Department for Energy Security & Net Zero

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Dear Toby,

Update on the UK's investment in the Tropical Forests Forever Facility (TFFF)

I am writing to you in your capacity as Chair of the Environmental Audit Select Committee.

I am delighted to advise you that the government intends to invest £400 million into the Tropical Forests Forever Facility (TFFF) via a loan, subject to the finalisation of the Tropical Forest Forever Facility's governance and operational arrangements, completion of our usual due diligence checks and our conditions being met. First announced at COP30 in Brazil, the TFFF represents a critical evolution in forests finance reducing dependence on overseas aid and providing long term support for tropical forest protection. 20% of the returns will go directly to the Indigenous People and Local Communities who safeguard over 80% of the world's biodiversity – furthering the UK's support to these critical forest guardians.

The UK investment into TFFF as a loan, not a grant, ensures value for money for the British taxpayer. A UK investment into the TFFF means loan repayments will be made while still supporting climate and nature action. This demonstrates the UK's new approach to climate finance, acting as an investor instead of a donor. By funding the TFFF through a loan, instead of a grant, the UK Government will be able deliver additional climate finance using a different "financial transaction" budget. As announced on 22 July, this reprioritisation allows a switch of funding to support the cap on single bus tickets at £2 to help support people with the cost of living.

This commitment builds on the UK's long-standing support for the initiative, including through technical assistance and pledging £2.5m to support the establishment of the Fund. The HMG will use our commitment to fundraise with other investors and building on the momentum since London Climate Action Week, reinforcing the UK's position as an international leader on climate and nature finance

Our support for the TFFF could not be more timely: forest loss and climate change continue to endanger the UK's food and water security, exacerbate global population displacement and pose national security risks, including to critical infrastructure, in a context of increased global instability and households already suffering from the price volatility of fossil fuels. This summer has seen record-breaking heatwaves and wildfires raging across the UK, and climate phenomena such as El Niño are expected to intensify many of the impacts we are already experiencing around the world. That is why the UK is acting now to protect these vital ecosystems that absorb nearly 30% of greenhouse gas emissions each year – crucial in protecting British families and businesses from the worst impacts of the climate crisis.

As a condition of our investment, the government is seeking participation in the relevant Fund oversight mechanisms. This will enable the UK to work alongside other sovereign partners to advance our priorities and interests whilst overseeing our investment, helping to ensure strong outcomes for UK taxpayers and investors, including in the City of London. The investment remains subject to final due diligence, including a review of the Facility's final size, crediting arrangements, structure and the terms of the loan. We are proud to be a playing a part in shaping a Facility that will help keep our planet's tropical forests standing for future generations.

The Government is grateful to your Committee's engagement with my Department and looks forward to further continued work, as TFFF is established.

Yours ever,

Katie White

KATIE WHITE OBE MP
Minister of State for Energy Security and Net Zero