



ACCELERATING COAL TRANSITION (ACT) INVESTMENT PROGRAM

The rationale for accelerating coal transition, with a shift towards clean energy, has never been stronger.

Energy-related carbon dioxide emissions have continued to rise in recent years. Most strategies toward an effective energy transition include increasing electrification using renewable sources and assisting countries with their plans to reduce fossil fuel demand while managing the transition in coal regions in an environmentally, socially and economically sustainable manner.



COAL IS NOT CHEAP

Coal carries climate, environmental and health costs. Global energy-related CO₂ emissions have continued to rise, reaching record levels in 2018. According to IEA, CO₂ emitted from coal combustion was responsible for over 0.3°C of the 1°C increase in global average annual surface temperatures above pre-industrial levels, making coal the single largest source of global temperature increase. On the other hand, according to the WHO, air pollution is the cause of over 4 million deaths every year due to heart, lung and other respiratory diseases.

COAL IS NOT ECONOMICAL

Renewable energy has been eroding the commercial viability of coal, especially in older, inefficient operations with **share of uncompetitive coal plants estimated to rise to over two thirds globally by 2025** (Source: RMI). The advent of low-cost solar,

wind and (increasingly) battery and other energy storage technologies has offered an opportunity for countries to re-evaluate new coal assets being built, re-purpose existing assets which still have considerable life left, or to decommission existing assets which are near retirement. This is not only expected to save customers money but also offer climate, public health and environmental benefits.

COAL IS NOT THE FUTURE

There are fewer jobs in the coal industry today than ever before making coal no longer an industry of the future. According to IRENA, **job growth in renewables is estimated to be greater than job losses in fossil fuels in the short-term** as investments in a renewables-based energy transition is expected to kickstart economies, create jobs and open up new growth and development possibilities.

ACT NOW!

While the rationale for a coal phase out is compelling, the process is slow given (a) large existing stock of coal plants and associated mines (“coal assets”) to be retired; (b) partial replacement with new coal assets often within the same region or on existing sites; and (c) limited economic alternatives to redeploy existing coal and power plant workforce.

The *Accelerating Coal Transition (ACT)* investment program offers, to both public and private sector entities, a one-of-its-kind, holistic toolkit to tackle three critical challenges associated with a transition away from coal: **governance, people and infrastructure**.

The proposed program is a one-of-a-kind mechanism presenting a unique opportunity amidst a once-in-a-generation crisis to demonstrate innovative approaches to facilitate a transition away from coal. In particular, it aims to achieve the following:

RAISE AMBITION

Global coal-fired power generation must be reduced by 80 percent below 2010 levels by 2030 in order to meet the 1.5 degrees temperature goal (Source: RMI). Even though the ongoing COVID-19 pandemic has rendered many coal plants uneconomic due to historically low levels of energy demand, the pace of transitioning away from coal is not fast enough particularly outside the OECD countries where most of the fleet is located. This not only costs consumers and taxpayers’ money, but also poses a serious threat to climate, health and environment, while hindering countries’ progress towards their climate change goals. At the current rate, the world will be far from the least-cost pathway, and a dedicated push to accelerate coal transition will be critical in aligning action on the ground with the aspirations of the Paris Agreement.

FIRST-OF-ITS-KIND

While the developed world has recognized the importance of transitioning towards cleaner, greener

and better sources of energy and allocated large pools of funding to match this commitment as in the case of the European Union and Germany, there is no such initiative that supports similar ambitions of the developing world. A dedicated platform that offers resources at scale will be particularly crucial during current times when countries are facing competing pressure on their public finance even as they look to recover from the effects of the pandemic by building back better.

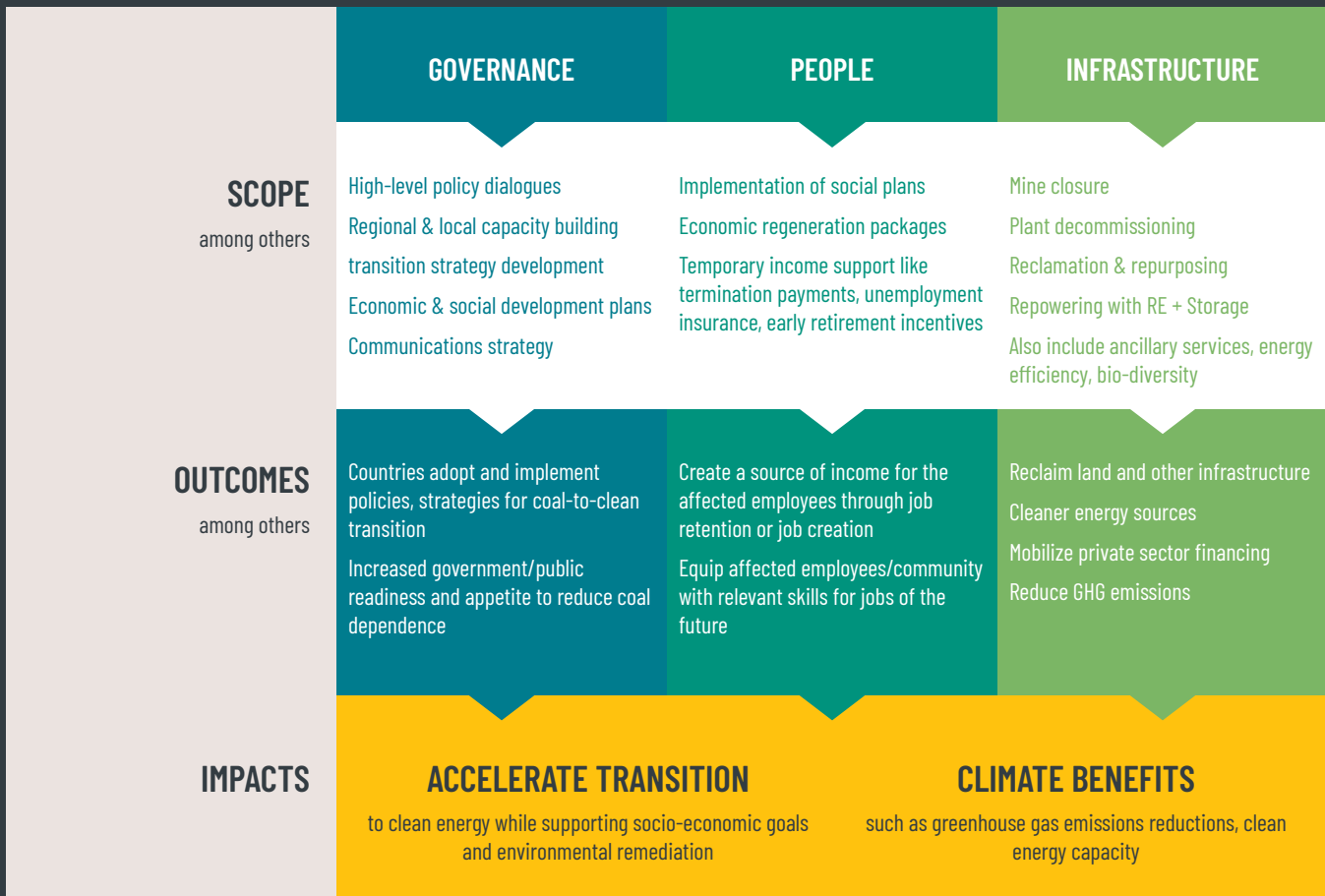
DEMONSTRATION EFFECT

Under the program, the underlying situation and funding needs will be country and site-specific depending on various factors. That means there will be a number of models and approaches that can potentially be tested across a variety of countries to tackle a range of issues. These activities will then present important lessons that can then potentially be tested across a wider pool of both developed and developing countries around the world thereby further accelerating the rate and scale of energy transition.

WHY CIF?

Multilateral development banks (MDBs) have a critical role to play in assisting countries meet their climate ambitions by leveraging their long-term engagement strategies together with sectoral expertise, experience, safeguards and other policies. They are committed to increasing clean energy, sustainable land-use and other green infrastructure investments as well as increasingly focusing on their role in mobilizing domestic financial institutions and catalyzing private finance.

CIF brings its decade-long experience as a multi-MDB co-financing platform, offering a flexible toolkit to demonstrate innovative solutions, and in the process acting as a catalyst to amplify the impact on the ground. Concessional financing from CIF has successfully been used in less developed markets to support: i) proof of concept, ii) innovative financial and structural approaches, iii) risk mitigation, and iv) socio-economic solutions related to transition.



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