White House Releases U.S. International Climate Finance Plan

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On April 22, 2021, the White House published the U.S. International Climate Finance Plan, as called for in President Biden's January 2021 "Tackling the Climate Crisis at Home and Abroad" Executive Order. The Plan is intended to present the United States' strategic approach to international climate finance over the next four years by outlining steps that the United States will take to mobilize climate finance. The Plan addresses five main topics: (i) increasing climate finance and its impact; (ii) mobilizing private sector finance; (iii) ending official international finance for carbon-intensive fossil fuel energy; (iv) making capital flows consistent with low-emission climate pathways; and (v) defining, measuring and reporting the United States' public climate finance. This memo provides a high-level summary of the White House's rationale for the Plan and the five main topics.

Rationale for the Plan: The Plan defines climate finance as "the provision or mobilization of financial resources to assist developing countries to reduce and/or avoid greenhouse gas (GHG) emissions and build resilience and adapt to the impacts of climate change." The Plan is intended to help align public and private finance consistent with the Paris Agreement's goal of limiting the increase of global average temperature to 1.5 degrees Celsius above pre-industrial levels. The Plan states that climate finance can help achieve this goal by supporting clean energy development around the world. This, in turn, also helps to protect the United States' national and economic security by helping countries adapt to the effects of climate change and avoid or lessen conflicts related to resource competition due to climate change. In addition, the Plan notes that climate finance can help achieve existing development goals such as poverty reduction, promotion of sustainable economic growth and energy access.

Increasing climate finance and its impact: The Plan states that the Biden administration will work with Congress with the intent that by 2024, the United States will double its annual public climate financing to developing countries relative to the level of financing provided during the second Obama administration. As part of this goal, the Plan states that the United States will triple its finance for projects intended to help communities adapt to the effects of climate change by 2024. In addition, the Plan describes a "whole-of-government approach" whereby various U.S. agencies and governmental bodies and public-private partnerships will take steps to prioritize climate in public investments. These include, among others:

- A climate change strategy to be announced by the U.S. Agency for International Development (USAID) in November 2021 and a climate strategy by the Millennium Challenge Corporation (MCC)[1] to be announced in April 2021;
- Inclusion of climate elements in the development strategy of the Development Finance Corporation with prioritization of climate mitigation and adaptation;
- Direction by the Treasury Department to U.S. directors in multilateral development banks to help ensure these banks set and apply ambitious climate finance targets;

[1] The MCC is an independent U.S. foreign aid agency that provides assistance to developing countries.

- Efforts by the Department of Energy to develop emissions-reduction technologies; and
- A dedication of $60 million by the U.S. Trade and Development Agency (USTDA) over the next three years to advance climate-smart infrastructure solutions that will open emerging markets for the export of U.S.-manufactured goods, technologies and services.

The Plan also outlines steps that U.S. agencies will take to enhance their technical assistance to other countries. These include, for example, efforts by the State Department to catalyze support for decarbonization, by the Treasury Department to help governments mobilize private sector financing, and by USAID to provide in-country assistance related to climate resilience. The Plan also calls for greater coordination of various U.S. agencies with their foreign counterparts on climate priorities, including implementation of nationally determined contributions under the Paris Agreement, and an increase in financing for climate change resilience and adaptation.

Mobilizing private sector finance: The Plan lists a variety of steps that U.S. governmental bodies will take to help mobilize private investment, which it notes has remained relatively flat. These include, among others, an increase in climate-related investments by the Development Finance Corporation; efforts by the USTDA to mobilize private financing for overseas climate-smart infrastructure that uses U.S. goods, services and technologies; expanded private sector partnerships by MCC; and increased support by the Export-Import Bank for renewable energy, efficiency and storage exports from the United States.

Ending official international finance for carbon-intensive fossil fuel energy: The Plan calls for the National Security Council and U.S. agencies to end international investments in, and support for, carbon intensive fossil fuel-based energy projects in the form of both bilateral and multilateral engagements. The Plan does note that in some circumstances, a development or national security reason could cause U.S. support for carbon intensive projects to continue. The Plan also notes that the United States will work with other countries to direct capital towards climate-aligned investments, along with other steps by the Treasury Department to direct financing away from carbon-intensive activities.

Making capital flows consistent with low-emission climate pathways: In order to support investment opportunities consistent with low GHG emissions and climate-resilient pathways, the Plan sets forth various steps that the Treasury Department will take to increase the amount and transparency of data and other information that investors need. This includes co-chairing the G20 Sustainable Finance Working Group and working to improve sustainability disclosure and reporting, as well as working with the Financial Stability Board (FSB) and others to improve data used for assessing climate-related financial risks. The Treasury Department will also work with FSB to improve the assessment and management of climate-related financial risks, as well as help to support consistent, comparable and reliable climate-related financial disclosures and shape any recommendations or standards to be compatible with those of the United States.

Defining, measuring and reporting the United States' public climate finance: The Plan calls for various steps to increase public reporting of U.S. climate finance, including guidance to agencies for identifying U.S.-supported activities to include in climate finance reporting, and ensuring that agencies clearly and consistently report their full range of public and private financings.

Conclusions: While the ultimate goal of this Plan is to help ensure that developing countries are better positioned to tackle climate change issues, the Plan also provides potentially significant opportunities for both private companies and lenders interested in investing in climate-aligned investments. To this end, the Plan also sets forth various steps that the Treasury Department and other parts of the federal government will take in order to support these investment opportunities and if successful, potential investors will have more access to data and other information to assess related risks and opportunities. The Plan aims to ensure that, both within the United States and in other countries, appropriate lessons will be learned about the key role that climate finance will play in the international community going forward. Investors and other stakeholders should be on the lookout as the various programs called for by the Plan take more definitive shape.

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