











Climate Strategy Year 1 Review

JUNE 2023



INTRODUCTION

Letter from the Chief Climate Officer

Since our founding more than 60 years ago, USAID has worked to address many of the world's greatest challenges. In recent years, our efforts with our partners have helped more than 60 million people gain access to sustainable drinking water, brought an estimated 23 million people above the poverty line through the Feed the Future Initiative, and helped prevent more than two billion cases of malaria.



The climate crisis is a new kind of challenge—it threatens to roll back these achievements and the development progress the world has made. We're already seeing the impacts. Climate change is contributing to a global food crisis, with the drought-stricken Greater Horn of Africa experiencing an unprecedented fifth consecutive season without rainfall in 2023. In 2022, monsoon flooding left one-third of Pakistan underwater. And the U.S. experienced 18 separate billion-dollar weather and climate disasters in 2022 alone.

Yet even as these events lay bare the consequences of climate change, the world is not taking the steps needed to avert the worst of this crisis: global emissions rose in 2022. Tackling the climate crisis requires urgent action – especially by governments and corporations.

President Biden has made tackling the climate crisis a top priority and USAID has a significant opportunity to advance solutions and impact. That's why in April 2022, we launched a Climate Strategy to guide our work throughout this decisive decade. All corners of USAID are coming together to help the world urgently reduce emissions, conserve its natural resources, and build resilience to climate impacts.

In the first year since launching our Strategy, we've increased our climate investments and are working to tackle the climate crisis in more countries than ever. Our work has already catalyzed investment in renewable energy sources, supporting countries to provide power to millions of people while securing greater energy independence. We've kicked off new efforts to conserve carbon-rich rainforests in the Amazon, Congo Basin, and Southeast Asia. We've announced new investments in drought-resistant seeds and early warning systems that save lives and livelihoods, and rolled out new cross-sectoral efforts to counter corruption in the green energy transition and advance gender-responsive climate action.

We're also working to drive progress beyond what USAID's funding alone can achieve. Last year we launched a call to the private sector to commit to building climate resilience, with 12 major companies making commitments this year to support communities to adapt to our rapidly changing climate. The Agency has also taken steps to make its own operations more sustainable, such as reducing packaging waste. On June 20, the General Services Administration announced it would use Inflation Reduction Act funding to fully electrify and install heat pumps at the Ronald Reagan Building and International Trade Center, USAID's headquarters and the second largest federal building—ultimately making it a net-zero emissions building.

But we know that we've just scratched the surface, and truly meeting the scale of this moment will require greater investment and ambition. I invite you to read on for a snapshot of the work we've done over the last year. And on behalf of all of us at USAID, we look forward to building on this progress with all our partners in the years to come.

Gillian Caldwell Chief Climate Officer and Deputy Assistant Administrator, USAID



The 2022-2030 Climate Strategy

SAID's <u>Climate Strategy</u>, launched in April 2022, is anchored in equitable and ambitious actions to reduce greenhouse gas emissions, including from our own operations, and help partner countries adapt to climate impacts and build resilience to climate change. The Strategy guides our work through 2030 through an unprecedented "whole-of-Agency" approach, with all parts of USAID playing a part in our response. It also guides USAID's work with other U.S. Government agencies, complementing and supporting related U.S. Government strategic frameworks.

Over the past year, USAID has launched a wide variety of initiatives, partnerships, and internal and interagency processes to implement the Strategy and set the foundation for achieving the goals over the eight years of the Strategy timeline.

This review includes a snapshot of our work over the past year across the thematic areas of forests, adaptation, energy, finance, equity, support to partner countries, and how we are doing our part to reform USAID's own operations to mitigate and adapt to the climate crisis. The examples illustrate how the Strategy is taking form as part of our ongoing work to address climate change, and how we are integrating climate considerations and priorities into our broader development and humanitarian assistance efforts.¹

Embedded Principles

Five foundational principles are incorporated into all planning and activities under the Climate Strategy.



Locally Led
Development



Equity and Inclusion



Private Sector Engagement



Nature-Based Solutions



Evidence and Innovation

¹ USAID will also produce a more detailed Progress Report at a minimum every three years to track progress toward the strategy targets.



FORESTS

Illions rely on the world's forests and their rich biodiversity as a source of water and food and for protection from landslides and storm surges. We also rely on forests for their ability to absorb carbon dioxide from the air—thereby easing the climate crisis. Yet more than a quarter of the world's greenhouse gas emissions comes from deforestation and land use, and the world continues to lose tropical forests at a rate of 10 million hectares per year. Conserving, restoring, and better managing forests and other carbon-rich lands is at the heart of USAID's Climate Strategy targets to prevent six billion tons of carbon dioxide emissions and conserve 100 million hectares of land with a climate mitigation benefit by 2030.

USAID helps communities use satellite images to track and combat deforestation in the **Brazilian Amazon**. We partnered with NASA to create the TerraOnTrack app so that community members can monitor and report threats to their land such as illegal mining, logging, and expanding livestock production in real time. This both protects their land and helps authorities take action to prevent deforestation before it happens. **Learn more**.





Brazil, Indonesia, and the Democratic Republic of the Congo (DRC) are home to over half of the world's tropical rainforests. This year, USAID helped protect more than 50 million hectares—an area larger than California—in these three countries alone, and helped protect more than 60 million hectares globally.



Over the last five years, USAID has helped avoid more than 450 million tons of CO2e* emissions by conserving carbon-rich lands—equal to taking 100 million cars off the road for a year.

* Carbon dioxide equivalent or CO2e means the number of metric tons of CO2 emissions with the same global warming potential as one metric ton of another greenhouse gas. (US EPA)

Looking Forward

There is growing momentum for adopting naturebased solutions as a tool to combat the climate crisis and protect lives and livelihoods around the world. At COP26 in Glasgow, nearly 150 countries covering more than 90 percent of the world's forests pledged to halt and reverse forest loss and land degradation by 2030. Leadership in Brazil, Indonesia, and the DRC has called for "predictable, adequate, and easily accessible" funding to help conserve their forests. USAID is well-positioned to rapidly scale the climate and development benefits of our forest conservation work. For example, as one of the largest donors in the Amazon region, USAID has established relationships with government, private sector, and civil society actors in Brazil. We are helping promote opportunities for local communities and Indigenous Peoples to engage meaningfully in nature-based solutions to the climate crisis, as well as push for greater integrity and equity in tools like the Voluntary Carbon Market, results-based payments, and other emerging market mechanisms.





ADAPTATION

Climate impacts such as longer droughts and more intense storms are pervasive across sectors and geographies and they disproportionately affect the most vulnerable populations. USAID supports communities to plan ahead, helping save lives, jobs, and investments, through actions like making rural and urban communities more disaster-ready, agriculture more climate resilient, and water systems more secure. Building on a long history of successful partnerships, USAID is now accelerating this work as we implement our Climate Strategy and the President's Emergency Plan for Adaptation and Resilience (PREPARE).

In 2022, USAID and the Government of **Bangladesh** provided more than 250,000 farmers in disaster-prone areas with access to timely and location-specific weather advisories. Together, we implemented a system to disseminate alerts through cell phones to warn of heavy rain, severe cold, and floods, empowering people to take action before disaster strikes. Farmers that partnered with USAID saved an average of \$466.74 from would-be production losses due to climate disasters—crucial savings in a country where the average annual income is just under \$3,000 per year.



In 2022, USAID mobilized more than \$340 million in public and private finance to help countries adapt to climate change.

The United Nations estimates that the annual cost of climate adaptation in developing economies could reach \$300 billion by 2030. Yet less than 2 percent of private climate finance goes toward adaptation. Based on our extensive experience engaging the private sector, including financial institutions, there are significant opportunities to mobilize catalytic private investment for climate adaptation action. At the same time, one-third of the world's population lacks access to early warning information. USAID has a long history of supporting climate early warning systems, such as USAID's Famine Early Warning Systems Network and a Flash Flood Guidance System that serves more than three billion people. The Agency is partnering with governments and other donors to dramatically expand its work to provide access to early warning of climate hazards, to enable communities to alleviate cascading climate risks in vulnerable countries, do more to address the current global gap in early warning and climate information services, and provide more integrated programming across the humanitarian and development spectrum.



At COP27, Administrator Power launched a call to action to the private sector under PREPARE to encourage action in climate adaptation, with commitments to date from Google, Gro Intelligence, Marsh McLennan, Mastercard, McCormick, Meta, Microsoft, Pegasus Capital Advisors, PepsiCo., Pula, WTW, and SAP.

USAID, the Governments of Canada and Peru, and other stakeholders are partnering to mobilize public and private investment into nature-positive projects that address climate risks to **Peru**'s water security. In 2022 we supported communities to restore natural reservoirs that are a source of drinking water for urban areas as droughts become increasingly severe, as well as ecosystems that serve as a buffer against landslides and floods. Since 2017 this work has created the equivalent of more than three million days of paid labor, while mobilizing about \$20 million to improve the climate resilience of more than 160 communities in 20 watersheds.





ENERGY

USAID-supported Dami Floating Solar Farm in Binh Thuan Province, Vietnam, the first floating solar plant in Vietnam with a capacity of 47.5 MW.

lectricity drives economic growth and resilience. It facilitates the provision of health, education, clean water and other services for improved quality of life. Energy is central to modern life, yet nearly 1 billion people worldwide still do not have access to electricity, and three-quarters of greenhouse gas emissions come from the generation of electricity and direct consumption of fossil fuels. To reach net-zero emissions by 2050, annual clean energy investment worldwide will need to more than triple by 2030. Through USAID's Climate Strategy, we are working hand-in-hand with partner countries to achieve both economic development and ambitious climate objectives through emissions reductions in the power sector.



Tackling Methane Emissions Across Sectors

Methane is a greenhouse gas 80 times more powerful than carbon dioxide, accounting for almost a third of global temperature rise above pre-industrial levels. In support of partner countries' efforts to reduce methane emissions, USAID has taken decisive steps to integrate methane abatement measures into existing and planned relevant programs in the agriculture, waste, and energy sectors. For example, in Kenya, USAID is working with companies to turn fecal waste—a major source of methane emissions—into animal feed, biomass fuel briquettes, and organic fertilizer. This work offsets around 760 tons of methane per year, equivalent to the amount of emissions generated from electricity use in over 3,500 American homes for one year.

USAID and **Vietnam** are working together to secure the country's clean energy future. Last year, we launched a new effort to integrate clean energy solutions, like rooftop solar, electric vehicles, waste-to-energy programs, and energy efficiency solutions for the power grid. This builds on USAID and Vietnam's decades-long partnership to design, finance, and build clean energy sources across the country. Our partnership has contributed to Vietnam's exponential growth in solar energy production, which has grown from less than 10 megawatts in 2017 to over 16,500 megawatts—now representing more than 25 percent of the country's total power capacity. *Pictured: Launch of Vietnam's Hong Phong 4 Solar Plant*

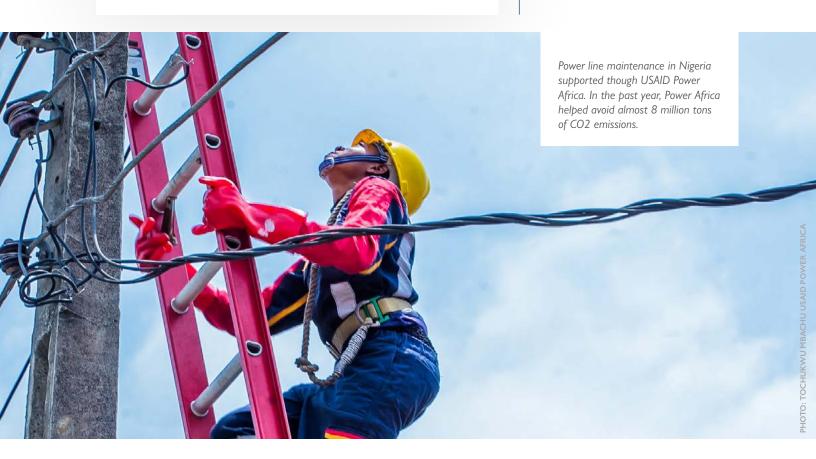




Over the past 10 years, USAID has partnered with governments, the private sector, and other donors to install 230,000 megawatts of clean energy. That's about eight times greater than current electricity consumption across Sub-Saharan Africa.



Last year alone, USAID mobilized at least **\$67 million** USD for clean energy.

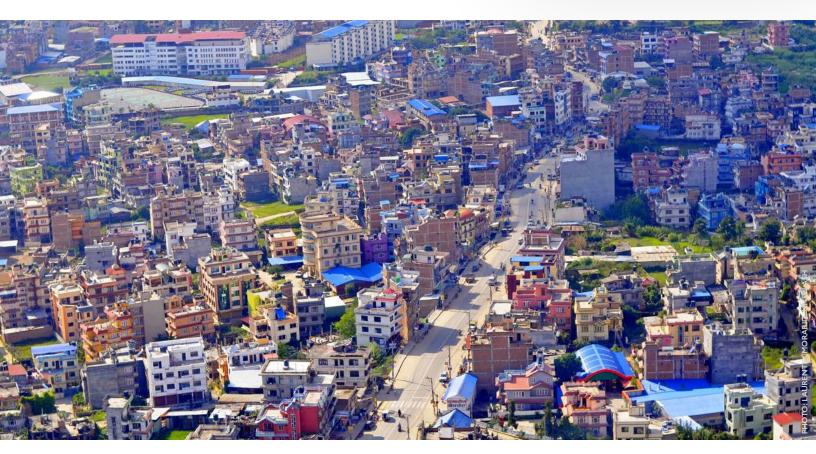


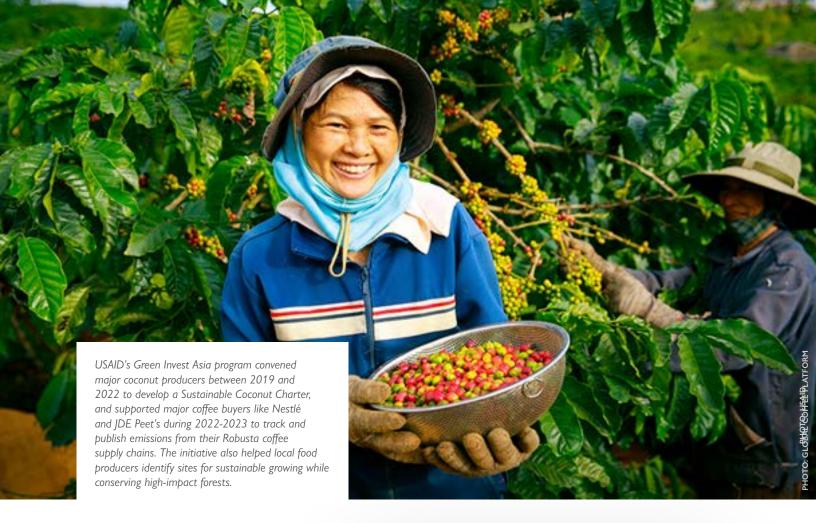
USAID will need sustained technical assistance to deliver precise and customized messages to our government partners on the value of renewable energy and the best practices for deploying it. Developing the capacities of governments to improve the renewable energy investment environment, manage more flexible energy grids, and adopt new policies is a challenging, slow process. And despite renewable energy still being the least-cost source of new power generation for much of the world, an increase in prices caused by the COVID-19 pandemic, supply chain constraints, and the conflict in Ukraine has slowed initial enthusiasm to bring renewable energy rapidly online. USAID is therefore addressing the clean energy transition in a more holistic fashion. As countries emerge from the first wave of renewable energy adoption, USAID and its partners are exploring how to address a variety of challenges such as improving grids to deal effectively with the variable nature of renewable energy, involving communities that reside in areas proposed for solar farms or windmills, financing the phase-down of coal-fired plants that are no longer a good business proposition, and developing social and environmental guidelines for the mining, production or recycling of rare minerals used in batteries and solar panels.

SPOTLIGHT ON...

Healthy Air Means Healthy People in Nepal

Air pollution shortens the life of an average Nepali by over four years. USAID is bringing together policymakers, planners, and citizens in the Kathmandu Valley to build literacy around the importance of air quality, capacity and political will to implement policies and guidelines for cleaner air. This work will lead to improved health and educational outcomes while contributing to the Climate Strategy mitigation and adaptation targets.





FINANCE

he world will need \$3-5 trillion in funding for climate-related activities annually by 2030—six to seven times current levels—to be on the transition path to a sustainable, net-zero emissions, and more resilient world. USAID is focusing on meeting partner countries' priorities through expanding access to climate finance and increasing the number of financial institutions making climate investments. This includes catalyzing public and private finance to underserved countries, sectors, and populations by leveraging our on-theground experience, convening power, technical capacity, and grant-making mandate to collaborate on preparing and de-risking climate finance investments.

Competitive renewable energy auctions can help countries attract private financial investment and identify the most cost-effective projects on the market. For example, with USAID's support the **Philippines** announced the winners of the country's first ever renewable energy



auction in 2022. Almost 2,000 megawatts of renewable energy capacity—equal to nearly 10 percent of the country's current energy capacity—were successfully auctioned, and are expected to mobilize \$2 billion in clean energy investment. The power generation will come online from 2023-2025, increasing consumer access to low-cost renewable energy and reducing the country's dependence on imported fuels. Explore USAID's Work on Auctions.

Opportunities for advancing climate finance range from improving enabling environments, de-risking for environmentally focused funds and investments, and mobilizing private sector adaptation finance. In January 2023, USAID launched a new fund to tap into the private sector's competitive edge to help solve global challenges like the climate crisis. USAID, Barbados, and the Green Climate Fund announced plans to establish the Blue Green Investment Corporation to finance projects such as resilient housing, renewable energy, green transportation, and water conservation. USAID also recently launched the Climate Finance and Development Accelerator to help USAID Missions structure and deploy climate finance with a goal of mobilizing \$2.5 billion via market-oriented climate solutions in the next five years. And USAID's new Climate Gender Equity Fund aligns with the Agency's renewed effort to increase equitable access to climate finance by funding women-led climate businesses. Many potential climate investors cite a lack of an investment pipeline as the key barrier, but challenges to mobilizing finance for climate are also due in part to lack of evidence and knowledge on the business case for investing in nascent climate mitigation and adaptation technologies. Additionally, the investment risks of investing in emerging and frontier markets deter many private investors from entering the climate space. USAID's renewable energy programming across the world has shown that with strong relationships and technical assistance, it is possible to facilitate multiple changes across a system to spur greater public and private investment in climatesmart investments.

SPOTLIGHT ON...

Tackling Corruption and Climate Side-by-side

USAID's Anti-Corruption Task Force launched a Just Energy Transition Minerals Challenge to help source innovations to address corruption in the critical minerals sector. The transition to renewable energy is encouraging a race for critical minerals - raw materials like copper, cobalt, and zinc that are crucial to producing newer batteries, wind turbines, and solar panels. Mining these minerals, particularly in poorer countries, is already heavily susceptible to corruption and to labor abuse. These investments will help protect human rights while advancing the transition to renewable energy.





EQUITY AND INCLUSION

Indigenous Peoples, local communities, women and girls, youth, persons with disabilities, and other populations that are marginalized and underrepresented are on the frontlines of the climate crisis, and have valuable knowledge and skills that make them powerful change agents in designing and implementing innovative climate solutions for the benefit of all. Rights-based, gender-responsive, and socially inclusive approaches are critical to achieving and sustaining ambitious climate action. When we promote inclusive access to decision-making and leadership opportunities, increase equitable access to finance and resources, and meaningfully engage Indigenous Peoples, youth, women and other groups, climate change solutions are more effective, sustainable, and align with community priorities, needs, and aspirations.

Indigenous Peoples play a prominent role in protecting and managing forest and other ecosystems that contribute to fighting climate change. In 2022, USAID, the Forest Stewardship Council Indigenous Foundation, and the Alianza Mesoamericana de Pueblos y Bosques partnered to host Mesoamerica's first regional forum for governments and communities to discuss the role of Indigenous Peoples and local communities in forest management, care and conservation. Mesoamerican forests, many of which are overseen by Indigenous Peoples, are a major carbon sink and provide livelihoods for more than five million people—but are increasingly being cut down for illegal activities like drug production. Globally, at least one Indigenous person is killed every week on average defending their environment. Through dialogues like this, USAID is working to improve governance practices so communities are safer—while also tackling the climate crisis.





USAID is supporting young innovators and entrepreneurs developing solutions to combat the climate crisis in their communities. In 2022, in partnership with Generation Unlimited, USAID supported **youth-led innovations** through <u>Imagen Ventures</u>. Twelve teams received mentoring and seed funding of up to \$16,000 for projects ranging from biodegradable plastic and green sanitation technologies, to solar-powered lighting systems for schools, to bio-briquettes.

Looking Forward

USAID is developing new partnerships to help environmental defenders advocate more effectively and safely for their communities' interests, prevent deforestation, and access legal services. This supports the Agency's work to combat environmental crimes and strengthen governance across key industries and countries.

Individuals, communities, and institutions use genderbased violence to enforce and protect existing privileges around natural resources and to maintain power imbalances within families. Yet a comparatively small amount of funding is dedicated to addressing gender-based violence in climate and environment sectors. In 2022, USAID and partner IUCN awarded \$1.5 million across 11 local organizations in Mexico, Cambodia, Philippines, Indonesia, Kenya, and Zambia to address gender-based violence in the context of environmental conservation and climate as part of USAID's Resilient, Inclusive and Sustainable Environments Challenge. More attention, funding, and leadership support is urgently needed to address the risks of gender-based violence in USAID environment programming.



COUNTRY SUPPORT

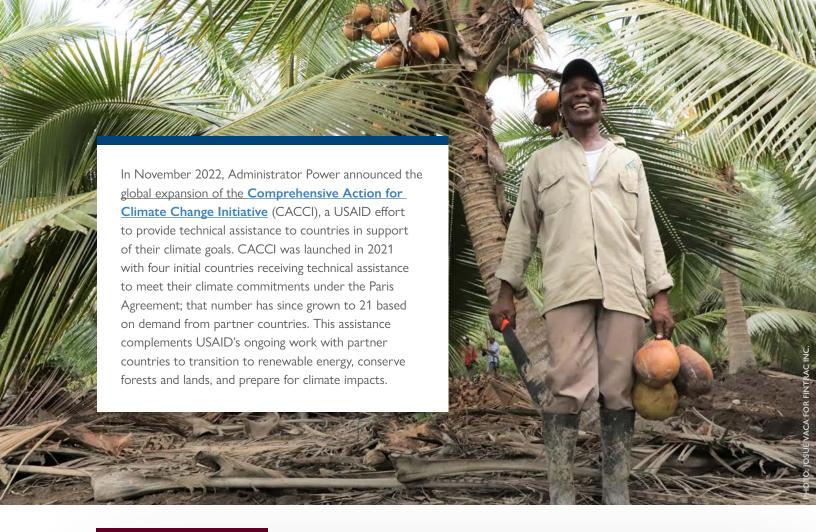
eeting our global climate goals requires collaboration across governments, the private sector, civil society, and communities. USAID aspires to provide partner countries with the tailored, targeted support they need to implement and achieve their climate goals—from mobilizing investment in building renewable energy grids, to increasing their resilience to the climate crisis to technical support to help countries track progress toward their goals.

This includes supporting countries to implement their climate commitments and strategies such as their Nationally Determined Contributions and National Adaptation Plans under the Paris Agreement, and establishing climate working groups with partner governments to help coordinate assistance for their climate goals. Recognizing that addressing climate change is fundamental to the success of our shared development goals, we are also aligning USAID's broader development portfolio with countries' climate change mitigation and adaptation commitments.

In 2021, Zambia launched its first climate change learning strategy to better understand how climate change will impact the country. The Ministry of Green Economy and Environment asked for support gathering and analyzing data on exactly that. USAID offered to help the Ministry monitor this data and use it to set climate goals. USAID then built on this by providing technical support to the Ministry's Committee on Climate Change as they track progress in meeting those goals. Now, USAID and the Ministry are working to provide this same support to other parts of Zambia's government, as climate change increasingly impacts the country's economy, agriculture, and other sectors.

All USAID Missions, Bureaus, and Independent Offices have committed to draft **tailored plans** for how they will contribute to USAID's Climate Strategy, with two-thirds having already finalized such plans and almost all others nearing completion.





SPOTLIGHT ON...

Laying the Foundation for Energy Security in Eastern Europe

In May 2023, USAID Administrator Samantha Power and Kosovo Prime Minister Albin Kurti announced Kosovo's first ever solar energy auction. This step builds on several years of partnership between USAID and the Government of Kosovo to diversify the country's energy supply, ensure the stability of the energy sector, and support greater integration with regional energy markets. By conducting competitive and transparent renewable energy auctions, Kosovo is simultaneously preventing corruption, supporting private sector-led market solutions, and increasing its long-term energy sustainability and security.

Addressing Farmer-Herder Violence in Niger Exacerbated by Climate Change

Violent extremist organizations frequently exploit poor governance and tensions between communities and local leaders to expand their influence. Persistent and sometimes violent farmer-herder conflicts in the Dosso Region each rainy season exacerbated the perception that the local government was inaccessible and ineffective at managing land disputes and provided openings for extremists to exploit these frustrations. In response, USAID's Office of Transition Initiatives designed a series of activities that built the competencies of local authorities to effectively manage conflict and generated trust and buy-in from communities for mediation systems. The result is fewer violent conflicts. In 2021 there were 9 deaths and 51 incidents of violent conflict across the targeted zones; whereas in 2022, there were no deaths and 31 incidents of violent conflict. Furthermore, tribal leaders have recalibrated the historic dates for farmer-herder land use rights to align with shifting climate change realities to further mitigate tensions.



DO OUR PART

SAID aims to lead by example to address climate change in our own operations and further climate justice. In line with <u>U.S. Government-wide sustainability efforts</u>, USAID is minimizing GHG emissions from our operations, including from <u>our facilities</u>, motor vehicles, business travel, acquisition and assistance, supply chains, utility consumption, waste management, and information technology. And in line with USAID Diversity, Equity, Inclusion, and Accessibility (DEIA) efforts, USAID is strengthening DEIA in and for our climate- and environment-focused workforce throughout the employee lifecycle. USAID is committed to supporting our implementing partners to undertake similar efforts. USAID aims to achieve a 65 percent GHG emissions reduction from our FY 2008 baseline by FY 2030 and net zero by FY 2050.

The USAID-led U.S. **President's**Malaria Initiative (PMI) has
transitioned from relying primarily
on air freight to using sea and land
freight to ship life-saving supplies
to partner countries. Long-haul air
freight generates 47 times the GHG
emissions per ton-mile as ocean
freight. Through improved packaging
and loading, PMI increased the
number of units that can be loaded
into a 40-foot container, further
lowering carbon emissions. In 2022,
PMI's emissions from shipping were
half of 2019 levels.

USAID has implemented an annual GHG emissions inventory, which is enabling USAID to effectively track, monitor, report on, and reduce our GHG emissions. Business travel represents approximately 40 percent of USAID's operational GHG emissions. For USAID to achieve our ambitious emissions reduction targets, we need to reduce our business travel while continuing to deliver on our global mission. To do this, USAID is focusing on making intentional decisions about traveling and hosting conferences, including by keeping climate change considerations front and center and ensuring travel opportunities are distributed equitably.

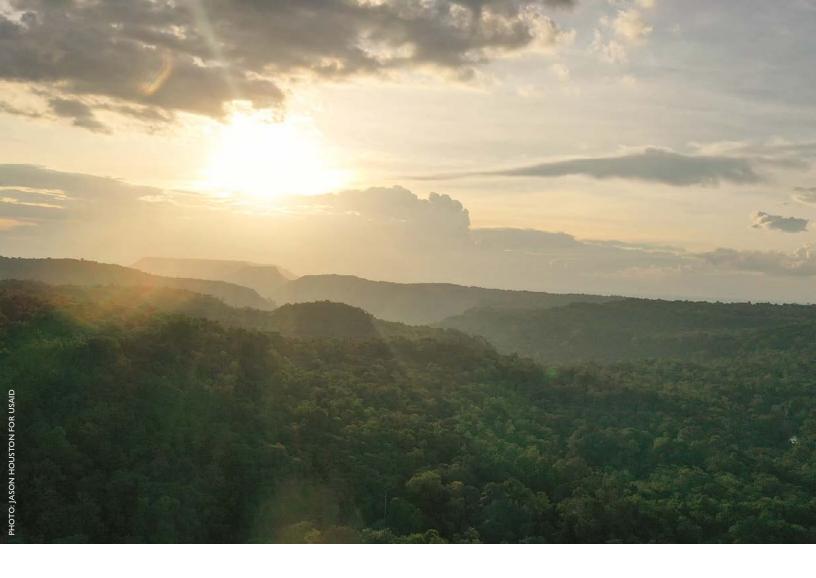
Additionally, the U.S. government is currently following established rulemaking processes to inform and solicit feedback from the public about considering establishing government-wide contract requirements for reducing, measuring, and tracking GHG emissions. USAID is focused on steps like maximizing environmentally friendly solutions and sustainable acquisition methods in Federal Acquisition Regulation (FAR) Part 23, as well as the General Services Administration's Green Procurement Compilation; integrating climate change considerations and requirements into USAID activity designs and award requirements; and using a fully paperless acquisition process.

SPOTLIGHT ON...

Building Climate Skills to Build Development Skills

When the Bureau for Africa offered a Climate and Finance Practicum for Missions in 2022. USAID/Tanzania saw an opportunity to gain knowledge and skills that could help the mission strengthen its entire portfolio. Team members with backgrounds in private-sector engagement; water, health, and sanitation; natural resource management; and acquisitions learned how to address risks and opportunities related to mobilizing climate finance. As a result, the Mission identified new ways to raise finance for a water management program that improves resilience to drought and prevents conflict over resources, and connected a local bank with a US Development Finance Corporation-backed credit guarantee to link up with Community Conservation Banks which provide microfinance to women in western Tanzania. In 2023, USAID is expanding this practicum, based on the Practical, InnoVative, On-the-Job Training (PIVOT) model, to build USAID Missions' capacity to mobilize climate finance and implement the Climate Strategy.







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