Coal Asset Transition Accelerator (CATA)

Opening a dialogue on the global power sector transition

October 2021
A 1.5C-aligned future requires a rapid transition from coal-fired power to renewable energy

This requires participation from a wide range of actors:

- Governments
- Utilities & coal plant owners in transitioning countries
- Renewable energy developers
- Financial institutions & Donors
- Civil Society

Such a rapid transition is challenging due to:

- Rising electricity demand
- Long-term contracts
- Insufficient grid infrastructure & grid flexibility
- Limiting policies, legal frameworks and incentive structures
- Livelihood dependence on coal sector
The coal transition is in various stages of development across different geographies – examples from major global regions

Global Coal Fleet:
Operational: ~2,000 GW
Pipeline: ~480 GW

**United States/Canada**
- US is dealing with challenges of early closure including community transition
- Securitization is playing growing role in transitioning coal, especially in vertically integrated regions
- Of ~160GW of coal in those regions, securitization has already been used to retire ~2.5GW early, with an additional ~50GW currently eligible

**Latin and South America**
- Significant untapped opportunity
- TRAJECTS program under way to share experiences from SA
- Brazil announced it wants to invest $4bn in coal over the next 10 years
- Colombia relies heavily on coal power and is a large exporter of coal. The government is interested in exploring coal transition opportunities.

**Europe**
- Multiple countries in Europe, including the UK and Germany are expected to close all coal plants by 2040;
- In Germany, compensation is through auctions, but still largely overpaid
- Poland struggling with just transition issues, but targeting coal phaseout (incl mining) by 2049

**South Africa**
- Highly complex political situation; proposal under discussion
- Just transition, social justice and climate finance all extremely important drivers.

**East Asia**
- China, Japan and South Korea have each committed to net zero targets and no new financing of coal outside their borders
- No firm commitments for coal phaseout domestically

**Southeast Asia**
- The Philippines, Indonesia and Vietnam have each come out in favour of no new coal but many GWs might still be added in current pipeline

**South Asia**
- Low carbon transition largely focused on clean commitments
- India’s 7th largest commercial bank, Federal Bank committed to discontinue financing new coal
- Sri Lanka added commitment to no new coal as part of its updated NDC in June 2021

**Note:** "%, %" format indicates % of global coal fleet operational and % of global coal fleet in pipeline. Source: Global Coal Plant Tracker, July 2021. All % figures refer to full region, not exclusively countries highlighted. The surrounding boxes provide examples of some of the counties in these geographies.
A wide variety of Coal Transition Mechanisms (CTMs) are emerging across different geographies; implementing them successfully requires **careful** consideration of benefits, drawbacks and the local context.

**Managed transition vehicle**
- **Energy Transition Mechanism**
  - **Coal to Zero**
  - Blended finance (debt & equity) vehicle to transition coal early, build renewables & support just transition

**Compensation**
- **Reverse auctions**
- **Carbon financing**
  - Competitive auctions to compensate coal plant owners for early retirement
  - Concessional financing for repurposing/reclaiming coal assets, a just transition & governance of coal transition

**Transition Support**
- **Accelerating Coal Transition (ACT)**
- **Just Transition Mechanism**

**Refinancing**
- **Ratepayer-backed securitization**
  - Bonds backed by surcharges on customer bills finance coal transition
- **Blended debt facility**

**Note:** the CTM categories shown here are based on RMIs work on CTMs to date, and are indicative of the categories that will be explored for CATA. Over the course of the Inception Phase, these may be further developed/restructured into categories that are most appropriate within the context of CATA.
The Coal Asset Transition Accelerator (CATA) aims to create an independent and geographically-balanced centre of expertise to support accelerated coal transition in key geographies.

- **Trusted advisor to**
  - Governments,
  - Utilities,
  - Public finance institutions,
  - Civil society orgs
  - Private sector

- **Primary source for relevant expertise on** coal transition mechanisms, consolidated expertise, w/ emphasis on global south partners.

- **Align actions with key principles** for coal transition co-developed w/ partners, including:
  - Just & Equitable
  - Additional
  - Scalable
  - And others...

- **Suite of tools, methodologies & datasets** that stakeholders can use to explore & advance coal transition solutions

- **'One-stop shop'** to match requests for support on coal transition w/ relevant expertise & supported by a technical assistance fund
CATA will engage core audiences (countries and financial institutions) in service of high-priority objectives that advance an accelerated coal transition

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<tr>
<th>Audiences</th>
<th>Examples</th>
<th>Objectives</th>
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<tbody>
<tr>
<td>Countries in Transition</td>
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<td>Build confidence that early coal phase-out is technically feasible and economically beneficial, and that funding is available to support accelerated transition</td>
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<tr>
<td>Public Finance Institutions</td>
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<td>Design, demonstrate, and deliver models for impactful use of climate financing to accelerate coal phase-out</td>
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<tr>
<td>Private Finance &amp; Asset Owners</td>
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<td>Demonstrate feasible and profitable pathways to an accelerated coal transition which private finance can help scale while ensuring commitments to social and environmental outcomes</td>
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<td>Country donors</td>
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<td>Build confidence that countries are stepping up ambition on transitioning from coal to clean energy and in need of support on identifying innovative financial solutions</td>
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<tr>
<td>Civil Society Organisations</td>
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<td>Build awareness and confidence in civil society organizations to support and enable a just transition, and avoid negative socio-economic impacts and moral hazards</td>
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*Have publicly declared a full exit from coal financing by 2036
**Have publicly declared full coal divestment by 2030 but not retirement commitment
CATA will build confidence with stakeholders by collaborating with in-country and technical partners & delivering cutting-edge expertise

**Example Stakeholder Need**

**Government stakeholder seeking guidance on PPA renegotiation**
- Collect best practices & most relevant expertise around PPA renegotiation from CATA network
- Provide input on how to reflect principles in PPA renegotiation mechanism design
- Share existing (or develop new) data & analyses on regional coal PPA terms, and impacts of various renegotiation mechanisms

**Utility seeking support on evaluating and addressing coal overcapacity issue and replacement options**
- Synthesize existing system and power planning analyses to draw high-level insights and inform the scope and shape of additional analysis
- Provide Multi Criteria Analysis framework to conduct high-level screening of the utility’s coal fleet to identify and rank coal plants for replacement
- Partner w/ relevant in-country and technical partners in CATA network to provide technical, economic and finance analyses

**CSOs in country Z are concerned about private sector and development financiers rewarding utilities unfairly**
- Collect best practices & most relevant expertise around just transition and moral hazard avoidance
- CATA draw down request is made for capacity to advise the CSOs internally.
CATA invites input, feedback and more partners – core, technical and in-country - as it completes its inception phase over the coming months

CATA Inception Phase

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<th>Timeline</th>
<th>OCT 2021</th>
<th>JAN 2022</th>
<th>MAR 2022</th>
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<td>Coordination and Management</td>
<td>between CATA core partners and other technical or in-country partners</td>
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1. Strategy and Outreach
   - Refine geographic priorities
   - Refine theory-of-change
   - Outreach to key stakeholders in key geographies
   - Refine principles for coal transition

2. Technical Support
   - Develop priority areas for technical support based on stakeholder feedback
   - Develop prototype versions of models, tools and guides (for example: plant-level data, model term sheets)

3. Governance and Operations
   - Delivery functions defined for all partners (core, in-country, technical)
   - Platform operationalized for sharing best practices
   - Governance structure and operational plan in place

Inception Phase Deliverables

1. Defined country-specific engagement strategy for priority geographies
2. Operating technical assistance response function paired with dedicated funding
3. Prioritized set of tools and resources available and under development, including prototypes for key geographies
4. Network of partners and experts organized by geography and topic