient systems to ensure effective and continued delivery of basic services, such as health, nutrition, social protection, education, infrastructure including transport, water supply and sanitation; including to particularly vulnerable groups and communities.
- Strengthening capacity (at government, regional and community levels) to understand climate risks and integrate resilience into planning, policy, and investment decisions, across all affected areas of societies and economics, including through nature-based approaches.
- Progress towards the achievement of SDG 1 (end poverty) SDG 2 (zero hunger) and SDG 6 (availability and sustainable management of water and sanitation for all).
- Supporting government, investment actors, civil society and private sector to understand and capitalise on economic opportunity that adaptation action can create.

UK ICF will achieve this through

- Maintaining a balance between mitigation and adaptation finance, recognising the contributions that protection and enhancement of nature can provide to both and tripling our funding for adaptation from 2019 levels to £1.5bn in 2025.
- Working with government partners and other key institutions – in line with the principles for locally-led adaptation, to overcome political, financial, technical and other barriers to embed adaptation and resilience through all aspects of public policy, strategy and service delivery. This includes consideration of reaching and empowering women and girls, people with disabilities and the most vulnerable, enabling their leadership and meaningful participation in decision-making.
- Catalysing low-carbon, sustainable and inclusive economic development that helps the poorest and most vulnerable to adapt to climate change whilst continuing to exit poverty.
- Scaling up and targeting public and private investment to protect more people from the impacts of disasters including through disaster risk finance (DRF) and development insurance and climate resilient debt clauses (CRDCs) which automatically pause debt repayments when

a climate shock or natural disaster hits. Increasing the financial resilience of climate vulnerable countries and ensuring that money is available to respond quickly after a disaster means that responses are faster, more dignified, more effective and can pre-empt damage. This work is part of the UK's pledge of £120 million of new support for DRF made at Carbis Bay in June 2021 and will help deliver the G7 V20 Global Shield against climate risks launched at COP27.

- Integrating gender-responsive and inclusive approaches into the design, delivery and assessment of ICF programming and investing in research and evidence on the impacts of climate change on women and girls, indigenous and local communities, people with disabilities and marginalised groups, including best practice for gender-responsive approaches.

- Strengthening capacity in countries and international organisations to use research effectively to inform climate resilient development so that adaptation measures are designed based on robust scientific basis and the latest research and evidence on what works.

- Developing national capacity to forecast and forewarn, act early and prepare based on risk information and shock-responsive social protection mechanisms, preventing hazards from becoming disasters.

- Working with countries to avert, minimise and address loss and damage.

Key geographical regions will include Sub-Saharan Africa, South and Southeast Asia, Fragile and Conflict Affected States and Small Island Developing States. We will focus adaptation and resilience resources on the most vulnerable, considering ability to deliver and comparative UK advantage.

Case study: The Climate and Resilience Framework Programme (CLARE)

Launched at COP26 by the UK and Canada, the CLARE initiative aims to enable socially inclusive and sustainable action to build resilience to climate change and natural hazards, especially for the most vulnerable. It aims to develop new, demand responsive evidence, innovation, and capacity to enable developing country governments and communities to better address climate change challenges and opportunities and develop more effective disaster risk management and recovery.

Successes to date have included supporting African authors to input into the IPCC 6th assessment report, which is the strongest IPCC assessment to date in terms of African climate evidence; informing National Adaptation Plans in Ghana, Senegal, and Zimbabwe and supporting the Adaptation Research Alliance to promote action-oriented research to inform effective adaptation to reduce the risks from climate change, particularly for countries and communities that are most vulnerable – at the scale and urgency demanded by science. The ARA is now counting over 150 members, ranging from researchers and funders to policymakers and community-based organisations, aiming to increase investment and opportunities for action research to develop effective adaptation solutions.

CLARE supports the Weather and Climate Information Services for Africa initiative. (WISER). Many lives and livelihoods in East Africa are highly vulnerable to extreme weather. Understanding what weather is expected and how the climate will change helps families, communities, businesses, and governments to take action to avoid its impacts. WISER was founded on the principle that weather and climate information only has use at the point when it informs action. Built around the concept of co-production, the programme has improved the way weather forecasts and climate information are produced, communicated, and disseminated. This makes them more relevant to the decisions people need to make to protect their lives and their livelihoods, from fisher-people on Lake Victoria, to urban settlement dwellers in Nairobi and Dar es Salaam, to potato growers and women's farmers groups in Uganda. WISER has funded projects which aim to contribute an estimated £190 million of avoided losses through delivering actionable weather forecasts to 14 million people across East and West Africa. The HIGHWAY project alone has enabled avoided loses estimated at a total of $100 million, with project activities providing economic benefits of $44 million per year. This is shown in part by an approximate 30% reduction in weather-related deaths on Lake Victoria, preventing 312 deaths per year.

Spotlight on DARAJA – a project of the WISER programme

The DARAJA project was established with the primary aim of improving Kenyan and Tanzanian informal settlement residents' resilience to extreme weather. It achieved this by co-producing a framework and toolkit to underpin a new communication system for the creation, flow and use of weather and climate information in East African urban centres. In doing so, DARAJA has reached an estimated 800,000 settlement residents across Dar Es Salaam and Nairobi with bespoke, targeted weather and climate information.

A Disaster Risk Reduction Officer for Kenya Red Cross highlighted: *"...when we issued the warning alerts for floods, we saw community taking actions… We also saw a reduction in terms of the number of people or the number of community members that are affected by floods. This is a direct success from the project, because we were able to create a lot of awareness to the community."*

Other programmes contributing to this theme include

- **Africa Food Trade and Resilience Programme** works with regional private companies that source, process, and trade food in the region, to maximise investment, coordination and benefits to poorer farmers. It also contributes to improving the transparency and predictability of government policies to unlock regional food trade. The programme aims to ensure that 1.8 million farming families will increase their income by 30%; over 9 million people will directly benefit from the programme. It will de-risk and stimulate at least £100 million in private sector investment aimed at enhancing smallholder farmers' productivity, resilience, and nutrition.

- **The Centre for Disaster Protection** is the UK's flagship Disaster Risk Finance (DRF) technical assistance programme. It offers impartial expert advice and quality assurance to developing countries and the humanitarian and development community to strengthen pre-disaster planning and financial arrangements so they can better manage disaster risks and stop disasters devastating lives. It is a partnership between the UK Government (particularly FCDO and Government Actuary's Department (GAD)), the World Bank, research institutions and the private sector.

- **REACH: Improving Water Security for the Poor** is a global research programme that is co-developing research through science-practitioner partnerships in Bangladesh, Ethiopia and Kenya to improve water security for 10 million poor people across Africa and Asia. The programme provides robust and accessible evidence for governments, practitioners and the private sector on how to improve water security, using a risk-based approach to the trade-offs associated with investments across sectors. REACH is addressing the integrated nature of water systems, informing sustainable management and climate resilience of water resources, water quality and water services for users at local, national and regional levels. Examples of published research include evidence on how weather patterns and climate systems interact with social systems; and observational studies on the Turkana low level jet that have provided new understanding to improve climate models and associated uncertainty for East Africa.

- **The African Development Bank's Climate Action Window (CAW):** The UK is investing in the CAW, a new mechanism set up within the African Development Fund to channel climate finance to help vulnerable countries adapt to the impacts of climate change, from severe drought in the Horn of Africa to floods in South Sudan. The CAW will support countries to develop, revise and implement Nationally Determined Contributions and Long-Term Strategies and support adaptation and mitigation across six sectors: agricultural resilience for food security; water and sanitation; clean energy and just energy transition; resilient urban and green infrastructure; green financial sector and private sector; and climate information and early warning systems. It will reserve 10% for technical assistance and 15% for mitigation, aspiring to 75% finance for adaptation (all UK funding will be for adaptation).

- **Building Resilience and Adapting to Climate Change (BRACC)** is the UK's resilience programme in Malawi that aims to reduce extreme poverty and end the recurrent cycle of hunger and humanitarian assistance in Malawi by strengthening the resilience of an estimated 230,000 poor and vulnerable households (around 1.1 million people) to withstand climate-related shocks and stresses. The programme does this by improving the resilience of livelihoods, scaling up social safety net systems and reducing environmental degradation, a key long-term risk facing Malawi.

- **The Global Agriculture and Food Security Program (GAFSP)** is a US$2 billion multilateral financing platform dedicated to improving food and nutrition security in the world's poorest countries. Since 2010, GAFSP has supported the inclusion of climate change considerations across all program elements. As a result, almost two-thirds of all program grants include adaptation or mitigation co-benefits efforts. And, since 2017, all public sector projects have included climate co-benefits, supporting critical agricultural interventions such as increasing access to resilient seed varieties, putting in place more efficient irrigation, and supporting drought-resistant and intercropping practices. In addition, GAFSP's overall portfolio has been

found to be a net reducer of greenhouse gas emissions, removing 15.4 million tons of carbon dioxide equivalent (tCO2e), which offsets the portfolio's overall greenhouse gas emissions of 7.8 million tCO2e.

- **Small Island Developing States Development and Resilience Programme (SIDAR)** aims to respond to pressures on SIDS governments arising from climate change and the unique disadvantages created by small population sizes, remoteness, and vulnerability to economic shocks and natural disasters. It will focus on sustainable and inclusive capacity, UK Partnerships for economic development, access to affordable finance and impacting the policy environment.

- **Sustainable Blue Economies Programme (SBE)** is a Small Island Developing States (SIDS)-specific offer within the Blue Planet Fund portfolio that aims to enhance the resilience of SIDS and their economies to the impacts of climate change and economic shocks, including through better ocean management, poverty reduction and greater use of nature-based solutions. By tackling resource and knowledge gaps, it will help SIDS craft plans, policies and interventions based on sound scientific knowledge/data that will benefit and improve lives and livelihoods of those who depend heavily on the marine sector.

- **Least Developed Countries Initiative for Effective Adaptation and Resilience (LIFE-AR)** is an LDC led, LDC-owned initiative to develop a long-term vision for delivering a climate-resilient future. The project is driving momentum towards 'business unusual' approaches to enable local people and communities to lead on climate adaptation. It is innovating and incubating ideas in six front runner countries: Bhutan, Burkina Faso, Ethiopia, The Gambia, Malawi, Uganda, which aim to ensure that at least 70% of climate finance supports local-level action, investing in the building of in country capabilities, and engaging women, youth, indigenous groups, and other traditionally excluded groups in developing solutions and making decisions.

Sustainable cities, infrastructure and transport

The Challenge

Urban areas cover only 2% of the Earth's land surface but are responsible for 75% of global CO2 emissions. Transport and buildings are amongst the largest contributors. By 2050, 2.5 billion more people will be living in cities, with nearly 90 per cent of this growth taking place in Asia and Africa. The quality of future urbanisation will be a key determinant of emissions across multiple sectors. The choices we make today will determine how our cities are able to simultaneously reduce emissions, enhance resilience, protect the environment, support biodiversity, be accessible to all and support sustainable economic development.

Climate risks, exacerbated by unplanned urbanisation, are already affecting cities. For example, exposure to flood risk is often aggravated by inadequate enforcement of city planning and zoning regulations, which leads to the growth of illegal or informal development and the reduction of green urban space. Inefficient and unsustainable land use ultimately increases the cost of providing services and city infrastructure to all and leads to deeper social inequalities. Air pollution, heat stress, water stress, the loss of green and blue space and non-adaptive construction are also growing challenges in cities.

Between 2015 and 2030 the global stock of infrastructure will need to double to support population increase, development and economic growth. The long-life cycles associated with infrastructure and transport systems mean that there is an urgent need to get the planning right now, so we do not lock in high carbon, environmentally damaging solutions that will be difficult and costly to reverse in the future. Equally, that we do not create infrastructure or transport systems that are vulnerable to a changing climate. Failure to act now will inevitably require more expensive, complex retrofitting to meet climate targets and challenges in the future, as well as additional measures to offset the increased emissions. Currently, many national or regional infrastructure and transport plans do not adequately take climate scenarios into account. In addition, national or regional infrastructure plans often do not reflect the potential of alternative, smaller scale systems and the role of nature-based solutions in the urban landscape. Innovation across every aspect of the built environment is therefore critical.

Improving the environmental sustainability of cities has the potential to achieve considerable co-benefits in other areas. For example, tackling emissions in cities will reduce air quality impacts, currently causing over four million deaths per year. It can also help to reduce fossil fuel dependence – for example, the shift to electric vehicles and fuel cell vehicles helped avoid almost 1.7 million barrels of oil per day in 2022 (approximately 3.8% of total demand). Addressing poor urban waste management and pollution, and protecting and improving nature in and around cities, can also have positive environmental, health and economic impacts. Accounting for 80% of the global economy, cities will play a critical role in addressing the climate emergency alongside enabling sustainable and inclusive economic growth.

By 2030, this pillar of UK ICF will contribute to

- More countries and regions benefiting from greener, more resilient and more inclusive cities and infrastructure, in line with SDG 11 on sustainable cities and communities and SDG 9 on resilient infrastructure.

- Reducing cities' deforestation impacts and improving their ecological and biodiversity footprint, by harnessing innovation, integrated value chain support and stronger integrated landscape planning.

- Unlocking use of and investment in nature-based infrastructure from sub-national to regional scales, for example, through city trees, urban parks, green roofs, watersheds, water management and green corridors.

- The avoidance of significant emissions from the infrastructure, transport, and other sectors key to the built environment. This will include for example, through supporting longer-term planning, encouraging faster electrification (including accelerating the shift to zero emission vehicles and mass transport systems) and fostering the development and implementation of improved materials as well as solutions in energy efficiency and storage.

UK ICF will achieve this through

- British Investment Partnerships building stronger, more transparent economic partnerships which will facilitate the development of high quality, clean, reliable infrastructure to support green transitions and narrow the infrastructure investment gap in low- and middle-income countries.

- Accelerating investment in research, development and demonstration of technologies which enable low-carbon, climate resilient, accessible, and sustainable urban development to strengthen resilience, increase energy efficiency, improve health, lower costs, and reduce emissions.

- Supporting city and infrastructure governance institutions to become more accountable, effective, and capable. This will support them in being better able to plan and attract investment in sustainable, low carbon and climate resilient infrastructure and urban development that supports economic growth and development.

- Improving investment in climate and accelerating the development, demonstration and deployment of high-quality climate resilient and nature positive urban and wider infrastructure projects. This will include promoting knowledge sharing and technology transfer and advancing climate and nature-sensitive infrastructure criteria (to improve eligibility of projects for climate finance) and enabling cities to directly access the investment finance they need.

- Promoting use of quality climate risk analysis in infrastructure planning and investments supported through UK ODA, including working with multilateral banks, governments and other stakeholders to advocate for and enhance the climate and nature quality of project pipelines.

- Supporting cities to make better strategic planning and policy decisions, such as promoting sustainable urbanisation, delivering net-zero, building greater resilience and social mobility as well as promoting zero emission electric mobility and the shift towards mass and active modes of transport. Also, driving greater action to protect and restore their urban forests and green spaces while mitigating their negative impact and minimising encroachment on surrounding forested areas.

Our work in this theme will focus on countries that are experiencing rapid urbanisation (both population growth and urban expansion) including fast growing primary and secondary cities with growing infrastructure demands. In larger megacities (above 10 million inhabitants) work will focus on targeted technical assistance (including in middle-income countries). In secondary cities (typically between 500,000 and 5 million inhabitants), or cities in Least Developed Countries (LDCs) or vulnerable states we would expect to deliver significant investments in planning, urban design, capacity building, building urban resilience and mobilising finance.

Case study: Urban Climate Action Programme (UCAP)

Launched at COP26 in Glasgow in 2021, the £27.5m Urban Climate Action Programme (UCAP) is working with cities in developing countries to implement low-carbon urban infrastructure projects, plans and policies. The programme follows the successful Climate Leadership in Cities programme, which ran 2018-2021.

UCAP supports megacities to mobilise technical and political leadership on net zero, through two components:

- Climate Action Implementation. Supporting 15 megacities to implement their net-zero Climate Action Plans, by delivering selected high-impact infrastructure projects and mainstreaming climate action throughout city planning and decision-making processes. Delivered by C40 Cities Climate Leadership Group over four years of engagement.

- Cities Finance Facility. A multi-donor project preparation facility supporting cities to develop finance-ready, low-carbon infrastructure projects which are linked to credible sources of finance. Delivered by the C40 Cities Finance Facility, this initiative aims to specifically bridge the gap in cities' access to finance on projects focussing on transport, energy, waste, and adaptation measures.

UCAP works with cities in Africa, Latin America and South-East Asia. Both components of the programme operate by embedding city advisors in the partner city administrations, pushing political ambition, and driving technical capability for ambitious climate action.

Other programmes contributing to this theme include

- **Climate Action for a Resilient Asia (CARA)**, a 7-year regional adaptation and resilience programme, will partner with governments, regional institutions, cities, vulnerable communities, and the private sector across the Indo Pacific. The urban resilience component of the programme will aim to build the capacity of cities, communities, and the private sector to integrate climate resilience into their policies; and to support them to develop and effectively implement a pipeline of resilience projects through public or private investments.

- **The Climate Adaptation and Resilience (CLARE)** initiative, a partnership between the UK and Canada, aims to enable socially inclusive and sustainable action to build resilience to climate change and natural hazards. CLARE will include research on urban resilience as well as urbanisation in the changing climate looking, for example, at climate resilience in the context of informal settlements, water management in urban-rural interfaces, inclusive preparedness and adaptation policies and practices for flood and drought resilience in cities.

- **Centre of Expertise in Green Cities and Infrastructure (CoE GCI)** will coordinate UK international expertise in cities and infrastructure from inside and outside of government and broader national expertise.

- **Market Accelerator for Green Construction (MAGC):** The UK has committed to drive the financing and construction of more energy efficient buildings in emerging economies by building demonstration portfolios of green construction at scale, reducing emissions, mobilising new finance and inspiring markets to shift towards the new energy efficient buildings of the future.

- **UK Caribbean Infrastructure Fund (UKCIF):** The UKCIF provides grants for transformational economic infrastructure in eight Caribbean countries and one UK overseas territory to drive economic growth and increase climate resilience.

- **Sustainable Cooling and Cold Chain Solution**: The UK, working through, has committed to optimise the implementation of the Kigali Amendment and the phase down of hydrofluorocarbons in developing countries. It supports the Africa Centre of Excellence for Sustainable Cooling and Cold Chain in Rwanda and Specialised Outreach and Knowledge Establishments (SPOKEs) across Africa and is bringing to market climate friendly, energy efficient cooling solutions to reduce food loss and improve vaccine supply chains internationally to ensure long lasting systemic change.

- **Cities4Forests:** The UK has contributed to this initiative which provides technical assistance, inspires political action and engagement, and facilitates finance for cities around the world to connect with and invest in inner forests, such as city trees and urban parks, nearby forests, such as green corridors and watersheds, and faraway forests, such as tropical forests. Cites4Forests encourages better conservation, management, and restoration of these forests by the cites who benefit from the ecosystem services they provide, as well as by supporting local policy alignment, knowledge sharing, and access to peer-to-peer learning and communication activities to take climate and nature action together.

- **Global Facility to Decarbonise Transport (GFDT)** provides technical assistance to developing countries to accelerate the decarbonisation of their transport systems to achieve carbon neutrality in the sector by 2050, whilst also supporting poverty reduction.

How we will deliver ICF

Together with Governments and Other Key Institutions

We work closely and in partnership with governments, to support countries to take ambitious action on tackling climate change, poverty, environmental degradation and biodiversity loss. We bring together development, diplomacy and policy work to support change, using our existing and growing in-country networks to develop and strengthen relationships at all levels and across multiple ministries – recognising that our work must be driven by domestic as well as global priorities. We support countries in building capacity at a local and national level to deliver shared priorities and sustain development far beyond the timeline of ICF.

Our support will include significant bilateral programming drawing on the UK's experience of supporting and delivering high quality development interventions and sharing the UK's own expertise. This will involve working with national and local governments, city authorities and other key public institutions, integrating climate and nature objectives into the design of wider development programmes and launching regional initiatives in Africa, Asia, Latin America and the Caribbean that will seek to deliver impact at scale. We will seek to build capacity and provide technical assistance to key institutions to support:

- Partner governments to design, develop and deliver strategies, policies and programmes that will accelerate action on climate and nature; generate jobs and low carbon growth; and build resilience.
- Priority countries and regional groups to effectively contribute to climate negotiations, including technical, legal and strategic UNFCCC support as well as support for developing GHG inventories and reporting.
- The development and implementation of ambitious climate and nature action plans including high-quality, ambitious Nationally Determined Contributions, National Adaptation Plans and long-term, and nature positive development strategies.
- Dialogue between governments and the private sector, increasing access to climate finance and building the capacity of markets to enable the clean growth transition.

We will aim to deliver programmes that meet the principles for locally-led adaptation to help ensure that communities are empowered to lead sustainable and effective adaptation to climate change at the local level. By building coalitions, partnerships and platforms under the Breakthrough Agenda, we will leverage effective coordinated international action to accelerate global sectoral transitions, including developing and delivering a stronger, dedicated and coordinated international assistance offer in each major emitting sector.

As hosts of the G7 and COP26 in 2021, the UK took an integrated approach to developing international agreement on making 2021 the year the tide was turned against the crises of climate change and biodiversity loss. We will continue to build on the G7 Partnership for Infrastructure and Investment to deliver a step change in the way sustainable infrastructure in developing countries seeking opportunities to improve coordination of international efforts which accelerate climate transitions in developing countries.

Case study: Just Energy Transition Partnerships

Just Energy Transition Partnerships (JETPs) are bespoke country-led partnerships between donors and carbon intensive countries, aiming to mobilise public and private sector financial support for accelerated and ambitious transitions away from fossil fuels and towards renewable energy. They do this through up-front mobilisation of public sector finance to catalyse private sector investment which will contribute the majority of investment required for the transition in each JETP country. A defining feature of JETPs is that they will also focus on mitigating any negative social impacts of an accelerated energy transition (e.g. coal sector job losses).

The UK led the development of the first Just Energy Transition Partnership with South Africa, heading an International Partners Group (IPG) comprising the UK, USA, EU, France and Germany. This was launched at COP26, backed with an initial $8.5 billion from the IPG. South Africa went on to present their JET Investment Plan at COP27, which aims to mobilise a further $98 billion of investment, including from the private sector.

In late 2022, JETPs were also launched in Indonesia and Viet Nam. The Indonesia JETP (where the IPG is co-led by the US and Japan, with support from the UK) is backed by an initial financial package of $20bn, consisting of $10bn of public finance, and $10bn of private finance from a group of international banks convened by the Glasgow Financial Alliance for Net Zero (GFANZ). This will support delivery of an ambitious set of commitments by Indonesia to decarbonise its power sector and reach net-zero in the power sector in 2050. The Viet Nam JETP (where the IPG is co-led by the UK and EU) is backed by an initial financial package of $15.5bn – again half public finance, and half private finance from a group of banks brought together by GFANZ. The finance mobilised by the JETP will support Viet Nam in accelerating the decarbonisation of its electricity system, including bringing forward the date of peak emissions from the electricity system to 2030 (5 years earlier than planned), and cutting peak coal-fired power generation capacity.

For each of these JETPs, the financial commitments are to be deployed within 5 years. We will focus on working with partners to ensure that these commitments are delivered to that timeline, supporting the JETP countries to meet their ambitious energy transition targets.

Through Multilateral Partners and Climate Funds

We will continue to support the work of key multilateral funds to deliver impact at scale and use their leverage to maximise value for money. We have doubled our support for the Green Climate Fund (GCF), contributing £1.44 billion between 2020 and 2023. The GCF anticipates increasing resilience to climate change for over 600 million people and avoiding over two billion tonnes of greenhouse gas emissions. As a Board member we will continue to use our influence to increase the effectiveness and accessibility of funding. We will also continue to work through the Climate Investment Funds (CIFs) and the Global Environment Facility (GEF), which work across the environment and climate agendas. Also, at COP26, the UK announced new funding totalling £15 million for the Adaptation Fund to support developing countries to lead action where they most need it.

In addition to supporting these important funds we will continue to use our influence and expertise to strengthen the mainstreaming of climate and nature across the international system. We will work with the multilateral development banks (MDBs) to support implementation of their commitments to align operations with the objectives of the Paris Agreement. Almost every MDB has now committed to align all their financing with the Paris Agreement by 2025 at the latest, up from just one bank when the UK assumed the incoming Presidency. We will also work with the MDBs to implement the Joint

Statement on Nature launched at COP26, further integrating nature into their analysis, policy advice and investments. We will use our presence in fora to progress discussions on best practices for embedding climate change and environment into economy-wide policymaking.

The UK will continue to work with partners to shape the global response to proposals for international climate finance architecture reform, especially the Bridgetown Initiative promoted by the Prime Minister of Barbados, the World Bank evolution roadmap, and the G20 MDB Capital Adequacy Framework Review. We will press internationally for key policy and regulatory reforms following progress at COP26. These reforms include promotion of a multilateral approach to carbon pricing, including by supporting international organisations to fill technical and analytical gaps; fossil fuel and agricultural subsidy reforms; exits from coal; enhanced energy and food production efficiency; green trade policy including on forest risk commodities; financial sector and regulatory reforms; and continued mainstreaming of climate and nature into development planning.

We will pursue action on aims set out in the Glasgow Climate Pact that approaches to finance should be guided by vulnerability, working to deliver the recommendations set out in our joint 2020 Call to Action on Access to Finance for Small Island Developing States (with Belize, Fiji and the Alliance of Small Island States). This will include seeking action by multilateral organisations to ensure that their eligibility, allocation and graduation practices consider the vulnerability of small island developing states (SIDS).

Grants remain the most common mechanism for the UK's climate finance support with the UK's level of grant-based climate finance support from 2016 to 2019 totalling 89%.

Case Study: Equity investment in sustainable fisheries in the Philippines, Global Environment Facility (GEF)

The GEF is the largest global mechanism tackling major environmental challenges including biodiversity loss, land degradation, unsustainable food and agriculture, deforestation, chemical pollution, marine and freshwater degradation, and climate change.

One area of GEF investments is marine ecosystems. The Meloy Fund uses non-grant instruments like debt, equity, and risk mitigation products in innovative finance models to combat global environmental degradation. It pools resources from GEF with other investors to support the conservation of coral reef systems in the Philippines and Indonesia. Investments target small and medium enterprises with expected tenures of 5-7 years and is expected to earn between 10-15% returns.

This project is the first Impact Fund focused entirely on community small-scale fishers in the developing tropics and will have a long-lasting impact by financing unbanked enterprises to acquire those fixed assets that will enable financial growth, job creation and resilience to economic shocks. Recently, the programme has been instrumental in implementing rapid response plans during COVID-19, providing assistance towards community safety and relief, and strategies to address disruption to supply chains.

With the Private Sector

Public Finance alone will not be enough to meet the goals of the Paris Agreement and the Glasgow Climate Pact**.** In addition to ODA and domestic resources, hundreds of billions per year will be needed from the private sector to enable low carbon, climate resilient, nature positive development. As a result of the UK's COP Presidency efforts, $130 trillion- around 40% of the world's financial assets- are now committed to aligning with Net Zero. In addition, thirty financial institutions with over $8.7 trillion of global assets committed to eliminate investment in activities linked to agricultural commodity-driven deforestation, alongside the billions of private finances mobilised to support the forest economy.

We will use ICF to leverage and mobilise private finance by reducing the barriers that prevent the deployment of commercial finance needed to drive low-carbon growth and economic transitions in developing countries. We will work with finance institutions to develop the frontiers of climate financing, developing innovative market mechanisms which can be replicated, adapted and amplified – to achieve true scale through market adoption. In addition, we will tackle the barriers to private investment in climate resilient infrastructure by piloting tools to more efficiently and effectively price physical climate risk so that the cost of capital is not needlessly inflated.

This work will include using instruments such as British International Investment (BII), the UK's development finance institution; Financial Services Deepening Africa Invest (FSDAi) and the Private Infrastructure Development Group (PIDG) to offer direct and intermediated investment into climate-responsive companies, supporting both mitigation and adaptation-related private sector activity. This in turn can demonstrate to commercial investors that such opportunities can offer attractive risk-adjusted returns. Through Mobilising Institutional Capital Through Listed Product Structures (MOBILIST) we will enable emerging and frontier market investment products to list on public exchanges and access deep pools of institutional capital.

We will work with the Bank of England and other financial institutions – domestically and internationally – to deliver the UK's Green Finance Strategy and with the Task Force on Climate-related Financial Disclosures, to integrate climate risks into business decision-making. We will also continue to provide support to with the Task Force on Nature-related Financial Disclosures (TNFD) to better understand the dependencies and impacts of the financial sector on nature and biodiversity and reduce negative impacts and catalyse market-led action on nature-related financial disclosures. This work encourages financial actors to better account for climate, the environment and transition risks in their investment planning, risk management and governance.

We will further strengthen our work with partner countries to drive inclusive and low-carbon economic growth. Through the Global Resource Initiative, we will work across the private sector including with leading businesses to investigate and implement sustainable practices into the trade and supply chains of key commodities. We will continue to lead the Forest, Agriculture and Commodity Trade (FACT) Dialogue to protect forests while promoting development and trade, building on agreement to a FACT roadmap among 28 countries at COP26. We will continue to explore opportunities to maximise the benefits for the natural environment with UK ICF, ensuring that a stronger focus on nature is integrated across the portfolio and we will create the conditions to increase private finance flows through the international carbon market.

Case study: British Investment Partnerships

Under the UK's G7 Presidency, G7 Leaders agreed to a new development finance partnership - the **Partnership for Global Infrastructure and Investment (PGII)** - with the ambition to modernise development finance and narrow the infrastructure investment gap in low- and middle-income countries.

British Investment Partnerships supports our G7 commitment to build stronger, more transparent economic partnerships, which facilitate the high-quality investment developing countries require.

The UK will promote clean reliable investment into infrastructure and other areas, supporting green transitions, and drawing economic partners closer to major free-market democracies.

BIP aims to mobilise up to £8bn of UK-backed financing a year by 2025, partnering with capital markets and Sovereign Wealth Funds to co-invest in projects and provide scale, and utilising export finance support to mobilise private sector finance, co-invest in projects and provide scale.

Our reformed development toolkit includes British International Investment (BII), the UK's development finance institution. BII makes productive, sustainable and inclusive investments in ODA-eligible markets in Africa and South Asia and is now expanding into new geographies in the Indo Pacific and Caribbean. BII's Climate Strategy sets out its approach to achieving Paris Alignment, centred on three building blocks: reaching a Net Zero emissions portfolio by 2050; supporting a 'just transition' to low carbon activities; and strengthening its investment in adaptation and resilience solutions.

BII set a climate finance target of at least 30% of new investment commitments over its 5-year strategy across 2022-2026. BII supports investments that enable a transformation towards net-zero economies by 2050 by either investing in activities that are already low carbon or which indirectly enable emissions reductions in other activities. This includes areas such as renewable energy, electric vehicles and green hydrogen for industrial use, and investments in forestry.

Alongside Civil Society

Civil Society Organisations (CSOs) are critical partners in achieving the UK's ambitions on tackling climate change, biodiversity loss and environmental degradation. As well as being key partners on several important ICF programmes, a healthy Civil Society is vital for holding governments to account and giving a voice to women and girls and indigenous and marginalised groups. We will continue to support CSOs to deliver goods, services and improvements that will help people and communities adapt and build resilience to the impacts of climate change, environmental degradation and biodiversity loss and to support low-carbon economic growth. CSOs will be critical in helping people in developing countries influence decisions that affect their lives and their environments and then holding decision makers to account. We will aim to strengthen meaningful engagement with and support for local and national civil society organisations (such as women's rights, indigenous groups and Organisations of Persons with Disabilities) within climate action, including addressing barriers to accessing climate finance faced by these actors.

Case study – Delivering through Civil Society – Blue Forests

The Blue Forests project is a scale-up of an innovative pilot funded through the Darwin Initiative, and an example of the value for money and impact offered by nature-based solutions for both climate mitigation and adaptation.

This approach, pioneered by our partner Blue Ventures, works with local communities, the private sector and government to mitigate the drivers of mangrove forest loss across five sites in Madagascar and Indonesia. It meets key UK ICF objectives by combating loss of a critical ecosystem with a holistic approach in which various models of intervention are tested and proven to support successful natural resource management. It establishes sustainable livelihoods and green business while supporting community health and more equitable governance. The project directly benefits coastal people by building climate resilience and conserving threatened marine biodiversity, while delivering global climate mitigation benefits through avoided carbon emissions.

Many of those who depend on mangroves are living in extreme poverty; the project is expected to support the livelihoods of 86,000 people, avoid 4400 hectares of mangrove forest from deforestation and place over 180,000 hectares of forest under protection or sustainable management. It will increase capacity for carbon sequestration (expected to save 7.8 million tonnes of greenhouse gas emissions over 20 years) - while supporting a unique system of biodiversity. The project is also expected to have a transformational impact. Over the life of the programme, over 90 additional sites are expected to adopt models tested and proven through the programme.

Leaving no one behind

The evidence is clear that people living in poverty are already suffering disproportionately more from the adverse effects of climate change and nature loss. In addition, existing inequalities exacerbate the impacts for individuals and communities, limiting their resilience whilst constraining their options to act. This includes but is not limited to women and girls, people with disabilities, youth, indigenous and marginalised groups, those facing multiple exclusions based on their characteristics. For example, women and girls are disproportionately more likely to die or be displaced than men by climate-related disasters. Furthermore, land ownership is strongly linked to greater resilience and security yet globally women own less than 20% of land. People with disabilities are disproportionately impacted by climate change, which is why we have made several key commitments on disability inclusive climate action in the UK's Disability Inclusion and Rights Strategy (2022-2030).

The knowledge, leadership and rights of women and girls, indigenous groups and marginalised groups must form an essential part of this work. For example, indigenous groups, as stewards of 80% of the world's remaining biodiversity, have unique knowledge which will be integral to policies and action to combat climate change. A growing body of evidence also associates gender equality, women's leadership and participation in decision-making with positive environmental and climate outcomes. In order to achieve the meaningful participation of marginalised groups, capacity building will be critical.

Our ICF will focus on action to mitigate the future risks and current challenges of climate change and environmental degradation to the poorest and most vulnerable. We will support and build the capacity of marginalised groups to be active agents of change in addressing climate and environment issues. We will champion women, indigenous groups and other key groups' roles as decision-makers, educators and climate leaders in order to deliver effective, long-term solutions to climate change, including disaster risk reduction, post-disaster management and climate change mitigation and

adaptation strategies. We will strengthen the gender-responsiveness and disability inclusion in UK climate finance, including by increasing the proportion of climate finance that has gender equality as a principal or significant objective, as well as embedding and prioritising a broader inclusive approach.

Case study: UK Partnering for Accelerated Climate Transitions (PACT)

UK PACT is an ICF programme that was launched in June 2018 to respond to the critical global need for capacity building to support the implementation of developing countries' NDCs. The primary aim of the programme is to accelerate emission reductions in line with the Paris Agreement and to alleviate poverty.

In April 2021, UK PACT published its gender equality and social inclusion (GESI) ambition for the programme, committing to opposing all forms of discrimination and working to increase equality of opportunity for women and marginalised groups by mainstreaming GESI throughout its programming. In practice, this means requiring all projects to show clearly how they are building GESI into their delivery and reporting, ensuring the programme has a positive impact on women and marginalised groups. We will also be providing knowledge sharing and learning opportunities through GESI workshops, webinars, and blogs.

Using Research, Development and Demonstration (RD&D)

We will have a strong focus on RD&D and will step up our investment in cutting-edge science, technology, and innovation. Our portfolio of research, development and demonstration increases access and drives down prices for new, low-carbon technologies. It creates solutions that build resilience, maintain productivity, support nature and reduce the risk of catastrophic social and economic damage in the face of adverse climate shocks and trends – from new drought-resistant varieties of staple crops to advanced forecasting products to improve disaster preparedness and response. With our support, these technologies become competitive with, and then displace legacy technologies in developing country contexts. This in turn can accelerate pro-poor, low-carbon and increasingly privately financed growth. For example, the Sustainable Manufacturing and Environmental Pollution (SMEP) programme is a £24.65m programme funding research and related interventions aimed at reducing the climate, environmental and socio-economic impacts of the manufacturing sector, as well as addressing some of the most pressing challenges associated with plastic pollution. SMEP interventions aim to accelerate the development and uptake of solutions with potential for impact. Through our up to £1bn Ayrton Fund commitment, we are supporting research, development and demonstration of innovative clean energy technologies and business models to accelerate the clean energy transition in developing countries, by making clean energy options the most affordable, accessible and attractive options.

COP26 saw the announcement of a number of new science and innovation initiatives backed by global coalitions of nations, businesses and scientists to support the implementation of goals announced at the World Leaders Summit. At COP26, the UK also launched a new Global Centre on Biodiversity for Climate (£40m) to strengthen applied knowledge on approaches to protecting and enhancing nature in ways that deliver outcomes for climate mitigation, adaptation, and poverty alleviation.

Monitoring, Evaluation and Learning

ICF will continue to place a strong focus on Monitoring, Evaluation and Learning (MEL) to improve the effectiveness of our investments and those of our partners. This will be achieved through strengthening the evidence base and facilitating learning about sustainable approaches to reduce poverty and tackle climate change and environmental degradation.

The intended impact is to deliver transformational climate change programmes. We will build on our robust cross-government results framework and will continue to publish results annually, to allow the public to track progress against our Key Performance Indicators (KPIs).

All ICF programmes are required to collect and report on relevant ICF KPIs, disaggregated by gender, age, and disability where possible, alongside other programme-specific indicators. Where the UK co-funds a programme with other donors, only 'UK-attributed' ICF results are included, in proportion to the UK's donor share. ICF KPIs include:

- Number of people supported to cope with the effects of climate change
- Number of people and social institutions with improved access to clean energy
- Number of people whose resilience has been improved
- Greenhouse gas emissions reduced or avoided (tCO2e)
- Level of installed capacity of clean energy (MW)
- Area ecosystem loss avoided (hectares)
- Value of ecosystem services generated or protected (£)
- Volume of public finance mobilised for climate change purposes (£)
- Volume of private finance mobilised for climate change purposes (£)
- Extent to which ICF intervention is likely to lead to transformational change
- Area under sustainable management practices (hectares)

For each key performance indicator, results are added together across all relevant programmes and over time, to give cumulative results across the whole ICF portfolio. We use ICF KPIs alongside a broad range of evidence to evaluate the success of our ICF programmes and inform funding decisions to maximise value for money and the successful delivery of our strategic climate, nature and sustainable development objectives. We will continue to review the ICF KPIs and the way we use them to inform our decision-making, to ensure that we are achieving climate and nature impacts in line with our priorities and the needs of developing countries.

The Independent Committee for Aid Impact (ICAI) regularly undertakes external assessments of the ICF performance – two reviews focused on low-carbon and forestry ICF programmes have rated different aspects of operation as 'Green-Amber'. ICAI recommendations as well as evidence generated through monitoring and evaluation are actively fed back into strategy, programme development and implementation. For the current phase of delivery, ICF analysts are working across government to update our approach to portfolio monitoring and evaluation, building on lessons learnt from ICF to date.