



# Energy Transition Accelerator



## Executive Summary of the Energy Transition Accelerator

DECEMBER 2023

COP28 Announcement

# Energy Transition Accelerator | Context

1. To **keep a 1.5 °C limit** on warming within reach, International Energy Agency's latest *Net Zero Roadmap* underscores the critical **urgency of transforming power systems in emerging markets and developing economies (EMDEs)** to achieve earlier, deeper greenhouse gas reductions<sup>1</sup>
2. **Power sector emissions** in many **EMDEs will continue to grow in the near term**, as electricity production rises to support economic growth, improve energy access, and enable the electrification and decarbonization of other sectors
3. But **power sector emissions in EMDEs must peak sooner** and **decline faster** for these economies to be on a **net-zero pathway**
4. The rapid and just **transformation of EMDE power systems** requires a **dramatic infusion of capital**, with the IEA estimating investment in EMDEs (excluding China) must increase *seven-fold*, to **\$1.9 trillion a year by the early 2030s**
5. Yet there are **significant obstacles to this scale-up** – including tightening financial and fiscal conditions, high levels of government indebtedness, and the high cost of capital for clean energy projects
6. The **Energy Transition Accelerator (ETA)** addresses this **urgent need for transition finance** through an **innovative market-based strategy to catalyze capital** supporting accelerated power sector decarbonization in emerging and developing economies

<sup>1</sup>IEA 2023 report: *Net Zero Roadmap: a global pathway to keep the 1.5 °C Goal in Reach*

# Energy Transition Accelerator | Four core aspects of ETA

1.

## BUYER-SELLER COALITION

ETA brings together **a coalition of willing buyers and sellers to drive investment** in clean energy transitions

2.

## HIGH-INTEGRITY, SECTOR-SCALE CARBON CREDITS

ETA partners are supporting Winrock International to develop a **new independent sector-scale crediting methodology to incentivize broad sectoral transformation**

3.

## LEVERAGING CREDITS TO UNLOCK TRANSITION FINANCE

Anticipated revenue from **future credit sales can be leveraged by host governments to help unlock upfront finance** needed to implement transition strategies

4.

## INCLUSIVE JUST TRANSITION SAFEGUARDS

ETA carbon crediting program includes a set of **robust safeguards that promote environmental, social, and just transition safeguards**

## Requirements for governments to participate as suppliers of carbon credits<sup>1,2</sup>



1. Be a **national government**, or a **subnational government**, or its **designee** (e.g., system operator or utility)



2. Have, or be within a country that has, a **current NDC that encompasses electric power** generation



3. Have, or commit to develop in the short term, a **Just Energy Transition Plan** and/or a set of related policies approved by the national government that:

- Outlines the country's **strategy for a pathway to net zero emissions** by mid-century;
- Includes **measures to mitigate social and environmental implications**;
- Outlines associated **investment requirements**; and
- Commits to **no new permitting** of unabated coal generation plants

Note: (1) Countries may signal their intent to participate in the ETA in advance of its formal establishment by becoming pilot host countries. (2) Host countries supplying credits to private sector buyers for voluntary use, or receiving payments for performance from sovereign contributors, can retain the underlying emissions reductions in their national emissions totals reported toward their NDCs. When ETA credits are used for voluntary purposes, host countries are not expected to authorize the credits per Paris Agreement Article 6.2 guidance or to subsequently apply corresponding adjustments.

## REQUIREMENTS OF PRIVATE-SECTOR BUYERS

1. Publicly commit to **science-based targets (SBTi) or equivalent quantified science-aligned targets** consistent with limiting warming in line with the long-term temperature goal of the Paris Agreement
2. Publicly **commit to mid-century net zero targets** following established best practice
3. Publicly **report a greenhouse gas emissions inventory** following the Greenhouse Gas Protocol (GHGP) or Partnership for Carbon Accounting Financials (PCAF)
4. **Develop and maintain a plan** to meet emissions reductions targets, and publicly report on progress towards achievement of targets
5. Publicly **report any use of carbon credits**, including purpose of use

*Note: ETA will continue to work with VCMi and the LEAF Coalition to align these requirements with their expectations of participants.*

## REQUIREMENTS OF SOVEREIGN BUYERS

1. Have an **NDC that represents its highest possible ambition** and aligns with clear and credible pathways towards net zero emissions, and have established, or have plans to establish as soon as possible, a 2050 Long-Term Strategy to implement this net zero goal
2. Commit to **no new permitting of unabated coal** generation plants
3. If applying ETA credits toward their NDCs, **implement the guidance under Article 6.2 of the Paris Agreement**, including the submission of all related information in respect of credits purchased through ETA consistent with Article 6.2 guidance

# Buyer-seller Coalition | Credit use pathways for buyers

ETA will promote environmental integrity by identifying **credit use pathways** that companies can follow in incorporating ETA credits into their climate strategies while prioritizing direct action and investment to reduce emissions within their value chains.

## VOLUNTARY USE CASES

## DESCRIPTION

1. **Use of ETA credits towards emissions from purchased electricity (Scope 2)**  
Account as **reductions in emissions from purchased electricity (Scope 2)** using market-based accounting, in a similar way that RECs may be used to meet Scope 2 targets under the GHG Protocol. **Buyers contribute directly to reducing emissions from electricity generation in the host country and their own consumption**
2. **Use of ETA credits towards emissions from electricity used by suppliers (upstream Scope 3)**  
Account as **reductions in indirect emissions from a buyer's supply chain attributable to electricity use** (upstream Scope 3). **Buyers contribute directly to reducing a major source of emissions in their own supply chains**
3. **Use of ETA credits to offset a limited amount of unabated emissions**  
Offset a **limited amount of unabated emissions covered by the buyer's climate mitigation target**. For example, under the VCMi Scope 3 Flexibility Claim (beta version), a buyer could offset up to 50% of its unabated Scope 3 emissions under a science-aligned pathway
4. **Use of ETA credits to achieve emissions reductions beyond a climate mitigation target**  
A means of **securing additional quantified emissions reductions beyond what the company must achieve** to meet its climate mitigation target. This use case is consistent, for example, with VCMi Silver, Gold, and Platinum claims and with SBTi Beyond Value Chain Mitigation

These cases embody the principle that ETA credits will represent **rigorously quantified and verified reductions** in power sector emissions in participating countries – and therefore in buyers' value chains

Other credit use cases may be relevant to companies purchasing credits for use toward the ICAO CORSIA or for domestic compliance use, as well as to sovereigns purchasing credits for use toward their NDCs or to provide results-based payments to host governments.

## OTHER USE CASES

## DESCRIPTION

- | OTHER USE CASES                                   | DESCRIPTION  |
|---|--|
| <p>5. <b>Private sector buyer</b></p>             | <p>Private sector participants can <b>purchase credits for use toward regulatory purposes</b> such as ICAO's CORSIA or domestic regulations that mandate credits to be authorized and accounted per Article 6.2 of the Paris Agreement, provided the host government authorizes the credits for such uses and the credits are eligible under the given scheme.</p> |
| <p>6. <b>Sovereign buyer</b></p>                  | <p>Sovereign buyers and host governments follow <b>Article 6.2 guidance</b>, including <b>corresponding adjustments and information submission</b>, for credits authorized for use towards an NDC</p>  |
| <p>7. <b>Sovereign results-based payments</b></p> | <p>Sovereign contributors may <b>offer results-based payments for credits, which are not counted toward their NDC targets</b>, enabling the host government to include the underlying mitigation in accounting for its NDC</p>   |

## ETA carbon credits must meet minimum criteria



### A focus on environmental integrity

- Utilizing appropriate tools to prevent emissions leakage and adhere to rigorous performance standards, validating additionality
- Accurately reflecting actual impacts on emissions using current, reliable, and scientifically-backed data
- Mandating baselines set below business-as-usual, adjusted downward as needed to align with host country NDCs, LT-LEDs, and the Paris Agreement's long-term temperature goal
- Avoiding credit for, or endorsement of, emission levels inconsistent with these overarching goals
- Credits must align with the principles outlined in Article 6 of the Paris Agreement, the Emission Unit Eligibility Criteria of CORSIA, and the fundamental carbon principles of the ICVCM



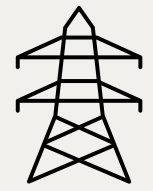
### Support for Adaptation and Resilience

- ETA standard will channel **5% of credits to raise funds for adaptation and resilience** in vulnerable countries



## The value of a sector-scale crediting approach

ETA partners are supporting the development of a sector scale crediting approach (i.e., sectoral no-lose crediting) that will reward host governments for verified reductions in electricity emissions based on an ambitious performance standard. This approach can help facilitate systemic changes by mobilizing resources to support a range of investments and activities needed for emissions reductions, including:



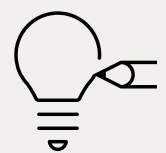
Allows **crediting for the results of grid and other transmission improvements**, policy changes, etc.



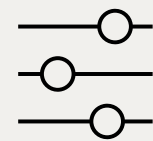
Incentivizing action on **legal, policy, and regulatory steps** to enable accelerated decarbonization



Mobilizing resources that governments can use to **address the needs of communities and workers affected** by the energy transition



Investment in **early coal plant retirement** and **accelerated renewables deployment**.



Enables **alignment of crediting level** with ambitious host government's just transition policies and targets



Reduces **uncertainties around additionality** and effectively mitigates lowering the risk of emissions leakage



- ETA Partners have enlisted Environmental Resources Trust (ERT), a subsidiary of Winrock International, to independently develop a sector-scale crediting standard. To the degree practical, this will be a standardized approach to crediting, with built-in adaptability to address important differences in the structure and state of development of country power systems
- The ETA Coalition may endorse and source credits via other methodologies that support high-integrity carbon credits aligned with ETA's objectives for high-integrity crediting

## Some provisions in crediting methodology being developed:

Recognition of different stages of country progress in the just energy transition, including **specifying different crediting pathways for three categories of countries:**

1. Countries where emissions have peaked (crediting for absolute emissions reductions)
2. Countries with high energy demand growth (initially crediting for emission rate reductions per ambitious performance standard)
3. Countries with significant energy access needs (e.g., crediting in contexts with low per capita electricity access)

Periodic review of the performance standard to ensure **continued alignment with Paris Agreement temperature goals** over time

Rigorous checks of performance standard to ensure **consistency with key Paris- and science-aligned pathways**

Regular **downward adjustments of crediting levels** to ensure alignment with national and global climate objectives

Crediting **adjustment for rapid electricity demand growth** to preserve incentives for energy efficiency investments

- The ETA Partners intend, as a default, to establish a **basic transaction structure, with designated intermediaries**, in which the governments sell their credits to an ETA intermediary and/or corporate buyers in exchange for direct payment

ETA Partners are considering the **degree to which the ETA itself should be directly involved in proactively mobilizing upfront capital**

## Potential financing models for the ETA

SIMPLE



COMPLEX

ETA remains a **simpler carbon finance mechanism** whose crediting proceeds can integrate with other public, private, and philanthropic flows

Host **governments could, in parallel, structure sovereign green bonds to raise upfront finance**, with the bond principal coupon repaid partly or wholly through carbon credit revenues

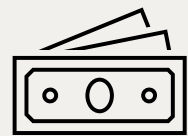
ETA could create one or more special purpose vehicles or funds to **mobilize upfront finance from investors directly** into specific projects or groups of investments

ETA Partners will continue to explore potential models for structuring transactions through further consultations with pilot countries and interested buyers and investors

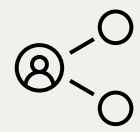
# Leveraging Carbon to Unlock Transition Finance | Drivers of leverage

An illustration of the potential effects of the ETA on the transition capital stack demonstrates how much private investment ETA revenues could catalyze for the commercial components of the energy transition assuming leverage ratios of 4x and 7x. This range depends on factors such as the timing and price of emission reductions credits, and government-specific policies & incentives.

## The amount of finance mobilized by the ETA will depend on:



**Credit revenue generated:** Revenue from credits will depend on the number, size, and energy mix of the participating governments, and the timing and volume of emission reduction credits generated and sold



**Credit revenue allocation:** How governments choose to allocate the credit revenues – prioritizing mobilization of private finance before or after non-revenue generating actions (e.g., costs associated with retiring coal plants)



**Leverage ratio:** The leverage that can be achieved on credit revenues, which is influenced by the strength of key local institutions (such as utilities, market regulators, and local financial institutions) as well as enabling energy and financial policy reforms

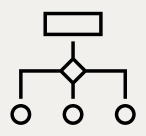
ILLUSTRATIVE SCENARIO (BASED ON THREE LARGE TEST COUNTRIES)	ETA REVENUE (\$B USD)	FINANCING FOR NON-COMMERCIAL COSTS (\$B USD) (Fossil fuel retirement & Just Transition programs)	LEVERAGED FINANCING (\$B USD) (Renewable energy, Transition & Distribution)		TOTAL FINANCING MOBILIZED (\$B USD)	
			4x ratio	7x ratio	4x ratio	7x ratio
1. Limited carbon revenue, no financial leverage	\$10.9	\$10.9	--	--	\$10.9	\$10.9
2. Limited carbon revenue, limited financial leverage	\$10.9	\$10.8	\$0.6	\$1.0	\$11.3	\$11.8
3. Significant carbon revenue, focus on direct financing	\$41.0	\$25.6	\$61.3	\$107.2	\$86.9	\$132.9
4. Significant carbon revenue, high financial leverage	\$41.0	\$13.3	\$110.5	\$193.4	\$123.8	\$206.7
Estimates of mobilization potential for these three illustrative developing economy power sectors suggest that <b>ETA could generate up to \$41B in direct carbon credit revenue</b> , and <b>unlock up to \$207B in transition finance</b> through 2035						

Based on these three illustrative countries, **ETA carbon credit revenues could cover 35% to 100% of the costs of power-sector transition that are unlikely to be financed commercially** (e.g. coal retirement or just transition programs). **With higher-end estimates of carbon prices and leveraging of private financing for renewable energy buildout, the ETA could mobilize financing sufficient to cover between 15% and 35% of the total costs** of the power-sector transition through 2035

Notes: These figures may not be representative for all ETA participants but were based on three large developing countries with significant coal power assets, and assuming that all ETA credits delivered to the market are purchased. With a higher credit price (\$50/ton, versus \$20/ton in low price scenario) and including all estimated power-sector transition costs – the bulk of which involve RE development that can attract private-sector financing if appropriately incentivized and de-risked – ETA revenues could cover from about 15% to 35% of total costs through 2035, depending on the degree of private financing leveraged and host-government allocation of ETA revenues.

Source: Analysis from Climate Policy Initiative

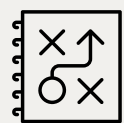
**The ETA is developing a Just Transition and Safeguards Framework providing a set of safeguards and elements for a fair and equitable transition to support environmental, social and governance objectives alongside decarbonization**



**Eligibility criteria:** Pre-qualifying criteria to be met by a government to participate in the ETA Coalition as a supplier of carbon credits



**Safeguards:** Requirements to be met by a host government in order to receive credits, with progress monitored over time. Host governments will be required to designate a governmental body with responsibility for ensuring safeguards are implemented, monitoring compliance with safeguards, and providing guidance and support on how to satisfy safeguard requirements



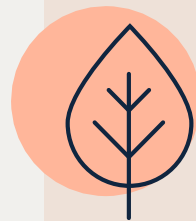
**Elements:** Suggested elements, to be elaborated, that are complementary to safeguards and to be implemented by a host government based on relevance to the country, with information made available to buyers as a way of indicating the quality of associated carbon credits.



## Governance

1. CONSISTENCY WITH OBJECTIVES OF A NATIONAL JETP & RELATED POLICIES
3. ESTABLISHMENT OF A GRIEVANCE REDRESS MECHANISM

2. IMPLEMENTATION OF ANTI-CORRUPTION MEASURES



## Environmental

4. DECOMMISSIONING AND DEMOLITION OF COAL

5. EVALUATION AND SUSTAINABLE MANAGEMENT OF ENVIRONMENTAL RISKS, RESOURCE EFFICIENCY, POLLUTION PREVENTION, BIODIVERSITY CONSERVATION AND NATURAL RESOURCES



## Social & Equity

6. ASSURANCE OF SECURE ENERGY SUPPLY
8. MANAGEMENT OF LAND ACQUISITION, RESTRICTIONS ON LAND USE AND INVOLUNTARY RESETTLEMENT
10. PRESERVATION OF CULTURAL HERITAGE

7. DISCLOSURE OF INFORMATION AND FACILITATION OF STAKEHOLDER ENGAGEMENT
9. ASSESSMENT AND MANAGEMENT OF SOCIAL RISKS

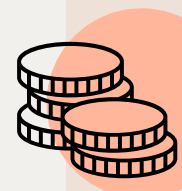
## Elements can help sellers appear more attractive to buyers

Information on the implementation of elements can be made available to buyers to indicate the quality of associated carbon credits. Elements include:



### Governance

1. SUPPORT FOR SDGS AND CO-BENEFITS



### Security

2. EXPANSION OF THE CLEAN ENERGY ECONOMY
3. TIME-BOUND PLANS FOR BUILDING CLEAN ENERGY INFRASTRUCTURE & INVESTING IN TECHNOLOGY



### Social

4. PLANS FOR COMMUNITY-BASED PROJECTS TO INCREASE REVENUE IN AFFECTED LOCATIONS
5. COMMITMENT TO EQUITY IN LINE WITH NATIONAL PRIORITIES
6. INCORPORATION OF SOCIAL PROTECTION MEASURES IN JUST TRANSITION PLANNING
7. COMMITMENTS TO TRAIN, RETRAIN, SKILL, AND UPSKILL AFFECTED WORKERS
8. DEVELOPMENT OF NEW EMPLOYMENT OPPORTUNITIES
9. CULTIVATION OF COMPETITIVE LOCAL SUPPLY CHAINS

1. The ETA has entered a **strategic collaboration** with the **World Bank and its SCALE initiative** (Scaling Climate Action by Lowering Emissions) to leverage the complementary strengths of the ETA and SCALE

2. **SCALE is a multi-donor trust fund** designed to **support countries** to build the infrastructure and experience needed to **generate high-quality, verifiable emission reductions**, preparing them to **participate in the carbon markets**

3. The United States, SCALE's initial donor, and the World Bank are working together to **capitalize the fund through additional donor contributions**

4. The collaboration between ETA and SCALE will help **enlarge demand for ETA credits by providing an avenue for SCALE's sovereign contributors to participate** in the ETA Coalition

5. Sovereign donors **could help provide revenue certainty** to host governments by committing to pay a **guaranteed floor price for credits**

6. **Developing countries participating in SCALE** can also access **technical assistance and capacity-building support** for the development and implementation of their just energy transition strategies



# Energy Transition Accelerator | ETA Coalition stakeholders

## STEERING PARTNERS



## LEAD COORDINATORS



## THEMATIC LEADS



## HIGH LEVEL CONSULTATIVE GROUP

- Africa Climate Foundation
- Asia Investor Group on Climate Change
- Boston Consulting Group (BCG)
- Brazilian Business Council for Sustainable Development (CEBDS)
- Business Alliance to Scale Climate Solutions
- Climate Policy Initiative
- ClimateWorks Foundation
- Council on Energy, Environment and Water
- Electric Power Research Institute (EPRI)
- Environmental Justice Health Alliance
- European Bank for Reconstruction and Development
- European Climate Foundation
- Glasgow Financial Alliance for Net Zero (GFANZ)
- Grantham Research Institute on Climate Change and the Environment, London School of Economics and Political Science
- Growald Climate Fund
- Institute for Essential Services Reform
- International Centre for Climate Change and Development
- International Council of Voluntary Carbon Markets (IC-VCM)
- International Emissions Trading Association (IETA)
- International Energy Agency (IEA)
- International Renewable Energy Agency (IRENA)
- MDB Climate Finance Working Group
- National Business Initiative
- Natural Resources Defense Council (NRDC)
- Science Based Target initiative (SBTi)
- Sierra Club
- Sustainable Markets Initiative
- The Climate Pledge
- U.N. Development Programme
- U.N. Environment Programme
- U.N. High Level Expert Group on Climate Finance
- U.N. High-Level Expert Group on the Net-Zero Emissions Commitments of Non-State Entities
- U.N. Secretary-General for Sustainable Energy for All (SEforALL)
- Voluntary Carbon Markets Integrity (VCMI)
- World Business Council for Sustainable Development (WBCSD)
- World Resources Institute (WRI) for Greenhouse Gas Protocol
- World Wildlife Fund (WWF)

# Next steps to operationalize the ETA



**ETA Partners** aim to **formally establish the ETA** as an independent initiative **by Earth Day 2024** and, in close consultation with pilot countries and other prospective participants, will finalize **governance arrangements, pricing and transaction structure, and Coalition terms of participation**



**Winrock International** will **refine and finalize its crediting standard** for use by the ETA with **input from stakeholders**, including pilot countries, and a formal **public consultation** process



The **World Bank** will **advise interested countries** of the **technical assistance and capacity-building support available** to client countries through the SCALE trust fund and other World Bank programs



Upon finalization of the crediting standard, **ETA Partners** will **invite potential host governments** to submit formal proposals to apply the standard and **interested buyers** to enter into advance purchase commitments

The ETA Partners will continue to provide periodic updates to, and invite input from, a wide array of interested stakeholders



# Energy Transition Accelerator



INQUIRIES ON THE ETA MAY BE DIRECTED TO

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