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Climate Change Risk Mitigation by U.S. Foreign Assistance Agencies

Many in Congress have a keen interest in climate change, and determining how best to address that issue is a source of continuing discussion. Gaining increased attention in such discussions are federal efforts to reduce the risks of a changing climate by planning for and adapting to projected climate change, both in federal agency operations and in achieving agencies' respective missions.

Specifically, U.S. foreign assistance agencies—the U.S. Agency for International Development (USAID), the Peace Corps, the Millennium Challenge Corporation (MCC), and the U.S. International Development Finance Corporation (DFC)—are considering how climate change may affect both overseas programming and internal operations. For example, USAID requires climate assessments at each stage of its program cycle to help ensure that potential climate change or variability does not put development gains at risk. The Peace Corps considers how climate change may affect volunteers' physical safety.

Congress provides funding for and conducts oversight of the foreign assistance agencies' efforts to mitigate the risk of climate change primarily through annual Department of State, Foreign Operations, and Related Programs (SFOPS) appropriations measures. Some Members in the 116th Congress have introduced legislation that would codify certain aspects of this work. Although some recent legislation has been considered and passed by one chamber, no stand-alone legislation has been enacted. Congress may consider what role it will play, if any, in supporting or directing agency efforts to mitigate the risk of climate change in the future.

SUMMARY

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Introduction

Congress has demonstrated continued interest in how U.S. foreign assistance agencies address climate-related issues. To mitigate the risk of climate change for both internal agency operations and foreign assistance programming, Members have provided related funding and directives in regular Department of State, Foreign Operations, and Related Programs (SFOPS) appropriations measures.[1] Members have also pursued oversight mechanisms, including reporting requirements and Government Accountability Office (GAO) audits.

In addition to congressional efforts in this area, several executive orders have guided agencies' efforts to mitigate climate change risk. On October 5, 2009, President Barack Obama issued Executive Order (E.O.) 13514, which mandated a whole-of-government strategy to reduce greenhouse gas emissions and included plans for each federal agency.[2] On November 1, 2013, President Obama directed federal agencies to take actions "to enhance climate preparedness and resilience" under E.O. 13653. Section 5 of the order directed agencies to develop plans that integrate climate change into agency operations and overall mission objectives. Specifically, these plans were required to include a number of components, including the potential impacts of climate change on the agency's ability to accomplish its mission, operation, and programs; how the agency would address those impacts; and the cost associated with such actions. Finally, focusing on foreign assistance agencies specifically, President Obama in 2014 issued Executive Order 13677, "Climate-Resilient International Development." This policy requires all agencies engaged in international development to integrate climate resilience considerations into their overseas work.[3]

Although the Donald J. Trump Administration has continued several of these policies, it has rolled back or rescinded others. The Administration extended federal planning to increase energy efficiency and reduce greenhouse gas emissions. However, the Council on Environmental Quality (CEQ) within the Executive Office of the President no longer requires—but still encourages—smaller agencies, including those profiled here, to develop sustainability plans.[4] The Administration terminated government-wide climate preparedness and resilience efforts by rescinding E.O. 13653, but E.O. 13677 remains in place.

Foreign assistance agencies have adjusted planning and operations as a result of these actions, though their interpretations of the executive orders have differed. These agencies, which appear to have stopped updating their annual sustainability plans in 2017, have terminated planning efforts to mitigate the risk of climate change to agency operations. However, several agencies continue to assess climate change risk as they design programs.

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[1] Traditionally a foreign assistance authorization bill would provide for the spending of monies on the various U.S. foreign assistance priorities. However, a comprehensive foreign assistance authorization has not been completed in more than 30 years. As such, the annual SFOPS appropriations legislation has been the primary legislative vehicle for foreign assistance policy.

[2] Executive Order 13514, "Federal Leadership in Environmental, Energy, and Economic Performance," 74 *Federal Register* 52115-52127, October 5, 2009. President Obama later revoked the order and replaced it in 2015 with E.O. 13693, "Planning for Federal Sustainability in the Next Decade," which expanded on the E.O. 13514 requirements.

[3] Executive Order 13677, "Climate-Resilient International Development," 79 *Federal Register* 58231, September 26, 2014 (E.O. 13677).

[4] Council on Environmental Quality Office of Federal Sustainability, *Implementing Instructions for Executive Order 13693: Planning for Federal Sustainability in the Next Decade (revoked)*, June 10, 2015, p. 8, https://www.sustainability.gov/pdfs/eo13693_instructions.pdf; Council on Environmental Quality Office of Federal Sustainability, *Implementing Instructions for Executive Order 13834 Efficient Federal Operations*, April 2019, p. 5, https://www.sustainability.gov/pdfs/eo13834_instructions.pdf.

This report focuses on agencies' planning to reduce the risk of climate change for operations and programs; it does not include analysis of programming aimed at addressing developing countries' own climate risk. Specifically, this report discusses how the foreign assistance agencies—the U.S. Agency for International Development (USAID), the Peace Corps, the Millennium Challenge Corporation (MCC), and the Development Finance Corporation—are addressing climate change in their respective internal operations and overseas work planning. The report also discusses key issues that may be of interest to Congress as it considers future funding for and oversight of these activities. These issues include options for congressional input, the relationship of climate risk to other priorities such as environmental degradation, and responsibilities for climate risk management within and among U.S. foreign assistance agencies.

Agency Terminology

The following compilation of climate change terms commonly used in executive agency publications is provided to help Congress understand agencies' terminology in policy and strategy documents. These terms may be defined differently in other CRS reports. [5]

Adaptation: Adjustment in natural or human systems in anticipation of or in response to a changing environment in a way that effectively uses beneficial opportunities or reduces negative effects.[6]

Climate Change: Persistent change in climate, including normal climate variability, over decades or longer.[7]

Climate change mitigation: Actions that result in net reductions in greenhouse gas concentrations in the atmosphere.[8]

Climate risk: The potential for negative consequences due to changing climatic conditions. Climate risk consists of individual climate risks—potentially severe adverse consequences for development programs (or for humans and social-ecological systems) resulting from climate-related hazards interacting with vulnerable societies and systems exposed to climate change.[9]

Climate risk management: The process of assessing, addressing, and adaptively reducing climate risks.[10]

Climate variability: Variations in climate (including the normal highs and lows, wet and dry periods, hot and cool periods and extreme values) that can refer to day-to-day variability, year-to-year variability, and even decadal-scale variability.[11]

Resilience: The ability to anticipate, prepare for, and adapt to changing conditions and to withstand, respond to, and recover rapidly from disruptions. Unlike adaptation, resilience is sometimes interpreted as meaning a return to predisruption conditions.[12]

[5] Those definitions are available in CRS In Focus IF11446, *Weather and Climate Change: What's the Difference?*, by Jane A. Leggett.

[6] Executive Order 13653, "Preparing the United States for the Impacts of Climate Change," 78 *Federal Register* 66824, November 6, 2013 (E.O. 13653).

[7] USAID, 2014. *Climate-Resilient Development: A Framework for Understanding and Addressing Climate Change*, p. 27, https://pdf.usaid.gov/pdf_docs/PBAAA245.pdf.

[8] E.O. 13677, p. 58235.

[9] USAID, *Climate Change in USAID Country/Regional Strategies: A Mandatory Reference for ADS Chapter 201*, revised April 26, 2017, p. 24, https://www.usaid.gov/sites/default/files/documents/1876/201mat.pdf. (*Climate Change in Country/Regional Strategies*).

[10] USAID, *Climate Change in Country/Regional Strategies*, p. 3.

[11] USAID, 2014. *Climate-Resilient Development: A Framework for Understanding and Addressing Climate Change*, p. 27, https://pdf.usaid.gov/pdf_docs/PBAAA245.pdf.

[12] E.O. 13653, p. 66824; also cited in E.O. 13677, p. 58235.

Foreign Assistance Agency Operations and Programs

USAID

Agency Operations

Although the majority of USAID's efforts to mitigate the risks of climate change focus on its overseas programs to help developing countries, the agency has pursued some actions related to its internal operations. The primary documents outlining these efforts are from the Obama Administration. According to USAID, the plans referenced below were implemented successfully, but are now outdated. Therefore, some elements of those plans may not have been maintained during the Trump Administration.

In 2012, in response to E.O. 13514, USAID issued its *Climate Change Adaptation Plan.* The plan "[assessed] climate change risks, vulnerabilities, and opportunities for USAID mission, programs, and operations; [discussed] USAID's current and past adaptation activities; and [identified] agency-level actions to understand and address climate change vulnerability."[13] Operationally, the plan focused on four areas—assets; infrastructure and support systems; health and safety; and security. In doing so, it sought to address both the nearer-term effects of extreme weather events and climate variability and the long-term considerations related to climate change. The plan identified three lines of effort to address these four areas:

- **Partnership with the Department of State.** The potential partnership would focus on adapting operations to make agency assets less vulnerable to climate change. Together USAID and State would develop an inventory of jointly owned assets, assess their respective climate vulnerabilities, and determine and implement actions to reduce those vulnerabilities.
- **Climate Smart Missions.** USAID missions could request to become "climate smart." If selected, a mission would receive funding and technical support to integrate climate change adaptation into its operations and supported field programs.
- **Training.** USAID sought to pursue new trainings or to modify existing trainings on climate change adaptation related to operations.

In 2014, in response to E.O. 13653, USAID issued a supplement to the 2012 *Climate Change Adaptation Plan.* This supplement detailed 35 additional actions the agency would take to specifically address the E.O. 13653 requirements, some of which have been implemented.[14] Actions related to agency operations largely fell within three areas:

- **Procurement and awards.** USAID sought to streamline its procurement for climate-related assessments through one central funding mechanism, and to ensure that the climate-related language it used in its award documents was consistent. The agency also planned to establish incentive awards to reward

[13] USAID, *USAID Climate Adaptation Plan*, June 2012, p. 3, https://www.usaid.gov/sites/default/files/documents/1865/Agency%20Climate%20Change%20Adaptation%20Plan%202012.pdf.

[14] USAID, *USAID Climate Change Adaptation Plan for FY2015*, June 2014.

USAID staff or implementing partners who were leading efforts to adapt to climate change through project design and implementation.

- **Leases and construction.** While USAID does not solely manage a majority of its facilities, the 2014 supplement detailed a number of criteria upon which lease and construction decisions were to be made.[15] In selecting sites for potential facilities and construction, USAID would use industry methods such as conducting floodplain mapping, carrying out environmental risk assessments, and consulting coastal area construction standards. In addition, the agency would work with the Department of State's Overseas Building Operations for all co-located facilities. When negotiating leases, USAID would pursue flexible agreements that it could terminate if a long-term evacuation became necessary.
- **Continuity of operations.** Each USAID mission has an Occupant Emergency Plan (OEP) that includes "procedures for evacuating buildings or sheltering-in-place to safeguard lives and properties." The 2014 supplement recognized that climate change could increase the number and strength of weather events that might trigger the OEP. To address potential operational disruptions related to weather or climate events, USAID reported having already increased staff telework opportunities and established alternate work location plans.

While USAID notes that the 2012 plan and 2014 supplement were implemented successfully, in viewing publicly available documents, it is unclear how much progress USAID had made before E.O. 13514 was revoked and replaced in 2015. The Trump Administration revoked E.O. 13653 in 2017.[16] In some cases, USAID did not take action as initially planned. For example, according to USAID Operational Policy, USAID did not create any incentive awards for those who led climate change adaptation efforts.[17] Tracking compliance of other agency actions is more challenging. For example, mission security and emergency plans are largely not available to the public.

In addition, the way in which the 2012 plan was originally written—using language that gave the agency broad flexibility to pursue the proposed actions—made it difficult to measure the agency's success in meeting its stated goals. For example, the document stated that the agency would "explore" a partnership with the Department of State. This language enabled USAID (or the Department of State) to forgo the partnership if the agency determined it was not the preferred course forward. Although the 2014 supplement generally used more direct language, USAID continued to build options into its action items.

[15] In 2014, USAID solely managed only 15% of its facilities; the remainder were leased or co-located on Department of State property. Co-location of USAID missions with U.S. embassies was mandated by Congress following the 1998 bombings of the U.S. embassies in Kenya and Tanzania. Like USAID, the Department of State was subject to the various executive orders. The department has sought to address the risks of climate variability and climate change in its facilities, but has done so with varied success. For example, the GAO in 2017 indicated that in some instances, the Standard Embassy Design has been criticized for not being easily adaptable for posts with varying climates and underperforms in those that are very hot, cold, or humid. U.S. Government Accountability Office, *EMBASSY CONSTRUCTION: State Needs to Better Measure Performance of Its New Approach*, 17-296, March 2017.

[16] E.O. 13514 was revoked on March 19, 2015, and replaced by E.O. 13693, "Planning for Federal Sustainability in the Next Decade."

[17] USAID's Automated Directive System (ADS) details awards in Chapter 491. Last revised in 2016, the policy makes no mention of climate change. USAID, *ADS Chapter 491 USAID Incentive Awards Program*, June 13, 2016, https://www.usaid.gov/sites/default/files/documents/1877/491.pdf.

Overseas Programming

USAID's guidance continues to require consideration of climate change issues at each stage of its program cycle. To manage these efforts, each USAID mission maintains a designated climate integration lead; the Office of Global Climate Change at the agency's Washington, DC, headquarters serves as a resource for operating units seeking additional guidance on climate change in the context of their development programming.[18]

At the planning level, an annex addressing climate change risk has been mandatory for all country and regional development strategies since October 2015.[19] Recent country strategies for Afghanistan, Ukraine, and Zambia, each issued in 2019, have included such annexes. The annex requirement is in addition to a separately required environmental assessment at the activity level, which addresses the more proximate impact of agency activities on local ecosystems.[20] The risk assessment framework must address not only the consequences of climate change, but factors that contribute to it as well, such as greenhouse gas emissions.[21] A guidance document provides a detailed overview of the assessment process, and a separately published toolkit, actively managed on USAID's ClimateLinks website, details a four-step process for development of the climate change annex:

1. Review relevant climate information, including that provided in the country/region-specific climate risk profiles and, as available, additional climate information such as existing analyses and assessments.
2. Screen prospective activities for low, moderate, and high risk of negative impact.
3. Incorporate findings into development of the strategy.
4. Document the climate risks identified, how moderate or high risks are addressed in the strategy, and next steps in the Climate Change Annex.[22]

Each Development Objective proposed for a country/regional strategy is subject to a risk assessment based on a standardized matrix (see **Figure 1**). For low-risk objectives, documentation of the risk assessment is all that is required, while for moderate- and high-risk objectives, a fuller treatment of climate risk mitigation (CRM) is required (see **Figure 2**). USAID recommends a qualitative assessment to determine risk levels, because uncertainty about the magnitude and likelihood of climate impacts makes them difficult to quantify.

During implementation of a country strategy, development projects and activities may be proposed across a number of sectors (e.g., education, nutrition, and maternal and child health). A similar climate risk assessment process must be undertaken for each of these sectors, including under low-risk development objectives (though the documentation requirements for these are less strenuous) (see **Figure 3**).[23]

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[18] USAID, *Climate Change in Country/Regional Strategies*, p. 5.

[19] GAO, *Climate Change: Activities of Selected Agencies to Address Potential Impact on Global Migration*, GAO-19-166, p. 17, https://www.gao.gov/assets/700/696460.pdf. See USAID, ADS Chapter 201: Program Cycle Operational Policy, revised 7/23/2020 (ADS 201), pp. 35-36, https://www.usaid.gov/sites/default/files/documents/1870/201.pdf.

[20] 22 C.F.R. §216.

[21] USAID, *Climate Change in Country/Regional Strategies*, p. 16.

[22] USAID, *Climate Change in Country/Regional Strategies*, p. 11. Climate risk screening tools are available at https://www.climatelinks.org/resources/climate-risk-screening-management-tool.

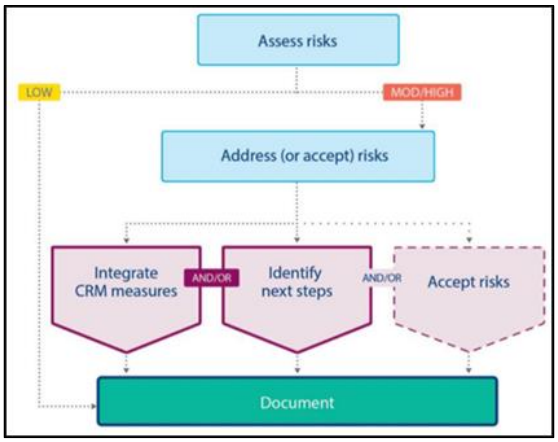
[23] USAID, *Climate Risk Management for Projects: A Mandatory Reference for ADS Chapter 201 (Climate Risk Management)*, revised April 26, 2017, p. 11, https://www.usaid.gov/ads/policy/200/201mal.

Figure 1. USAID Country Strategy Risk Assessment Matrix

SEVERITY OF NEGATIVE IMPACT (increases from top to bottom)	PROBABILITY OF NEGATIVE IMPACT (increases from left to right)		
	Low probability Low impact **LOW RISK**	Moderate probability Low impact **LOW RISK**	High probability Low impact **LOW RISK**
	Low probability Moderate impact **LOW RISK**	Moderate probability Moderate impact **MODERATE RISK**	High probability Moderate impact **MODERATE RISK**
	Low probability High impact **MODERATE RISK**	Moderate probability High impact **HIGH RISK**	High probability High impact **HIGH RISK**

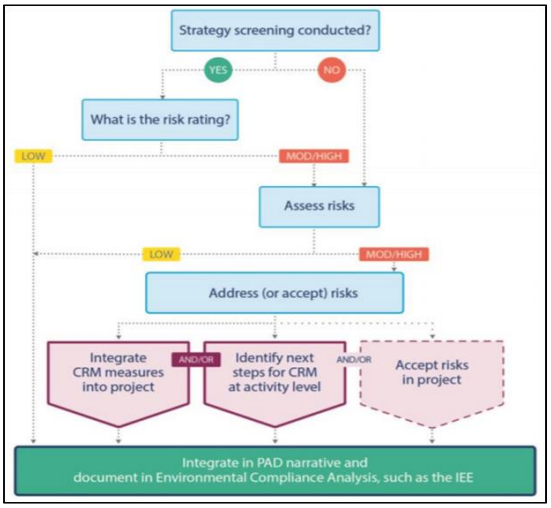
Source: USAID, *Climate Change in Country/Regional Strategies,* p. 9.

Figure 2. USAID Country Strategy Climate Risk Assessment Process



Source: USAID, *Climate Change in Country/Regional Strategies,* p. 4.

Figure 3. USAID Project and Activity Climate Risk Assessment Process



Source: USAID, *Climate Risk Management for Projects*, p. 11.

By contrast, the State Department in 2017 removed a requirement to take climate resilience into account when developing integrated country and regional strategies, which contribute in part to USAID and other foreign assistance programming.[24] The GAO criticized this removal as inconsistent with E.O. 13677. The State Department responded that it may recommend revocation of E.O. 13677 to the White House.[25] In the meantime, it has developed new country strategy guidance to inform missions that they may include a climate risk assessment annex. Although this guidance has been developed, it has apparently not yet been issued to posts abroad.[26]

[24] GAO, *Climate Change Activities*, January 3, 2019, pp. 17-18, https://www.gao.gov/assets/700/696460.pdf.

[25] GAO, *Climate Change Activities*, p. 57. The lead for the GAO report described the State Department's possible recommendation as "unprecedented." Justine Calma, "The State Department could gut Obama's last remaining executive action on climate change," *Grist*, January 19, 2019.

[26] GAO, "Recommendations Database," accessed October 13, 2020, at https://www.gao.gov/reports-testimonies/recommendations-database/?q=%22Department+of+State%22&field=agency_part_ss&list=1&rec_type=all_open#results, accessed 10/1/2020.

Peace Corps

In a 2015 plan for climate change adaptation, Peace Corps described a series of steps to address climate change risk through operational policies. The agency noted that the "amplification of extreme climate events in the future" could affect where volunteers are placed. The policy also noted that programs in some Pacific Islands countries were at risk due to rising ocean temperatures and attendant natural disaster risk.[27] Although the Trump Administration has not updated this plan, the Peace Corps Manual includes vulnerability to natural disasters as a consideration in volunteer site selections.[28] Many Peace Corps programs now include a climate lens, such as "climate-smart" practices like volunteers supporting sustainable water management for agriculture.[29] A 2016 Sustainability Plan also described goals to reduce greenhouse gas emissions and establish sustainability-focused agency operations; the agency terminated its sustainability program after E.O. 13514 and 13693 were revoked. The agency said it continues to be guided by the spirit of past sustainability plans.[30]

Millennium Challenge Corporation

The Millennium Challenge Corporation (MCC) has not integrated climate risk assessments into its program planning policies to the same degree as USAID. MCC maintains no permanent overseas facilities, and its country partnerships, known as "compacts," are statutorily time-limited to five years.[31] As a result, long-term changes in climate conditions may not affect operational procedures as much as they might for USAID or the Peace Corps, each of which has maintained uninterrupted presences in certain developing countries since the 1960s. Compared with USAID and the Peace Corps, MCC engaged in fewer climate preparedness efforts under the Obama Administration, but it has taken several steps to integrate climate risk in program planning.

MCC in 2012 adopted the Performance Standards on Environmental and Social Sustainability established by the International Finance Corporation (IFC), the private sector-oriented arm of the World Bank Group, as part of its Environmental Policy.[32] As a result, MCC is to include a climate risk analysis as part of its recommendation for either approval or rejection of each compact project proposed. As the IFC revises its environmental guidelines, MCC is to incorporate such changes into its processes and procedures, if the revisions are determined to be consistent with the

[27] Peace Corps, *Climate Change Adaptation Plan 2015*, pp. 1, 9-10, https://s3.amazonaws.com/files.peacecorps.gov/multimedia/pdf/policies/2015_Peace_Corps_CCAP.pdf.

[28] Peace Corps, *Peace Corps Manual Policy MS 270: Volunteer/Trainee Safety and Security*, revised 10/1/2019, p. 7. https://files.peacecorps.gov/documents/MS-270-Policy.pdf.

[29] Peace Corps, *Climate Change Adaptation Plan 2015*, p. 10, https://s3.amazonaws.com/files.peacecorps.gov/multimedia/pdf/policies/2015_Peace_Corps_CCAP.pdf; Peace Corps, *Agency Financial Report FY2019*, p. 10, https://files.peacecorps.gov/documents/open-government/agency-financial-report-fy19.pdf.

[30] CRS communication with agency staff, November 5, 2020.

[31] MCC may continue to partner with a country under a second compact. Those compacts, though, typically focus on a different sector, and MCC actively avoids structuring such partnerships as a follow-on.

[32] Performance Standards 1, 3, 4, and 6 and associated guidance engage the issue of climate change in particular. The standards recommend an evaluation of vulnerability to climate change, incorporation of climate analysis into baseline assessments, and mitigation or adaptation measures, as appropriate. IFC, *International Finance Corporation's Guidance Notes: Performance Standards on Environmental and Social Sustainability*, January 1, 2012, p. 13, https://www.ifc.org/wps/wcm/connect/9fc3aaef-14c3-4489-acf1-a1c43d7f86ec/GN_English_2012_Full-Document_updated_June-27-2019.pdf?MOD=AJPERES&CVID=mRQmrEJ; MCC, "Compact Development Guidance: Environmental and Social Assessment of Projects Proposed During Compact Development," February 2017, https://www.mcc.gov/resources/story/story-cdg-environmental-and-social-assessment-of-projects-proposed.

agency's own environmental guidelines.[33]MCC's 2016 Sustainability Plan asserts the agency's commitment to "climate resilient, low carbon, economic development." This plan includes encouraging countries to assess climate risks and vulnerabilities as they prepare project proposals, and incorporating adaptation measures during implementation.[34] MCC in 2011 committed to consider climate change adaptation measures "as appropriate" in overseas projects and operations. MCC's Compact Development Guidance includes climate risk as an evaluation factor for compact proposals.[35] While this commitment predates E.O. 13677 and thus does not specifically refer to it, MCC confirmed that it designed its current environmental procedures to align with that Executive Order.[36]

U.S. International Development Finance Corporation

The U.S. International Development Finance Corporation's (DFC's) Environmental and Social Policies and Procedures (ESPP) require a desk assessment of climate vulnerability for all new investments determined to be high risk, citing the E.O. 13677 requirement to integrate climate resilience in all development programs.[37] These assessments must determine whether projects have "broad community support" for project-affected people and are posted publicly and given a 60-day public comment period before a decision to invest can be made.[38] More broadly, the ESPP commits projects to be "compatible with low and no-carbon economic development." The DFC incorporates the IFC standards by reference—including future revisions to those standards.[39]

Congressional directives on funding to DFC and its predecessor, the Overseas Private Investment Corporation (OPIC), have complicated policies toward greenhouse gases. A court case filed in 2005 by a consortium of U.S.-based nongovernment organizations and municipalities against OPIC alleged that the agency was failing to account for harms to U.S. citizens of greenhouse gas emissions. OPIC had already begun implementing a greenhouse gas reduction plan prior to settling the case in 2009.[40] The agency agreed to publicly report on projects with more than 100,000 tons of annual CO_2-equivalent emissions, and to subject them to a full environmental impact assessment. In addition, OPIC agreed to reduce its carbon emissions by 20% over 10 years.[41]

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[33] MCC, *Environmental Guidelines*, DCO-2012-1.2, August 26, 2010, p. 11. Further clarification provided by MCC in email communication, December 1, 2020.

[34] MCC, *2016 Strategic Sustainability Performance Plan*, June 30, 2016, p. 5, https://assets.mcc.gov/content/uploads/2017/05/plan-2017001194301-2016-sustainability-performance-plan.pdf.

[35] MCC, *Compact Development Guidance*, p. 51, https://www.mcc.gov/resources/pub-pdf/guidance-compact-development-guidance.

[36] Discussion with senior MCC staff, 10/26/2020.

[37] DFC, *Environmental and Social Policy and Procedures (ESPP)*, July 2020, p. 28 (hereafter, "DFC, ESPP."). For an example, see https://www3.opic.gov/Environment/EIA/sahofika/ESIA.pdf, p. 309. E.O. 13677, p. 58232. DFC also conducts periodic site visits on a risk-based prioritization process. DFC, *ESPP*, p. 25.

[38] DFC, *ESPP*, p. 19.

[39] DFC, *ESPP*, p. 3.

[40] See OPIC, *Annual Policy Report: Fiscal Year 2008*, March 2008, https://edit.dfc.gov/sites/default/files/2019-08/fy08_annual_policy_report_040809.pdf. Information regarding the Greenhouse Gas/Clean Energy Initiative is discussed primarily in the "Environmental, Health & Safety Impacts" section on pp. 15-21.

[41] OPIC's settlement agreement, as provided by *Environment & Energy Publishing*, is available online at http://www.eenews.net/features/documents/2009/02/06/document_pm_02.pdf. The DFC stated that OPIC completed the requirements of the 2009 settlement agreement, which expired in 2014. Email response from DFC, October 21, 2020.

In FY2010, the 111th Congress mandated that OPIC develop a climate change mitigation plan that would reduce its emissions by 50% over 15 years (P.L. 111-117, §7079(b)).[42] The 113th to 116th Congresses partially reversed course, however, and created an exemption from the climate change mitigation plan for power generation projects that promote U.S. jobs and exports in lower-income countries.[43] OPIC formally transitioned to become the DFC after enactment of FY2020 appropriations. The exemption did not appear in FY2020 appropriations, but it remains in DFC's ESPP because the agency represented to Congress that it would maintain OPIC's environmental standards.[44] As of June 30, 2020, 63.6% of DFC energy project commitments, by value, were in renewable energy.[45]

Beyond these regulatory and policy standards, DFC has engaged in several international initiatives to improve project sustainability standards, including recognizing climate risks that may affect its investments. For example, DFC is a leading agency in the Blue Dot Network, a partnership among development finance donors that seeks to develop global standards for infrastructure projects. Although descriptions of the initiative refer to other international accords that include commitments to recognize climate risks, the extent to which the Blue Dot Network will adopt those commitments remains to be seen.[46] As a new agency, DFC is still in the process of laying out its investment priorities, but its recent actions indicate it may be receptive to such standards. For instance, the DFC recently announced that it will develop financial instruments that address the risk of climate change.[47]

Issues for Congress

Funding Oversight

Congress provides funding for U.S. foreign assistance agencies to address climate issues through annual Department of State, Foreign Operations, and Related Programs (SFOPS) appropriations. It is difficult to determine how much each agency spends on climate adaptation within its operations. Funds for adaptation efforts focused on internal agency operations are largely drawn from broader operations appropriations accounts. These accounts include USAID's Operating Expenses, the Peace Corps and MCC overall budgets, and the DFC's Corporate Capital Account. Because adaptation efforts may be a part of larger agency actions, the annual amount spent within each account is not clear, nor are funding trends over time.

[42] This provision of law provided that OPIC shall "issue a report … [including a plan] to reduce greenhouse gas emissions associated with projects and sub-projects in the agency's portfolio as of June 30, 2008 by at least 30 percent over a 10-year period and by at least 50 percent over a 15-year period."

[43] P.L. 113-76, §7081(4)(A)); P.L. 116-6, §7062(4)(A).

[44] DFC, *ESPP*, p. 28; Email response from DFC, October 21, 2020.

[45] Email response from DFC, October 21, 2020.

[46] Charlevoix committed "to respond effectively to extreme weather events and other hazards. We will continue to support innovative financing approaches, such as risk insurance to strengthen the resilience of vulnerable developing countries, including Small Island Developing States, and build on existing G7 initiatives." G7, *Charlevoix Commitment on Innovative Financing for Development*, June 2018, p. 3.

[47] See, for example, InsuResilience project announced at DFC, "DFC Approves $3.6 Billion of New Investments in Global Development in Largest Quarter Ever," press release, September 9, 2020, https://www.dfc.gov/media/press-releases/dfc-approves-36-billion-new-investments-global-development-largest-quarter. See also a sovereign debt restructuring program in Kenya with the Nature Conservancy, DFC, "Conserving Kenya's coastal ecosystems," https://www.dfc.gov/investment-story/conserving-kenyas-coastal-ecosystems, accessed 10/26/2020.

Determining a precise funding level for overseas programming that addresses climate issues is also difficult. Congress has established directives to address climate issues within regular appropriations—for example, in FY2020 Congress directed that not less than $135 million shall be available for sustainable landscapes programming. However, programming to address climate issues also exists outside the scope of those directives.[48] Moreover, tools to measure obligated funds for these efforts are imprecise because climate issues are often folded into broader environmental and conservation categories and not measured individually.[49] Congress may seek to amend budget reporting requirements to improve access to information on agency costs related to climate change risk mitigation.

Codification of Efforts to Mitigate the Risks of Climate Change

Outside of regular appropriations measures that provide funding and some guidance for agency efforts, efforts to mitigate the risk of climate change have largely been shaped by executive order and agency policies. This means that the underlying policies could feasibly be changed without congressional action and, in some cases, without public notification.[50]

In the 116th Congress, several Members have introduced legislation that would codify current activities or establish new lines of effort in these areas. Some bills have a narrow focus, such as those that would address the potential effects of climate change on a specific community or sector (e.g., displaced persons and refugees, or maritime health).[51] Other bills have a broad focus, such as those that would set policy that would apply to all international development or national security efforts.[52] A few of these measures have made it past committee consideration, and none have been signed into law.

Climate Resilience, Agency Sustainability, and Environmental Risk

Congress has not enacted a unified statutory framework for environmental assessments, sustainability plans, or climate risk analyses. Absent such an overarching framework, foreign assistance agencies have used varying approaches to integrate climate risk into their broader environmental risk policies. For example, USAID's climate risk assessments are completely separate from its environmental reviews. Environmental impact reviews are governed by 22 C.F.R. 216, which dates to 1977 and predates the emergence of climate change as a global

[48] P.L. 116-94.

[49] A July 2020 GAO report found, for example, that USAID has not consistently reported funding data on indirect efforts to help countries adapt to climate change. U.S. Government Accountability Office, *Climate Change: USAID Is Taking Steps to Increase Projects' Resilience, but Could Improve Reporting of Adaptation Funding*, 20-555, July 28, 2020.

[50] The DFC recently proposed an ESPP change to facilitate investments in new small-scale nuclear power projects. It initiated a "voluntary" 30-day public comment period, indicating that the agency no longer considered itself bound to a past requirement of OPIC that revisions may occur only following a public comment period (see P.L. 111-117 §7079(b)).

[51] For example, H.R. 4732 would amend the Foreign Assistance Act of 1961 to require the Secretary of State and USAID Administrator to develop a 10-year "Global Climate Change Resilience Strategy" that would focus on addressing the needs of displaced persons and those in need of humanitarian assistance, among other efforts.

[52] For example, H.R. 7738 would "require the integration of climate-resilience considerations into all development work of the United States." Among other requirements, the legislation directs the Department of the Treasury to establish an interagency working group on "Climate-Resilient International Development" that would aim to support the inclusion of climate considerations in U.S. development activities, share data and analysis on climate risks in development contexts, and coordinate agencies' work with multilateral entities, among other responsibilities.

concern.[53] A separate biodiversity analysis was mandated by Congress in 1986.[54] Climate risk analysis is not statutorily required and is assessed in a wholly separate review from each of these analyses. The DFC, by contrast, includes climate risk as a subsection of its environmental policies—aligning with an interpretation in the 2009 court settlement that climate risk is a form of environmental risk. MCC does not maintain an independent policy on climate risk, instead addressing it as one risk factor in its project proposal evaluations alongside other environmental risks.[55]

Foreign assistance agencies have likewise taken various approaches to align environmental risk policies with executive orders—in particular, E.O. 13677 (dealing with climate resilience in development) and the executive orders on federal sustainability. USAID has taken a bifurcated approach, applying sustainability executive orders largely to operational risk, whereas E.O. 13677 has been primarily applied to programmatic risk. Peace Corps adopted a similar approach, identifying climate change resilience efforts in programs only in an annex to its sustainability plan.[56] The DFC has taken a different approach. The DFC identifies carbon emissions as an environmental risk to the "global commons," as noted above. Unlike USAID, the DFC additionally requires evaluation of climate risk in its environmental impact assessments—potentially a result of the long time horizon of DFC investments and its emphasis on hard infrastructure. Like DFC, MCC sustainability plans connected programmatic climate resilience to agency sustainability efforts.[57]

These differing approaches to climate change risks may affect how Congress shapes its oversight and any legislation related to these efforts. Members may evaluate the relative merits of statutorily requiring assessment of climate change risks. Members may also evaluate the relative advantages of a free-standing climate resilience evaluation against subsuming them into long-standing environmental impact assessments. Moreover, agencies' application of these mandates may lead to analytical gaps if not systematically aligned. For example, DFC policy states that it screens projects for climate risks and vulnerabilities, but it categorizes risk levels of potential investments based only on potential environmental and social harms of the project, not on risk of project sustainability from external factors such as the climate.[58]

Interagency Coordination

Executive order modifications have made officials' current responsibilities for climate change risk mitigation unclear, and Congress may consider designating a coordinator for federal sustainability and climate change efforts. Alternatively, Congress could seek to designate a coordinator for such efforts across selected foreign affairs agencies only. While E.O. 13834 grants authority to the Director of the Office of Management and Budget and the Chairman of the Council on Environmental Quality to administer federal sustainability efforts, responsibilities for coordinating E.O. 13677 efforts appear to have lapsed. E.O. 13677 established a Working Group

[53] USAID, "REG. 216 (22 C.F.R. 216)," June 1, 2020, https://www.usaid.gov/environmental-procedures/laws-regulations-policies/22-cfr-216.

[54] USAID, *Foreign Assistance Act Sections 118 and 119 Tropical Forests and Biodiversity Analysis*, ADS Chapter 201 Mandatory Reference, July 13, 2020, p. 3, https://www.usaid.gov/sites/default/files/documents/1865/201mav.pdf.

[55] Discussion with senior MCC staff, 10/26/2020.

[56] Peace Corps, *2016 Strategic Sustainability Performance Plan*, June 8, 2015, p. 30.

[57] See, for example, MCC, *2016 Strategic Sustainability Performance Plan*, June 30, 2016, phttps://assets.mcc.gov/content/uploads/2017/05/plan-2017001194301-2016-sustainability-performance-plan.pdf, p. 5.

[58] DFC, *ESPP*, pp.4, 29.

on Climate-Resilient Development under the interagency Council on Climate Preparedness and Resilience,[59] but that interagency council was organized under E.O. 13653, which was repealed by the Trump Administration.[60] It is unclear if the Working Group remains active. The absence of a policy coordinator for E.O. 13677 may be a contributing factor in agencies' varying approaches to E.O. 13677, such as those between USAID and State.

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[59] E.O. 13677, p. 58233.

[60] E.O. 13653, p. 66822; Executive Order 13783, "Promoting Energy Independence and Economic Growth," 82 *Federal Register* 16094, March 31, 2017.