

The Carbon Trust Submission to the International Development Committee Call for Evidence: The UK's International Climate Finance (ICF)

About the Carbon Trust

The Carbon Trust is a global climate organisation supporting governments and businesses to accelerate the transition to a decarbonised future. We have been the lead delivery partner for the Transforming Energy Access (TEA) platform since 2018, delivered on behalf of the Foreign, Commonwealth & Development Office (FCDO), and funded through UK Official Development Assistance (ODA) as part of the UK's International Climate Finance (ICF) commitments and the Ayrton Fund. Within the cross-departmental Ayrton Fund, the Carbon Trust is involved in a large portfolio of energy access programmes, provides platform wide coordination support, and leads the Zero-Emissions Generators and the Inclusive Energy & Leave No-one Behind Ayrton Challenge themes. In addition to TEA, the Carbon Trust delivers a wide range of innovation programmes, market-building initiatives, and measurement frameworks for governments, cities, and markets both in the UK and internationally, helping to de-risk clean energy investments and mobilise private capital.

TEA Platform and Partnerships

TEA is delivered in partnership with other Tier 1 delivery partners Innovate UK, Shell Foundation, ESMAP, and CLASP, and with a global network of more than 750 downstream partners operating across 60+ countries in sub-Saharan Africa, South Asia, and the Pacific. The platform supports the research, development, demonstration, and early scale-up of innovative clean energy technologies and business models, with impacts to date including:

- Improved access to affordable, reliable, and clean energy for 29.7 million people
 - 152,000 green jobs supported, with a focus on supporting women and youth
 - £1.6 billion leveraged in additional public and private investment into clean energy markets
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Response

We welcome the renewal of ICF and recognise both the important role that ICF contributes to UK ODA and the combined efforts of government departments and practitioners delivering this critical commitment to tackle climate change while making the world a better, more prosperous, and equitable place.

How are the UK's ICF programmes selected and, are they effective in meeting the long-term needs and priorities of low-income and climate-vulnerable countries?

The UK does and should continue to maximize its comparative advantage in places where it has historic and current strengths and experience. This should also be aligned with where there is an apparent need for intervention (e.g. such as where there are identified energy and/or climate development needs).

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ICF should further ensure programmes are rooted in local participation, management, and decision-making. Localisation and national-level decision-making are essential for effective delivery and legacy ownership of solutions implemented. It should be noted that there are practical liability considerations (e.g. safety assurance or fiduciary controls), which must be considered, and often there is a trade-off between ambition (working more locally with small partners) and practical oversight, which should be managed carefully. The ‘north-star’ of successful aid delivery is not simply to disperse 100% of aid to local partners, it is about reaching 100% of the transformative impact potential of aid, and this is often realised in partnership between groups with different appropriate sizes, capacities and networks. Lessons can be drawn upon from the Ayrton Fund Locally-Led Action and Equitable Partnerships Report (developed for FCDO, DESNZ, DSIT within the Ayrton Fund), and delivery partner experiences.

How effectively are FCDO, DESNZ, DSIT, and Defra coordinating their efforts to deliver the UK’s ICF commitment and maximize value for money?

Cross-departmental delivery alignment has improved over time, however facilitation of cooperation should be designed into ICF from the start within its next phase. Partnership building is more nuanced than is often considered and needs to be done where possible at an operational level (e.g. programmes and projects) and not simply at a strategic level. Facilitating partnerships and collaboration in a cross-departmental manner also requires a, (relatively), small but dedicated resource to achieve success and maintain momentum. The Ayrton Fund has committed up to £1bn to support clean energy innovation through coordination across FCDO, DESNZ and DSIT. Ayrton is an example of this improved alignment and has demonstrated significant benefits through cross-departmental coordination of efforts to; create linkages and enhancement between research and programmes in different areas, harmonise efforts across defined thematic challenges, and generate shared learnings, insights and knowledge across departments. Building upon momentum to date, we are supportive of a continuation of the Ayrton Fund model and other cross-department coordination efforts based upon similar models. Future iterations can be more intentionally designed across departments, to support pathways to scale and impact across different departmental jurisdictions.

The UK government should practically work to develop and implement not just multilateral funding partnerships with existing institutions, (e.g. World Bank/ESMAP, UN etc.), but also new bilateral funding initiatives at a programmatic operational level with other government development agencies where there are opportunities to support aligned interests. This will create better efficiencies as well as streamline the donor offer for recipients.

Is the UK using the right and most effective financial instruments to deliver ICF?

Grants are an essential component of UK ODA as many of the highest impact interventions can be perceived as too high risk, or unproven for commercial funding. In a reduced budget environment, grants can also be catalytic – with smaller ticket size grants for higher risk earlier stage activities unlocking much larger impacts further down the line. Early-stage R&D will continue to require grant funding to avoid simply subsidizing those with greater resources (e.g. who don’t need funding but can leverage R&D), and to ensure equitability (e.g. to allow support to those who

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have strong solutions but are too early to raise capital). The UK should also utilise a range of more sophisticated financial instruments, such as returnable grants and PPPs, that work towards commercially viable solutions for long-term sustainability, as demonstrated across the Ayrton Fund and its constituent programmes such as TEA. Any funding design approach should draw upon an operational framework that drives solutions from heavy subsidy, towards higher commercial credibility where more mature intervention funding, (such as investments from DFIs), or private capital can play a role and increase value for money of spend, ensuring both efficacy and equity. For example,

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