

UK aid for energy transition

Executive summary

November 2025

The Independent Commission for Aid Impact (ICAI) works to improve the quality of UK development assistance through robust, independent scrutiny. We provide assurance to the UK taxpayer by conducting independent reviews of the effectiveness and value for money of UK aid.

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A shift of the world's energy systems away from polluting and carbon-emitting fossil fuels and towards clean, affordable and renewable energy is essential to support economic growth and poverty reduction while keeping global warming below dangerous levels.

Domestically, the UK has already committed to this energy transition, cutting emissions by half compared to 1990 levels and pledging to reach net zero emissions by 2050. Internationally, recognising the global nature of the climate challenge, successive governments have also allocated a significant share of the UK's aid budget to supporting developing countries to make the transition to low-carbon, climate-resilient and nature-positive development paths.

This Independent Commission for Aid Impact (ICAI) review assesses how well the UK's support for energy transition in developing countries has worked over the past five years, focusing on relevant spending and activities from 2021–22 through to 2025–26 within the UK's overall £11.6 billion international climate finance (ICF) pledge.

The review considers the relevance and effectiveness of the UK's strategic approach to energy transition in developing countries; how well the UK has worked with international alliances and country partnerships, in particular the Just Energy Transition Partnerships (JETPs); and how effective the UK's efforts have been at mobilising further public and private finance in support of energy transition.

The review scope is global, including the UK's bilateral programmes and funding through British International Investment (BII) and the Private Infrastructure Development Group (PIDG), as well as UK ICF funding for multilateral development banks (MDBs) and multilateral climate funds (MCFs), in particular the Climate Investment Funds (CIF) and the Green Climate Fund (GCF).

Energy transition is a multi-sector and system-focused endeavour that spans all the four priority pillars of the 2023 strategy governing the UK's ICF spend (clean energy; sustainable cities, infrastructure and transport; adaptation and resilience; and nature for climate and people). The exercise to determine the UK's portfolio of energy transition-relevant programming for ICAI to build its review around took place in two steps. Initially, the Foreign, Commonwealth and Development Office (FCDO) and the Department for Energy Security and Net Zero (DESNZ) shared the outcome of a recent mapping exercise they had conducted across energy transition-relevant programming. Building on this, we conducted an additional exercise in collaboration with the departments to identify the set of programmes and activities that were relevant to energy transition within our review period. In total, we identified 84 energy transition-relevant programmes and activities as constituting the UK's energy transition portfolio. The findings in this review are centred around this portfolio.

Some of the programmes and activities in this portfolio have clean energy as their primary focus, some do not have an energy focus but are relevant to the wider energy transition, while others include clean energy alongside other ICF pillar priorities. Based on an analysis and estimates of this ICF pillar breakdown, as well as the delivery channels of the support, our best estimate is that the UK will spend around £3.6 billion of official development assistance (ODA) on supporting energy transition in developing countries over the five years 2021–22 to 2025–26 (within a total budget for the 84 relevant programmes and activities of £5.7 billion, and a total for ICF of £11.6 billion).

Findings

Relevance and effectiveness of the UK's strategy

The review finds that the UK's energy transition efforts in developing countries are highly relevant to addressing the climate crisis and benefit from long-standing and constant political commitment, substantial financial contributions, and strong technical expertise. Together these lie at the base of the UK's leading role in international efforts to promote global energy transition.

The UK's approach has largely evolved through a learn-by-doing, adaptive model shaped by a combination of international climate negotiations and reactive programme-level decisions. The result is a broad and diverse energy transition portfolio, which at its best allows adaptive decision-making, but also risks a lack of coherence. There is no single, shared definition of energy transition, nor a comprehensive operational strategy for achieving all of the UK's energy transition objectives, and government departments do not have a clear framework for cross-departmental decision making. This makes identifying gaps, and strategic decision-making on prioritisation and scaling up difficult, an urgent challenge as the UK government reduces its ODA budget from 0.5% to 0.3% of gross national income over the next two years to 2027.

Programmes in the energy transition portfolio are reporting significant results in some areas, but accountability for ICF reporting is weak and reporting practice is not comprehensive. The UK's ICF monitoring and learning system is recognised as stronger and more transparent than those of other donors, but the ICF key performance indicators (KPIs) only provide a partial results picture for the energy transition portfolio. It is also not possible to determine how many programmes should be reporting on a given ICF KPI, hampering accountability and strategic learning across the energy transition portfolio. The available data does not allow a complete and accurate breakdown of the UK's spend on energy transition by KPIs, delivery channel, or country.

The UK vision is to enable systemic shifts to accelerate progress to deliver transformational change in the energy systems of developing countries. Some early progress has been made, but there is a lack of clarity on how the efforts across the UK's broad range of programmes work together to achieve transformational change. There is a delicate balance to be managed between the energy transition portfolio's strategic focus on higher-emitting, middle-income countries, albeit with sizeable poor populations, and the need to ensure adequate support for low-income countries that remain relatively underserved, despite their acute vulnerability and greater dependence on concessional finance, with potential implications for the UK's longer-term poverty reduction and equity goals. The UK is a major contributor to MCFs and has used its role as the leading donor to influence the strategic direction of the CIF and the GCF in a positive direction. These climate funds are central to the UK's energy transition objectives, but there has not been a clear strategic rationale underpinning the UK's allocation decisions between multilateral and bilateral funding channels or on the proportion of funding allocated to each fund.

The review finds positive examples of cross-government coordination on the UK's international energy transition portfolio, but a lack of high-level coordination structures risks undermining portfolio coherence and strategic delivery. In September 2025 the government announced an overhaul of the way its cross-government ODA board works to address this risk.

Finally, we noted the importance for energy transition of securing a stable and ethical supply of critical minerals and the persistent challenges posed by complex and opaque extraction and supply chains, despite UK and international commitment to strong environmental and social safeguards.

Working with partners and alliances

The UK played a central role in establishing JETPs, notably in Indonesia and South Africa, which are country-led agreements that aim to mobilise grants, concessional loans, guarantees and private finance to help middle-income countries shift from coal to clean energy.

The UK's support for JETPs is valued by other donors and partner countries due to its responsive nature and focus on capacity support and consultation. While the JETPs have fostered financial commitments

from national governments, donors and private financiers, the mobilisation of funds has been slower than intended, with actual project spend lagging behind expectations. Progress on the phase-down of coal-fired power capacity is also off track, and UK offers of guarantees on loans from MDBs – the primary means of UK financial support offered – have not yet been fully taken up.

While the UK's influence on the outcomes of a country-led partnership is limited, some of the problems could have been anticipated in the original design and goals. However, the UK has used the lessons learned from the JETPs to inform its approach to subsequent country-led initiatives.

The UK has also been central to the creation of several different international alliances bringing developed and developing countries together to promote energy transition in the last five years. These range from the Clean Energy Transition Partnership launched at the Glasgow Climate Summit in 2021 to the Global Clean Power Alliance launched at the G20 in 2024. While the alliances themselves are not aid-funded, developing country members of alliances will often rely on aid funding to be able to commit to the alliances' objectives.

Although there are some good examples of success, it is not possible to assess the effectiveness of these alliances robustly, since rigorous monitoring, evaluation and learning standards are only applied to direct use of aid money and not to the UK's influence and wider impact of the alliance. The proliferation of alliances in the same space poses risks of fragmentation and duplication, especially for developing countries with limited capacity.

Mobilising finance

A central UK objective is to use its ICF to leverage and mobilise further public and private finance in support of energy transition. While global climate finance remains far below required levels, the review found evidence of UK leadership in supporting effective finance mobilisation. Looking at the results reported against the ICF KPIs on the mobilisation of public and private finance, the energy transition portfolio reported £5.2 billion of mobilised finance in the period from 2021–22 to 2023–24 (the last financial year for which we have KPI data). The UK-supported MCFs and development finance institutions all report significant mobilisation of public and private finance. However, their performance cannot be easily compared: they have different mandates, some operate in areas where attracting climate finance is easier, and they use different ways of measuring finance mobilisation, which may ultimately also affect the quality of the data fed into the ICF KPI data on mobilisation.

There is potential for the MCFs to increase their already considerable mobilisation of private capital, and the UK has been working with the funds to emphasise and operationalise this priority. There is evidence that in the past year the government has begun to engage with City of London institutions more intensively.

The UK takes a system-wide approach to finance mobilisation at all stages of the investment cycle, including for higher-risk innovations and for promoting an enabling investment environment in developing countries. This is a robust approach, but it is constrained in practice by the limited coherence between the many small and diverse activities and programmes that make up the energy transition portfolio, and insufficient coordination with other funders and between FCDO and DESNZ. The need for strengthened cross-departmental coherence on climate-related spending is recognised by the government, and there are intentions to strengthen the working of the cross-departmental ODA board, where all ODA-spending departments have a seat.

There is a risk of concessional funding crowding out private finance, linked to the UK's focus on middle-income countries and emerging markets. Many middle-income countries, unlike low-income countries, have the capacity to access climate finance through non-ODA mechanisms and market-based instruments. The sample of business cases we reviewed in the UK's energy transition portfolio all addressed the risk of crowding out private finance, but did so with the aim of justifying the proposed investment rather than providing a rigorous assessment of whether the programme's goals could be secured without, or with less, concessional finance. Nevertheless, a few evaluations concluded that UK support had not crowded out private investors.

Conclusions and recommendations

Overall, there are many positive achievements to highlight in the UK's ICF work on energy transition in developing countries. However, with difficult choices on the allocation of resources ahead, there is scope for improvement. This includes forming an overarching energy transition definition and strategy, addressing accountability and implementation gaps in data and reporting, and strengthening coordination across programmes and financial mobilisation efforts across the investment cycle, with sensitivity to the country context. While the UK's influential role and adaptive decision making are clear strengths, further progress is needed on strategic direction, coherence, and transparency to fully maximise effectiveness and impact.

Work on energy transition through partnerships and alliances has the potential to empower developing countries to take the lead on this work. But in the absence of systems to evaluate the impact of some of these initiatives, there is no evidence that they are an effective replacement for more conventional bilateral aid programming or investments through multilateral funds and development banks.

With the aim of supporting the UK government in further strengthening its efforts on energy transition in developing countries, ICAI offers the following recommendations.

Recommendation 1: The UK should publish a comprehensive energy transition strategy with a clear definition and theory of change, which also reflects poverty reduction and inclusion goals

Recommendation 2: The UK should take a portfolio-level approach to identifying and allocating funding between different bilateral and multilateral channels, notably between the multilateral climate funds, based on comparative advantage and value for money

Recommendation 3: The UK should establish clear, publicly accountable departmental roles with joint accountability to strengthen decision making and coordination on energy transition

Recommendation 4: The UK should standardise and strengthen the implementation of monitoring and learning across its energy transition portfolio, particularly accountability for reporting and the use of data on transformational change, financial leverage, and the additionality of UK finance

Recommendation 5: The UK should clarify the role of its country partnerships and international alliances in supporting energy transition, introduce more realistic targets for the JETPs, and create robust performance frameworks for alliances

Recommendation 6: The UK should clearly articulate its objectives for mobilising additional finance, distinguishing between support for countries at different development stages and across the investment cycle



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For information about this report or general enquiries about ICAI and its work please contact:

Independent Commission for Aid Impact
Gwydyr House
26 Whitehall
London SW1A 2NP

icaei-enquiries@icaei.independent.gov.uk