Climate Strategy
Executive Summary

The PIDG Climate Strategy illustrates the key strategic priorities of PIDG’s climate action. This is a critical time for tackling climate change with increased public demand for action around the United Nations Climate Change Conference process and as the global community deals with the continued repercussions of the COVID-19 pandemic.

There is scientific consensus that Greenhouse Gas (GHG) emissions from human activity have caused irreversible changes to the climate and that GHG must be drastically curbed this decade to avoid the worst impacts. Most countries that PIDG invests in have some of the lowest historic and current per capita emissions of Greenhouse Gases (GHGs) in the world – yet they are the countries that are the most impacted by the changing climate, facing risks to health, livelihoods, food security, water supply, human security and economic growth.

Developing greenfield infrastructure in the most difficult markets, where it matters most to sustainable socio-economic development, requires a deliberate focus of climate finance for an equitable and just transition. In the low income and emerging markets of Africa and Asia, PIDG’s role is to demonstrate the technical and financial viability of innovative low carbon and climate resilient infrastructure that contributes to a transition to global net zero carbon dioxide emissions by 2050 at the latest.

PIDG’s overall commitment is to support the goals of the Paris Agreement on Climate Change and to invest in projects that assist countries to transition towards a global net zero carbon economy by 2050, in line with the goals of keeping global temperature increase below 2 degrees and towards 1.5 degrees above pre-industrial levels.

PIDG put this commitment at the core of its investment policy, performance indicators and operations, through a comprehensive approach spanning the four Pillars of the Task Force on Climate-Related Financial Disclosures (TCFD) of Governance, Strategy, Risk, and Metrics.

The PIDG Climate Strategy spells out the areas of work that the PIDG companies will prioritise to fulfil this ambition. While our commitment is long-term, this strategy focuses on priorities to deliver in 2021-23, aligning with PIDG current strategy period. This is a living document guiding concrete action in fast moving markets. We will assess and update our strategy by 2023 based on how markets continue to evolve.

The overall strategic objective of PIDG’s climate change action is to accelerate an equitable and just transition to net zero in the countries we operate in.

PIDG aims to do so by enabling the development of low carbon, climate resilient, sustainable infrastructure and by mobilising flows of climate finance to countries with the widest infrastructure gap, to leapfrog and replace the highest GHG emitting technologies, while stimulating sustainable socio-economic development.

PIDG is conscious of the need to lead by example and we measure and report the carbon footprint of our operations annually. The COVID pandemic allowed us to explore new ways of working involving less travelling, thereby reducing our GHG emissions. Based on this experience we continue to explore ways to reduce our operations’ footprint and to positively influence the behavior of our suppliers and contractual partners. We are however aware that the bulk of our GHG emissions come from our investment portfolio, which is the focus of this strategy.
In 2021-23 PIDG climate action focus on four strategic priorities:

Priority 1:
Mobilise private climate finance in underserved, fast growing markets, demonstrating the viability of low carbon, climate resilient infrastructure for private investors.

Priority 2:
Strengthen climate change adaptation and resilience through our investments.

Priority 3:
Mobilise domestic investors, entrepreneurs and stakeholders in emerging markets in climate savvy investments, including through local currency solutions.

Priority 4:
Integrate climate and gender investment lenses in infrastructure investment to maximise the gender outcomes of climate related investment.

The PIDG Climate Strategy applies to all companies in the Group. Since 2020, all new investments, in the energy and transport sectors that PIDG companies consider must demonstrate alignment with the goals of the Paris Agreement.

At the operational level, PIDG Climate Standard covers the minimum requirements that we expect in each PIDG investment, as well as the decision trees that allows us to demonstrate alignment.

Since 2020, PIDG also publishes the estimated carbon intensity of its portfolio and in 2021 PIDG published its first Disclosure Report in line with the Task Force on Climate Related Financial Disclosures (TCFD).

This strategy document complements PIDG’s Climate Standard and TCFD Disclosure by focusing on the key areas that we are prioritising now to make a significant contribution to a just transition to net zero by no later than 2050.

PIDG acknowledges that there is an urgent need for collaboration, synergies and innovation to address the climate emergency. This strategy provides a direction for PIDG’s efforts and aims to inspire new ways to work with our existing and future partners.
The specific challenges of infrastructure investment in low income and emerging markets in the context of the climate crisis

Climate change is widespread, rapid and accelerating as the latest scientific evidence shows. The latest report of the Inter Governmental Panel on Climate Change (IPCC) states that it is ‘unequivocal’ that human influence has warmed the climate to a rate that is unprecedented in the past 2000 years. Many changes due to past and projected GHG emissions are irreversible for centuries to millennia, especially changes in the ocean, ice sheets and global sea levels. Every tonne of GHG adds to global warming and drastically curbing global emissions this decade is ‘mission critical’ to achieve the Goals of the Paris Agreement.

The response to the COVID–19 pandemic provides an unprecedented opportunity to accelerate a fundamental transition. Private finance and investors have a key role to play in this transition.

**Infrastructure investments where the needs are the greatest**

PIDG invests where the infrastructure needs are the greatest to fulfil basic socio-economic development needs.

Despite some progress in recent years, globally 789 million people still have no access to electricity, 785 million people still lack a basic drinking water service, and over 1 billion people still live in slums – and the COVID-19 pandemic has reversed progress in many areas. Only 17% of the population in sub-Saharan Africa has access to clean cooking fuels and only 35% in developing regions in Asia, with biomass being the main source of fuel causing an estimated 490,000 premature deaths a year and putting additional pressures on natural resources.

Access to electricity, water and housing is fundamental to achieve poverty reduction and it enables so many other Sustainable Development Goals (SDGs), including decent jobs, health and education. If we consider SDG 7 – Energy for All for example; the latest World Bank data available for some of the countries in which PIDG invests show that in Sierra Leone less than a quarter of people have access to electricity, and only 5% in rural areas. In Senegal access to electricity is above 60% but less than 40% in rural areas. In Myanmar, electricity access is higher at 70% on average, and 60% in rural areas. Everywhere in Europe by comparison, nearly 100% of people have electricity access.

Finding ways to accelerate greenfield infrastructure development while avoiding spiraling GHG emissions is an enormous challenge. This means that in addition to the real and perceived country risks of low income and emerging markets, investors also face greenfield infrastructure risks and new technology risks.

**Highest vulnerability and least preparedness to climate shocks and stresses**

The regions in which PIDG invests – sub-Saharan Africa, south and south east Asia and the Pacific – are the regions with the highest current and future vulnerability to climate change in the world. They are consistently the countries least resilient to climate stresses shocks and therefore face the greatest risks to health, livelihoods, food security, water supply, human security and economic growth, from climate change.

This requires a climate resilience lens in all investments, especially infrastructure.

New solutions are urgently needed to provide the necessary incentives to stimulate investments that enhance the resilience of the most vulnerable to climate, who are usually the poorer and most under-served people in both rural and urban areas.

**Population growth and aspiration of the young population**

In the next three decades, the regions PIDG invests in will see the fastest population and urbanisation growth on Earth. UN forecasts show that Africa will account for a quarter of the world population by 2050.

There is a huge opportunity to harness the so-called ‘population dividend’ – the energy and ingenuity of a large young population and their aspirations, but we also face a major challenge to find the appropriate models of sustainable socio-economic development. The need to develop infrastructure will become even more pressing and the current vulnerabilities – including to extreme climate events – will be made even more complex with the growing population.
Principles underlying PIDG’s climate change approach

Commitment to the goals and process of the Paris Agreement on climate change and a transition towards a global net zero economy by 2050

PIDG’s overall commitment is to support the goals of the Paris Agreement on Climate Change and to invest in projects that assist countries to transition towards a global net zero carbon economy by 2050, in line with the goals of:

- Holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognising that this would significantly reduce the risks and impacts of climate change;
- Increasing the ability to adapt to the adverse impacts of climate change and foster climate resilience and low greenhouse gas emissions development, in a manner that does not threaten food production; and
- Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.

We put this commitment at the core of our investment policy, performance indicators and operations, through a comprehensive approach spanning the four Pillars of the Task Force on Climate-Related Financial Disclosures (TCFD) of Governance, Strategy, Risk, and Metrics.

PIDG only makes new investments that are aligned with the goals of the Paris Agreement. Impact on Planet – focused on reducing GHG emissions – is one of the key impact areas considered in PIDG Sustainable Development Impact screening of all new investments. All investments are evaluated for their resilience to climate change and screened for physical and transition climate risks.

PIDG is committed to demonstrating the technical and financial viability of innovative climate resilient infrastructure that contributes to a transition to global net zero emissions. Developing greenfield infrastructure in the most difficult markets, where it matters most to sustainable socio-economic development, should be a deliberate focus of climate finance for an equitable and just transition.

This work is at the core of PIDG’s mandate. We believe that high risk project development – focused on appropriate financing for solutions that leapfrog or replace high GHG emitting infrastructure – should receive substantially more attention and international efforts. The instruments deployed by PIDG companies – long-term debt, early stage equity, guarantees, local currency solutions, technical assistance and viability gap funding will be key ingredients to achieve scale, replication and market transformation in this regard.
Developing domestic capital markets and context specific transitions

Domestic capital market development is a central component of PIDG’s work, as demonstrated by the focus on local currency solutions, the set-up of local credit enhancing vehicles like InfraCredit Nigeria and InfraZamin Pakistan, and the development of the green bond market in local currency in several countries.

We will work with domestic investors and sponsors to encourage domestic capital flows towards climate savvy investments, to identify meaningful and context specific ways to accelerate a transition towards net zero, and listen to local stakeholders.

Partnerships, transparency and continuous learning

The scale and urgency of the climate emergency means that PIDG needs to accelerate innovation through partnerships, concerted efforts and continuous learning. PIDG will continue to develop sector-specific, action-oriented strategic partnerships.

Global frameworks that PIDG refers to include:

- The Task Force for Climate Related Financial Disclosure (TCFD), to which PIDG signed up as supporter.
- The Partnership for Carbon Accounting Financials, of which PIDG is a member.
- The Climate Action in Financial Institutions initiative, of which PIDG is a supporting organisation.
- Coalition for Climate Resilient Investment.
- The Science Based Targets Initiative.

PIDG recognises the need to remain flexible and review our approach regularly as new evidence emerges. The Group is committed to contributing to an urgent learning agenda through our work. In line with our commitment to transparency, we will continue to track progress and be accountable for our results. In 2020, PIDG started publishing the estimated financed emissions and carbon intensity of our investments. In 2021, the first TCFD Disclosure Report was published. PIDG will continue to report annually following TCFD guidelines and in line with global best practice standards.

Leading by example

PIDG is conscious of the need to lead by example and to this end, we measure the carbon footprint of our operations annually. Currently we include emissions from business travel and from our offices but are planning to expand this to consider impacts of commuting to our offices and home working. The majority of PIDG emissions have historically come from flights taken in the course of our business activities.

The COVID pandemic allowed us to explore new ways of working, involving less travelling, thereby reducing our GHG emissions. As travel becomes possible again, we are adopting new measures based on our experiences during the pandemic, to consider more closely what travel is necessary and what emissions can be avoided through, for example, virtual working and having staff based, in local offices.

We are also seeking to influence the behaviour of our suppliers and investee companies and are developing a Green Transaction Protocol and climate clauses in contracts to achieve this. We will continue to report on this work as part of our annual TCFD Disclosures.
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Building on a track record of pioneering, green infrastructure investments

PIDG has a strong track record as a ‘market maker’ and innovator in the sustainable infrastructure space, particularly in renewable energy.

PIDG companies have developed and financed some of the first independent power producers in several frontier markets, including:

- Pakistan (wind),
- Vietnam (solar and hydro),
- Chad (solar),
- Guinea (solar),
- Cape Verde (wind),
- Mali (solar),
- Burkina Faso (solar),
- Rwanda (solar),
- Ethiopia (geothermal),
- Malawi (solar).

PIDG’s investments pioneered technological innovation, for example:

- **Cabeolica** – one of the first commercial scale wind Independent Power Producer (IPP) in Africa
- **Golomoti, Malawi** – one of the first on grid solar photovoltaic (PV) plants with a Battery Energy Storage System in Africa
- **EkoRent / Nopea in Nairobi** – the first fully electric taxi service in an African capital.
Overview of PIDG’s recent climate action

- **2019** – PIDG Paris Agreement Alignment KPI developed and established.
- **January 2020** – PIDG signed up as a supporter of the Task Force for Climate Related Financial Disclosures (TCFD) and adopted an ambitious programme of actions across the Group under the four TCFD Pillars of Governance, Strategy, Risk and Metrics and Targets.
- **January 2020** – All new investments must be Paris-Aligned. Rigorous climate focused decision trees are in place and we have started fast-tracking investments that introduce innovative climate solutions.
- **February 2020** – study on market-ready low carbon technologies in energy and transport sectors concluded and integrated in deal origination strategy.
- **May 2020** – PIDG was the first ODA funded organisation to publish the estimated carbon footprint of its investments.
- **September 2020** – Climate physical and transition risks systematically included in the review of all new investments.
- **May 2021** – Investment Policy amended to further confirm climate (and gender) lens at the core of PIDG investment approach.
- **Throughout 2021** – Scoping nature positive infrastructure solutions.
Most countries that PIDG invests in have some of the lowest historic and current per capita emissions of GHGs in the world – the countries that are the most impacted, by the changing climate, facing increased risks to health, livelihoods, food security, water supply, human security and economic growth. Developing new infrastructure that is resilient enough to withstand the inevitable changes in climate over the coming decades and considering how this infrastructure affects the resilience of users, workers and communities will be critical to achieving lasting impacts.

Rapid population growth and urbanisation, as well as the aspirations of the predominantly young population create the challenge and opportunity to plug the significant infrastructure gap in innovative ways. PIDG identified supporting innovation in key sectors through path finding transactions as one of its main priorities in key infrastructure sectors outlined further in this chapter.

PIDG recognises that new infrastructure has traditionally been associated with increased GHGs both due to the materials used to construct, for example, buildings, transport facilities and power plants, and the process of using the infrastructure once it is in place. The typically long lifetime of infrastructure assets means that there is a risk of ‘locking in’ carbon intensive infrastructure for decades to come. PIDG will therefore be deliberate in choosing investments that offer an alternative to GHG-intensive infrastructure.

Whilst PIDG might not remain involved in a project for its full lifetime, we take a long-term view is taken for potential investments, considering potential policy and market changes as well as a changing climate to mid-century.

The overall strategic objective of PIDG’s climate change action is to accelerate an equitable and just transition to net zero in the countries where the Group operates.

PIDG aims to do so by enabling the development of low carbon, climate resilient infrastructure and mobilising flows of climate finance to countries with the widest infrastructure gap, to leapfrog and replace the highest GHG emitting technologies.

While our approach is long-term, we will keep our approach and progress under review at shorter intervals, given the urgency of action and evolving investment landscape. In 2021–23 we will focus on four specific strategic objectives.
Objective 1:

Mobilising private climate finance in underserved, fast growing markets, demonstrating the viability of low carbon, climate resilient infrastructure for private investors

PIDG will build on its record as a market maker in the renewable sector and scale up its ambition to other sectors:

Instruments:
PIDG will deploy the full suite of its available instruments – project development and risk-capital, early stage equity, long-term debt, local currency solutions, guarantees and technical assistance to accelerate the pipeline of investable deals that can attract climate finance.
Key sectors of focus:
These are the sub sectors that we are committing to grow in our portfolio

Renewable energy – on-grid:
continuing the development of innovative large scale solar with battery energy storage systems, geothermal, bio mass, hydro and wind. This will be supported by modern transmission and distribution systems incorporating smart metering, battery energy storage systems and renewable self generation.

Renewable energy – off-grid:
building on InfraCo’s experience with mini-grids, the focus will be on scaling up solutions and financing platforms as well as integrating off-grid energy provision with water provision in rural areas. PIDG TA is working with EAIF to integrate viability gap funding in public tender programmes that will support mini-grids. We will continue to explore the most cost effective blended finance solutions to accelerate progress in this area.

Transport – electric mobility:
building on PIDG’s first investment in Kenya, the aim is to finance more early stage companies in the urban electric mobility sector in Africa’s cities and to build a larger financing platform to scale up electric vehicles in Asia. We will continue to explore other clean energy vectors as the market develops.

Energy efficient affordable housing and sustainable cities:
with urbanisation rates soaring in emerging markets, finding solutions to finance energy efficient housing which is also affordable is a major challenge. PIDG will continue to build its expertise and understanding of the market and aim to expand its initial investments in Kenya to three more countries in Africa and Asia.

In addition, the DevCo Partnership, supported by PIDG TA, has been working with governments in the Pacific Islands to develop IFC EDGE certified affordable housing projects. Learnings from this DevCo activity will be shared throughout PIDG.

The aim is to support the adoption of energy efficient buildings construction and management, based on IFC EDGE certification or alignment. PIDG envisages expanding the capacity building work that it is doing in this area with local property developers focused on the affordable segment.

Climate bonds and lending:
PIDG has successfully launched the first green bonds in local currency in Kenya and India. In this strategy period it will accelerate work to launch more first of a kind local currency green bonds in Africa and Asia, with focus on low income countries. PIDG will work with local investors, corporates and regulators – as well as international investors – to build capacity, standardise requirements and processes, and deploy guarantees strategically to enable demonstration and replication.

Scoping natural capital investments:
PIDG is actively scoping opportunities for investment in natural capital and carbon sinks where these can be combined with job creation activities in our markets. An initial focus is where these investments can be combined with existing or prospective built infrastructure investments although wider opportunities are also being considered. While PIDG is at the scoping stage of this area, the first path finding investments in this area will be explored and pursued in 2021-23.
The ND-GAIN Country Index summarises a country’s vulnerability to climate change and other global challenges in combination with its readiness to improve resilience (https://gain.nd.edu/our-work/country-index/). Vulnerable countries are shown in red and orange and these are concentrated in the countries where PIDG has its focus.

Objective 2:

Strengthening climate change adaptation and resilience through our investments

PIDG works in some of the countries considered most vulnerable to the impacts of climate change and some of the countries least prepared to deal them.

PIDG’s approach is to support people, cities and communities to adapt and strengthen their resilience to climate change shocks and stresses by focusing on both:

(i) the resilience of the infrastructure that we develop and finance, and (ii) how these infrastructure assets impact positively or negatively the wider system resilience to climate change of their users, workers and communities.
Investing in resilient infrastructure:

After an initial pilot in 2020, PIDG screens all its new investments systematically for transition and physical climate risks, aiming to identify key risk mitigation and management measures before investing.

For the existing portfolio, we continue to develop strategies to identify key climate risks retrospectively and how these can be managed and/or mitigated effectively.

PIDG will work with partners in international coalitions to contribute to the evolution of tools to assess and price climate risks and related investments in climate resilience.

PIDG focuses on improving the climate resilience of the infrastructure that we develop and finance, which in turns contribute to climate change adaptation and resilience of current and future users and surrounding communities.

Increasing adaptation and resilience of communities and countries in which we operate

As well as considering how investments in all sectors can be made more resilient to the impacts of climate change, PIDG is also actively supporting investments that are specifically focused on increasing the resilience of the communities and countries the Group operates in.

PIDG is piloting a strengthened approach to climate resilience for new investments, in line with the latest thinking in the sector, linked to the work of the Coalition for Climate Resilient Investment and the UN drive of the Race to Resilience linked to COP26.

There are two main components:
- In addition to transition and physical risks—which assess the climate resilience of the assets, we have started assessing the climate resilience through the asset, or how the new infrastructure affects the climate resilience of users, workers, and surrounding communities.
- As part of the early screening of each investment, we incorporate more systematic due diligence on system resilience before to inform our investment decisions, and including specific monitoring indicators where appropriate.
Pioneering infrastructure changing lives

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Water: Water is one of PIDG’s programmatic sectors and PIDG can build on work done in Rwanda, in one of the first successful water PPP, Vietnam and Zambia. PIDG TA has also developed and funded a Strategic Partnership with the World Bank’s Global Water Security and Sanitation Partnership to support upstream capacity and technical assistance to water utilities in PIDG’s target markets. Nature-based solutions in the water sector are key both to environmental management and to climate resilience of the communities involved. PIDG will continue to focus on both water for domestic use and water for productive use and continue to test and implement best practice standards in water management.

Agri-supporting infrastructure: Farmers are among the most vulnerable to climate change and extreme weather events. PIDG will continue to focus on irrigation and logistics, including energy efficient cold storage, to strengthen their resilience.

Off-grid energy: Off-grid energy systems can strengthen community resilience since off-grid systems are less prone to climate shocks outside of the specific locations and can recover quickly from climate shocks. PIDG will continue to focus on scaling up off-grid platforms and financing solutions – including local capital and blended finance – to this programmatic sector.

Key sectors of focus:

We apply a climate risk and resilience lens to all our new investments and existing portfolio. The following sectors are particularly relevant to strengthen the resilience of the communities in which invest.
**Resilient cities:**
Focus will be on the development of platforms that build the capacity of local municipalities to both develop climate resilient infrastructure projects and to structure appropriate financing solutions that can attract climate finance. This area of work builds on the use of PIDG TA as a catalyst of project development and on the capacity building and structuring work done by PIDG InfraSolutions and GuarantCo.

Our programmatic effort to invest in affordable housing while raising the energy efficiency and lowering GHG emissions from the buildings is the other key component of this sector priority.

**Biodiversity and nature-based solutions:**
PIDG is actively working to further raise standards in the integration of biodiversity considerations in its investments. PIDG is also scoping and exploring how to improve nature-based solutions in investments. Nature-based solutions are defined by the International Union for Conservation of Nature (IUCN) as actions to protect, sustainably manage, and restore natural or modified eco-systems, that address societal challenges effectively and adaptively, simultaneously providing human well-being and biodiversity benefits.

In 2021-23 we will explore solutions to invest in nature based solutions that preserve and enhance nature while creating jobs and income generating opportunities. We will start with opportunities in the investments in our more traditional sectors and explore what further path finding investments we can develop.
Objective 3:

Mobilising domestic investors, entrepreneurs and stakeholders in emerging markets in climate savvy investments, including through local currency solutions.

Working with local investors, entrepreneurs and stakeholders to develop context specific solutions is a cornerstone of our support to a just transition.

We will continue to work on building capacities, technology and skills transfer and raising standards in sustainable infrastructure investment in low income and emerging markets.
Building on deep expertise in local currency solutions and mobilising domestic investors

Facing the unprecedented challenges of climate change requires innovation and locally tailored solutions. This is why mobilising domestic investors, entrepreneurs and stakeholders is an explicit objective in our strategy.

Developing local capital markets, local currency solutions and unlocking the large pools of domestic investment towards resilient and sustainable infrastructure are distinctive to PIDG’s approach.

Low income and emerging markets face a complex challenge.

PIDG company GuarantCo is an established leader in mobilising local currency credit solutions for infrastructure projects and supporting the development of capital markets in lower income countries across Africa and Asia. With support from PIDG TA, GuarantCo regularly engages in building the capacity of local investors, corporates, regulators and stakeholders in lower income countries.

EAIF is focusing on raising the reporting standards of corporate bonds in Africa through its bond anchoring role. InfraCo provides seed equity to local credit enhancement facilities set up with GuarantCo – like InfraCredit Nigeria and InfraZamin Pakistan.

In 2021-23 PIDG will leverage this expertise and focus on building a shared understanding among local investors, private companies and other local stakeholders of the most viable context specific opportunities to accelerate a transition to net zero.

Building capacity of local sponsors and investors to stimulate innovation

We will partner with regulatory agencies, standard setters and third party auditors to mobilise the local investment communities in our markets.

Stimulating energy efficiency

PIDG will work deliberately with our partner entrepreneurs and financiers to improve energy efficiency of operations in the investments and raising the standards in our markets.

Bring voices from our markets in the global debate on the transition to net zero

There is an urgent need to bring emerging markets perspectives in global debates, in order to ensure a just transition to net zero. We will do so through tailored learning, events aiming to build a better understanding of emerging markets transitions to net zero.

Stimulating context specific innovation with a deliberate focus on youth

The lower income and emerging economies PIDG invests in face an urgent challenge to create jobs and business opportunities to meet the aspirations of the growing young population. Innovative ways of thinking are urgently required to combine job creation with nature-based solutions and climate resilience.

As an infrastructure investor with strong partnerships with local investors and stakeholders, PIDG will increase its focus on engaging young people, through its capacity building work and through local partnerships linked to its investments.

Raising climate standards by working with our portfolio companies to apply PIDG climate standards

PIDG climate standards already apply to all PIDG investments including through intermediaries. We will continue to work with portfolio companies to support them to raise local standards as part of complying with PIDG requirements.
Objective 4:

Integrate climate and gender investment lenses in infrastructure investment to maximise the gender outcomes of climate related investment.

Climate change has a greater impact on those sections of the population that are most reliant on natural resources for their livelihoods and/or who have the least capacity to respond to natural hazards, such as droughts, landslides, floods and hurricanes. This applies to all countries. Women commonly face higher risks and greater burdens from the impacts of climate change in situations of poverty, and the majority of the world’s poor are women. Women’s unequal participation in education, decision-making processes and labour markets compound inequalities and often prevent women from fully contributing to climate-related planning, policy-making and implementation.
Yet, women can and do play a critical role in the response to climate change due to their local knowledge of and leadership in sustainable resource management and/or leading sustainable practices at the household and community level. Women’s participation at the political level has resulted in greater responsiveness to citizens’ needs, often increasing cooperation across party and ethnic lines and delivering more sustainable peace. At the local level, women’s inclusion at the leadership level has led to improved outcomes of climate related projects and policies. On the contrary, if policies or projects are implemented without women’s meaningful participation, it can increase existing inequalities and decrease effectiveness.

PIDG acknowledges the link between addressing gender inequalities and tackling the climate crisis, and will therefore adopt principles of gender lens investing in its investment decisions.

PIDG puts both climate and gender considerations at the core of its investment approach. The Group introduced climate and gender KPIs for each PIDG company in 2020. In order to support an integrated approach, PIDG reviews each potential investment’s impact on people, planet, and market transformation before moving it to the investment or credit committee stage. Compliance with PIDG Climate Change Standards and Gender Equality Standard are two of three minimum compliance thresholds in the very first investment screening (the other being financial additionality).

More specifically, each deal is explicitly screened for climate and gender related risks as well as opportunities to generate positive outcomes for the planet and women. The sustainable development impact rating of each investment is heavily influenced by its expected outcomes for the planet and for women, and this is a key consideration in investment decision making.

This allows PIDG to ensure that each deal is as gender and climate-smart as possible, and that key impact monitoring indicators are included in legal documentation to guarantee accountability and learning.

Key sectors of focus:

In 2021-23 PIDG will explore and disseminate practical analysis and best practices with regard to the intersection between climate and gender lens investing. The Group will develop and disseminate practical guidance and recommendations based on the latest evidence for water and off-grid solar projects.

These two sectors were prioritised because of:

• Their importance to strengthen community resilience.
• The potential to empower women through community engagement and leadership, and through productive activities associated to these projects.
• The role that women can play in developing innovative nature-based solutions.