DFC Climate Action Plan
Under Executive Order 14008

September 2021

Note: This Climate Action Plan (CAP) responds to the narrow requirements of Executive Order 14008 Section 211; note that it does not reflect DFC's complete planning and strategy relating to climate, as DFC continues to implement under other sections of EO 14008 (see, e.g., Section 102, et seq.). The CAP is responsive specifically to plans for adaptation and resilience. The bulk of DFC's work has traditionally focused on mitigation, including through solar, wind and storage; DFC intends to deepen our focus on adaptation as outlined in this document.

U.S. International Development Finance Corporation

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Policy Statement

DFC partners with the private sector to finance solutions to the most critical development challenges facing the world today, while advancing American foreign policy and American commercial competitiveness. The investments DFC mobilizes serve as stabilizing forces in developing countries around the world, including some of the world's poorest countries and regions affected by conflict. Investment in these markets also helps American businesses gain footholds in many of the world's fastest-growing markets.

The devastating impacts of climate change are already here and are felt most severely in the places that can least afford to adapt. Climate change has a disproportionate impact on developing countries, which are often more vulnerable to natural hazards given existing challenges with poverty, food insecurity, lack of access to energy and connectivity. DFC's development mandate, combined with its diverse financing tools, makes the agency an essential component of the United States ability to confront the climate crisis in developing countries and, by extension, globally.

President Biden has asked DFC to play a key role in the Build Back Better World (B3W) initiative which includes mobilizing private-sector capital in climate change adaptation in developing nations. To advance DFC's commitment to B3W and to integrate climate across its mission, programs, and operations, DFC's goals are centered around the following pillars:

- **Trailblazing Adaptation Investments:** With the devastating impacts of climate change already being felt around the world, adaptation projects ensure that communities can cope and build necessary resilience. Building on DFC's strong track record and expertise in supporting clean energy investments that contribute to mitigating climate change, DFC aims to prioritize sectors including agriculture, forestry, and water management to strengthen food and water security in support of DFC's development strategy, the Roadmap for Impact.
- **Building a Cutting-Edge Climate Portfolio**. Climate investments have the potential to address a series of intersecting and highly strategic priorities, including DFC's commitment to having a net zero investment portfolio by 2040. DFC's climate investments can achieve key strategic interests—such as diversifying global supply chains, achieving universal energy access, or highlighting the U.S. Government's ability to finance cutting-edge climate technology in emerging markets.
- **Mobilizing Climate Capital.** Mobilizing additional capital is imperative to ensuring that climate change is adequately addressed. Investment needs far exceed public budgets globally, so attracting private financial flows is essential to DFC's approach. Given that adaptation and resilience investments are more challenging to monetize compared to mitigation, DFC can work to support blended finance key to scaled impact, especially in riskier markets.

By identifying the right opportunities for financing and enabling private sector investment in climate solutions, DFC aims to take advantage of a rapidly closing window of opportunity to tackle climate change globally, while continuing to support sustainable economic growth in developing countries.

David Marchick

Chief Operating Officer, U.S. International Development Finance Corporation

Introduction

Executive Order (E.O.) 14008, Tackling the Climate Crisis at Home and Abroad, requires that each federal agency develop a draft Climate Action Plan (Plan) that responds to the climate crisis.

The United States' vision for climate action is fundamentally driven by the extraordinary opportunity it presents for economic revitalization and equity—through job creation, healthier communities, the dismantling of gender inequities and driving forward inclusive growth. DFC's leadership recognizes the critical role it must play to equitably address climate change and ensure a just transition through its approach to climate finance. Building a sizeable and impactful portfolio of climate financing is key to demonstrating and furthering DFC's commitment to address climate change head on. Achieving this goal will require DFC to refine its process and adopt a climate lens through which it will view all its financing activities (see box below). Revisiting, improving upon, and diversifying DFC's project sourcing approaches is critical to ensuring that its climate portfolio is innovative and responsive to the dynamic landscape of climate finance. The ability for DFC to integrate climate change adaptation and climate resilience across its portfolio is a key part of the work that will make DFC a more resilient agency.

DFC Investment Tools to Support Climate Investments

- **Debt financing.** Direct loans and guaranties ranging from $1 million up to $1 billion.
- **Equity investments**. Our new Office of Equity Investments will provide critical support to projects that may be unable to access debt financing but offer strong potential for development impact.
- **Support for emerging market private equity funds.** DFC support as a limited partner and a co-investor helps address a shortfall of investment capital in emerging markets.
- **Political risk insurance.** Coverage of up to $1 billion to protect against losses from government interference, political violence, and other political risks.
- **Feasibility studies.** Support for the analysis of a potential DFC project.
- **Technical assistance**. Support to increase the developmental impact or commercial sustainability of existing DFC projects or to develop potential DFC projects.

Leadership

In Fiscal Year (FY) 2020, to advance E.O. 14008, DFC hired the agency's first-ever dedicated senior officials focused on climate. DFC appointed Jake Levine as Chief Climate Officer (CCO) and Aparna Shrivastava as Deputy Chief Climate Officer. DFC's Chief and Deputy Climate Officers are responsible for guiding implementation of the activities described in DFC's Climate Action Plan, in coordination with DFC leadership across its departments including but not limited to DFC's Chief Development Officer, Chief Financial Officer, Chief Risk Officer, General Counsel, and Vice Presidents of the Office of Development Policy, Structured Finance and Insurance, and Development Credit. The Chief Climate Officer will be the representative to the White House Interagency Environmental Justice Working Council, and coordinate across the intra- and inter-agency as appropriate, to plan, implement, and report on the Climate Action Plan. DFC expects to advance more critical hires who have climate technical experience throughout its departments.

Prioritizing Adaptation Actions

We know that developing countries are experiencing some of the worst impacts of climate change. While investments in mitigation actions such as renewable energy will reduce emissions over time, developing countries also need investment today that will help them adapt to climate change impacts. Adaptation investments can produce significant benefits including avoided losses, risk reduction, increasing productivity and social and environmental benefits. Increasing or strengthening the capacity of a human or natural system to cope with and/or recover from shocks while retaining the essential functions of the original system is essential to DFC's approach to climate adaptation. Furthermore, adaptation measures can be an enhancement to other types of critical activities, including mitigation which is also central to DFC's climate portfolio as DFC will build on its strong track record in investing in mitigation projects to combat climate change.

The resilience of DFC's active portfolio impacts the agency's ability to achieve its mission. The impacts of climate change will increasingly undermine DFC's ability to promote sustainable development and inclusive growth, especially in the food security and agriculture, water, critical infrastructure, global health, and financial inclusion sectors. Supporting climate adaptation and resilience is complementary to DFC's work to strengthen U.S. manufacturing and supply chains in clean energy; by stimulating demand and new opportunities to compete and win in emerging markets, we can also position American companies to create jobs and prosperity at home.

Therefore, this plan prioritizes adaptation actions that allow DFC to incorporate adaptation and resiliency considerations throughout the lifecycle of DFC's projects to maximize the development impact and minimize the financial risk of DFC investments. DFC will prioritize adaptation efforts that have the development objective of strengthening the capacity of individuals, communities and/or systems to withstand current or future climate-related shocks or stressors by focusing on the following five priority actions:

1. Drive DFC Investments Toward Adaptation and Resilient Climate Objectives
2. Mobilize Additional Private Climate Finance Capital
3. Enhance Portfolio Diversity to Reduce Risk
4. Integrate Climate Risk Analysis When Developing Deals
5. Embed Climate Lens into Transactions and Impact Measurement

Priority Action:

Drive DFC Investments Toward Adaptation and Resilient Climate Objectives

Action Description	DFC will play a key role in achieving President Biden's commitment to triple U.S. adaptation financing. With the devastating impacts of climate change already being felt around the world, collaborating with the private sector to increase investments in adaptation projects ensures that communities can build necessary resilience.
Action Goal	To ensure that DFC can achieve its development mandate, DFC will prioritize investments in adaptation and resilience projects. To do so, DFC aims to invest in key sectors such as agriculture, forestry, renewable energy and water management. This effort feeds into DFC's larger-climate goals including:

	• Increased climate investments: DFC will focus at least 33 percent of new investments on climate-related projects beginning in fiscal year 2023. • Net-zero emissions: DFC has developed a plan for achieving a portfolio with net zero emissions by 2040.
Agency Leads	All DFC departments will coordinate to advance this portfolio-wide goal.
Opportunity	Where applicable, this is an important opportunity to ensure that an increased number of projects funded by DFC are incorporating resiliency measures while maintaining sustainability.
Scale	Across its full portfolio, DFC will seek adaptation enhancement opportunities.
Timeframe	Advancing climate finance is an ongoing focus of DFC. DFC will focus on tripling climate investments, with a goal of one-third of all commitments to be focused on climate by 2023. DFC's goal is to achieve net zero emissions by FY 2040.
Implementation Methods	DFC will advance the following workstreams in support of this action: • Strengthen internal capacity to better identify climate risks at the project level in order to develop opportunities to improve resilience. • Advance the implementation of gender-lens investing to enhance adaptation and resilience amongst projects targeting women and girls. • Collaborate with investors that can provide grants or funding lower in the capital stack to help de-risk projects for DFC. • Use grant funding and/or blended finance to implement adaptation and resilience measures in the project design. • Develop methods for requesting information and/or applications for funding from the market on adaptation and natural climate solutions financing projects. • Advance technical assistance for eligible DFC projects to increase development impact or commercial viability through adaptation and resilience measures. • Collaborate with the United States Agency for International Development (USAID), the Millennium Challenge Corporation (MCC) and other philanthropic entities to launch an innovative adaptation fund. • Drive conversations and action with the (a) G7 Adaptation and Resilience Collaborative and (b) Global Commission on Adaptation.
Performance	DFC will track key climate metrics including the investment amount and number of projects committed with adaptation and resilience elements to measure success against this goal.
Intergovernmental Coordination	DFC will coordinate across the U.S. Government (USG) Interagency and with other development finance institutions (DFIs), International Financial Institutions (IFIs), and like-minded entities to increase funding of resilience

	and adaptation projects globally. As adaptation is an expanding area of technical expertise and innovation, DFC will work to keep ahead of new technologies and financing mechanisms and participate in intergovernmental working groups that are looking at new and innovative ways to implement adaptation measures.
Resource Implications	DFC is considering the type of resources required to grow its portfolio and advance climate-linked projects to address the significant unmet financing needs in key sectors and regions that align with United States development and foreign policy objectives. Additional financial resources, agency staff and technical support contracts are expected to be required to meet these goals.
Challenges	DFC expects that finding commercially viable and sustainable projects that meet these goals while also meeting DFC's credit and legal requirements, as well as its policy requirements, will pose a significant challenge.
Highlights of Accomplishments to Date	• DFC hired its first Chief Climate Officer and Deputy Chief Climate Officer. Recruitment of additional senior climate staff is underway. • DFC requested Fiscal Year 2022 budget resources for additional staff and contract support. • Ongoing collaboration with MCC, USAID, State, G7, IFIs, and other critical entities.

Climate Adaptation and Resilience

Natural disasters, such as floods, droughts, and hurricanes, push millions of people into poverty each year and people in developing countries are the hardest hit, in part because they do not have insurance for damage from natural disasters. DFC recently provided financing to the **InsuResilience Investment Fund**, which is developing insurance products for small businesses and farmers in developing countries.

Priority Action:

Mobilize Additional Private Climate Finance Capital

Action Description	DFC is expert in crowding-in private finance from the sidelines, de-risking deals so that institutional investors seeking competitive rates of return can participate in additional investment opportunities. The climate crisis demands that DFC mobilize such private finance at a greater order of magnitude. Mobilizing additional capital is imperative to ensuring climate adaptation and resilience issues can be adequately addressed worldwide.
Action Goal	Prioritize advancing projects that mobilize additional climate finance and support adaptation and resilience efforts.

Agency Leads	Commercial teams in DFC departments, in coordination with DFC's Climate team.
Risk / Opportunity	Climate investment needs overshadow public budgets globally, so there is ample opportunity to attract private financial flows. Through its investments, DFC creates an opportunity to mobilize private capital for essential adaptation and resilience projects. A risk is created if these private sector projects are not commercially viable or sustainable.
Scale	Global, portfolio-wide.
Timeframe	Mobilizing finance is key to DFC's operations and is an ongoing priority. Commencing in FY 2021, DFC placed a greater focus on mobilizing climate finance.
Implementation Methods	DFC will advance the following workstreams in support of this action: • Guide DFC staff in identifying, supporting and committing projects that meet adaptation and resilience goals. • Develop new approaches in mobilizing new platforms for blended finance, working directly with major private investors to mobilize more capital in many of the most difficult markets in the world. • Prioritize collaboration with other likeminded investors to develop blended finance that would help de-risk DFC adaptation and mitigation investments. • Drive DFC priorities through high-level forums including the United Nations Framework Convention on Climate Change and Finance in Commons Summit. • Increase risk appetite for technology innovation through equity financing.
Performance	DFC will measure success by tracking the amount of capital mobilized for projects that are climate-linked.
Intergovernmental Coordination	DFC activities to mobilize climate capital more broadly will include close interagency collaboration with agencies including State, USAID, Treasury, the U.S. Trade and Development Agency (USTDA), and MCC while also engaging directly with IFIs, DFIs, foundations, private financial institutions, as well as through global forums such as the United Nations Framework Convention on Climate Change and Finance in Common Summit.
Resource Implications	DFC is considering the type of resources required to grow its portfolio and advance climate-linked projects to address the significant unmet financing needs in key sectors and regions that align with United States development and foreign policy objectives. Additional resources, agency staff, and technical support contracts are expected to be required to meet these goals.
Challenges/Further Considerations	A significant challenge will be identifying commercially viable and sustainable projects that meet climate goals while also meeting DFC's credit, legal, and policy requirements.

Highlights of Accomplishments to Date	DFC has developed initiatives to guide staff on how to identify potential projects that advance climate adaptation and resilience to increase investment and the agency's ability to mobilize additional climate finance capital.

Priority Action:

Enhance Portfolio Diversity to Reduce Risk

Action Description	Diversify DFC's portfolio through an adaptation and resilience lens.
Action Goal	Diversifying a portfolio is a key strategy for reducing risk in any investment scenario, including adaptation and resilience. To create the diversified portfolio needed to reduce enterprise risks, DFC will not only focus on projects with a primary climate adaptation and resilience objective but can also pursue a broad array of commercially viable and sustainable projects that have adaptation and resilience as secondary objectives.
Agency Leads	All DFC departments will lead this portfolio-wide goal.
Opportunity	DFC will have a diversified portfolio that includes commercially viable and sustainable projects in order to deliver the positive climate impacts anticipated and to maintain financial returns that allow for on-going operations.
Scale	Global, portfolio-wide.
Timeframe	Diversifying DFC's portfolio is an ongoing priority for DFC. The diversification of DFC portfolio will be critical for DFC to achieve its net-zero emissions goal by 2040 and goal that one-third of all commitments will be focused on climate by 2023.
Implementation Methods	DFC will advance the following workstreams in support of this action: • Enhance climate expertise for DFC staff. Such an effort will achieve exposure to a variety of core economic sectors, ranging from the power sector to agriculture and food systems to transportation and infrastructure to buildings and real estate. • Rebalance DFC's exposure in the energy sector from fossil fuel extraction, transportation, and generation use (including upstream oil and gas exploration and natural gas-fired power) toward a more sustainable clean energy mix (including wind, solar, geothermal), and investments in transportation, buildings, and agriculture sectors. Note: DFC will continue to be able to support highly developmental and strategic power sector investments that provide access to electricity and energy within the constraints of its net zero commitment. • Identify infrastructure projects to support that utilize innovative technologies, energy efficiency, emissions capture, or other means to make their businesses more climate conscious (i.e., grey-green infrastructure, use of electric vehicles to transport goods or energy and water efficient manufacturing).

	• Streamline portfolio diversity to cut across the suite of financial tools available to DFC. DFC will evaluate efforts to achieve diversity in its climate investments with an appropriate balance of technical assistance funding, equity, debt and project finance, and insurance investments. • Seek balance regionally in the advancement of portfolio diversity. DFC is limited in this regard given its prioritization of investments in less-developed countries; however, within those constraints, DFC will seek to achieve a balanced exposure by region, which will help the agency to mitigate overall climate portfolio risk.
Performance	DFC will analyze its portfolio to identify the diversity of its climate projects on an annual basis to assess performance of this priority action.
Intergovernmental Coordination	Collaboration with the USG Interagency and liked-minded entities is critical to DFC's ability to diversity its portfolio.
Resource Implications	DFC is considering the type of resources required to grow its portfolio and advance climate-linked projects to address the significant unmet financing needs in key sectors and regions that align with United States development and foreign policy objectives. Additional financial resources, agency staff and technical support contracts are expected to be required to meet these goals.
Challenges/Further Considerations	A significant challenge will be identifying commercially viable and sustainable projects.
Highlights of Accomplishments to Date	DFC recently advanced initiatives to generate more diverse deal flow and broaden the scope of the type of climate-linked projects it will advance: • Call for Applications to invest in Distributed Renewable Energy projects. • Call for Application for climate-focused funds. • Increased technical assistance for climate projects. • Development of a risk-sharing platform with private sector insurance partners to reduce barriers to financing climate projects.

Priority Action:

Integrate Climate Risk Analysis When Developing Deals

Action Description	DFC will consider climate risk when evaluating any given investment.
Action Goal	DFC will integrate climate adaptation and resiliency into its portfolio and across its financial products. Integrating the consideration of climate risk analysis when screening and developing projects, including potentially during the development of a project's risk score, is fundamental to DFC's ability to advance climate adaptation investments.
Agency Leads	DFC's Chief Financial Officer, Chief Risk Officer, Chief Climate Officer, and Chief Development Officer in coordination with all DFC departments will lead this agency-wide goal.

Risk or Opportunity	Understanding and accepting risk provides clarity, enhances opportunity, and aids decision-making in the face of uncertainty. Incorporating climate risk analyses enhances DFC's ability to support projects with higher credit risks and create a climate-focused portfolio. This must be balanced, however, with the ability of a project to be commercially viable and sustainable since no positive climate impacts are created if a project cannot continue.
Scale	Global, portfolio-wide.
Timeframe	Developing, implementing, and managing a comprehensive process to identify, assess, limit, and monitor significant risks is an ongoing priority for DFC. Bolstering tactics to expand climate-risk analyses throughout the development of a deal will be a priority in FY 2022.
Implementation Methods	DFC will advance the following workstreams in support of this action: • Increase training of climate risk. DFC will provide training to staff so that all investment officers and staff involved in project development better understand climate risk. • Incorporate climate-risk when considering potential projects. DFC will incorporate identifying climate-related risks and vulnerabilities in the evaluation of investments • Integrate climate risk throughout the underwriting and review process. DFC aims to develop narratives regarding climate risk in credit papers to evaluate the long-term risk of projects.
Performance	DFC will evaluate the progress of the integration of risk analysis across its full portfolio.
Intergovernmental Coordination	Coordination with the interagency, including with the Office of Management and Budget is key.
Resource Implications	Additional resources, agency staff, and technical support contracts are expected to be required to meet these goals. An environmental and climate expert with investment underwriting experience would be a valuable hire to provide direct technical expertise throughout DFC's deal origination process.
Challenges/Further Considerations	To achieve this action, DFC will develop new trainings, guidance, and processes to implement this new priority.
Highlights of Accomplishments to Date	DFC has historically implemented risk screening of new investments to account for climate-related risks and vulnerabilities.

Priority Action:

Embed Climate Lens into Transactions and Impact Measurement

Action Description	The integration of climate mitigation, adaptation, and resilience across DFC's deal flow processes, particularly in its performance measurement tool, Impact

	Quotient (IQ), is critical to making DFC's projects and the agency itself more resilient.
Action Goal	Integrate a climate lens to DFC deal flow and impact measurement processes and advance increased technical assistance for climate projects.
Agency Leads	The Office of Development Policy in coordination with DFC business departments.
Risk or Opportunity	This action presents an opportunity to ensure that projects funded by DFC incorporate resiliency measures, where applicable, and enable DFC to add value to projects.
Scale	Global, portfolio-wide.
Timeframe	Commencing in FY 2021, integrating climate across DFC's processes became a critical priority for DFC. DFC expects this to be an ongoing priority.
Implementation Methods	DFC will advance the following workstreams in support of this action, many of which are ongoing actions that DFC currently is advancing: • Advance climate-related screening and evaluation criteria/screening questions for DFC deal teams to maximize opportunities of integrating climate-friendly practices into transactions. Provide clear guidance to DFC teams and departments on the: o Overall criteria that define climate mitigation, adaptation and justice. o Categories of private sector led mitigation and adaptation solutions to advance in supported projects. o Accounting for climate-linked investment and calculating investment amounts for mitigation and/or adaptation. o Questions that deal teams can use to assess opportunities and to increase positive climate impacts of projects. • Implement DFC's technical assistance program for climate projects. o DFC will commit at least $50 million over the next five years for feasibility studies and technical assistance to help identify, design, and implement new climate projects. • Provide additional and innovative methods for assessing, measuring, and verifying climate impact into the IQ. These methods will help to further refine DFC's overall investment strategy and its individual assessment of specific deals as they arise on a case-by-case basis.
Performance:	Performance and impact measurement metrics will be reviewed as they relate to climate-linked projects which will indicate how much of DFC's processes reflect a climate-lens.
Intergovernmental Coordination:	Coordination across the USG Interagency and with other DFIs, IFIs, and like-minded entities.

Resource Implications:	Additional support staff and technical support contracts are expected to be required to meet this goal.
Challenges/Further Considerations:	Finding projects that meet this goal but also meet DFC's credit, legal, and policy requirements as well.
Highlights of Accomplishments to Date:	Recruitment of senior climate advisor underway; FY22 budget requested for additional staff and contract support; collaborating with MCC, USAID, G7 etc.

Topic Areas

Per the Interim Instructions for Preparing Draft Climate Action Plans under Executive Order 14008 requirements, the plan includes special topics areas: Climate Vulnerability Assessment; Efforts to Enhance Climate Literacy in Its Management Workforce; and Agency Actions to Enhance Climate Resilience.

Climate Vulnerability Assessment

DFC is a financial institution that engages in direct lending, equity investment, investment in funds, and provides insurance and technical assistance grants. The agency's climate vulnerabilities, therefore, stem from DFC's posture as a financial services agency. As an institutional investor, climate impacts can affect the projected results of DFC supported projects. For general debt instruments such as loans, for example, debt-repayment capacity can be affected by the alteration of underlying cash-flow values due to climate change, leading to deterioration of financial positions including default. For equity investments, climate-driven deviations from expected results that affect an investment's valuation are relevant for projecting returns on equity and planning exit strategies. Some equity investments will also be affected as analysts incorporate information about climate change impacts into their company valuations.

At a project level, DFC has been incorporating climate change resiliency assessments since 2015 in response to Executive Order 13677. Executive Order 13677 on Climate-Resilient International Development requires the integration of climate-resilience considerations into all U.S. international development work. To meet the requirements under EO 13677, DFC has incorporated climate resiliency screening into its existing environmental and social impact assessment process. Using publicly available climate-change data, screening tools and information, and inter-agency collaboration, the environmental and social team developed a reference checklist for use in conducting the climate resiliency screening. Coordination with internal stakeholders as well as external advisors (e.g., credit policy department, independent engineers, consultants) is undertaken in order to gain additional input. Results of the climate resiliency screening are documented in DFC's internal environmental and social assessments.

DFC is in the process of hiring a Senior Climate Policy Advisor who will strengthen physical climate risk assessment for DFC's projects. In addition, DFC recently joined as a member the Collaborative on Accelerating Investment in Adaptation and Resilience (the DFI Climate Adaptation and Resilience Working Group under the G7 Adaptation and Resilience Working Group). DFC is actively participating as a member of the Collaborative working on developing adaptation and resilience metrics, guidelines for physical climate risk assessment, and investment approaches and vehicles for adaptation and resilience projects. Under the guidance of the new Senior Climate Policy Advisor and in collaboration with other like-minded development finance institutions, DFC will determine timelines and metrics for performance, whether managing risks and overcoming barriers is achievable within existing agency resources, and how a specific aspect of the vulnerability either is or will be disclosed in annual agency financial reporting and integrated into the agency's enterprise risk management process.

Enhancing Climate Literacy in DFC's Workforce

In collaboration with DFC's Office of Development Policy, DFC's Climate team will develop guidance and trainings to integrate a climate lens across the agency including in our deal teams, external affairs team, investment committee and our board.

DFC will broaden climate literacy and expertise amongst all staff so that the agency can undertake a comprehensive approach to addressing both climate change mitigation and adaptation. This will include outlining the broad range of thematic sectors that play a critical role in addressing climate change. Addressing the wide-ranging impacts of climate change will include supporting transactions in a broad range of sectors.

Descriptions of key sectors that DFC's climate literacy efforts will be based upon.
Clean Energy. Electricity and heat account for 30 percent of global climate emissions. Clean energy holds the promise of mitigating and dramatically cutting those emissions through a range of technologies, including baseload renewable energy (*i.e.*, geothermal, hydro, battery storage), electrification of heating and cooking technology, and advanced renewable energy technologies such as offshore wind power. *Potential projects*: Solar and storage for baseload power in South Africa or geothermal for baseload in East African Rift Valley.
Transportation (e-mobility) and Public Transit. Transportation accounts for 16 percent of global climate emissions and is a growing share of the overall emissions puzzle. Public transit is an efficient way to provide mobility services across large distances; trains and electric buses can be run on zero emission fuels, such as energy generated from renewable energy. Zero emission vehicles further promise to create dramatic co-benefits in public health by reducing deadly air pollutants such as particulate matter, ozone, and smog. *Potential projects*: Battery-powered motorcycles in East Africa or zero emission public transit bus system in lower-income urban area.
Manufacturing, Construction, and Industrial Processes. Developing economies often rely on manufacturing and heavy industry for growth and opportunities for work. Together, these sectors account for 17 percent of global climate emissions. Therefore, zero emission fuels to power industrial processes – such as green hydrogen – are badly needed to drive both continued sustainable development and reductions in carbon emissions. There are similarly important opportunities to support climate-friendly infrastructure materials, such as low-carbon cement. *Potential projects*: Green hydrogen manufacturing facilities in India, Brazil, Indonesia.
Agriculture and Food Security. Climate change can affect food security in multiple ways. Rising temperatures altered precipitation patterns and extreme weather events have and will continue to affect yields, the geographic distribution of food- and water borne diseases and trade patterns. Climate change will affect all aspects of a food supply system including production, processing, packaging, storage, trading and transport and will ultimately affect the quality (lower protein, zinc and iron levels) and quantity of food available to consumers. Estimates show that climate change might reduce global agriculture productivity by 17 percent by 2050. Moreover, the agricultural sector presently accounts for 11 percent of global emissions and improved practices therefore represent a significant opportunity for climate mitigation.

Potential projects: Climate-smart agriculture investment fund in the Northern Triangle or Satellite-based weather services for farmers in East Africa to increase crop yield.
Water Access and Stewardship. Climate change impacts water access in multiple ways including reduced surface-water availability due to changes in precipitation, reduced surface water quality due to saltwater intrusion and increased flooding due to extreme weather events. *Potential projects*: Enhanced watershed management/stewardship initiatives.
Coastal Resilience. With drastic impacts on livelihoods tied to marine resources such as fishing and threats of losing large areas of land, sea-level rise and increased frequency and intensity of extreme weather leave coastal communities particularly vulnerable to related hazards. Nearly half of the world's population lives within 60 miles of a coastline, so enhancing coastal resilience is critical. Additionally, it is essential to consider natural climate solutions and green infrastructure instead of solely considering costly grey infrastructure. *Potential projects*: Support natural climate solutions (nature-based solutions) to increase wholistic coastal resilience; Mangrove restoration for flood/erosion defense and enhanced aquaculture/fishing productivity.
Waste Management and Ocean Plastic. Less than 15 percent of the world's annual 2 billion tons of annual municipal solid waste is recycled. This is expected to increase to 3.4 billion tons by 2050. Along with polluting previous natural ecosystems and harming vulnerable communities, many low-income countries are often forced to import solid waste from higher income countries. Plastic waste is especially dangerous given how much of it ends up in waterways. By 2050, plastic waste in oceans is projected to outweigh all fish. As such, it is essential to support scalable waste management projects if DFC wants to preserve and promote healthy ecosystems. *Potential projects*: Waste processing powered by clean energy or plastics upcycling.
Buildings. Buildings account for 38 percent of all energy-related CO_2 emissions globally, when adding building construction industry emissions.[1] At the same time, housing challenges in developing economies present barriers to public health, social and economic mobility, and basic security. Investments in energy efficiency, climate-resilient housing, and electrification of heating and cooking appliances in appropriate markets can help lay the groundwork for decarbonization, adaptation, and resilience. In many countries where DFC works, energy needs in the home are basic, but innovations in distributed energy and cooking technology can provide low-carbon and low- or zero-emission tools in the home, which also improve public health outcomes. *Potential projects*: EDGE certification housing and public education building projects.
Land-Use Change and Nature-based Solutions. Since the pre-industrial period, the land surface air temperature has risen nearly twice as much as the global average temperature. Climate change, including increases in frequency and intensity of extremes, has adversely impacted food security and terrestrial ecosystems as well as contributed to desertification and land degradation in many regions. Many activities for combating desertification can contribute to climate change adaptation with mitigation co-benefits, as well as to halting biodiversity loss with sustainable development co-benefits to society. Avoiding, reducing and reversing desertification would enhance soil fertility, increase carbon storage in soils and biomass, while benefitting agricultural productivity and food security. *Potential projects*: Afforestation initiatives or sustainable plantation/agroforestry.

Agency Actions for Climate-Ready Sites and Facilities

DFC is committed to reducing vulnerabilities and improving resilience for its own assets, which include personnel, facilities, data systems, and vehicles. As such, DFC will integrate consideration of climate change impacts and adaptation into the planning, operations, policies, and programs of its assets. DFC is

[1] https://www.unep.org/news-and-stories/press-release/building-sector-emissions-hit-record-high-low-carbon-pandemic

located in a multi-tenant, commercially owned facility in the heart of Washington, D.C. DFC leases approximately 155,000 square feet including one data center via a full-service lease and DFC has limited control over the operations and maintenance of the facility. DFC fleet consists of three vehicles directly leased from the General Service Administration.

The DFC Office of the Administration will update all internal energy, environment, and sustainability plans regarding the maintenance, design, construction, and renovation of DFC leased space along with the procurement of green supplies and services. These revised plans will establish the foundation for sustained and coordinated action to further climate resilience efforts. This will include internal energy, environmental, and sustainability performance metrics. Aligned with the Administration's climate and environmental priorities, these metrics will include ambitious adaptation targets along with other important energy, environmental, and procurement actions. In addition, DFC will incorporate climate resiliency considerations in future facility leases.

Agency Actions to Ensure a Climate-Ready Supply of Products and Services

The DFC Office of Administration manages procurement policy, guidance, and processes as well as procurement data analysis and ensures adherence to Federal Acquisition Regulation (FAR) Part 23 which sets acquisition requirements for environment, energy and water efficiency, renewable energy products and services. In addition, the Office of Administration is responsible for integrating adaptation criteria and requirements into procurement processes. In day-to-day operations, DFC has the opportunity and obligation to advance adaptation actions through its selection and use of services and supplies. As such, to the extent possible, acquisitions and contracting mechanisms used by DFC – including service contracts, leases, purchases made with government purchase and fleet cards, and purchases below the micro-purchase threshold – will be updated to advance climate-ready services and supplies. This reform will enhance and sustain the DFC mission through cost effective acquisition that achieves compliance and reduces resource consumption while increasing climate change preparedness.

Climate change may exacerbate existing health and socioeconomic inequities, placing certain populations at particular risk. These populations may include people with low incomes, communities of color, children, the elderly, people with disabilities, indigenous populations and people with limited English proficiency. By considering procurement actions and climate equity, DFC is working to ensure that all people have the opportunity to benefit equally from procurement solutions and to diminish the disproportionate burden of climate impacts that some communities endure.

Specifically, DFC is advancing climate equity through procurement by:

- Continuing best practices of procuring supplies and services off of Government vehicles pre-established to promote climate equity to the maximum extent possible.
- Diminishing exclusion and barriers to participation by supporting small business participation, including effective use of market research.
- Enforcing all existing contract clauses relating to climate equity and sustainability.