



FACTSHEET

# ACCELERATING COAL TRANSITION (ACT) INVESTMENT PLAN FOR THE DOMINICAN REPUBLIC





## BACKGROUND

If coal were a country, it would be the single largest greenhouse gas emitter in the world. There is no winning the fight against climate change without a just, rapid transition away from coal.

Coal-fired power plants are increasingly uncompetitive with renewable energy and out of step with a green economy. Coal-dependent countries have a once-in-a-generation opportunity to re-evaluate new coal assets being built, and re-purpose existing assets. Yet in the developing world, this is easier said than done, with coal deeply interwoven into economies, societies, and livelihoods.

The Climate Investment Funds' \$2.2bn Accelerating Coal Transition (ACT) investment program is a first-of-its-kind multilateral investment platform pioneering a transition away from fossil fuels and toward clean energy. ACT is a key building block of Just Energy Transition Partnerships in some coal dependent emerging economies. It funds pilot solutions that engage with all aspects of the transition: Governance (e.g., policies and institutional reforms); people (i.e., a just transition for affected communities); and infrastructure (e.g., retiring and re-purposing existing coal assets). CIF selected Dominican Republic as one of the pioneer countries for ACT investment alongside India, Indonesia, North Macedonia, South Africa, and the Philippines.

## THE CHALLENGE

The Dominican Republic is a net importer of coal. High demand for coal comes from the electricity generation subsector, while the industrial sector is the largest end user, utilizing coal and coal-fired power for its operations.

Overall, the country's five coal-fired power plants (CPPs) feature an installed capacity of 1.06 GW. Out of these, three CPPs comprising about 30% of the total coal capacity have been identified for early retirement over the upcoming decade through the ACT investment plan. Due to the significant dependence on coal, these interventions will need to be conducted in a sustainable manner and incorporate just transition considerations to ensure that there will be no knock-on effects: reduced coal capacity must not lead to increased utilization of the remaining coal plants or the establishment of new coal assets but lead to alternative climate-smart solutions to enable a stable and flexible transition.

Currently, the Dominican Republic's electricity sector is a wholesale competitive market, with strong participation from the private sector. As of 2023, private participation had reached levels above 60% of the gross electricity generation.

# INVESTMENT PLAN HIGHLIGHTS

This investment plan was developed by the government of the Dominican Republic in collaboration with the InterAmerican Development Bank (IDB) and the World Bank Group (IBRD). Overall, \$85 million in CIF funding through the ACT program is expected to bring in over \$1.2 billion in co-financing.

The three CPPs identified for phaseout are Itabo 1, Itabo 2 and Barahona Carbón. The approach will be to phase down the selected CPPs over the next 5-10 years while maintaining energy security in the country. This will be conducted by sequential and parallel processes across multiple components:

## 1 | **Component 1 - Strengthening the Institutional and Regulatory Framework**

- Creation of regulations and norms that facilitate a fair and inclusive transition towards the gradual elimination of coal and the insertion of renewable energy sources
- Develop transition plans, regulatory frameworks to participate in carbon markets, strengthening governance and institutional capacity
- Public-private Roundtable for the early retirement of CPPs with civil society participation
- Gender and inclusion Roundtable implementing a Monitoring & Evaluation mechanism to ensure a cross-cutting approach in all subcomponents and decisions

## 2 | **Component 2 – Just and inclusive transition for impacted communities and workforce**

- Socioeconomic mitigation measures for CPP workers and contractors, taking into account gender and diversity
- Socioeconomic mitigation measures for the communities and indirect workforce impacted by the transition, taking into account gender and diversity
- Mitigation projects in adjacent municipalities for the social welfare of vulnerable communities impacted by the transition, with a gender-aware approach

## 3 | **Component 3 – Accelerated CPP retirements, Asset replacements and SENI enhancements**

- Cessation of operations and decommissioning of CPP Itabo 1+2 units
- Cessation of operations and dismantling of CPP Barahona Carbón
- Mechanism to support coal transition credits (see box)
- Replacement or reconversion of CPPs with renewable energy and BESS projects
- Transmission system enhancements to improve resilience and flexibility



#### SPOTLIGHT ON INNOVATIVE COAL TRANSITION INSTRUMENTS

The Dominican Republic ACT Investment Plan aims to incentivize the voluntary early retirement of three CPPs through decommissioning or reconversion activities. Potential replacement assets will need to be developed in a competitive market environment. To enable this transition, ACT concessional resources will focus on:

- Monetizing the CO<sub>2</sub>eq avoided with high-quality, high-integrity coal transition credits. ACT resources will serve as a firm price guarantee to facilitate the decision making of plant owners and to optimize their negotiating position for carbon transition credit transactions.
- Providing a range of financial instruments, including concessional debt, to facilitate the transition from CPPs to renewable energy generation and energy storage assets.

Eligible CPPs are expected to be able to access these options depending on the economic scenario at the time of early retirement/reconversion.

## IMPACT

The ACT program will drive large scale coal transition in the Dominican Republic, with:

- Over 310 MW of coal capacity decommissioned
- 10 million MtCO<sub>2</sub>eq in GHG emissions reductions
- Creation of over 2,000 permanent jobs in the electrical and renewable energy sectors

### THE CLIMATE INVESTMENT FUNDS

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