UK International Climate Finance

Building resilience and catalysing the global low carbon transition: A UK Government commitment.
Introduction
Climate change is a global challenge that affects us all

No country will be spared from the impacts of global temperature increases.

As set out in the Intergovernmental Panel on Climate Change’s (IPCC) Special Reports on Global Warming of 1.5°C and Climate Change and Land, we are already facing serious challenges to the natural environment, to food production and to water resources.

Without concerted global action to limit and manage the impacts of climate change, we could reverse the huge gains in global poverty reduction which the UK has helped achieve over the last few decades and see a catastrophic decline in biodiversity.
UK International Climate Finance (ICF) plays a crucial role in addressing this global challenge

Alongside other developed countries, the UK is committed to jointly mobilising $100bn per year in climate finance to emerging economy and developing countries from public and private sources from 2020-2025.
As part of this commitment, we are providing at least £5.8bn of ICF between 2016-2020, aiming for a balance between mitigation and adaptation.

This places us amongst the world’s leading providers of climate finance.

We have committed $5bn (2015 - 2020) with Germany and Norway for countries, communities and companies who bring forward ambitious projects to halt and reverse deforestation.
UK Climate Leadership: Raising Ambition
Domestically, the UK leads the way on climate action

We have decarbonised faster than any other country in the G20, drawing on the depth and breadth of UK low carbon knowledge and expertise.

We were the first country in the world to introduce legally binding emission reduction targets when we passed the ground-breaking 2008 Climate Change Act.

Since 1990 the UK has grown its economy by over 70% while reducing emissions by over 40%, as well as legislating for Net Zero.

Our renewable energy capacity has tripled over the past 5 years, overtaking fossil fuels.
The UK was the first major economy in the world to legislate for a net zero target.

By 2050, the UK aims to achieve net zero greenhouse gas emissions from across the economy, bringing an end to our contribution to climate change.
Protecting our environment for the next generation is vital for our economic prosperity

That’s why clean growth is at the heart of the UK’s modern Industrial Strategy.

The UK has world-leading capabilities in research and development; innovation; electric vehicle manufacture; smart energy systems; sustainable construction; precision agriculture; and green finance – not to mention our climate policy and regulatory expertise.

We are also home to the world’s largest offshore wind market, accounting for over 36% of global capacity. This makes us ideally placed to export our technical and manufacturing expertise to support clean growth worldwide.

UK International Climate Finance is utilising this leadership to help drive the global shift to clean growth and net zero economies – one of the greatest industrial opportunities of our time.
Our pioneering Green Finance Strategy sets out how we will transform the financial system.

From greening the global financial system and catalysing the investment we need, to driving innovation in financial products and building skills, we will ensure that UK industry plays its part in responding to the challenges of climate change and the opportunities of the low-carbon transition.

As part of this, we have committed to aligning the UK’s Overseas Development Assistance (ODA) with the Paris Agreement.

And as a founding member of the Powering Past Coal Alliance, we are helping others end support for unabated coal power.

PPCA is approaching 100 members globally, including 30 national governments - all committed to moving away from coal towards cleaner power sources.
Internationally, the UK is at the forefront of the global response to the climate emergency.

We are leading the adaptation and resilience strand of the United Nations Climate Action Summit, together with Egypt.

We call on all countries to urgently step up efforts to ensure people and environments are more resilient to the impacts of climate change, now and in the future.

We encourage all countries and non-government actors to sign up to our political declaration on adaptation and resilience, to give adaptation the political attention it deserves and move it into the centre of decision making.
The UK is proud to be hosting COP26 in partnership with Italy.

We will encourage the highest possible ambition and make 2020 the year of transformational change. We’ll also champion nature-based climate solutions, working closely with others including China as hosts of the 2020 Convention on Biological Diversity conference.
We recently **doubled** our commitment to the Green Climate Fund (GCF), providing **£1.44 billion** between 2020 - 2023.

GCF helps people and communities increase their resilience to climate change and reduce greenhouse gas emissions. The fund supports a number of programmes to **preserve natural habitats**, like tackling deforestation in the Amazon rainforest.
UK International Climate Finance: An overview
So what does UK International Climate Finance do?

01. **Builds the resilience** of the poorest people and communities and supports countries to prepare for and adapt to climate change.

02. Works to ensure that the vast expansion in **infrastructure** in developing countries is **low** carbon and climate resilient.

03. Supports work to **halt deforestation**, **improve land use** and create profitable, sustainable supply chains that **protect** the environment.
UK ICF & the Multilateral Climate Funds and Agencies

The UK is a board member and major contributor to the **major multilateral climate funds**. These funds, which play a cornerstone role in global climate finance, have well-developed pipelines, can deliver at scale and are delivering results.

We are also proud to be one of the largest contributors to **multilateral development banks (MDBs)** and the largest contributor to the International Development Association (IDA). MDBs have collectively committed almost $200bn in climate finance over the last eight years, with **2018 seeing a 22% increase** (to $43.1bn) in collective MDB finance provision compared to 2017. This is a 60% increase since the adoption of the Paris Agreement in 2015.
The UK is a \textbf{founding member of the Climate Investment Funds (CIFs)} and is \textbf{the largest contributor}, investing almost $2.5bn since 2008. Over the next few years, the CIFs will have disbursed \textbf{over $8bn} to projects that reduce emissions, support clean growth, build climate resilience and protect forests across more than 70 developing countries.

The UK has also committed £2.2bn to the \textbf{Green Climate Fund (GCF)}. Since 2015, the GCF has become the key multilateral fund for implementing the Paris Agreement, programming \textbf{$5.2bn across 111 projects} and leveraging \textbf{over $18bn} in co-financing.

We are also one of the \textbf{leading contributors} to the \textbf{Global Environment Facility (GEF)}, having committed £250m for the 2018-2022 period. The GEF has supported over 1,000 climate mitigation projects and contributed to almost \textbf{3 billion tonnes} of GHG emission reductions.
The following case studies provide examples of how UK funding is supporting developing countries to respond to the challenges and opportunities of climate change in six different areas:

01. Adaptation & Resilience
02. Forests and Land Use
03. Capacity Building
04. Accelerating Decarbonisation
05. Making Markets Work
06. Carbon Markets
01. Adaptation and Resilience

The need to reduce emissions is widely accepted across the world. But the climate is already changing, with many millions of people facing food and water shortages and greater risks to health and life as a result. Smallholder farmers, for example, are on the front-line of these changes, inhabiting some of the most vulnerable landscapes and relying on climate-sensitive natural resources to make a living.

Recognising that some climate impacts are unavoidable and that adaptation is comparatively under-funded, the UK aims for a balance between our adaptation and mitigation funding. We have provided over £1.8 billion in adaptation finance since 2013.

We welcome the opportunity to build on this strong track record as we lead the Climate Adaptation and Resilience Theme at the 2019 UN Climate Action Summit, driving a transformation in the way climate change risk and adaptation is addressed globally.
Case Studies

**Building Resilience and Adaptation to Climate Extremes and Disasters (BRACED - UK £140m)** is a programme that builds the climate resilience of vulnerable communities across Africa and Asia. Projects range from helping traditional livestock herders mitigate the impact of drought through to helping farmers develop ‘climate smart’ agricultural production techniques. The programme has already helped over 5 million people.

The **Adaptation for Smallholder Agriculture Programme (ASAP - UK £150m)** helps smallholder farmers increase yields, improves access to commercial supply chains and increases their incomes and food security. ASAP will help 6 million vulnerable smallholders across 41 countries cope with the impacts of climate change.

The UK is one of the principal funders of **AgDevCo (UK £59m)**, which provides technical assistance to build profitable businesses that contribute to food security, drive economic growth and create jobs and income in rural areas. It currently operates in Sierra Leone, Ghana, Rwanda, Malawi, Mozambique, Tanzania, Uganda and Zambia.
02. Forests and Land Use

Agriculture, forestry and land-use change are responsible for roughly a quarter of global greenhouse gas emissions every year, but could also be up to 30% of the solution. Protecting forests doesn’t just make sense from a climate perspective – it also helps deliver important ecosystem services such as pollution control, watershed and soil protection, nutrient cycling and climate regulation: **Biodiversity and climate change are two sides of the same coin** and must be addressed in tandem if we are to protect the planet.

**Forests are fundamental for global agricultural production and food security**, but forest clearance to cultivate commodities such as palm oil, soy, beef, pulp and paper is the largest driver of deforestation. Meeting global climate and sustainable development goals alongside food security needs will require a **new land-use paradigm** that increases agricultural productivity whilst protecting

That is why the UK is working with ambitious forest governments, communities and private sector stakeholders to **address market and governance failures** linked to deforestation.

UK ICF supports indigenous communities, **enances capacity** and provides incentives to reduce emissions from deforestation through **government partnerships and results-based finance**. We crowd in sustainable investments by supporting innovative sustainable farming and forestry businesses, **zero-deforestation supply chains** for key commodities, carbon-markets and the development of private impact funds.
Case Studies

Forests Governance, Markets and Climate (FGMC) is a £250m UK programme which helps build legal and sustainable global timber markets and supports countries to combat illegal deforestation by:

- Shifting demand in consumer countries
- Increasing accountability and transparency to tackle corruption
- Driving coherence with other global processes to safeguard forests

The UK £75m Partnerships for Forests (P4F) programme incubates innovative low-carbon farming and forestry practices in SE Asia, Africa and Latin America, such as:

- Supporting a landmark (US) $95m sustainability bond to finance natural rubber production, jobs and wildlife conservation in Indonesia
- Supporting indigenous Brazil nut collectors to cut out middlemen and sell directly to mainstream buyers
- Strengthening and diversifying demand for certified sustainable timber from Tanzania

Sustainable Cattle Rancing in Colombia integrates cattle raising and agroforestry across 4,000 farms. This £15m UK programme has restored 32,000 hectares of degraded land by providing technical assistance. Participating farmers have:

- Increased production of milk by 36% while reducing cattle raising costs
- Increased biodiversity, protected standing forests and planted over 2.6 million trees
- Sequestered carbon at a rate of $6-7 of UK support per tonne of CO₂
03. Capacity Building

The UK understands the importance of capacity building. Listening to and working in partnership with developing countries, we are ensuring a greater focus on technical assistance across the ICF portfolio.

We believe that capacity building should:

1. Be country-led, responding to local demand and tailored to the local context, reflecting local capacity and social norms and building upon existing national processes and institutions.

2. Be flexible, able to adapt to evolving circumstances and priorities in-country.

3. Be sustainable, ensuring capacity is built and sustained in the longer-term.
Case Studies

UK PACT (Partnering for Accelerated Climate Transitions) is a £60m UK programme that responds to demand to build capacity in partner country institutions by sharing UK expertise in areas like green finance, climate legislation, net zero and energy market reform. We match country demand with technical assistance and skills shares. Currently active in Mexico, Colombia and China, UK PACT hopes to expand to 4 new countries by 2020.

The Colombia-UK Partnership for Sustainable Growth - part of our Climate Partnerships initiative - is a political-level agreement that will strengthen our existing collaboration and advance efforts in priority sectors. Through regular technical-level dialogues underpinned by UK ODA, our collaboration focuses on three core areas to accelerate emissions reductions: Deforestation, biodiversity and energy transition.

The 2050 Calculator (£6m UK) supports developing countries to create their own versions of an easy-to-use emissions model, first developed by the UK Government, so they can explore emission reduction pathways for the future. Ten countries have already launched Calculators and the programme is now being expanded to a further 5 countries.

Climate Finance Accelerator (CFA) is a UK-funded technical assistance programme that brings policy makers and low-carbon project developers from participant countries together with UK-based green finance experts. They undertake ‘transaction-oriented’ workshops to accelerate the transformation of countries’ NDCs into climate investment plans that contain a pipeline of investible projects.
04. Accelerating Decarbonisation

The IPCC has made clear that **urgent, transformative change is needed** in how we produce and use energy, build our cities and homes and transport people and goods. Limiting global warming to 1.5°C will require annual global emissions to fall by 50% by 2030. Over the same time frame the global economy is expected to double, with $90 trillion being invested in infrastructure.

We are using our UK International Climate Finance to **support these investment decisions towards low-carbon, climate resilient and inclusive growth**, and away from unsustainable, carbon-intensive growth.

Our targeted finance is helping developing countries leapfrog high-carbon growth paths and work towards net zero economies by:

- **demonstrating and deploying technologies**, policies and approaches that are critical for a well below 2 degree trajectory

- **driving decarbonisation at scale** through the international development system, including by supporting the development banks to scale up their climate investments

- **building capacity** in countries to implement and strengthen their Nationally Determined Contributions (NDCs), working to overcome regulatory and institutional barriers and sharing UK skills and expertise.
Case Studies

The NAMA Facility (UK £185m) supports innovative projects that tackle specific local challenges to cut carbon emissions. NAMA targets sectors where projects have the potential for being scaled up, replicated and able to influence wider sectoral changes.

Market Accelerator for Green Construction is a £106m UK programme that drives the financing and construction of more energy efficient buildings through a combination of capital investment, technical assistance and a research programme.

Climate Leadership in Cities is a £27.5m UK programme is a technical assistance and advocacy programme supporting cities in developing countries to plan and attach financing for ambitious climate actions consistent with the Paris Agreement.

Carbon Capture, Usage and Storage (CCUS) is supported by £70m of UK technical assistance to enable the deployment of CCUS technologies. This includes supporting CCUS Centres of Excellence, capacity building, policy and regulatory support, feasibility studies and pilot projects.
05. Making Markets Work

Making Markets Work is a key focus of UK ICF. We want to reduce costs and risk perceptions of low-carbon, climate resilient investments by providing concessional or market-rate finance to help projects reach financial close and demonstrate profitability.

Our targeted support helps overcome market barriers by strengthening local financial institutions and broadening the range of financial instruments available in developing country markets.

We also seek to ‘green’ global capital markets by working through the G20 and other international fora to assist the financial sector in assessing climate opportunity and risk and shift financial incentives in favour of low-carbon.

Recognising that Paris Agreement targets cannot be met by governments and public money alone, our goal is to enable ‘clean and green’ private investments at the scale and pace required to address climate change.
Case Studies

The Sustainable Infrastructure Programme (Latin America) is a £177.5m UK technical assistance and capital investment programme to support partner countries accelerate the implementation of their NDCs by mobilising private sector investments into sustainable infrastructure.

The Renewable Energy Performance Platform (REPP) is a £148m UK programme that mobilises private sector investment in small scale renewable energy projects in sub-Saharan Africa, including solar PV and wind turbines, electricity access programmes and local mini-grids.

The Global Climate Partnership Fund (UK £55m) finances energy efficiency and renewable energy projects for households and small and medium enterprises - like green buildings and solar powered irrigation - in over 20 countries, including India, Mongolia, South Africa.

The Global Innovation Lab (UK >£2m) is an accelerator of innovative climate finance ideas. Lab members from donor governments, developing countries and experts from the private sector help develop the ideas and move them from talk to action. The Lab has catalysed over $1.6bn for Lab-endorsed proposals over the past 5 years.
06. Carbon Markets

Carbon pricing provides a cost effective and technology-neutral way of reducing emissions by raising the costs of high carbon activities, thereby incentivising emission reductions and investment in clean growth.

The UK has a strong track record on carbon pricing. We introduced the Carbon Price Support rate in 2013 to top up the EU Emissions Trading System, providing certainty and stability for low-carbon investment.

And we have used UK ICF to test and develop market based approaches internationally, investing over £110m across three funds that support carbon pricing and decarbonisation through market mechanisms in developing countries.
Case Studies

Transformative Carbon Asset Facility (UK £60m) delivers results-based payments for emissions reductions that go beyond the host country’s NDCs and informs the development of international carbon markets.

Partnership for Market Readiness (UK £7m) supports the establishment of carbon markets, carbon taxes, crediting and offset mechanisms, as well as facilitating knowledge exchange across borders.

Carbon Initiative for Development (UK £50m) demonstrates how low-carbon development projects in least-developed African nations (delivered through the Clean Development Mechanism) can deliver both development benefits and emissions reductions.
Measuring our impact
Measuring our impact

We employ a robust system of monitoring and evaluation, involving Key Performance Indicators including:

01. Number of people supported to cope with the effects of climate change
02. Number of people with improved access to energy
03. Greenhouse gas emissions reduced or avoided
04. MW clean energy installed

UK International Climate Finance focuses on the impact on the ground in developing countries

Since 2011, ICF has achieved:

- 1,600 MW Clean energy capacity installed
- 26 million People provided with improved access to clean energy
- 57 million People supported to cope with climate change
- £3.8 billion Public finance mobilised for climate change
- 16 million Avoided or reduced tonnes of GHG emissions
- £1.4 billion Private finance mobilised for climate change
For more details about the UK's International Climate Finance, please contact us at:

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