The World Bank *Climate Change Action Plan* 2026–2030

EXTENSION AND ENHANCEMENT

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The World Bank's Climate Change Action Plan (CCAP) is set to expire in July 2026, and as such, the institution's position as a climate finance leader is at stake. Options to succeed the CCAP include long-term extension or negotiation of new elements, in which political trade-offs may be unavoidable. The Bank's vision for a Livable Planet would suggest amending its strategy to include Nature & Biodiversity guidelines. However, finance innovation, demand development, transparency, and sustaining climate alignment among MDBs should also be addressed within the parameters of an updated CCAP.

The World Bank Board is scheduled to discuss the succession of its Climate Change Action Plan on 7 October 2025, opening a nine-month window in which the Bank's future climate policy will be decided. In recent years, the CCAP has functioned as a cornerstone of Bank lending guidelines, ensuring that an agreed percentage of finance is directed toward projects with climate co-benefits, and that more broadly, all branches of the World Bank group align their finance profiles with Paris Agreement targets. The CCAP has achieved meaningful progress since being operationalized in 2021, directing the Bank to lead the MDB system in rapidly scaling climate finance for emerging markets and developing economies (EMDEs).

It could be stronger, though. Gaps persist, for example, relating to the Bank's operationalizing its borrower incentives framework to address climate as a global challenge, and to bridge policy work such as diagnostic Country Climate and Development Reports (CCDRs) into its programming. Moreover, the current CCAP goes only so far toward pitching the Bank as a facilitator in an ecosystem of public banks and regulatory work that will enable clean finance flows in developing economies. A renewed CCAP would have the potential to enhance adaptation and resilience planning and finance; it could reinforce the Bank's energy strategy at time when backsliding poses a real threat, serving as a buffer to keep hard-won climate progress from unravelling; it could crystallize policy on less articulated priorities such as nature and biodiversity finance; it could catalyse green job creation and supply chains, and linked with clean industrial policies, rapidly accelerate EMDE energy transition.

In short, the period ahead is an opportunity to shape the priorities of one of the world's premier development institutions, and a decision on which path to pursue will reverberate across climate finance pledges, UN COP negotiations, and ultimately through development choices around the globe. With the Bank set to commit 45% of its resources to climate-related projects, the CCAP should point the way forward for an extensive climate portfolio and should be thoughtfully considered for extension and enhancement.

Background

The global climate finance landscape is entering a period of heightened complexity. Official development assistance (ODA) is contracting, despite UN negotiations on the New Collective Quantified Goal (NCQG) for climate finance having recently underscored the scale of unmet needs. Developing countries will require external financing of $1.3 trillion annually by 2035 to remain on a Paris-aligned pathway.[1] At the same time, G20 leaders last year endorsed a "Bigger, Better Banks" agenda as a roadmap for sustainable MDB expansion,[2] and the MDBs themselves collectively pledged more ambitious climate goals – $120bn/yr by 2030 for EMDEs[3] – raising expectations of the World Bank as a champion of climate finance. With these targets reliant on massive public finance mobilisation, what the Bank says and does matters, both geopolitically and in terms of signalling intent to donors, clients, and peer institutions.

The Bank's current Climate Change Action Plan (CCAP) 2021–2025[4] was widely viewed as a success, positioning the institution as a climate leader at a time of global uncertainty. The document was drafted at the peak of the COVID-19 pandemic, but notably prior to the launch of the Bank's Evolution Roadmap. In addition to targeting poverty reduction and shared prosperity, the Evolution reforms explicitly reoriented the Bank to address cross-border and global public goods challenges, with the vision of a "Livable Planet" at its core.[5] The CCAP renewal to 2030 should therefore serve as an operational backbone of this

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[1] UNFCCC, November 2024, **COP29 UN Climate Conference agrees to triple finance to developing countries, protecting lives and livelihoods**

[2] G20, October 2024, **G20 Roadmap towards Better, Bigger and More Effective MDBs** (PDF)

[3] World Bank Group, November 2024, **Multilateral development banks to boost climate finance**

[4] World Bank Group, 2021, **Climate Change Action Plan 2021–2025** (PDF)

[5] World Bank Group, 2023, **The World Bank's bold new vision**

vision, sustaining the trajectory established in 2021 while adapting to a rapidly changing political context and an increasingly contested development finance environment.

The stakes are high: the Bank's role as a climate leader is not guaranteed and shareholders must not allow it to regress. Future World Bank climate engagement must move beyond the level of guiding individual lending transactions, however, to include strengthening of client capacity for climate-related domestic resource mobilization (DRM) and facilitating increased guarantee issuance while embedding climate outcomes into core development objectives such as job creation. In developing countries, mitigation must be reframed not as strictly emissions avoidance, but as a pathway to clean development, inclusive growth, and employment. Expanding renewable energy access, clean manufacturing, and sustainable transport will unlock co-benefits including improved public health, enhanced energy security, reduced exposure to fossil fuel price volatility, and greater economic resilience to supply chain shocks and geopolitical pressures. In this sense, climate-smart borrowing should be viewed not as a constraint but as a fast track to economic transformation and clean job creation.

Moreover, the Bank's climate lending should be framed internally as an opportunity for development leadership. Peer institutions such as the EIB, EBRD, and IFAD are currently updating their climate strategies, underscoring the urgency of sustained ambition from the World Bank. Looking ahead, the renewal of the CCAP would ideally articulate clear priorities on mitigation, adaptation, financial innovation, just transition, nature and biodiversity, and transparency and accountability. Only by advancing a comprehensive and creative climate strategy can the Bank underpin its Livable Planet vision and credibly sustain its global leadership role.

Core components

At its heart, an extended or amended CCAP must maintain its adherence to the following principles, which were successfully articulated and agreed by shareholders in the 2021 document.

1. **Maintain climate lending target – 45% for the entire World Bank Group**
   The established climate finance target of 45% across the institution anchors the Bank's integrity as a clean development financier. Such a commitment signals ambition commensurate with global needs while ensuring climate considerations are systematically integrated into operations, rather than treated as an ancillary priority. Maintaining a whole-of-WBG target also strengthens accountability and sets a clear benchmark against peer MDBs. In future, the target should evolve to reflect not only the scale of resources mobilized but also the impact achieved, ensuring that financed projects deliver measurable progress on mitigation, adaptation, and resilience. This target should be non-negotiable.

2. **Defend Paris alignment across the WBG by 2025, sustained through 2030**
   Achieving and maintaining Paris alignment across all portfolios by 2025 has been fundamental to the Bank's legitimacy in international climate governance. Paris alignment ensures that every investment is consistent with a low-emissions, climate-resilient trajectory, thereby reducing long-term financial risk and assisting client countries to align with pathways required to meet LTS and NDC targets as well. Sustaining this standard through 2030 will lock in institutional discipline and insulate the Bank against backsliding in a volatile political environment. That said, E3G analysis shows that the Bank's definition and enforcement of Paris alignment is stronger in some areas than others, suggesting room for improvement, relative to some other MDBs.[6] And though increased concessional adaptation finance is paramount, the Bank must not lose sight of its catalytic role to advance deep decarbonization too.

3. **Link CCDRs with country programming and engagement**
   While climate advisory reports were a positive outgrowth of the previous CCAP, they must be better integrated into decision-making. It's not yet clear that these knowledge products work or are leveraged as initially envisioned. Strengthening the link between Country Climate and Development Reports (CCDRs) and Country Partnership Frameworks (CPFs) is critical to transforming diagnostics into actionable strategy. By embedding climate priorities directly into country engagement and programming, it ensures that climate finance becomes a structural dimension of national development planning, rather than an external or donor-driven agenda. Currently, the diagnostic report and planning framework operate on different timetables for some countries, and CCDR uptake has not been universal. Better alignment should foster coherence, accelerate implementation, and position the Bank as a trusted partner in integrating climate into the heart of country-owned development strategies.

Building on the 2021–2025 iteration, additional improvements could be made in the following areas to strengthen the CCAP, and fully render its vision of financing a Livable Planet.

4. **Secure and reinforce the Bank's energy strategy**
   The ongoing review of the World Bank's energy policy presents risks of backsliding on climate commitments, particularly through pressure to expand fossil fuel lending under the banner of energy access. Shareholders should act decisively to hold the line by maintaining the current Paris-aligned policy framework, including restrictions on coal and upstream oil and gas, while allowing limited flexibility on downstream gas only where no viable alternatives exist. Preserving the integrity of these commitments is vital to the Bank's credibility and to safeguarding years of multilateral progress in aligning development finance with the Paris Agreement.

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[6] E3G Public Bank Climate Tracker Matrix: **https://www.e3g.org/mdb-matrix/**

At the same time, shareholders should use this policy moment to reinforce the Bank's clean energy mandate by prioritizing investment in renewable-ready systems – such as grid modernization, battery storage, and demand-management tools – and pressing to adopt a more transparent, consultative review process. Furthermore, it should extend the remit to industrial policy. Energy-intensive industries, from steel and cement to chemicals, are the foundation of the material economy, underpinning everything from cleantech manufacturing to construction and defence. The Bank should offer more patient, blended finance, tailored to the capital intensity and timelines of industrial transition, and focus on financing the manufacturing capacity needed to meet rising demand – particularly in fast-growing sectors such as grids, industrial electrification, and other clean energy supply chains.

Durable alignment with the CCAP will demonstrate the Bank's commitment to sustainable development and ensure that its energy portfolio advances both energy access and the low-carbon transition while delivering green jobs at scale. Setting nuclear piloting aside, the strategic course is to maintain existing fossil energy guidelines, protecting climate ambition, while directing resources to expand clean energy and green industry enabling infrastructure.

5. **Improve adaptation and resilience finance and policy**
On adaptation, the world must move past incremental project-level interventions toward a more systemic, country-driven approach that mainstreams resilience into development planning and investment decisions. The CCAP should commit to scaling concessional and blended finance for adaptation, particularly in low-income and climate-vulnerable countries, while leveraging more guarantees and insurance instruments. The Bank should also improve its policy frameworks by ensuring alignment with national adaptation plans. Greater focus on metrics and results, such as avoided losses, resilience dividends, and strengthened institutional capacity, would help track impact and guide learning, beyond the stated 50% adaptation target. It should also avoid a false trade-off with mitigation by setting its adaptation target as an overall figure, rather than as a percentage of climate finance, building on the new approach announced by the EIB. Finally, the Bank can play a convening role by harmonizing resilience standards across MDBs, expanding system-wide technical assistance for disaster risk management.

6. **Include nature and biodiversity strategies**
Expanding the CCAP to explicitly integrate nature and biodiversity reflects both the evolution of global climate discourse and the Bank's own comparative advantage in financing natural capital. Embedding these new dimensions into the plan acknowledges the interdependence of climate stability, ecosystem health, and human development, and strengthens the Bank's reputation as a holistic development institution. A nature-focused CCAP also positions the Bank to mobilize emerging finance streams and to lead in an area where policy demand and client interest are rapidly growing, as evident by

the recent adoption of the Kunming-Montreal Biodiversity Framework.[7] It could include target setting for reforestation, mangrove restoration, or wetlands protection, among other measures, and integration of natural capital into cost-benefit analyses and lending portfolios. Notably, the Bank recently published a report on the Economics of a Livable Planet,[8] demonstrating that adaptation and resilience co-benefits link incredibly neatly with nature-based solutions, and reinforcing the justification for nature and biodiversity inclusion in the CCAP.

Options

While the process is ongoing, several alternative scenarios for CCAP extension are possible at this point. In light of the 7 October meeting, shareholders should explore and weigh the technical aspects, as well as the political viability, of each. Some are more far-reaching, others are safer. These options include:

1. **Business-as-usual extension, verbatim renewal to 2030**
   A simple extension would preserve continuity and avoid reopening sensitive negotiations on the 45% climate lending target and Bank-wide Paris alignment, while leaving room to pursue Nature and Biodiversity, as well as any other topics, in a separate plan. However, it may be criticized as insufficiently ambitious, and the creation of multiple plans could fragment the agenda, diluting the Bank's vision for a Livable Planet. If a viable shareholder coalition cannot unite around an agreed plan for revisions, though, this may represent the most straightforward path.

2. **Enhancement and integration into a Liveable Planet strategy**
   This option would see management and shareholders reworking existing policy to secure incremental, selective gains on key components, as described above, while integrating new tenets related to energy, adaptation, nature and biodiversity. It would build on the CCAP's foundation but broaden its scope to encompass a full sustainability agenda, embedding climate within the wider goals of environmental stewardship, resilience, and development impact. By consolidating separate strategies into a single, forward-looking framework, the Bank could strengthen coherence across its operations, signal continuity on Paris alignment, and provide clients with a clearer long-term vision for achieving both growth and planetary health. This arrangement would signal the Bank is not only a climate leader but sustainable development champion that balances mitigation, adaptation, and natural capital protection. From an achievability standpoint, this plan would likely require the most ambition and cooperation from shareholders. If successful though, the Bank would emerge with a unified playbook for a Livable Planet.

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[7] Convention on Biological Diversity, Kunming-Montreal Global Biodiversity Framework, **https://www.cbd.int/gbf**
[8] World Bank Group, 2025, **Reboot Development: The Economics of a Living Planet**

3. **Extension to 2030 with targeted addenda (nature, biodiversity, etc.)**
   This option builds on the existing CCAP while addressing some highlighted gaps. It could add credibility by strengthening climate finance reporting or appending Nature and Biodiversity guidelines, while leaving current finance targets and core climate components untouched. However, the approach risks being perceived as somewhat clunky, with additional sections being attached in a patchwork fashion and potentially proving difficult to negotiate piece by piece.

4. **Fundamental rewrite of the CCAP**
   A wholesale rewrite, entailing a full review of existing Bank climate priorities, is not a recommended course of action. While it theoretically leaves the door open for a range of outcomes, it carries incredibly high risks by potentially opening up core CCAP components to renegotiation, which could water down Bank lending commitments. A protracted negotiation would be time- and resource-intensive with damaging potential for a less ambitious result or worse, an impasse among shareholders that leaves the Bank without a functional climate strategy.

5. **Discontinue the CCAP entirely, citing climate mainstreaming success**
   Ending the plan altogether could signal that climate considerations are now fully embedded across Bank operations, negating any future need for climate finance guidance. However, recent estimates suggest that World Bank climate lending levels are already potentially overstated,[9] undermining the credibility of this claim. Scrapping the CCAP would also undercut efforts to integrate nature and biodiversity before they have been mainstreamed. Most likely, this result would largely be seen by observers as a discrediting failure and worse-case scenario and send a poor signal of international leadership, with other institutions likely to capitalise. For that reason, it should be dismissed as a plausible course of action.

Finance supply & innovation

Financing the next phase of the Climate Change Action Plan cannot rely on traditional World Bank Group financial models alone. In the current fiscal environment, concessional resources are under acute pressure and the foreseeable prospect of a General Capital Increase is remote. If the Bank is to deliver on the vision of a Livable Planet by spurring momentum on climate, nature, and biodiversity lending, it must leverage the very tools that have emerged from the World Bank's Evolution reforms since the CCAP was first conceived. These reforms, designed to optimize the Bank balance sheet and maximize leverage of innovative donor contributions, while consolidating precious concessionality,

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[9] Kaya, A. Leblebicioglu, A., September 2025, **Understanding the World Bank's role in climate finance**, *Climatic Change*, vol. 178(9), DOI:10.1007/s10584-025-03995-4

are not peripheral to the CCAP; they are now indispensable instruments for its financing and execution.

Donors are already steering resources toward global challenges through new mechanisms such as the Livable Planet Fund, the Portfolio Guarantee Platform, and the Framework for Financial Incentives. These instruments provide vehicles for targeted lender preferencing toward global priorities such as climate change, nature, and biodiversity. Balance sheet innovations – hybrid capital instruments and portfolio guarantees – have expanded the Bank's lending headroom, but their potential is only partially tapped. Lowering equity-to-loan ratios, not just by limit but in actual practice, pressing for shareholder uptake of the Bank's Enhanced Callable Capital offer, and planning to pilot re-channelled Special Drawing Rights (SDRs) all represent avenues to further augment capacity. Likewise, scaling up climate project guarantees can accelerate private capital mobilization, and MIGA's ambition should aim well beyond its current goal to triple guarantee issuance by 2030. IFC's foray into securitization and originate-to-share schemes stands to improve climate portfolio risk-sharing and would only be reinforced by more publicly available GEMS data. MDB heads recently re-agreed to take many of these actions forward at the Finance for Development conference in Sevilla.[10] These innovations have and will transform the supply of finance, not as abstract balance sheet manoeuvres or remote reforms in the eyes of observers, but as the enabling architecture for climate delivery.

A clear message should be conveyed by the CCAP: there is no plausible pathway to achieving the G20's "Bigger, Better Banks" commitment or the MDB collective climate goal or the UNFCCC climate target without aggressively deploying these tools. MDBs as a system are targeting $120 billion per year in climate finance by 2030, but the G20's vision of tripling MDB capacity implies a target closer to $180 billion annually. The World Bank cannot credibly claim leadership unless it demonstrates how Evolution-era instruments will be harnessed to reach its share of that scale. This imperative extends beyond numbers: the purpose is to finance job-creating clean development pathways, reduce exposure to fossil fuel price volatility, and deliver energy access and industrial transformation. Even in a constrained ODA environment, concessionality will remain essential, but the new financial architecture provides the means to multiply the Bank's impact. The renewed CCAP must therefore be framed not simply as a climate strategy, but as the operational expression of the Bank's recent Evolution – where the tools of balance sheet optimization and innovative finance are explicitly mobilized in service of a Livable Planet.

[10] AfDB, ADB, AIIB, CEB, EBRD, EIB, IDB, IsDB, NDB, WBG, April 2024, **Viewpoint note: MDBs Working as a System for Impact and Scale** (PDF)

Demand development & delivery

A central tension in the debate over scaling MDB finance is the claim that there is insufficient client demand to justify additional lending or capital increases. While client ownership must remain paramount, this framing obscures the reality that climate change cannot be addressed without a major scale-up of concessional and non-concessional finance. The World Bank Group's global reach, universal shareholder base, and ability to leverage each dollar of equity into multiple dollars of lending make it the most efficient vehicle for mobilizing resources to confront collective action challenges. It is therefore incumbent upon the Bank not merely to respond to demand, but to actively cultivate it – structuring incentives and platforms that make climate finance the most attractive and direct path for client governments to achieve their development goals. This approach will also have the knock-on effect of expanding private capital mobilization, reinforcing the centrality of the Bank's role as facilitator.

Meeting this objective requires attention to both the prudential environment and country-level enabling conditions. A renewed CCAP should acknowledge that without progress on debt sustainability and regulatory reforms, climate lending will be constrained, regardless of any balance sheet innovation. While systemic reform may fall outside the CCAP's formal scope, the plan should acknowledge the interlinkage with external processes under the G20, WTO, and UNFCCC, positioning the Bank as a partner in shaping the enabling environment. At the operational level, reimagined CCDRs should expand their role by not only diagnosing sectoral priorities but also by both identifying regulatory reforms needed to unlock climate investment and effectively routing "off the shelf" investment pipelines that flow seamlessly into country programming. By embedding climate-enabling reforms into country diagnostics and engagement, the Bank can transform structural barriers into opportunities for scale.

Incentives will be central to driving a shift in demand for climate finance. The Bank's Framework for Financial Incentives (FFI) provide catalysing instruments through which volume and price sweeteners can be directly linked to climate, nature, and biodiversity objectives, and there is no stated ceiling on its potential growth. A CCAP that explicitly connects to FFI and recommends scaling it substantially, potentially by an order of magnitude, would demonstrate seriousness in creating demand and solving global crises. Success also requires recalibrating staff incentives: Country Directors and operational teams must see climate lending and outcomes as organizational priorities, backed by internal recognition and resources.

Finally, delivery at scale demands institutional innovation in how the Bank engages at country and regional levels. Leading on the development of more robust country platforms, working in close coordination with national development banks (NDBs), and deepening local partnerships will be critical for efficiency, learning, and coordination. By combining demand creation with stronger delivery mechanisms, the CCAP can ensure that the Bank's enhanced financing capacity is fully deployed, not left idle for lack of investable projects. In doing so, the Bank has potential to become the indispensable institution for advancing climate-smart development at a global scale.

Transparency

This should be an easy fix, and the World Bank Board should consider using this CCAP renewal opportunity to discuss ways to augment its climate finance reporting. Improving transparency in climate finance is central to maintaining the World Bank's credibility and ensuring that its commitments translate into tangible outcomes as measured by its new Scorecard. One critical step is to publicly distinguish primary climate finance projects from broader development interventions that generate marginal or primarily incidental climate co-benefits. Recent analyses indicate that a substantial share of projects counted toward the Bank's 45% climate finance target are only tangentially related to climate objectives,[11] raising questions about the integrity of reported commitments. By explicitly identifying and reporting the volume and nature of projects that directly advance mitigation or adaptation, the Bank can provide a more accurate and meaningful picture of its climate portfolio, enabling stakeholders to assess both ambition and effectiveness. The new Scorecard indicators to measure outcomes are an improvement, but the Bank's Climate Action plan should nonetheless include reporting on those actions.

Transparency also requires methodological rigor at the project level. Rather than reporting climate finance solely through aggregate totals, the Bank should publish detailed, project-level calculations that demonstrate how climate components are quantified, costed, and tracked over time. Such disclosure would improve impact monitoring, facilitate independent verification, and counter long-standing criticisms that World Bank climate statistics are opaque and unreliable. Complementing this, the institution could issue annual or interim CCAP progress reports, providing periodic updates on portfolio-level achievements, challenges, and recalibrations. Together, these measures would not only enhance accountability but also strengthen the Bank's leadership role in promoting rigorous, evidence-based climate finance standards across the MDB system.

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[11] Kaya, A. Leblebicioglu, A., September 2025, **Understanding the World Bank's role in climate finance**, *Climatic Change*, vol. 178(9), DOI:10.1007/s10584-025-03995-4

Conclusion

The choice before shareholders is not simply one of administrative continuity but of strategic positioning at a pivotal moment for global development finance. Allowing the CCAP to lapse, or opting for a minimalist extension, would risk the Bank's earned reputation as a climate leader, while a fundamental rewrite would likely entail protracted negotiation and diluted ambition at precisely the moment when clarity and scale are most needed. The most credible paths forward are therefore Options 2 and 3 from the above menu: a reworking of existing CCAP policy to integrate new components into a full Livable Planet Strategy; or failing that, at least a simple extension of the CCAP through 2030 with targeted addenda on Nature, Biodiversity, Adaptation, or Transparency where agreement can be reached. These approaches would sustain the coherence of the existing framework, while strategically updating it to reflect the recent Evolution reforms and the Bank's global vision for a Livable Planet.

In practice, a CCAP extension and enhancement should represent a pragmatic consolidation of progress, ensuring that it syncs operationally with the "playbook" for the Bank's broader evolution. By embedding Nature and Biodiversity, the Bank will align its Global Challenges with international commitments and respond to strong client demand. By integrating financing reforms, it will explicitly harness the new tools of hybrid capital, guarantees, and donor preferencing to scale impact. By prioritizing demand creation and delivery reform, it will shift climate finance from being a reactive response to a proactive driver of development transformation. And by strengthening transparency, it will enhance credibility at a time when scrutiny of MDB climate commitments is intensifying. Taken together, these measures ensure that the Bank not only maintains its climate leadership but also equips itself with the tools to deliver inclusive, job-creating, and resilient development pathways. Shareholders should endorse this plan to anchor the World Bank's vision of a Livable Planet in a renewed strategy fit for the half-decade ahead.

ABOUT E3G

E3G is an independent think tank working to deliver a safe climate for all.

We drive systemic action on climate by identifying barriers and constructing coalitions to advance the solutions needed. We create spaces for honest dialogue, and help guide governments, businesses and the public on how to deliver change at the pace the planet demands.

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