

Green Transition workstream

Country Leads:

Indonesia +

IP Leads:

tbc

Secretariat coordinator:

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Background:

Initial discussions in 2022 led to a Green Transition Issues Note that guided discussions in the 8th Ministerial Meeting (October 2022). Coalition members agreed to include green transition in the 2023 work plan (as a cross-cutting topic) and dedicate time for further discussions in the 9th Ministerial Meeting (April 2023)

Objectives of this meeting:

1. Validate the content of the work program proposed
2. Agree on the format, sequencing and timeline of the selected activities
3. Identify co-leading country and gather support among the Coalition countries and IPs to organize and implement the activities

Green Transition – in numbers

Global economy downturn, but GHG emissions keep growing. Net Zero emissions by 2050 requires:

- **\$1 trillion of coal-fired assets to be prematurely retired or repurposed until 2040 – 1 coal unit every day**
- **Another \$4 trillion in annual investments in clean energy needed by 2030**

LICs and MICs with limited fiscal leeway on keeping food and fuel affordable are prone to poverty trap.

- **90% of \$1 trillion of assets at risk of being stranded in Low- and Mid-Income Countries (LICs & MICs)**
- **Annual \$400 billion of infra losses in EMDEs; \$1.6 trillion to replace existing infra (4.5% GDP)**

Much lower public climate finance available, so strategic investments to de-risk and leverage private resources and enable integration of national climate goals into economic, fiscal, and financial policies.

- **Annual global climate finance of \$800 billion with 10% to LICs and MICs**

Green Transition – proposed topics for 2023

- Green transition taxonomy
- Green transition framework
- Green transition financial incentives and products

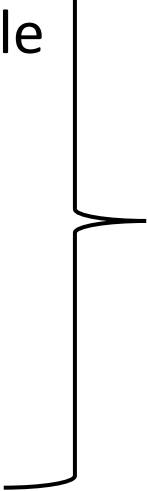
Green Transition – proposed topics for 2023 (cont.)

- **Green transition taxonomy**

- Interoperable / internationally accepted to ensure investments will have harmonized monitoring, reporting and verification (MRV) processes.
- Clear definition of eligible activities and performance standards to attract private investors that need to clearly demonstrate green transition investments and fearing perceived “greenwashing”.

Green Transition – proposed topics for 2023 (cont.)

- **Green transition framework**

- Credible timelines that takes into consideration flexible regional and sectoral adjustments due to different levels of fossil-fuel dependences across countries and end-users
 - Availability of affordable low-carbon alternative technologies
 - Just transition that is fair and inclusive to avoid poverty trap – unable to afford the high up-front costs of switching to clean energy, LICs and MICs get locked into higher costs and recurring payments for fossil fuels, while missing the green transition opportunities: technological innovation, human well-being, and economic growth.
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- Enabling alignment of investment milestones and moving global climate targets

Green Transition – proposed topics for 2023 (cont.)

- **Access to financial incentives and products**

- Role of governments, central banks and multilaterals in designing innovative financial structures that incorporate concessional rates, de-risking and leveraging characteristics, and blending structures. Terms and conditions suitable to the nature of investments and to the recipients i.e., premature decommissioning of existing carbon-intensive and replacement with new low-carbon infrastructure in LICs and MICs (high cost of capital, high up-front costs, reduced IRRs and ROIs).
- Role of MoF in using power levers, from engaging with and monitoring private sector initiatives and building capacity to promote green standards to lead whole-of-government policies and measures, such as: (i) strengthen governance (incorporate CC in all areas of public administration), (ii) undertake sectoral regulation (eliminate distortions that difficult private investment), and (iii) adopt fiscal reforms that incorporate the social cost of GHGs).

Green Transition proposed activities for 2023

Date	Activity
May 23	Kick-off meeting
Q2	Seminar on existing attempts on creating interoperable green transition taxonomy, eligible activities, and performance standards (Indonesia, EBRD, Japan METI, MUFG, Standard Chartered Bank ?)
Q3	Seminar on a green transition framework and financing: the case of Energy Transition Mechanism (Indonesia, US, and Japan (on JETP), ADB (on Indonesia ETM), OECD (on sectoral decarbonization approach – SDA and the absolute contraction approach – Science Based Targets initiative (SBTi), WB on project to decommission and repurpose the Komati (SA) coal-fired power plant, GFANZ)
Q3	Seminar on transition finance options and products as part of a green transition (WB TRE on green bonds, FCI on blended, SCCFE on carbon markets, ...) – possible coordination to expand scope of existing H3+H5 place holder on voluntary carbon markets)
Q4	Elaboration of a summary report on green transition to policy makers (Indonesia and Brookings, with support from secretariat and other IPs – EBRD, EIB, NIB, WB, LSE/GRI, OECD, EC-IPSF ?)