Robust to Risk

Building a Climate Giving Portfolio for a Turbulent 2026 and Beyond

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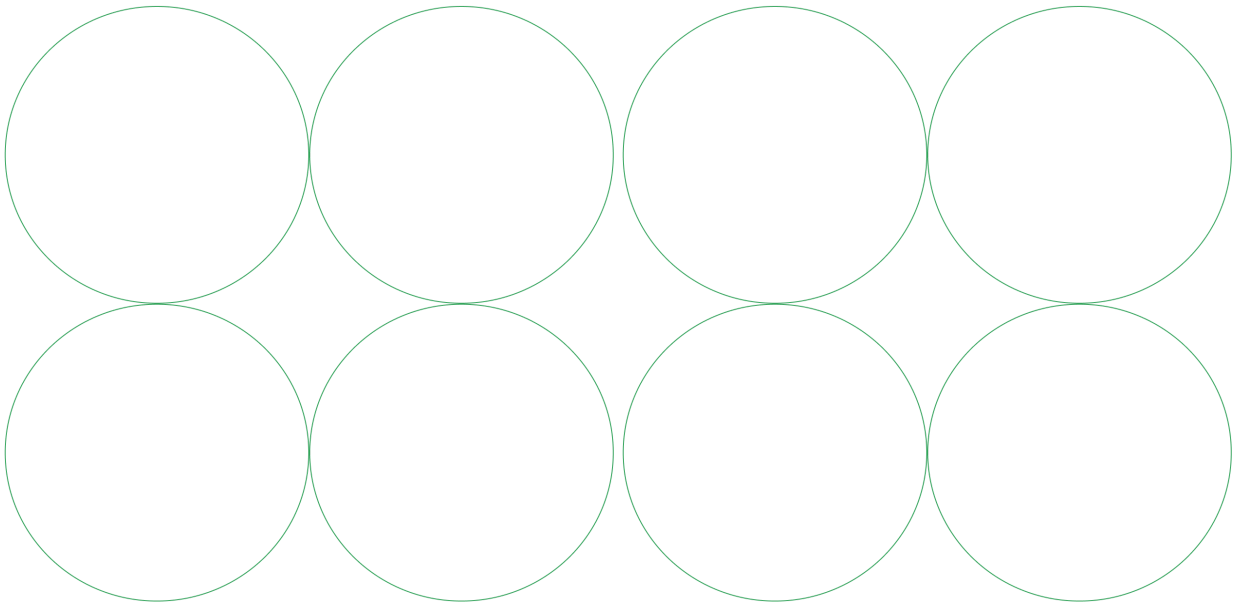

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Introduction

The landscape of climate action has changed rapidly. To put it simply: **Sh*t has hit the fan**.

We're now living in a world we've been warning about since 2021 — where climate attention has collapsed, political support has evaporated, and policy gains are under sustained assault. Compared to 2021-2022, the height of climate momentum, we're now in a fundamentally different environment.

And **the climate community was not prepared for this moment**. The mainstream climate community invested almost exclusively in coalitions and strategies that were optimized for favorable conditions that no longer exist. Worse, this ended up provoking significant backlash.

This failure has been widely recognized. Over the past months, a budding genre of "climate reset" pieces have been published — with prominent pieces from Daniel Yergin, Tony Blair, Michael Liebreich, and Bill Gates — each grappling with how climate action lost momentum and what should come next. This piece joins that conversation, but with a specific focus: **what can climate philanthropy learn from this moment, and how should we reset our strategies to empower more effective climate action in the future?**

This report examines four critical questions, all focused on **taking effective action going forward:**

- **First, what actually happened?** We'll trace the arc from the unprecedented climate momentum of 2018-2022 to today's hostile political environment.
- **Second, what can we learn from the recent past?** We'll examine what the last years have revealed that needs to be reflected in future strategies.
- **Third, what are the conditions we are facing now?** We'll analyze the changed landscape of climate action.
- **Fourth, what should we be doing now?** We'll explore strategic opportunities across key regions — the United States, the European Union, China, OECD Asia, emerging Asia, and the rest of the world — before concluding with broader observations about effective climate philanthropy in this challenging moment.

This moment demands an honest reckoning with where climate action stands, and what that means for philanthropists committed to reducing climate risk.

I. What happened?

To understand where we are, we need to trace how we got here — and the story is neither simple nor linear.

In the past decade, climate action went from the margins of policy discourse to the center of political attention, achieved unprecedented legislative victories, and then faced a backlash more severe than most anticipated.

This section walks through three distinct periods:

- **2018-2022: Unparalleled momentum.** We'll examine the convergence of forces that created a surge in climate attention and action.
- **2022-2024: Cracks appear.** We'll trace how the peak momentum began eroding, leading to the gradual retreat of climate as a salient political issue.
- **2025: The reckoning.** We'll document why the current moment represents something more severe than a typical political setback: climate politics have deteriorated globally.

By the end of this section, the scope of the challenge will be clear: **we're at the most difficult moment for explicit climate policy in at least a decade,** and the optimism that characterized 2018-2022 has given way to genuine uncertainty about the trajectory of global climate action**.**

2018-2022: Unparalleled momentum

As we're examining how we got to this moment, it's important to recognize that the moment from roughly **2018–2022 was a special period when there was a step change in attention to climate**.

Around this time, multiple things happened:

- The Paris Agreement was negotiated in 2015 and spurred a global period of policy-making and implementation.
- The youth climate movement, catalyzed by Greta Thunberg, originated in 2017–2018 and scaled to become a global phenomenon.

- The 2018 Intergovernmental Panel on Climate Change report warned of terrible consequences if we passed 1.5 degrees of global warming, which caught a lot of people's attention.

Then came the 2020 US election, where climate policy emerged as a defining issue. President Biden campaigned on a comprehensive policy platform — climate, healthcare, social policy — and prioritized climate policy once he was in office. **The Inflation Reduction Act and related policies represented the most significant climate legislation in US history and, indeed, globally**. For the first time, the US was ahead in climate policy.

This success was not a coincidence but the result of a dedicated civil society effort to build the discourse and coalitions for ambitious US climate policy. As Ted Fertik put it in the best accounting of this period we are aware of (emphases ours):

> "A new common sense had been **built** around a single premise: that the future is carbon constrained. This premise cohered a vast but fragile ecosystem of sometimes competing interests around **the imperative of responding with economy-wide decarbonization.**"

Climate action reached a level of political priority genuinely unprecedented in scale and scope. The COVID-19 pandemic accelerated this thinking, creating both urgency and fiscal possibility around massive public investment. As we analyzed at the time, this opening policy window presented a massive opportunity for climate philanthropy to affect how the societal effort to address climate was shaped — how the "pie" would be distributed across approaches and technologies (also see "*Observation 2: System-level interventions have grown more critical*").

2022-2024: Cracks

The peak momentum of 2018-2022 didn't end with a sudden crash. Instead, it began with small cracks.

The first major crack appeared in early 2022 with **Russia's invasion of Ukraine**. What was already an energy crisis related to COVID and supply chain disruptions became acute, particularly in Europe, as countries scrambled to reduce dependence on Russian fossil fuels.

As energy prices spiked, the conversation shifted from climate ambition to energy security and affordability. The political space for climate action began narrowing as

policymakers prioritized immediate energy access over longer-term decarbonization goals.

Then, **by the 2024 US election, another change: neither major candidate was really campaigning on climate**. In 2020, President Biden had run explicitly on ambitious climate policy — it was a centerpiece of his campaign and, once in office, became his signature domestic achievement. Just four years later, climate had fallen from a top-tier campaign issue to something largely absent from major speeches and debates. Had climate been a salient issue for voters, clearly Harris could have run on the most successful climate legacy of any administration — but she didn't.

As Ted Fertik's analysis documents, something deeper was shifting:

> "But since **2023, skepticism has grown** about the timeline on which carbon constraints will bind, and doubt has seeped in **regarding the ability of climate action to deliver for its constituencies.** In all its forms, **the Trump assault on climate policy aims to convince Americans that climate action will make them worse off**, and, in doing so, to blow up the painstakingly assembled coalitions that made US climate action possible. **The undermining of both American confidence in climate action and its coalitional foundations risks locking in self-propelling negative feedback loops**."

The "new climate common sense" built during the peak years — the belief that the future would inevitably be carbon-constrained and that first-movers in decarbonization would have competitive advantage — was eroding. The co-benefits that were supposed to make climate action politically durable, like economic development and energy security, weren't materializing as quickly or as visibly as promised. Companies began hedging their bets. Policymakers grew more cautious.

Past momentum still generated ongoing wins, including the passage of the Inflation Reduction Act in 2022, representing the most significant climate legislation in US history. But looking back, attention was shifting away, and **2022-2024 marks the transition from climate's peak moment to something more precarious.** The infrastructure of progress remained, but the political will and public attention sustaining it began cracking.

2025: The Reckoning

Now, in 2025, we're in a very different place — a place we would describe as the "reckoning." **Climate action *in the name of climate* is contested at a level we haven't seen in over a decade**.

The Trump administration's return has brought changes more extreme than many — including ourselves — anticipated. Many people came into 2025 expecting that Trump's second administration would be similar to his first one for explicit climate action: a lot of anti-climate rhetoric, but that ultimately there wouldn't be a lot of specific policy targeting climate beyond the expected abolishment of parts of the Inflation Reduction Act and regulatory rollbacks at the Environmental Protection Agency (EPA).

Unfortunately, that's far from the truth. **In addition** to those widely anticipated changes, we are seeing:

- **Attacks on government capacity**: Systematic degradation of Department of Energy capabilities through DOGE and related efforts. We documented the implications of DOE staffing cuts in our recent blog on one of our grantees working on preserving staff capacity and innovation funding.
- **Innovation budget cuts**: Massive reductions and cancellations of DOE projects, including recissions of already-appropriated funds. This is a stark departure from Trump I, where Trump proposed cuts to energy innovation budgets, but Republican Senators defended energy innovation.
- **Aggressive anti-renewable policies**: Beyond the expected cuts to renewable tax credits, the Trump administration has pursued a flurry of executive and regulatory action to specifically target renewable permitting; making it more difficult to build renewables and, potentially, poisoning the well for comprehensive permitting reform.

It is not just the US

The US may be ground zero, but this isn't an isolated phenomenon. **Climate politics have deteriorated globally**.

In the European Union, the far-right parties that gained significant ground in the 2024 European Parliament elections are actively contesting the EU's climate targets. Debates about the 2040 climate targets have become contentious in ways that would have seemed unlikely just a few years ago (more on that in our section on the EU).

Zooming out from Europe, the global picture is similarly stark. Countries were supposed to submit their 2035 Nationally Determined Contributions (NDCs) under the Paris Agreement by February 2025. As of the end of September, only 64 countries had submitted these targets. **That means 129 countries hadn't done the basic homework required by the Paris Agreement**.

We are at what may be the most challenging moment for climate policy in at least a decade — perhaps since the Paris Agreement itself. The optimism that characterized the first seven years after Paris — culminating in the US taking the lead on climate action in 2022 and nudging Europe to be more ambitious — is fading. Climate policy is at a genuine inflection point.

II. The climate community was not prepared (and why this matters)

The climate movement's vulnerability to this moment didn't emerge from nowhere. **It resulted from specific, identifiable strategic failures — many of which were shaped, enabled, and in some cases directly funded by climate philanthropy.**

This matters because **climate philanthropy isn't just a funder of the climate movement — it's a main driver of climate civil society.** The priorities of major climate funders become the priorities of climate civil society. The biases in philanthropic allocation become the biases in advocacy, organizing, and policy development.

And, crucially, philanthropy is far from an efficient market. Philanthropy is:

- (1) Ideologically predisposed.
- (2) Prone to blind spots.
- (3) Slow to adapt to changing circumstances.

Philanthropic capital doesn't flow quickly to wherever impact is highest. It flows to what's fashionable, what aligns with donor identities, and what established organizations have historically done (for a much deeper dive on this, consider our case study on climate philanthropy's reaction to Trump I).

As we'll document in this section, three major strategic failures left the climate community unprepared:

- **First, massive underinvestment outside the progressive bubble.** Climate philanthropy funded left-leaning climate groups at least ten times more heavily than right-of-center groups, creating a climate civil society that was structurally incapable of building or maintaining bipartisan support and building a set of decarbonization policies for any political context. While this pattern is most granularly documented for the US, the pattern is broader and it features prominently climate reset pieces.
- **Second, being on the wrong side of crucial policy fights.** On some of the most consequential recent policy questions — particularly permitting reform — major environmental groups actively opposed outcomes that would have accelerated decarbonization and, more critically, delayed the creation of constituencies with vested interests in the green transformation.
- **Third, an overestimation of the depth and breadth of climate policy support**. Overall, the moment of heightened climate attention was misread as a permanent shift and deep support, rather than a shallow and permanent exception in public attention.

Neither of these failures was inevitable. In fact, some philanthropists saw these risks coming and positioned accordingly. Understanding where they went right reveals what we can do differently.

This is the climate philanthropy reset that must happen for the broader climate reset to succeed.

Failure 1: Underinvestment outside the progressive bubble

One of the main ways we were underprepared was the fact that **climate philanthropy invested overwhelmingly on one side of the political spectrum**.

Consider this chart of funding trajectories for left-leaning groups, Big Green (which is largely left-leaning), and the Ecoright.

Figure 1. Funding trajectories for different types of environmental organizations

Source: Founders Pledge

It's clear that **funding for the Big Green and left-leaning groups has been at least 10 times higher than funding for right-of-center groups**.

The biases of philanthropy form the biases of civil society and, ultimately, the bias of the societal response at large. This quote from The Next Move captures this well (emphasis ours):

> "That's not just a missed opportunity; it is strategic malpractice. **No movement succeeds long-term by writing off half the electorate**."

This asymmetry shaped how major climate victories were achieved. The Inflation Reduction Act, the most significant climate legislation in US history, passed through a strategy that focused almost entirely on influencing Democrats and building a Democrat-only climate bill, embedding policy ideas with bipartisan support — such as energy tax credits — in a strongly partisan and culture war coded activist message of a "Green New Deal".

Even when the climate community does engage with right-of-center voices, there is often a fundamental mismatch in approach. **The engagement typically attempts to convince right-leaning groups to support fundamentally left-of-center policy ideas**. The lack of grassroots action and connective tissue right-of-center makes it more difficult for conservative voices to engage authentically.

Michael Liebreich — who built his career on correctly betting on renewables and technology-driven climate solutions — notably chose to begin his recent "Pragmatic Climate Reset" not with technology or economics, but with a political critique (emphases ours):

> "Job number one is to reset climate politics.
>
> It's easy to blame polarization on the oil and gas industry, libertarian think tanks and legacy media. **The reality is that the climate and clean energy community bears its own share of the blame for this situation**.
>
> Stop talking down to people. Stop trying to make them feel guilty. [...] The transition will not succeed without the support of the sensible center. This is where most hard-working, asset-owning people reside, as well as the majority of executives and investors. **These people are not "ignorant and inattentive" about climate change**, to use the words of blogger and podcaster David Roberts, they are smart and concerned. [...] Winning back the sensible center demands a new approach, focused on self-interest, fairness and harmony... **To win the politics, stop taking the knee to Greta Thunberg and start worrying about energy bills**."

Failure 2: Being on the wrong side of crucial policy fights

The second failure was that on some of the most consequential policy questions of recent years, **major environmental groups have been on the wrong side of policy debates** — actively working against outcomes that would have accelerated decarbonization.

The most salient example is what happened — or more precisely, what didn't happen — around permitting reform in the wake of the Inflation Reduction Act.

The IRA represented a massive expansion of clean energy financing, with hundreds of billions of dollars in tax credits and subsidies to build solar, wind, batteries, and other clean energy infrastructure. At the time, **there was a significant backlog of clean energy infrastructure projects awaiting approval**, which permitting reform

could have unlocked. In order for the IRA's financing to matter, we needed to address the regulatory side of the equation: making it easier to actually build clean energy projects.

But **large environmental groups opposed permitting reform, rejecting deals that would have overwhelmingly benefited clean energy deployment**, on the grounds that these deals might also make it marginally easier to build some fossil fuel infrastructure.

The dark irony here is that if environmental groups had had less power, it could have led to better climate outcomes — both in terms of making it easier to build out overwhelmingly clean new infrastructure but also — no less important — accelerating the creation of local political interests favoring these investments and associated jobs and revenue.

Failure 3: The climate community overestimated climate policy support

At the height of the modern climate movement's success, **it was easy to imagine a future where climate would be permanently embedded as a top priority** — if not of the overall public, then at least of left-of-center parties.

But a crucial lesson from this crumbling is that — whether or not that was a realistic expectation to begin with — it **should not be an expectation going forward**. This is true in both the US and the EU:

In the US:

- **Support for climate among voters remains shallow,** with climate not being a top priority for voters in general and the Democratic party being perceived as overly focused on climate, with swing voters 20% less likely than highly engaged Democrats to prioritize climate.
- Beyond voter attitudes, the fights around the repeal of the Inflation Reduction Act revealed the lack of political muscle of many clean energy interests and the limits to the political theory of local constituencies. **Despite being primarily benefiting "red states," the economically most significant parts of the Inflation Reduction Act, wind and solar tax credits, were cut significantly** — with other issues dominating the asks of Congressional Republicans to change what became the One Big Beautiful Bill.

In the EU:

- Even in the EU, arguably the most pro-climate public available globally, support for climate action is shallow, with only about a third of voters willing to incur an additional cost of €100/month for climate action. **Clearly, many policies can be framed — correctly or not — as imposing significantly higher cost**, making the recent climate backlash in Europe far from surprising.
- The energy crisis completely refigured climate and energy policy and contributed to a massive backlash against green parties in the 2024 EU Parliamentary Elections.

Thus, the **period from 2018-2022 of increasing climate attention was not the beginning of a "new normal"** with regards to support for *additional* climate action, but rather a **positive outlier**, nothing to be planned for existing and nothing that plans for climate action can be made dependent upon.

Beyond this lesson, there is another important lesson here. A recurring theme in post-mortems on the OBBBA fights was that those interests most to profit from the tax credits often did not show up and that constituency interests were not organized. **Building such connective tissue between local interests and its authentic representation in political conflicts** is one function where philanthropy can help by supporting the building of coalitions.

The principal challenge facing climate action is coalitional, not technical. The problem we face isn't that technology has failed or that policy design has failed. What went wrong was the theory of how to build the political coalitions necessary to sustain these technologies and policies. **Socio-cultural backlash, not pure economic interests, drives climate opposition** — and the climate community bears some responsibility for the polarization that provoked that backlash.

Proof of concept: Leaders who got it right

While no one can perfectly predict the future, it's important to recognize that **this moment was foreseeable**.

In our 2021 report The Changing Landscape of Climate Philanthropy — written at the height of climate attention four years ago — we explicitly warned that climate progress was vulnerable and that philanthropists should hedge against scenarios where momentum reversed (emphases current):

> "Given **significant uncertainty about the future evolution of climate politics** and the **significant downside risks**, we **believe there is a strong case for philanthropists to hedge their bets** by supporting a portfolio of different strategies and organizations that can be effective under different political scenarios... **The risk of backsliding on climate policy is real, and philanthropists should prepare for scenarios where explicit climate policy support weakens or reverses.**"

While we mostly focused on the technology risks of that equation in 2022 and it took us until 2023 to fully eat our own medicine and start massively investing in work in that also addressed the political risks; below are some people that were —overall —better prepared than us and most of the climate community in being ready for this moment.

The reason it matters to showcase that past successes in foreseeing and adapting to changes was possible is because we should expect this to be possible now. Rather than being surprised by predictable events—such as 50:50 elections turning out in ways one does not favor—this hopefully serves as an existence proof of a more forward-looking and resilient climate philanthropy and organizational ecosystem being possible.

Andrea Yodsampa, CEO of DEPLOY/US

Andrea Yodsampa founded DEPLOY/US in 2015 as **a field-building and regranting organization focused on fixing the partisan imbalance in climate and clean energy civil society**.

When Andrea began this work, the need for bipartisan leadership—which should have been obvious—was not well recognized in climate philanthropy. Her six-month landscape analysis underscored that bipartisanship was essential and, to achieve it, right-of-center organizations working on climate and clean energy needed to be developed and supported as an ecosystem. Most of these groups did not yet see themselves as part of a coherent field.

She was early to this type of work, and we've been supporting DEPLOY/US precisely because this work was—and remains—critically underfunded relative to its importance.

Armond Cohen, Executive Director of Clean Air Task Force (CATF)

Armond Cohen, who leads CATF, took a different approach: **investing in a broad portfolio of technological solutions, including those unpopular with traditional environmentalists**.

Rather than betting everything on the climate solutions that fit neatly into aspirational models, CATF invested early in technologies like advanced nuclear, enhanced geothermal, and carbon capture — solutions that are more likely to succeed across different political contexts and hedge against different technological and economic realities and risks.

This kind of technological portfolio thinking prepares for multiple futures: futures where intermittent renewables hit economic and physical scaling limits, unfriendly administrations control policy, or energy demand grows faster than expected. By not putting all eggs in one basket, **organizations like CATF have positioned themselves to make progress regardless of how political and technological uncertainties resolve**.

The budding genre of climate resets

The recognition that something fundamental has gone wrong isn't ours. Over the past months, the **"climate reset" has emerged into a flourishing literary genre**, with prominent contributions from energy analyst Daniel Yergin, former British PM Tony Blair, energy analyst Michael Liebreich and, last but not least, the world's most significant philanthropist, Bill Gates.

The moment is clearly ripe for reflection, and these pieces are competing to define the narrative: how did climate lose support and momentum, and how should we move forward?

While there are idiosyncrasies to each of those reset pieces, common themes emerge (we elaborate on some implications for climate philanthropists as well):

- **(1) The policy-induced changes in the technological trajectory of renewables** and EVs is impressive and the **main driver of an improved outlook** over the past 15 years (all).
- **(2) Climate politics is in trouble** — there is widespread backlash against climate policy (Yergin, Liebreich, Blair).

    - We see this as one of the key challenges that climate philanthropists now need to grapple with, making plans that make realistic assumptions about the political environment.

- **(3) The climate community and activists are part of the problem** (Liebreich, Blair), alienating large parts of the electorate with their tactics and framing of climate politics.

    - This directly relates to the underinvestment of philanthropy discussed above; this is an area where more balanced philanthropic funding can make a large positive difference.

- **(4) There needs to be a higher focus on cost-effectiveness and prioritization in our climate response**, either for reasons of political sustainability (Blair, Liebreich) or for reasons of adequately prioritizing scarce resources across causes (Gates).

    - We believe this is paramount for political sustainability reasons and it implies that climate philanthropists do not fund efforts that make demands completely out of step with the majority of voting populations. This means taking into account costs of political capital vis-a-vis decarbonization benefits, for example not prioritizing the marginal acceleration of phasing out home appliances at minimal decarbonization value.

- **(5) Innovation investments are an important and cost-effective part of further climate strategy** (Gates, Blair, Yergin); with Liebreich emphasizing a focus on deploying existing cost-effective solutions alongside innovation support for less mature technologies.

    - We agree with this investment and believe that climate philanthropists should be seriously engaged in protecting and improving the clean tech innovation efforts, especially as the largest historical funder of this type of work has withdrawn.

    - While we don't agree with most of Blair's analysis, we agree that "[p]hilanthropy has a huge role to play, but much of it appears to be centred around placating campaigners through "green" initiatives that don't move the needle, rather than directed towards the technological innovations that really could."

III. Taking stock of the new landscape

Having examined what happened and why the climate community wasn't prepared, we now turn to the crucial question: **What are the conditions we're actually facing, and what do they mean for climate philanthropy?**

This section makes three core observations about the current moment, along with resulting key principles:

- **Observation 1: This is not a moment for defeatism.** While the political environment for explicit climate policy is genuinely challenging, the underlying trajectory of the energy transition remains strong. We need to recognize multiple forms of climate progress that don't depend on favorable political winds.
- **Observation 2: System-level interventions have grown more attractive.** When we began our climate work in the early 2020s, the main challenge was optimizing allocation within an expanding climate policy effort. Now, with entire systems under threat across multiple geographies, defending and rebuilding institutional capacity matters more than adding marginal bets within those systems.
- **Observation 3: Uncertainty is large and risk is everywhere.** Political risks to climate action are elevated globally — with a lack of obvious "safe havens" and similarly structured but ultimately distinct risks everywhere. In this environment, robust diversification becomes essential: strategic positioning across scenarios, with special attention to investments that work even when other approaches fail.

Observation 1: This is not a moment for defeatism

First of all: **There remain reasons for optimism.** Four optimisms in fact.

Yes, this is the most challenging moment for explicit climate policy in a decade. The direction of policy momentum is extremely difficult, and the risk of backsliding is real. **The political threat to climate action is serious and shouldn't be minimized**.

And yet, we've made extraordinary progress, and **even if the *moment* is challenging, the *trajectory* of climate progress has not changed**. It's crucial to distinguish the

current challenges from the progress that we've made over the past ten years, in particular:

We believe the following framework is helpful to clarify thinking, come to a realistic appraisal, and devise strategies:

Table 1. One type of pessimism and four types of optimism

Source: Founders Pledge

Against Defeatism		**Time Horizon**	
		Moment	**Trajectory**
Motivation	Explicitly **climate-coded**	**Pessimism: Political risk** The politics of climate action are harder now than they have been in over a decade.	**Optimism II: Staying power** Much existing policy stays in place, it is generally much harder to repeal than to pass. **Optimism III: Political thermostat** Political dynamics will shift back to greener possibilities.
	Not climate-coded but still decarbonizing	**Optimism I: Much climate progress does not require "climate"** Permitting reform and, more broadly, easing infrastructure build-out is a priority in Western countries delivering decarbonization without requiring climate motivation.	**Optimism IV: Clean lock-in** Renewables + EVs are cheap *now* and will drive long-run decarbonization irrespectively

The **political pessimism** discussed throughout — the risk to existing climate policy and the difficulty of passing ambitious new ambitious new climate policies — needs to be managed and much of what follows is about *how* to do this.

Yet, there are also **four optimisms** worth leveraging and taking into account: we are in a moment where many of the most powerful next steps for decarbonization do not require climate as a motivation **(I)** and we should pursue those opportunities, **(II)** many climate policies already passed will stay in place (even the most severe attack on climate policy, the US in 2025, repealed only about half of climate policy and funding, leaving a policy infrastructure in 2025 that is stronger than what was available in early 2021), **(III)** political dynamics will swing back and many effective philanthropic interventions are about preparing policy development over the course of several years, **(IV)** and past policies have already created a positive lock-in for many clean technologies, in particular renewables and electric vehicles.

Observation 2: System-level interventions have grown more critical

In response to this "political pessimism", our work — since late 2023 — has shifted broadly from surgical interventions to more system-level interventions. That's because the relative attractiveness of system-level interventions has changed.

In the early 2020s, when we began our climate work, the climate policy effort was expanding globally. Resources were flowing into the space. **The main challenge was often allocation — ensuring the growing pie was divided well**. So we focused on targeted interventions, like supporting neglected technologies to ensure we're not collectively only betting on two or three popular technologies. Speaking somewhat roughly, we saw the role of effective climate philanthropy mostly in ensuring that the bountiful attention to climate was allocated in ways maximally beneficial for global decarbonization, counteracting pressures to prioritize domestic needs and already mature technologies.

In 2023, we made a strategic shift in our US climate grantmaking — **moving from targeted "surgical" grants on specific technologies to broader system-level defense**. Under the Biden administration, we observed that the US climate innovation system was already fairly complete, and was also obviously at risk — with a 2024 presidential election on the horizon with approximately 50:50 odds, and almost all Republican contenders running on strong anti-climate platforms). Given that context, the highest-impact interventions shifted from "adding one more technology to the portfolio" to "ensuring the system itself remains functional and well-resourced." We began prioritizing work that would defend system-level infrastructure, which included building the right-of-center civil society on climate and clean energy.

Now this is even more true, because the overall pie itself is under threat. System-level defense has become paramount — and is often surprisingly underfunded relative to its importance. This explains our increased emphasis on efforts like supporting the Ecoright in the US and our work on protecting US innovation policy infrastructure more generally. **When the entire system is under assault, defending the system takes priority over optimizing allocation within it**.

Observation 3: Uncertainty is large and risk is everywhere

Our shift toward system-level interventions reveals a broader reality: **systemic political risks are now a defining constraint on climate philanthropy.**

All philanthropic action involves risk. Every grant faces specific kinds of risks: imperfect execution, funding additionality, and not getting enough traction with stakeholders. That's normal.

But we need to distinguish between specific grant risks and systemic risks — **risks that apply to many potential grants simultaneously because they're tied to entire geographies or political systems**. We (informally) define risk as uncertainty where different outcomes significantly affect how good we expect our grants to be. It's not necessarily that things might go badly — it's that we don't know which of several quite different futures will materialize, and our grants perform very differently across those futures.

These systemic risks shape how we should think about portfolio construction under uncertainty. (For more on this framework, see our post on systematic climate risk reduction.)

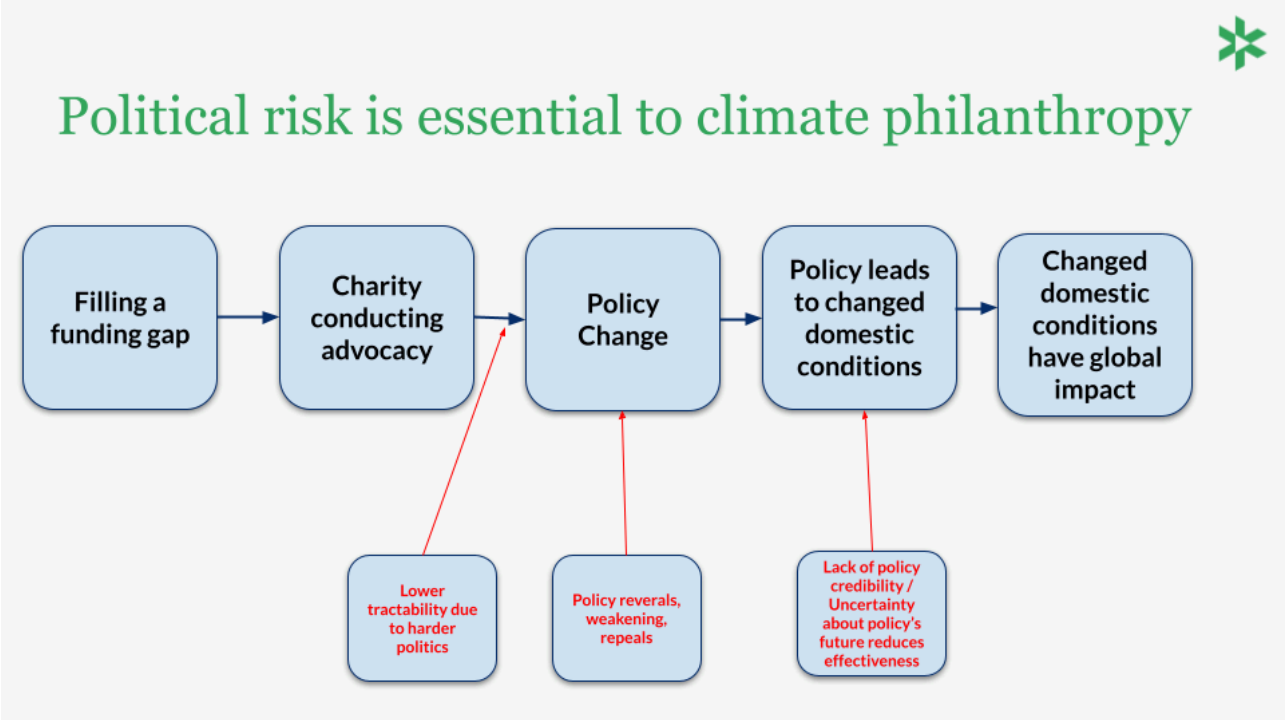
Given that societal spending on climate is about 200x that of climate philanthropy, almost all high-impact climate philanthropy operates through the political process in the broadest sense — seeking to affect and improve how society at large spends vast resources.

We're trying to increase the probability that certain policies happen, or improve how those policies get implemented and what their impacts are.

This means political system risk is also philanthropic risk. If the political process breaks down, becomes unreliable, or stops functioning effectively, the entire theory of change for policy-oriented philanthropy is undermined — no matter how well-designed our specific grants are.

Figure 2. How political risk affects the theory of change of policy-oriented climate philanthropy (schematic)

Source: Founders Pledge (final version will be fully designed)



Our response: Robust diversification

In this situation of large and omnipresent uncertainty and risk, robust diversification is crucial.

Robust diversification is a principle we first articulated in our 2021 Changing Landscape report, now more relevant than ever:

> "This leads us to a principle we call robust diversification — **when diversifying (i) we do so in such a way that uncertainties are negatively correlated and (ii) we pay special attention to robustness against the worst worlds** — those where uncertainties could resolve in ways that lead to maximal climate damage. Additional effort in these scenarios is particularly valuable."

This advice from 2021 has become even more true. Because, as we've learned viscerally over the past year: things can go wrong. And when they do, having invested in approaches that work even under those conditions will make all the difference.

IV. From principles to practice: Building a global portfolio

Having elucidated the global situation and overarching strategies that guide our response, we now examine **the risks and opportunities in different regions**.

We've always been a **globally oriented grantmaker engaging in regions where philanthropic dollars could have the greatest impact on global decarbonization**. Broadly speaking, our geographical diversification is driven by two considerations:

- **(1) The decarbonization value of regions**: how much and what different regions have to contribute to global decarbonization.This isn't just about current emissions — it's about where future emissions lock-in happens, where innovation capacity sits, where policy changes cascade to influence other jurisdictions.
- **(2) The correlation structure of (political) risks facing different regions' decarbonization values**, seeking to build a portfolio satisfying the criterion of robust diversification (see above). As we discussed in Observation 3, robust diversification requires understanding whether investments are genuinely independent. When US and EU climate policy both face correlated political headwinds, splitting resources evenly between them doesn't effectively diversify risk.

These two factors — value and correlation — shape our strategic positioning across regions.

The United States

Let's now examine the landscape region by region, starting where the most extreme changes are occurring and where global repercussions are greatest: the United States.

The current moment in the US

We are in a somewhat bizarre situation for climate policy. **The US simultaneously offers some of the most fertile ground for climate progress in years, and also some of the gravest risks** to the infrastructure that enables that progress.

As we outlined in our *All In* report at the beginning of this presidential administration, a situation of cross-pressures provided both ample risks and opportunities.

Given the comprehensive review of policy and philanthropic opportunities in that report, we here focus on discussing how the situation and our views have changed since January 2025. We see five main updates:

- **(1) The attack on EPA regulations and other administrative actions** of the Biden administration **unfolded as expected.**
- **(2) The attack on the Inflation Reduction Act unfolded mostly as expected**; with partial repeal as the most likely scenario indeed materializing in the One Big Beautiful Bill Act (OBBBA) passed in July. While a hectic and highly volatile policy process, the **outcome was in line with mainline expectations** — mostly repealing tax credits for wind, solar, and EVs, while maintaining tax credits for technologies more popular with the Administration such as clean firm power and manufacturing tax credits (see here for our retrospective).
- **(3) The opportunity window around clean firm power appears on the upper end of what one could have hoped** for in January 2025; with more action on nuclear and an intensifying driver of rising electricity demand through data centers, with data center construction now the main driver of US GDP growth and electricity demand increases becoming highly politically salient.
- **(4)** Other opportunities discussed in *All In* — in particular **innovation policy and permitting reform** — remain alive opportunities for the second year of this Congressional session and will be discussed below. We think, as discussed below, that low Congressional productivity and a poisoned well on permitting provides some reason for downwards estimates on likelihood of comprehensive legislation in either domain.
- (5) In January, when we published *All In*, **we did not have DOGE and the systematic assault on government capacity on our bingo card**. Essentially no one did. **This represents the main update to our analysis from "All In"** — the scale and nature of the cuts to federal agencies and funding. Indeed, **engaging on those risks has been a massive focus of our work over the past months**.

Taking stock of the situation in the US as it stands now, there are two distinctly different but internally coherent views of where things are heading. We place credibility in both, though the reality probably lies somewhere between them.

We think it is helpful to outline two stylized views on the current situation — across the same dimensions — to represent the range of views on the current moment. We don't believe either; these are intentionally polar views, stylized for simplicity. We will outline our own views later.

One view is the **stylized optimistic case:**

- **(1) The macro environment is genuinely favorable for building and innovation**. The Energy Dominance agenda, combined with surging electricity demand from AI, creates powerful pressures to build energy and most of the readily available additional energy is clean.
- **(2) The cuts to innovation funding and projects are real, but they're concentrated on areas the administration explicitly dislikes**, like programs with "climate" in their names or funding for mature renewable energy. The sectors the administration actually supports — clean firm power, critical minerals, certain transmission infrastructure — remain funded and are central to the long-term decarbonization bet.
- **(3) The assault on government agencies is severe, but we might be in a moment of "creative destruction**." Many of these institutions had become rigid and ineffective, so capacity can be rebuilt with new procedures, less regulatory burden, staff with different skillsets, and more focus on actually getting things built.

The other view is the **stylized pessimistic case:**

- **(1) The macro environment is precarious.** If we're in an AI bubble and it bursts, or if recession hits, the electricity demand increases driving energy policy seriousness will evaporate. On this view, without that pressure, the anti-climate agenda dominates without counterbalance.
- **(2) The nature of the cuts to innovation funding and projects fundamentally undermine confidence.** On this view, companies see that the federal government is not a reliable partner (recissions of awarded projects, cancellations executed in obviously partisan fashion, retroactive changes to agreements, etc.), so the ability to support clean innovation is hampered across all sectors.

- **(3) On government capacity, the loss of expertise and institutional knowledge is so extreme that there's no ability to implement *any* agenda effectively**. On this view, even if the administration's stated priorities would be good for decarbonization, a strongly reduced workforce and a loss of institutional knowledge reduce its ability to execute.

We believe the situation is genuinely quite uncertain and, indeed, we think it is reasonable to assign some credence to all of those views and hedge one's bets against a wide range of outcomes.

If 2025 is anything, it is difficult to predict and continually volatile.

Broadly speaking, our current view — as of November 2025 — is as follows:

- **(1) We buy most of the optimistic take on the macro environment**, though also think one should not take for granted that increased energy demand will actually materialize — this driver of a more serious energy policy conversation could easily fall through.
- **(2)** As we outline in a bit more detail below, we think **the primary thing the optimistic take gets wrong is the staffing and funding cuts** and their implications for government capacity and program effectiveness. We see this as an area for **active grantmaking.**
- **(3) We think the survival of the LPO and the first signs of the Energy Dominance agenda being implemented are positive signs** with regards to an active energy (innovation) agenda and — given that most new energy will be clean — this is good news for climate compared to the counterfactual of a less active agenda (also see *All In* on Clean-Dominatedness).

With that basic context setting and updating done, three major policy windows are currently open for progress. We discuss each in turn, making no judgment of relative importance through sequence.

Policy window I: Permitting reform

A very salient policy window — and likely the most consequential for near-term emissions reductions — is comprehensive permitting reform.

Permitting reform represents one of the largest available levers for accelerating clean energy deployment in the United States. The clean energy projects sitting in interconnection queues vastly outnumber fossil fuel projects, so making it easier to build could disproportionately benefit clean energy.

As we documented in our *All In* report, comprehensive permitting reform could unlock emissions reductions on a similar scale to the IRA's tax credits themselves. Our analysis of the expert literature suggested that streamlining permitting processes, improving interconnection procedures, and accelerating transmission development could **reduce cumulative emissions by approximately 2.8 gigatons of CO_2 equivalent through 2035**—roughly 75% as impactful as the IRA in terms of near-term domestic emissions.

Many of the crucial drivers of the permitting reform conversation have not changed substantially since January, however we think there are three crucial updates since:

- **(1) Key senators on both sides of the aisle recognize the current system is broken.** The Problem Solvers Caucus has endorsed a bipartisan permitting reform framework, demonstrating real appetite for compromise.
- **(2) The Trump administration's explicit anti-renewable actions through technology-specific permitting hurdles risk destroying the bipartisan coalition** needed for comprehensive reform. Senator Sheldon Whitehouse, one of the chief Democratic negotiators on permitting issues, has said that if the attacks on wind energy don't stop, there will be no deal on permitting reform. This is an ongoing risk, a poisoning of the political well.
- (3) The **One Big Beautiful Bill's accelerated phase out for wind and solar tax credits** – the main drivers of near-term US power sector decarbonization- – **is a double edged sword with regards to permitting reform's decarbonization value**. On the one hand, by reducing long-term renewable outlooks by about 20% of future capacity, they reduce its decarbonization value. On the other hand, the accelerated rather than direct phase-out means that permitting reform in the near-term can potentially affect more projects directly, helping them qualify and thereby creating additional political clout for near-term reform.

Overall, we think the negative updates somewhat dominate, with even lower Congressional productivity than expected. Put somewhat roughly, while this moment is bound to produce a vibrant permitting reform conversation this is not equivalent to comprehensive bipartisan policy effort passing.

Policy window II: Clean firm power

The current political moment creates significant momentum for clean firm power, which could play a role in the decarbonization puzzle.

A 2018 study on net-zero energy systems examined the challenge of "load-following" electricity — the portion of the grid that needs to respond to variable demand and can't rely solely on intermittent sources, like wind and solar. This represents the largest category of current emissions in the decarbonization gap, and it requires clean firm power sources that can provide reliable electricity around the clock.

For the first time in decades, **electricity demand in the US is growing substantially**. The AI boom has created natural constituencies for clean firm power that didn't exist when climate was the primary motivation. Data centers need reliable, 24/7 baseload power, and — whether or not intermittent renewables with storage alone can provide that — **it currently creates strong momentum for clean firm power.**

This creates a genuine policy window. Advanced nuclear (including Small Modular Reactors) and enhanced geothermal are the most promising carbon-free technologies for filling this gap. **Both are approaching commercial viability, but still need policy support, financing, and continued innovation** to reach full deployment potential.

Despite this window being open, clean firm power remains relatively undersupported by climate phianthropy. Those in effective giving are weighing two considerations:

- **Consideration 1: "This is less neglected now."** More attention means less additional work is needed.
- **Consideration 2: "There's more opportunity to engage now."** More attention means progress is more tractable.

This is exactly the kind of situation where we need to carefully evaluate countervailing forces rather than applying simple heuristics. We explore this analytical challenge in the next section.

Methodology Insight/Primer: The centrality of evaluating countervailing dynamics

Countervailing dynamics are forces that work against each other — **where the same event or condition creates both reasons to increase investment and reasons to pull back**.

Consider the example of nuclear power: Over the past three years, ever since the Russian invasion of Ukraine, the opportunity windows for nuclear power have fundamentally shifted — propelled by an energy crisis in Europe and a renewed global focus on energy security. We are now in a situation where there is a coalition

of governments and companies committed to a tripling of nuclear energy by 2050, the World Bank has changed its policy on nuclear power, and the US administration is actively excited about pursuing a nuclear renaissance.

On one hand, **all this momentum means progress is more tractable**: the political winds are favorable, policy windows are open, and investments can achieve more. On the other hand, **increased attention means the space is less neglected**: more funders are entering, and additional philanthropic dollars may have less marginal impact.

Other examples of countervailing dynamics in climate grantmaking include:

- Some world regions are much **more important** than others for shaping future emissions, but they are also **harder to influence**.
- Emissions some years in the future are **easier to reduce** than emissions in the present, but also **less valuable to reduce**.
- Nuclear power is gaining more public attention and thus **more feasibility**, but it's also becoming **less neglected** which makes additional funding less valuable.

The crucial challenge is that it's genuinely unclear how these competing dynamics play out ***on balance***. Simple heuristics or criteria-based prioritization — like "fund what's most neglected" or "fund what has the most momentum" — break down when both are simultaneously true.

This is one of the key reasons quantification is essential for our grantmaking. When the world presents you with multiple strong arguments pointing in different directions, you need **explicit estimates of their relative magnitudes** to reach considered conclusions.

We will have much more to say about this in our upcoming work explaining our methodological approach.

Policy window III: Innovation policy

Philanthropic work on innovation policy emerged as the top opportunity in *All In*, based on its **(a)** relative neglectedness within philanthropy, **(b)** the importance of US innovation policy for global decarbonization, and **(c)** the proven track record of philanthropically funded advocacy in improving innovation policy due to its historically unpoliticized and technical nature.

The main **opportunity windows for progress** — the Energy Act and Infrastructure Bill reauthorizations — are 2026/2027 policy windows and, as such, have not yet provided results, but have been the focus of some of our grantmaking described below.

The two major changes we have observed and engaged on over the past months are as follows:

- (1) **The major funder of innovation-focused climate philanthropy**, Breakthrough Energy, **stopped its policy-work and grantmaking**, leading to less funding a series of grants in response by us and others (also see below) to make up for some of that shortfall.
- (2) **The second Trump administration engaged more strongly than Trump I on cutting government capacity and unilaterally canceling existing funding**. This led to a changed risk landscape, for innovation policy and other areas, that we discuss next.

Grant in Context: Innovation Initiative Base Grant (May 2025)

Since 2017, the main funder of innovation-focused climate philanthropy had been Breakthrough Energy. Following the rapid sunset of the Breakthrough Energy policy team in March, there was an urgent risk of losing years of momentum on critical innovation policy and coalition building efforts.

A timely grant from Founders Pledge provided critical support that enabled former BE staff to rapidly establish the Innovation Initiative (I2). This base support allowed I2 to continue guiding and coordinating the work they had previously led, ensuring that partners and grantees experienced continuity during a period of organizational change. This initial contribution has helped I2 advance a stronger, more coherent innovation policy agenda and to bolster broader ecosystem capacity during a critical time, and has enabled deeper strategic planning, bipartisan collaboration, and the development of new policies and insights that strengthen how emerging technologies move from early-stage research to real-world deployment.

Grant in Context: Emergency grants in support of Breakthrough Energy-related funding gaps (April 2025)

As Breakthrough Energy's exit threatened to create dangerous capacity gaps, we also moved quickly to provide surge funding to organizations positioned to defend innovation funding.

Surge funding from the Founders Pledge Climate Change Fund enabled CATF to launch a time-sensitive, intensive effort to defend federal-level clean energy and climate investments and ensure continued federal-level investments in and incentives for clean energy innovation. Funding also enabled CATF to deepen work underscoring the job creation impacts of federally-enabled clean energy innovation at the state- and local-levels, and in turn positioned CATF to better engage Congress, DoE, and the administration about the benefits of key investments and programs.

Grant in Context: “Re-Energizing America” (August 2025)

With innovation budgets under unprecedented threat, we need rigorous analysis to make the case for renewed investment.

Clean Tomorrow's new Re-Energizing America initiative conducts rigorous analysis to map the federal energy innovation landscape and re-invigorate American leadership in emerging energy technologies. The inaugural report of the initiative will be released in mid-November, charting the course for renewed federal investment of $25 billion for the Department of Energy's research, development, and demonstration (RD&D) programs by 2030. The analysis was built from a strategic assessment of technology priorities, historic investment, and comparison of the US to global peers and competitors. Clean Tomorrow's vision for a re-energized national strategy will serve as a resource for Congress, particularly appropriators and those on the committees responsible for reauthorizing DOE programs that are set to expire next year. Through the Re-Energizing America initiative, Clean Tomorrow will continue to analyze and identify the most impactful funding tools and opportunities to catalyze clean energy research and development in the United States.

Re-Energizing America is inspired by "Energizing America," a highly influential 2020 report that provided a blueprint for the massive energy innovation expansion of the early 2020s.

Grant in Context: Innovation Initiative's reports learning (Oct 2025)

Even as we fight for near-term policy wins, we also need to preserve institutional knowledge and prepare for future rebuilding. At a critical juncture for US energy innovation policy, this grant to Innovation Initiative helps to preserve essential insights from the Biden-era innovation policy surge, develop proposals for reforming the Department of Energy, and thereby prepares future reform and rebuilding efforts.

This work leverages the deep network of Innovation Initiative's team, in particular its connection to experts and former officials of the DOE.

Compared to most of our innovation policy grants that focus on the current moment, this work is less dependent on the near-term policy windows and more preparatory in nature, helping to inform future policy development.

The risks in the US context

As discussed throughout this report, we believe that at this moment, accounting for political risk is a critical component of impact-oriented climate philanthropy.

Here we outline how we make sense of risks in the US context and how this informs how we think about other regions.

The **four primary risks we are worried about in the US context** are:

- The risks to funding levels in the regular appropriations process **(risk I)**.;
- Low congressional productivity reducing the likelihood of ambitious legislation **(risk II);**
- An critical undermining of government capacity through staff cuts **(risk III);**
- And a risk from unilateral staff cuts **(risk IV)**.

While I and II are risks in any political context, risks III-IV are more specific to the current moment.

We believe that all of those risks justify **significant discounts**, shifting downwards the **expected value** of philanthropic strategies depending on those risks being low.

Furthermore, because **risks materializing** potentially strongly affects the value of different philanthropic interventions, it is important to understand how given risks materializing relates to other potential interventions.

For example, we believe that **the risks around permanent funding levels** (I, II) **can possibly be partially hedge**d by investing more in other regions, given there is some evidence that other regions will step up and host companies and innovators if the US abandons the field (Europe, but also, China).

Overall — and this is good news for globally oriented philanthropists — none of the below risks is positively correlated with other regions, i.e. other regions would not become less attractive if downwards risks in the US materialized.

Table 2. The structure of political risks in the US

Source: Founders Pledge

	Characterizing the risk			**How does this affect different pathways?**		
#	**Risk** *Example*	**How high is the risk (discount)?**	**How much does the risk relate to other regions? (hedging value)**	**Innovation policy utilizing existing funds**	**Passing new innovation policies**	**Permitting**
I	**Risk to funding levels** *(existing levels)*	**32%** (12-61%)	**Some–strong** Other regions might partially step up (neg. correlation) and attract companies and researchers.	✅	✅	
II	**Risk to policy progress (new policies, funding)** *Breakdown in trust, Congressional policy making*	**43%** (20-60%)			✅	✅
III	**Risk of govt capacity**	**30%** (10-50%)	**Some**	✅	✅	

	Inability of DOE offices to operate		Other regions are largely independent of this risk.			
IV	**Risk of unilateral funding cuts** *Administration cutting funding*	**30%** (15-60%)		✅	✅	

We now provide a bit more detail on the risks, their philanthropic relevance, and how we estimated them.

Risk to funding cuts through normal budgetary processes

We are almost certainly in a time of shrinking DOE appropriations through the regular budgetary process.

This affects philanthropists by reducing the probability that their favored programs — programs they advocate for or seek to improve — **will be funded.** We try to estimate what discount to apply to characterize this risk.

Congress has not yet set the DOE budget for financial year 2026, but we can use data on the Presidential Budget Request (PBR) and the House budget proposal for key innovation programs in the DOE. At the time of writing, the Senate has not yet released a proposal for 2026 Energy and Water appropriations. Since the Senate must achieve a supermajority to pass a budget bill — including Democrats — it would likely propose lower cuts than the House under Republican Control.

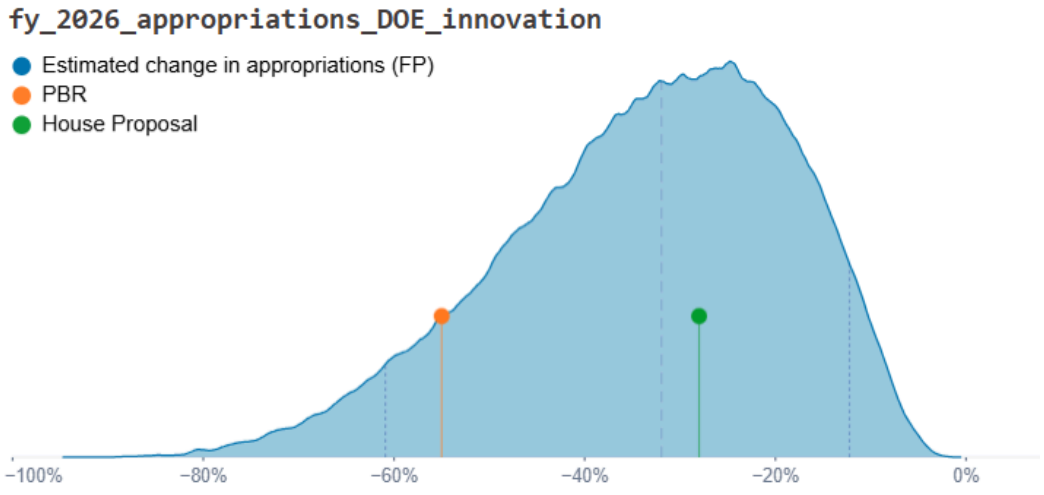
We think the House proposal is a better guide than the PBR to what 2026 appropriations will look like. Congress holds the formal power to finalize the budget, and early in Trump's first term the steep cuts in the PBR were ignored by the House and Senate. There are signs that Republicans in Congress are markedly more loyal to Trump than in his first term, but the president will need more than partisan loyalty to attain a supermajority in the Senate.

Therefore we assign a 60% probability that overall cuts to key DOE science and energy innovation offices will be deeper than the House proposal (28% cuts) and a 10% probability to them being deeper than the PBR (55% cuts).

This leads to a 90% confidence interval of **12% to 61% (median: 32%)**.

Figure 3. Our estimate of future innovation spending in the US (November 2025)

Source: Founders Pledge



Name	Mean	5%	25%	50%	75%	95%
Estimated change in appropriations (FP)	−34%	−61%	−43%	−32%	−22%	−12%

Of course, **cuts will not fall equally**.

Indeed, the PBR represents large variation between programs. The Energy Efficiency and Renewable Energy (EERE) program faces a 74% cut, while funding for the Office of Nuclear Energy (NE) would drop by 24%. The House proposal is gentler, representing cuts of 47% and 7% to EERE and NE respectively.

We predict that appropriations to the Office of Nuclear Energy will be fairly resilient, falling by between 2% and 30% (median: 9%). The future of the Office for Clean Energy Demonstrations (OCED) looks particularly bleak. While the office has not been officially dissolved, both the PBR and the House proposal see its annual appropriations reduced to zero.

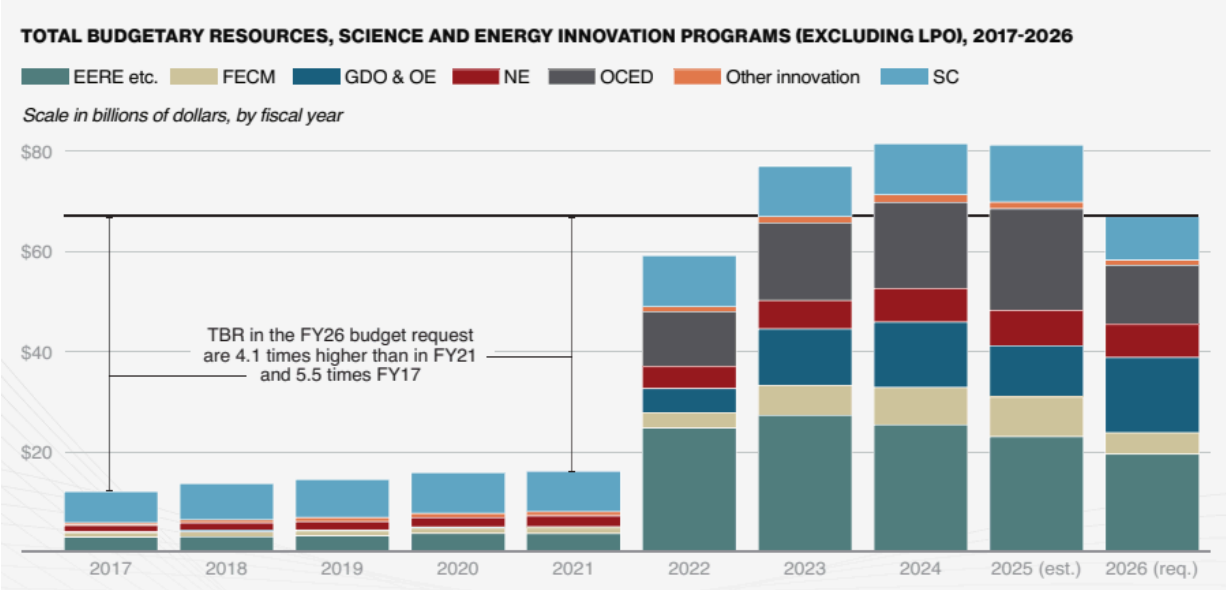
Thus, the risk to appropriations is higher than usual — we think in the **30% range** for typical technologies and lower for favored technologies.

It is important, though, to note the broader context in which this is happening — a historic expansion of the Department of Energy through ambitious bipartisan legislation from the Energy Act of 2020 to the Infrastructure Bill of 2021.

Measured in total budgetary resources — including multi-year packages like the Bipartisan Infrastructure Law (BIL), and rolled-over appropriations from previous years — the picture looks brighter for key DOE innovation programs. **If the PBR is enacted, resources for these programs will be over $65B in 2026: a reduction of less than 20% from 2025.**

Figure 4. DOE Staff Crunch Slows American Energy Innovation

Source: EFI, Sep 2025



This **good news comes with an important caveat** — the future size of the Department of Energy's resources critically depends on the reauthorizations of bipartisan legislation. Hence, we focus on the associated risk — low Congressional productivity — next.

Risk to policy progress through low congressional productivity

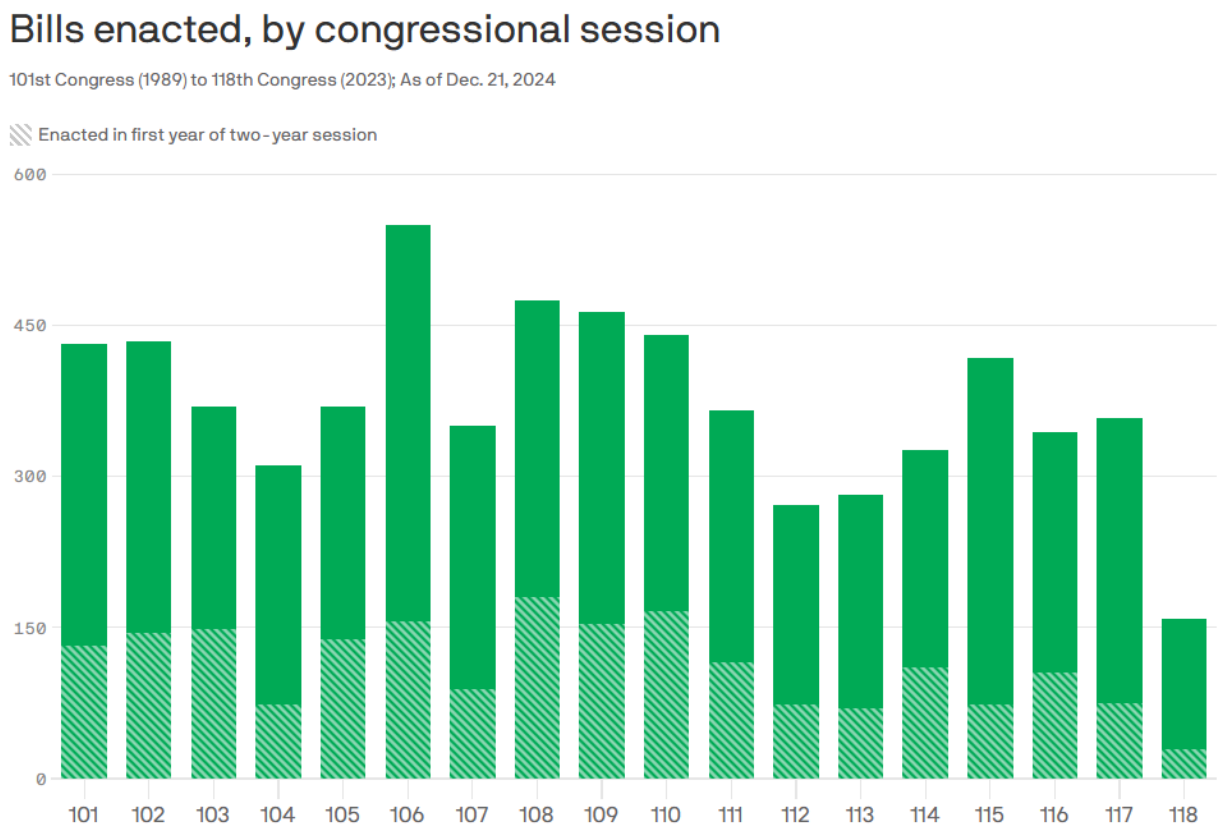
Ambitious, bipartisan bills can only pass on Congressional supermajorities. For philanthropists hoping to support comprehensive permitting reform, or the renewal of large spending packages like the Energy Act and BIL, an unproductive Congress makes things harder. Here we estimate a discount to account for this.

In *All In*, we noted that the most recent Congress (2023/4) was the least productive ever, passing fewer than 150 bills, and that despite Republican control of both chambers, "this pattern of legislative gridlock could well continue or intensify in the 119th Congress [2025/6]".

This increasingly appears to be the case. As of November 2025 this Congress has passed 36 bills. At the usual rate (and ignoring the loss of much of November to a shutdown), we would expect this to grow to 49 by the end of the year. This is above the 25 bills passed in the first year of the 118th Congress, but short of the 60-100 bills passed in the first year of each other Congress since the late 2000s.

Figure 5. Bills enacted by congressional session

Source: Axios.



This all suggests a slight improvement in congressional productivity from the fractious 118th Congress, but a historically unproductive Congress nonetheless. This makes ambitious, bipartisan bills — comprehensive permitting reform, for example — less likely. **A sluggish Congress decreases the probability that large spending packages like the Energy Act and BIL will be renewed.**

As measured by the number of bills passed, this Congress appears to be roughly half as productive as other modern Congresses. For this reason, we apply a discount of 20% to 60% (median: 43%) to the likelihood of the passage of bipartisan legislation in the 2026 session. Note that this is an adjustment for Congressional productivity per Congress and that, as is the clearly observable pattern, we expect

the 2nd year of this Congressional session to be significantly more productive compared to 2025.

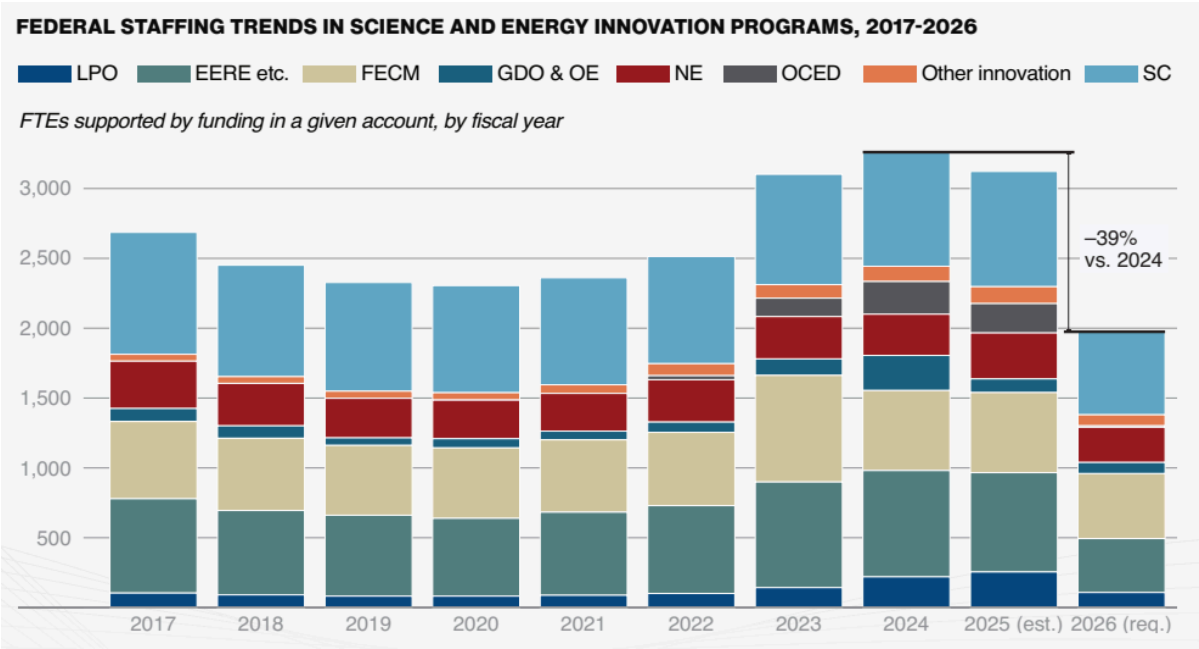
Risk to government capacity through staff cuts

There are signs that the staff capacity of innovation programs in the DOE is falling fast. This threatens to undermine philanthropists' work to establish, expand and preserve these programs: without adequate personnel at key government offices, policy-oriented philanthropy to support the innovation effort proves far less effective.

This is why we have been alarmed about the cuts to the Department of Energy. The past year has seen a dramatic decline in the DOE workforce, with the overall headcount falling by around 20%, with many offices experiencing much higher cuts. We do not have comprehensive and final data on individual programs, but we can infer from 2026 budget proposals that many key energy and science innovation offices will have to make steep staff cuts. EFI estimates that under proposed PBR funding, **2026 staffing would fall roughly 39% from their 2024 peak.**

Figure 6. DOE Staff Crunch Slows American Energy Innovation.

Source: EFI, Sep 2025.



As we explain above, the PBR is probably on the more pessimistic end of what could happen to 2026 appropriations. But budget cuts are almost certainly coming, and staff reductions could become an important bottleneck.

Arguably, staffing levels were already a bottleneck during the Biden administration. Total budgetary resources available to science and energy innovation exploded between 2021 and 2022. Staff numbers grew steadily, but the increased capacity was not enough to spend. Between 2021 and 2024 accumulated resources quintupled (see above: *Figure 1, DOE Staff Crunch Slows American Energy Innovation, EFI*).

We estimate that with an additional 1,400 staff in 2022 through 2025, these programs could have kept pace with funding, increasing the amount obligated from $100B to $150B. **In effect, staffing constraints reduced the capacity of science and energy innovation programs by about a third during these years.**

In this situation, a further cutting provides significant risk of crucial loss of government capacity.

Very roughly, if one believed that materializing staff cuts were linear to productivity and that about half of the proposed staff cuts will materialize, in expectation, this would warrant a 20% discount.

We expect this to be too low as a best guess estimate of the loss, given the departure of lots of hard-to-replace expertise, **leading us to a best guess of a 30% discount based on government capacity related risks**.

The situation is quite uncertain, so overall we think that a discount of **10-50%** appears justifiable.

Risk of unilateral cancellations

This administration has cancelled billions of dollars in previously-awarded DOE funds without congressional approval. This poses an additional risk to the philanthropist: efforts to support innovation could later be reversed by future unilateral cancellations.

We warned of this risk after May 2025, when the cancellation of 24 DOE grants was announced. Another wave of cancellations followed in October, bringing the total to $8B. Soon after, a longer, unconfirmed cancellation list circulated, totaling $24B in canceled awards.

To convert this into an estimate of the remaining risk of cancellations, **we focus on cancellations of BIL awards, for which data is available**. Out of a total pool of around $40B in awarded BIL funds, $5.65B of the cancelled DOE funding was from the BIL. This corresponds to a naive base rate of **~15%** of cancellations if the Administration was finished in its cancellation and about **a 60%** risk of cancellation

if the full list circulated now were canceled and proportionally affected BIL funding (32/8, i.e. a 4x increase).

Overall, **it seems reasonable to expect anything in that range for cancellations, with our best guess being around 30%**, seeking to reconcile that (a) the Administration had 10 months to cut unfavored programs (so we expect them to be close to the end) and (b) the full list of cancellations circulating was large. As discussed above, this risk will likely be lower — though not zero — for engaging on the Administration's preferred technologies.

Risk Response I: Reducing Risks

When facing risks, **there are two possible responses: engaging on these risks to try to reduce downside risks, or hedging by investing in opportunities not exposed to the same risks**.

We here feature some work focused on reducing risks — tackling the risks presenting themselves head on.

This work won't eliminate the risks. But it can reduce their probability or severity at the margin.

Grant in context: EFI's work on staffing and budgets at the Department of Energy

To defend government capacity, you first need to document what's being lost. The EFI Foundation's series on modernizing American energy innovation set out to understand how staffing capacity, budget levels, and institutional design affect DOE's ability to deliver on its clean energy mission. *Modernizing American Energy Innovation* (June 2025), *DOE Staff Crunch Slows American Energy Innovation* (September 2025), *Unpacking DOE's October Award Cancellations* (October 2025), and *What Happens to Deobligated Funds* (expected December 2025) combine data from Treasury, OMB, and OPM with interviews and case studies to examine how recent staffing reductions have strained the Department's ability to manage record funding from the Bipartisan Infrastructure Law and Inflation Reduction Act. The analysis found that, even as DOE's budget has grown more than fourfold since 2020, staffing levels have declined sharply — creating a major imbalance that has slowed the pace of awards, obligations, and project delivery. These reports offered the first quantitative assessment of how this staff-to-budget gap limits DOE's implementation speed and oversight effectiveness, and they have helped shift the conversation toward building the institutional capacity needed to sustain American energy leadership. Building on this foundation, the EFI Foundation will publish a

new series of reports and launch a public workforce database in the coming year to provide transparent, ongoing insight into how DOE's workforce and resources align with its expanding mission.

Grant in context: A right-of-center coalition in support of the Loan Programs Office (LPO)

The Loan Programs Office (LPO) provides massive financing capacity for commercializing new clean energy technologies, making it one of the most powerful tools for bridging the "valley of death" between innovation and deployment. When it came under threat, defending it seemed impossible without bipartisan support.

Our grant enabled DEPLOY/US to fund and coordinate eight Ecoright-field nonprofits to supercharge their research, education, and engagement on the LPO — which was at risk of abandonment. The LPO emerged, after reforms in OBBBA, as home to the Energy Dominance Financing Program with the ability to underwrite loans for advanced nuclear, geothermal, storage, transmission, and critical minerals.

Danielle Franz of American Conservation Coalition wrote (emphases ours):

> "President Trump and Republicans in Congress recognized this track record of success after hearing from advocates both in and outside of the government. As Secretary Wright made clear a few months ago during his fireside chat at the **Energy Imperative Summit**, which was sponsored by American Affairs, the Foundation for American Innovation, and my organization, LPO is "one of the most lean and efficient funding mechanisms that we have in this country" to support our energy security. **An entire ecosystem of conservative pro-energy groups joined Secretary Wright in support of LPO and**, as a result, instead of scrapping LPO as some elected officials wanted, Congress secured $1 billion in the One Big Beautiful Bill to establish a new Energy Dominance Financing authority within the LPO to fund even more energy dominance projects."

Risk Response II: Hedging

The second approach is investing in opportunities not exposed to these US-specific risks. This is where geographical diversification becomes strategic.

Of course, **diversification is not *automatically* the right response to increased risk.** *It's totally possible that investing in a risky asset r*emains the best strategy even if the risk increases, if the expected returns are high enough and the alternatives aren't better.

Consider the following example where you can choose between a risky and a certain option (in the real world, all options are risky, but this is highly stylized for simplicity):

Table 3. Risky situations: A thought experiment

Source: Founders Pledge

	Old situation	**New situation**
Risky Option	$10 if a fair coin turns up “heads” (Expected: $5)	$10 if a fair dice turns up “1” or “2” (Expected: $3.33)
Certain Option	$1 for sure (Expected: $1)	$1 for sure (Expected: $1)

Here, the risk of the risky option increases from the “Old situation” to the “New situation” and the expected payoff decreases as well. Nonetheless, this change does not change optimal behavior if you are (close to) risk neutral. One might lament the old situation but one ought to choose the risky option in the new situation as well.

A crucial complication is that climate damage is fundamentally non-linear. A world with 3 degrees of warming isn't twice as bad as a world with 1.5 degrees — it's dramatically worse. As temperatures increase, damage accelerates disproportionately. We're not just trying to minimize expected emissions — we're trying to minimize expected climate damage, which means we care especially about avoiding the worst-case scenarios where damage is highest.

So, what makes an ideal hedge? The best hedge would be **an investment that's negatively correlated with US downside risk** — where if things get worse in the US, conditions improve elsewhere and your investments there become more valuable. We talked about this in our analysis of climate philanthropy and the 2024 election. If you can't find negative correlation, you at least want independence: investments whose performance doesn't track US political conditions.

We'll now look at different regions outside the US that are candidates for hedging: the EU, China, OECD Asia, and emerging Asia. To be clear, and as we discussed above, while the central topic of this report is risk structure and its correlations, this is only one of two considerations in choosing regions to prioritize alongside decarbonization value. In other words: Even in a world without abundant political risk in the US, our grantmaking portfolio would likely be global in nature.

The European Union

We now turn to the European Union.

From a risk correlation standpoint, Europe's relationship to US climate politics has shifted in important ways. We examine these changes, starting with the current political situation and what the contentious 2040 target negotiations revealed about European climate politics going forward.

The current moment in the EU

Unlike the United States, **the European Union remains formally committed to legally binding climate targets and has ambitious net-zero by 2050 goals written into law**, along with intermediate targets: 55% emissions reductions by 2030 (compared to 1990 levels) and — less bindingly (see below) — 85% reductions by 2040.

These legal commitments provide a foundation that simply doesn't exist in the current US context.

Yet despite these targets, the EU does not appear on track to achieve them. The Institute for Climate Economics estimates about **a 40% investment gap between current European climate investment and what's required to meet the 2030 target**. Investment trends are moving in the *wrong* direction, with reduced investments in 2023 and 2024.

More concerning, the **political consensus supporting these binding targets is crumbling.** The 2040 targets have become sources of intense political contestation. Far-right members of parliament increasingly describe climate targets as "utter madness." What seemed like settled European climate policy just a few years ago now faces serious political challenges.

This comes just four years after the EU passed the European Climate Law at what seemed like a peak moment for European climate ambition. The shift has been remarkably fast.

In the current political moment, there are **two strands of thinking on continued European climate ambition.**

On the one hand, there's a bull case — represented prominently by European Commission President Ursula von der Leyen — that frames **this moment as an opportunity for European independence and strength**.

On this view, with US multilateralism dead and Trump's policies demonstrating American unreliability, Europe must build a stronger, more independent position. Clean energy and climate technology become part of European strategic autonomy — not just environmental policy, but economic competitiveness and geopolitical positioning. This framing has real traction in European policy circles right now. This is an important discourse, but it also has some legs — e.g. the proposed EU budget for 2028-2034 and the Commission agenda are significantly more climate-forward than one would expect based on current sentiment.

Relatedly, a salient characteristic of the situation in Europe — and positively valenced in this case — is bureaucratic inertia, with lots of existing European climate policy unlikely to be repealed and lots of active policy making based on already started policy processes (Optimism III, in our typology above).

On the other hand, the bear case is that **the European climate policy consensus of the past 15 years is genuinely under threat** and that — compared to the US — the productive energy policy window of increasing electricity demand is largely absent.

We explore the latter issue around its most recent incarnation — the debate around the 2040 target.

What does the decision on Europe's 2040 target reveal and how does this matter going forward?

On November 5th, a 2040 EU target was agreed upon in the European Council; it now requires passage in the European Parliament to become law. We first outline

our perspective on climate targets in general before discussing the agreed targets and what we infer from it about the future of EU climate policy and priorities for philanthropists.

As we discussed elsewhere, we do not think that Europe's domestic emissions trajectory *on the margin* is of particular importance for global decarbonization in the 21st century. Europe is poised to be 5% or less of future emissions and the speed of decarbonizing — which particularly emissions target to hit in a given year — mostly matters though its indirect effects, such as (a) the mechanism that European leadership inspires other jurisdictions or that (b) stricter domestic targets accelerate investment and innovation in Europe that will have outsized global effects beyond marginally accelerated European decarbonization.

It is from this perspective that we are looking at what the politics and policy of the 2040 target process reveal:

- **(1) A target was ultimately agreed upon:** This is a success in the current political climate and should not be taken for granted. The deal was reached after a marathon negotiating session, narrowly avoiding the EU arriving empty-handed at COP30.
- **(2) Target got weakened throughout the process:** Several member states including Poland, the Czech Republic and Hungary voiced opposition to the 2040 goal prior to negotiations, arguing it would harm the economy and was unrealistic. The final agreement required a series of last-minute compromises to secure passage. This is somewhat normal.
- **(3) Target got weakened in its stringency:** The original European Commission proposal called for cutting emissions 90% by 2040 compared to 1990 levels, with up to 3 percentage points achievable through international offsets, requiring at minimum 87% of reductions to happen within EU borders. While the approved deal preserves the 90% headline target, it lowers the required domestic component to 85%, enabling 5 percentage points to be met through purchasing carbon credits from other countries. In addition, individual member states gained the ability to use offsets for up to another 5 percentage points of their own national targets. The new emissions trading scheme covering building heating and transportation fuels has been postponed by a year.
- **(4) Target got weakened in its bindingness:** Ministers approved a comprehensive review mechanism that permits revising the 2040 target every 2 years should climate policies demonstrate negative impacts on the

EU's economy, a minimal condition to meet. We think this is by far the most concerning weakening, suggesting a lack of policy credibility going forward.

Our overall take is that this **further moves European climate policy into a much more *political* space** — making future climate policy more contingent on European politics rather than a *bureaucratic project* broadly supported, at varying degrees, from the European political center.

A 2-year cycle of re-evaluation of a 2040 target — to put it plainly — is **essentially a 2-year target** from the perspective of *credible* political signals.

We believe this has two major implications for climate philanthropists:

- **(1) Handicapping EU-oriented climate philanthropy:** Similarly, albeit less starkly than for the US case, we believe climate philanthropists need to take into account the possibility that the programs and policies they are advocating for or seeking to affect will fall victim to further climate policy backlash — a **political risk** that needs incorporating. A particular risk worth attention are future elections, in particular the French 2027 elections, that could shift the balance of EU climate politics.
- **(2) Hingy:** It is possible that this is a particularly hingy moment for protecting EU climate policy, where further backsliding can still be prevented and a broader support base be built — with the 2040 negotiations both demonstrating severe threat, but also a remaining support level (we discuss this below under "*Broadening coalitions for durable climate and clean energy policy*").

European risk is independent (statistically, at least)

Before the 2024 US election, Europe was clearly not an ideal hedge against US political risk. As we discussed in our Climate at the Crossroads report, **the surge of right-wing populism in the US was correlated with similar dynamics in Europe**. When things got worse in the US, they tended to get worse in Europe too — a positive correlation that made Europe less valuable as a hedge for climate philanthropists worried about the situation in the US.

We saw this play out. **Trump's election did negatively affect European climate politics**, strengthening anti-climate movements, creating a geopolitical context where the US seeks to prolong Europe's dependence on fossil fuels, and making ambitious policy more difficult.

But **the correlation structure has changed since the elections**. The macro-level correlation that existed before the election — where both regions faced similar populist pressures — has largely materialized.

What we're concerned about hedging against now are the specific US risks we identified: government capacity destruction, funding rescissions, and a breakdown of Congressional policy making. These US risks are largely independent of European conditions. The US cutting capacity for its Department of Energy, for example, doesn't make it more likely that Europe cuts its equivalent institutions. If anything, there is now a *mild* positive correlation of downward risk in the US with the EU, if innovative companies and scientists relocate from the US to the EU in the case of further dismantling of the US energy innovation ecosystem.

In other words: while Europe was positively correlated with US macro risk before the election (making it a poor hedge then), **Europe is now relatively independent of the specific downside risks we're most concerned about going forward**. This gives European engagement more hedging value than it appeared to have twelve months ago.

This also holds conversely — arguably the outcomes of the French and Polish elections in 2027, major determinants of continued EU climate progress (or lack thereof) — are independent of US developments.

Grant In Context: Supporting a consortium of nonprofits engaging on European innovation policy

Though Europe has committed to climate targets, investment trends have been moving away from what's needed to achieve them. Much more work needs to be done to ensure that funds actually flow to scaling up clean energy innovation.

Our grant supports Climate Strategy, Cleantech for Europe, and I4CE's EU Climate Innovation policy work. Amid global uncertainties, this grant powers independent research and hands-on EU policy engagement and finance instrument design — to improve funding for clean tech scale-ups, spotlighting investment gaps, and driving Europe's push for net-zero competitiveness and resilient cleantech markets. This includes work such as I4CE's report developing recommendations for the European Commissions' Competitiveness Coordination Tool.

Policy Window I: Supporting existing legislation on energy and climate

Unlike in the US, where the legislative process on the federal level is significantly slowed and — even when it continues — will not incorporate long-term climate

policies (though, as noted above, many policies with large emissions consequences), **the European Union pursues a flurry of legislative activity related to energy and climate** (and often embedded in broader priorities such as energy security and competitiveness).

This policy momentum stems from the European Green Deal (2020), Repower EU (2022) in response to Russia's invasion of Ukraine and its energy consequences for Europe, the Draghi report of 2024 aiming to revitalize European competitiveness and anchoring decarbonization in this framework, and the Clean Industrial Deal (2025).

The confluence of **heightened climate attention in the early 2020s**, **the pressure to keep up with Biden's climate and industrial policy agenda, competition with China**, and **the Russian invasion of Ukraine putting energy (in)security front and center** for European policy makers produced a policy agenda strongly centered on clean energy and industrial competitiveness.

Many of the implementing policies emerging from these EU frameworks are being negotiated in 2026 and a fertile ground for technically-focused advocacy that climate philanthropists can fund, for example the following:

- The Clean Industrial Deal (CID) is the Commission's flagship policy to deliver a joint roadmap for competitiveness and decarbonisation to turn Europe into "a continent of industrial innovation, but also a continent of industrial production", in the words of Commission President Von der Leyen. **The CID has launched critical policy initiatives to drive net-zero, more innovative and competitive business models.** In particular, a **new Industrial Accelerator Act** to work on enabling European lead markets for cleantech via forward-looking standards and circularity measures, European Preference Criteria and green public procurement, followed by the **revision of the Public Procurement Directives** in 2026.
- **Energy and Sectoral Action Plans: Existing sectoral action plans (on Wind, Grids) and new ones announced under the CID (Steel, Automotive),** as well as the **Energy Affordable Action Plan** are an opportunity to ensure the EU industry has both the supply and infrastructure required for our cleantech industrial future. In particular, the new **European Grids Package** will be of utmost relevance for integrating innovative renewables in line with the RED III 5% target, and to build anticipatory grid expansion and cross-border interconnectors for a clean energy transition.

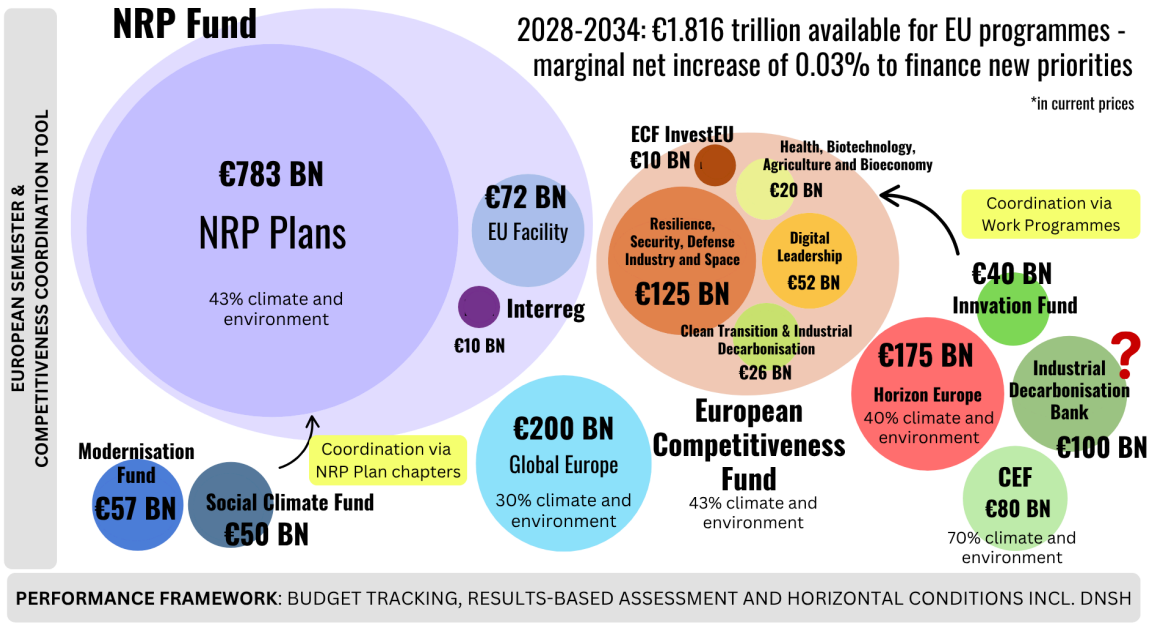
Policy Window II: MFF — the world's largest climate budget in a democracy

In July 2025, the European Commission presented its proposed budget, the **Multiannual Financial Framework for 2028–34**, allocating approximately **EUR 700 billion for climate and environmental work, annualizing to over EUR 100 billion per year**. The Commission set a target that 35% of the entire EUR 2 trillion EU budget would go toward climate and environmental goals.

A report by Climate Strategy & Partners that heavily informs this section visualizes the proposed budgets and climate and environmental components:

Figure 7. European Commission proposal for the Multiannual Financial Framework 2028-2034

Source: Climate Strategy & Partners



The **process to agree these figures started this summer and is expected to extend until the end of 2026**, at least, marking the current moment as of particular importance for the future of EU climate budgets.

From the perspective of global decarbonization benefits, the following budgets are most relevant:

- **Horizon Europe, Europe's premiere innovation program, with an increased budget (€175 billion), a 40% climate & environment mainstreaming target**

and a strengthened EIC, can provide the necessary grant schemes for early-stage innovations.

- A new **European Competitiveness Fund (ECF) with a €26 billion Clean Transition window, a 43% climate & environment mainstreaming target and a Scale Up Facility** managed by the EIB can be strategically targeted to scale cleantech by providing more **guarantees** via the **ECF InvestEU** and **output-based support** like CCFDs and competitive bidding.
- **National and Regional Partnership Plans (€783 billion)** also stand as a potential source of revenues for financial instruments to drive cleantech innovation and scale up, with a 43% climate and environment mainstreaming target.

Outside the MFF process, but also of major budgetary relevance for industrial decarbonization:

- The CID announced a new **Industrial Decarbonisation Bank (IDB) to mobilize €100 billion in funding over a 10-year period** (funded mainly from national ETS revenues), which is currently being tested with a €1 billion auction scheme for industrial heat decarbonization, and which could offer more output-based support for the roll out of late-stage cleantech.

Broadly speaking, this **budget proposal expresses a commitment to an increased innovation focus coupled with an attempt to address bottlenecks in the funding ecosystem towards scale-up and (re)building competitiveness in clean industries** — not unlikely the build-out of the energy innovation pipeline through the Energy Act of 2020, the Infrastructure Bill (IIJA) and the Inflation Reduction Act (IRA) in the US. At least for now, this build-out is facing less political risk than its US counterpart.

From a **philanthropic prioritization perspective**, there are various considerations to balance each other that we are currently seeking to understand better:

- **(1)** This is, by far, the **largest and most complete climate innovation budget currently negotiated in a democracy** (while the annualized amount is not that large, the six-year window makes it significantly larger than relevant US comparisons).
- **(2) In "normal" times budgetary processes are an attractive target for strategic philanthropy** given the technical nature and importance of "*legislative subsidy*" — interested stakeholders being able to provide information for better overall policy outcomes.

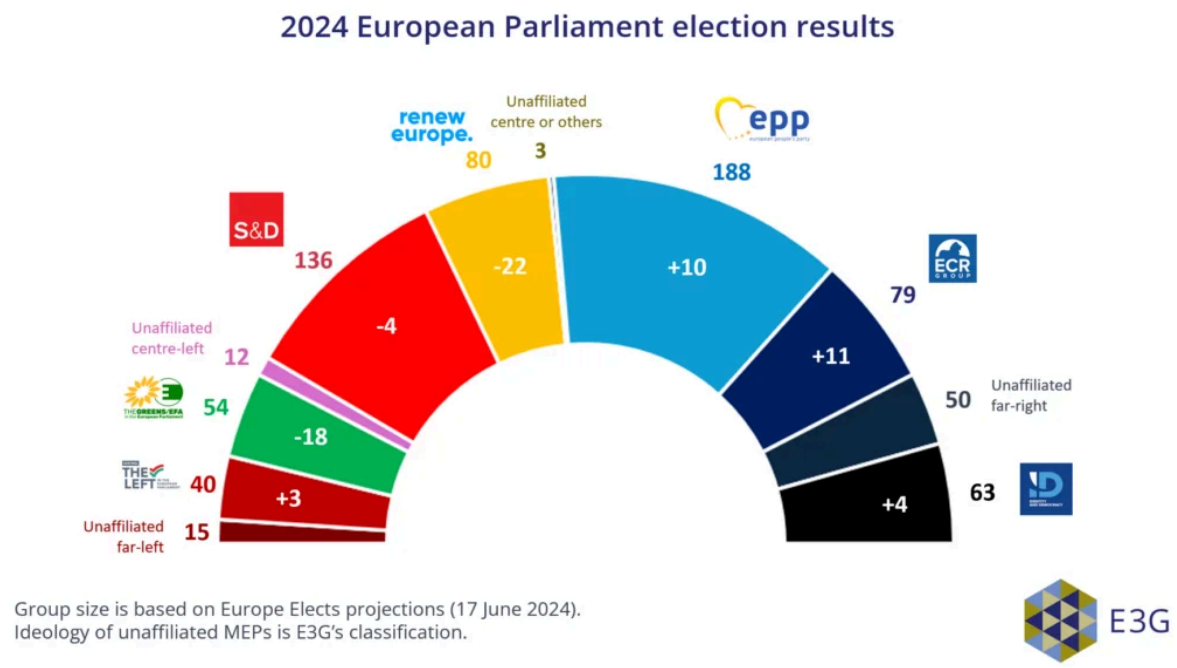
- **(3)** Climate, at this moment, is **unusually politicized**, possibly reducing the tractability of philanthropic interventions.

Broadening coalitions for durable climate and clean energy policy

As the 2024 European elections and the recent debates on the EU 2040 target have made painfully clear, the period of broad political support for European climate policy — shared, in its basics, from center-left to center-right — is over. The center *may* not hold.

Figure 8. Voting pattern changes from the 2019 to 2024 European Parliament elections

Source: E3G



While there currently still is a pro-climate majority, pro-climate parties (liberals and greens) incurred the biggest losses, while far-right anti-parties incurred the biggest gains.

As Project Tempo has convincingly demonstrated based on extensive polling in European countries, the 2024 European elections were not a fluke but reflectively of a European public, and "forgotten voters", in particular that is characterized by:

- **(1)** A **general pessimism** towards the future
- **(2)** Widespread **acknowledgment that climate change is real.**

- **(3)** However, **support for climate action is shallow** — with only 38% of Europeans willing to incur an extra cost of EUR 100 per month in favor of climate action. Clearly many climate policies are, or can be framed, as being more expensive than that and have provoked large backlash in many European countries over the past years.
- **(4) A climate movement that socio-culturally alienates those parts of the electorate most needed,** "forgotten voters" that are not green and center left, but often the decisive voters.
- **(5)** A socio-cultural / ideological disconnect, with climate activists being unpopular and not seen as "one of them" by relevant voters.

This pattern — eerily similar to the US context albeit less intense (for example, most Europeans accept the reality of climate change) — is, **unfortunately, also matched with a similar philanthropic underinvestment** in a right-of-center climate and clean energy civil society ecosystem.

For example, the most granular data available on European climate philanthropy, ClimateWorks's 2021 report, suggests the ***upper* bound for mobilizing right-of-center constituencies** — categorized under "*nontraditional allies*" — at about **1.3% of European climate philanthropy focused on public engagement.**

While the situation has improved somewhat since 2021, we still believe significant additional investment is warranted. As the European Elections and 2040 target discussions have made painfully clear, European climate policy might sit at a precipice with regards to public support and — also in light of difficult elections coming up in key European countries in 2027 — should likely be a much higher priority for climate philanthropists.

Grants under consideration

We are currently exploring several grants in this vein and hope to make decisions in late 2025 or Q1 2026.

China

Leaving the Western world behind now, we'll look at China.

The Chinese situation is interesting; both for its role as the predominant "engineering state" maintaining 70-90% of manufacturing capacity of most clean

technologies, but also through its framing as an "electrostate", in contrast to the US under Trump as a petrostate focused on extracting and exporting fossil fuels.

In that narrative, China is the most likely country to take up the mantle of global climate leadership. This view received even more attention when China — for the first time — announced an emissions reduction target for 2035, at the same time as the US was dismantling its climate agenda.

The question is: in how far is this purely rhetoric or a real stepping up of China beyond current commitments, the negative correlation one would hope for in a perfect hedge?

While we have yet to develop a deeper understanding of the Chinese decarbonization landscape — something we hope to achieve in 2026 — we currently believe the following:

- **(1) China's 2035 target is mostly rhetoric** — according to Climate Action Tracker's analysis the announced target will already be achieved on existing policies and does not express additional effort or stepping up.
- **(2)** While we believe the rhetoric around China's 2035 target is mostly empty, it is nonetheless true that China's investment in decarbonization-relevant technologies is independent of and maybe even negatively correlated with the US's; when the US cedes ground, China is the most likely country to lead (or, oftentimes: maintain leadership). **China probably is the most promising target for climate philanthropists seeking a hedge against US downside risk.**
- **(3) China's massive bet on clean energy manufacturing creates a fortuitous political economy dynamic in China** (unfortunately, the opposite in the US and EU) — China is inherently interested in driving the diffusion of clean energy and, indeed, its manufacturing capacity — after the earlier-stage investments of the US, Japan, and Europe — is the main driver of the improved global emissions outlook.
- **(4)** As the world's largest emitter — by far — and an equally dominant position in clean energy manufacturing and an increasing role in energy innovation, **China is by far the most important country for our climate future.**
- **(5) With the domestic deployment and export of Chinese clean energy products baked in, we think the most counterfactually decisive question with regards to China is whether and how fast China will go beyond technologies of existing strength** and, alongside the deployment of

renewables and EVs, also contribute to other decarbonization challenges globally such as retiring or retrofitting coal plants (by far the largest source of committed emissions), and contributing to the decarbonization of hard-to-abate sectors.

- **(6)** Of course, China is not a Western democracy and **climate philanthropists face a limited set of opportunities.** This makes it difficult to ascertain what a "proper" share of climate philanthropy targeting China should be.
- **(7)** At the same time, **the current share of climate philanthropy targeting China** — less than 6% — **is almost certainly far too low** and mostly driven by impact-exogenous factors.

We have been operating in China since 2022/2023 and are stepping up our engagement focused on repowering coal plants based on observing impressive progress which we want to continue to support.

We also hope to deepen our China work in 2026 and identify further opportunities.

OECD Asia

Japan and South Korea provide interesting, yet often overlooked, potentials for global decarbonization. Both are characterized by strong industrial innovation capacity, a long history of public private innovation, export orientation, energy import dependence and proximity to China.

(Of course, both were also heavily affected — directly and indirectly — by the Fukushima nuclear accident and its political consequences, with Japan only operating 14 of its 33 reactors)**.**

At the same time, climate philanthropy is largely absent from these countries, with an estimated 20-169 million USD/year investments, about 0.21-1.07% percentage of climate philanthropy at large. This range is highly uncertain, because both data on climate philanthropy *at large* and how much of "*Oceania & Other Asia*" targeted philanthropy is focused on Japan and South Korea is highly uncertain and extrapolations need to be made from the data provided by ClimateWorks. Based on conversations, we believe estimates to be at the lower end of the range.

Roughly speaking, **the dominant 2025 global framing of climate and energy policy — a focus on energy security and economic competitiveness — has been the**

dominant framing of climate and energy policy in these jurisdictions for the past decades already.

South Korea is the only OECD country that has been able to develop GW-scale nuclear on time and budget, yet its momentum on nuclear has been stymied by the 2011 Fukushima nuclear accident and its *political* consequences — both around the original accident and highly publicized and polarizing discussions on waste water release in 2023.

Japan's newly elected Prime Minister Sanae Takaichi, "a nuclear fan," accentuates this view on energy policy — being critical of traditional solar PV due to reliance on Chinese imports, favoring nuclear power *and* developing nascent solar perovskite technology in Japan — the latter a solar innovation bet where Japan is among the leading jurisdictions.

Yet, funding focused specifically on engaging right-of-center voices in Japan and South Korea is even more scarce, at an estimated 0.12-0.58 million USD/year, assuming that approximately 10% of public engagement work there targets right-of-center (what is called "nontraditional allies" in the ClimateWorks taxonomy).

It is noteworthy to us that — because climate never was the major driver of energy policy in the way that it became in Europe and the US — **Japan's and South Korea's contribution to global decarbonization should be less affected by a downward momentum and risk of further downward momentum on climate as a dominant motivation**. In other words, they should provide a partial hedge against jurisdiction where climate-relevant action depends more on climate policy support.

Grants under consideration

We have several grants under consideration in OECD Asia and expect to make funding decisions in Q1 2026.

Emerging Asia

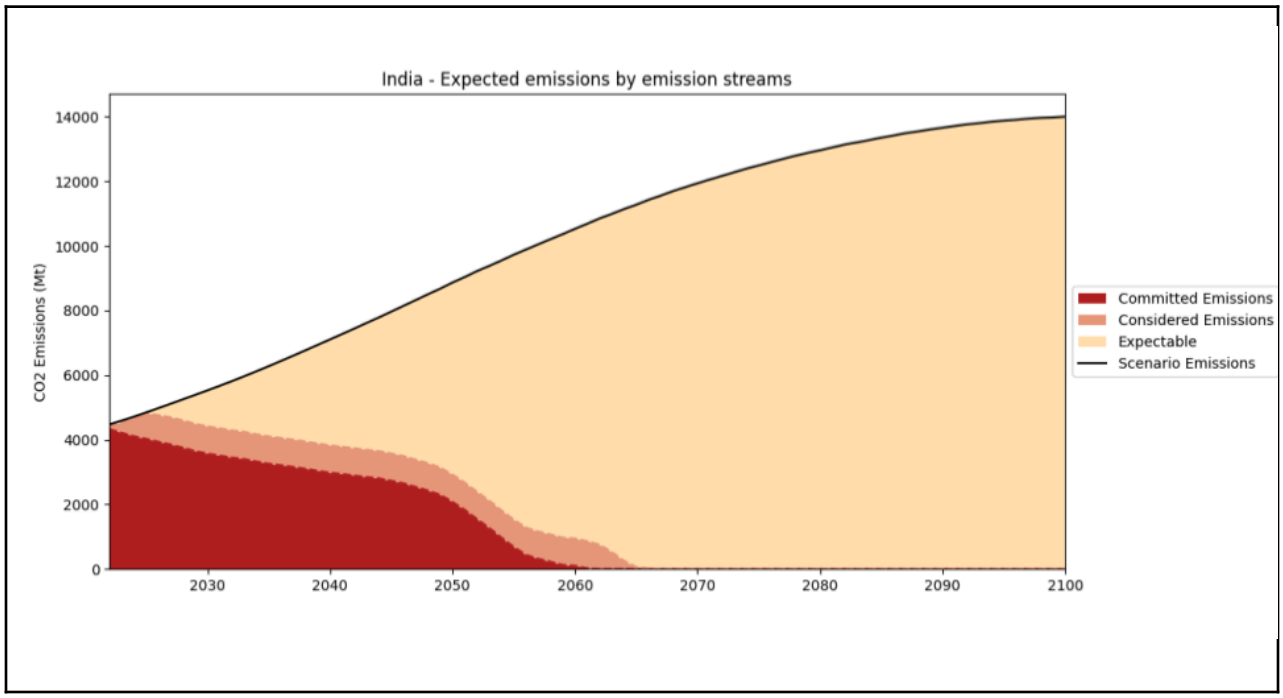
Beyond China and OECD Asia, the emerging economies of South and Southeast Asia provide the **third major distinct Asian region in terms of emissions profiles, industrial infrastructure and, more broadly, climate outcomes.**

Estimates suggest that — taken together — they will account for about 30% of global emissions until 2100. This is comparable to China's expected contribution; however,

the typical emissions profile looks very different. These are the economies whose emissions are currently growing most strongly in relative terms — behind China in their coal build-outs and creating lock-in risk of future emissions through new coal infrastructure whose early retirement would provide massive stranded assets and is thus quite implausible.

Figure 9. India's expected emissions

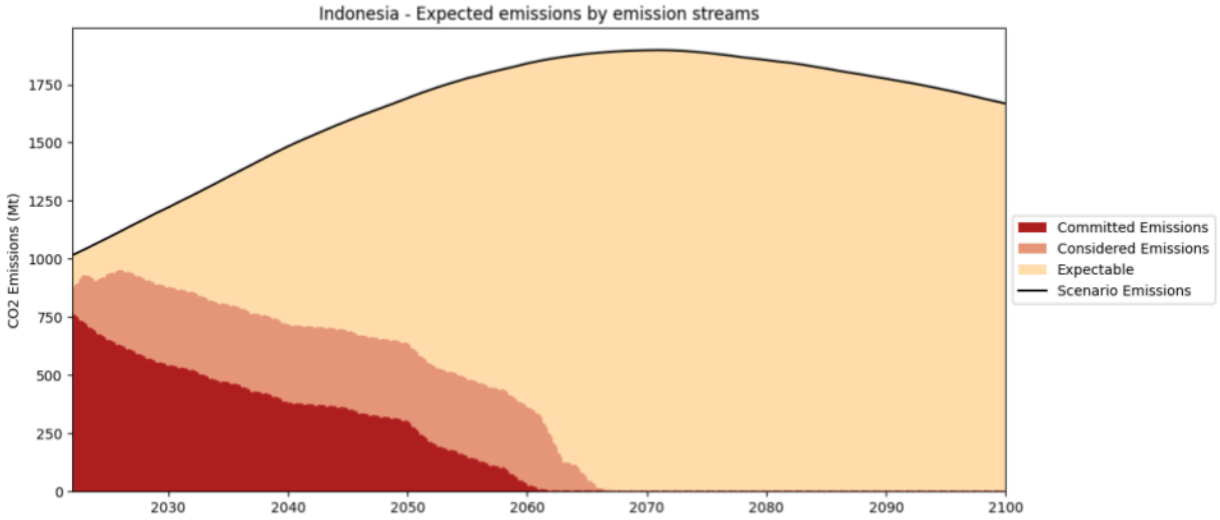
Source: Founders Pledge[1]



[1] Analysis based on data from the Global Energy Monitor, the IPCC SSP Scenario Database and Tong et al 2019).

Figure 10. Indonesia's expected emissions

Source: Founders Pledge[2]



While committed emissions from existing infrastructure are still relatively low, both considered emissions from new infrastructure and expected emissions from future population and economic growth make this the region where most emissions growth is located.

Grant in context: Energy for Growth — an impact update from a 2023 grant

The Energy for Growth Hub is dedicated to meeting electricity demand in all emerging and developing markets. Among its many projects, the Hub advocates for greater disclosure of electricity contracts as a way to enhance competition and accelerate clean energy deployment, with a special focus on the transparency of power purchase agreements (PPAs). Since 2024, the Hub has:

- **Raised awareness by scoring countries on their transparency**. The Hub expanded its PPA transparency scores on PPAWatch.org from 12 to 23 countries, adding new Latin American, Asian, and Caribbean countries. Public scoring sets benchmarks and allows countries to compare their

[2] ibid.

practices with regional and global peers, driving a race to the top. New scores for Pakistan and Argentina will be up in early 2026.

- **Informed pathways to reform by expanding individual market analysis.** In addition to initial cases on Ghana and Kenya, new studies were completed on Trinidad and Tobago, Malawi, Indonesia, Zambia, India, South Africa, Mexico, with Pakistan in the pipeline. Country studies deepen knowledge of the specific factors constraining transparency reforms, which inform tactics for promoting greater contract disclosure.
- **Built support by engaging directly with regulators and policymakers.** In-person workshops on transparency were held with Malawi's power sector institutions, Kenya's regulator, and ongoing support to Ghana's regulator, legislature, and Ministry of Energy. The Hub also worked directly with regional regulatory bodies in the Pacific and the Caribbean to shape transparency standards.

Impact has started in Ghana… and is spreading. The project's first big win was Ghana launching sub-Saharan Africa's first public PPA register listing all active PPAs. In July 2025, Ghana's parliament passed a competitive procurement law that will enshrine transparency and lead to greater reforms. Other countries are learning from Ghana's experience and actively considering their own steps toward more open competitive power markets. International organizations that help to set global governance norms, such as the Extractive Industries Transparency Initiative and the Open Government Partnership, are also beginning to weigh in on energy contracts. The Hub expects more countries to embrace contract transparency as a way to reduce prices, accelerate clean energy deployment, and ensure that all economies have the affordable, reliable power they need to grow and create jobs.

Sub-Saharan Africa and the Rest of World

We have now covered about 75% of expected future emissions and a similar albeit harder-to-quantify **share of the capacity to indirectly drive global decarbonization** through investment and innovation.

Other regions — in particular, Sub-Saharan Africa — matter greatly in terms of population growth, building out energy infrastructure and in adapting to climate change.

However, unless the trajectory towards decarbonization fully stalls, the above selection of countries and regions covers those most responsible for future territorial emissions and indirect decarbonization contribution (i.e. **decarbonization value**).

The fundamental reason for this possibly surprising result is that **Africa's existing and projected growth comes at a backdrop of a decarbonizing world** and no plausible scenario where Africa builds out massive coal capacity in the way that emerging Asian economies have done or are currently engaged in. Rather, **Sub-Saharan Africa's growth will be driven by renewables and gas**. Depending on how one thinks about the affectability of future emissions, we estimate that Sub-Saharan Africa will contribute anywhere between 6.5-8% of future affectable emissions — not nothing, but far less than if Africa repeating the Asian growth story were a plausible scenario.

That doesn't mean these regions should not be foci for climate philanthropy, but rather that climate adaptation and enabling escape from energy poverty should probably be the dominant priorities for (climate) philanthropists working on Sub-Saharan Africa.

V. Conclusion

We opened this report with a stark assessment: sh*t has hit the fan for climate action. We've traced how we got here, what philanthropists could have done differently, and how these principles manifest in practice for our grantmaking.

The macro-level political risk we warned about in 2021 has largely materialized. We're now in the high-risk world for explicit climate policy that seemed like a tail scenario in 2021.

This, we believe, requires all hands on deck. Only a climate philanthropy willing to leverage all existing opportunities, and willing to learn from its coalitional and other mistakes will be able to help shape this moment.

The risks are real. But — crucially — while the broad climate backlash has been global and positively correlated, most of the concrete risks facing different jurisdictions now are not as dependent.

The specific risks facing different regions are not as dependent. Whether Europe remains committed to its 2040 targets, for example, operates independently of whether the US Department of Energy maintains capacity despite both of them

existing in the same macro environment of a deeply changed climate and energy conversation. The general political headwinds are real, but the detailed risks are no longer moving in lockstep. This allows for **robust diversification, making a set of diversified bets that as a portfolio are resilient.**

While the risks are real, the situation is not uniformly bleak.

Recall that the political pessimism was accompanied by four optimisms, dynamics to leverage even in this difficult moment.

In the EU, for example **Optimism II is highly salient: the staying power of existing policy infrastructure**. Much of Europe's climate budget and legislative framework survives because repealing is harder than passing, and bureaucratic momentum carries forward even when political enthusiasm wanes.

The US, conversely, leans more on Optimism I: progress that doesn't require "climate" as motivation. Permitting reform and clean firm power can advance decarbonization without depending on climate salience. OECD Asia has always operated in this mode, making those countries less vulnerable to the specific backlash facing explicitly climate-coded policies.

Here's the deeper pattern: **the most important climate progress happening right now isn't happening as explicit climate policy.** Across the globe, energy security, economic competitiveness, and industrial policy have become primary drivers of clean energy, with climate as co-benefit rather than motivation.

The climate philanthropy reset isn't about abandoning impact or retreating to safe bets. It's about strategy that acknowledges we're in the difficult world we hoped to avoid, evaluating and smartly managing different risks and learning from the strategic failures that left us unprepared and changing what we invest in accordingly.