POLICY INCENTIVES FOR DECARBONISATION IN ENERGY-INTENSIVE INDUSTRIES

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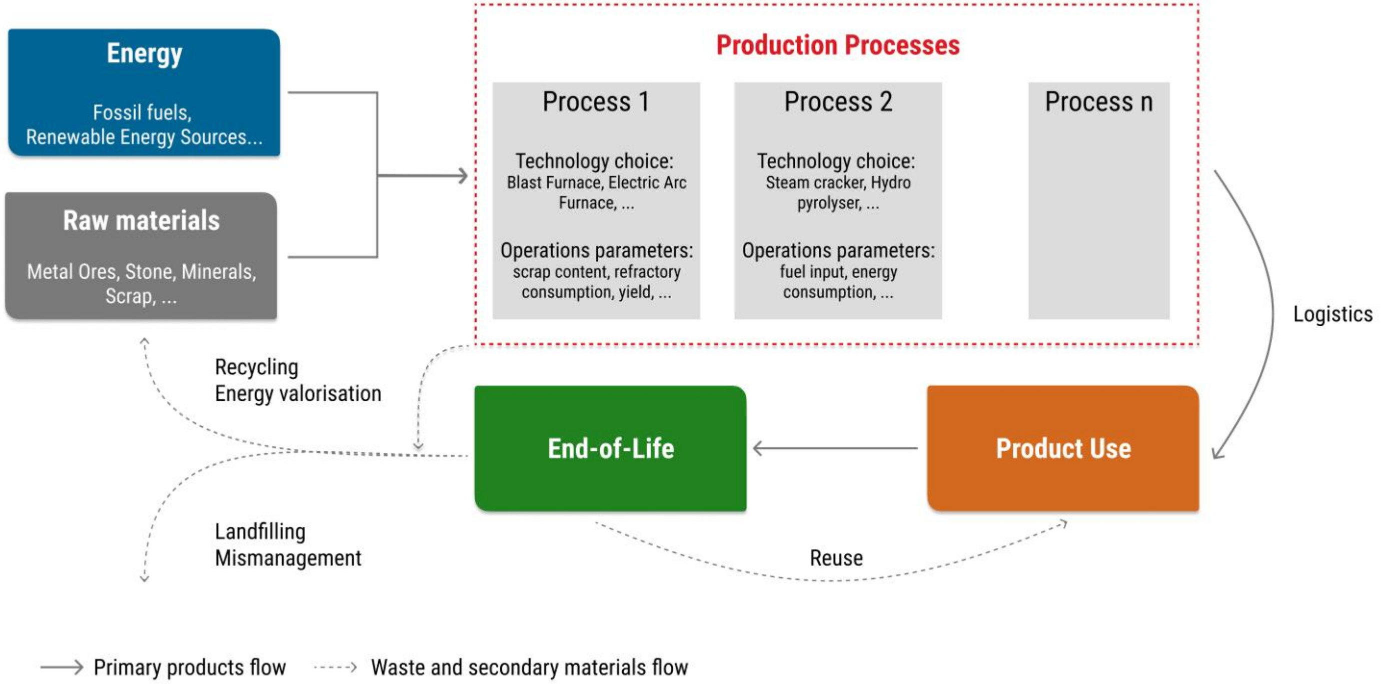
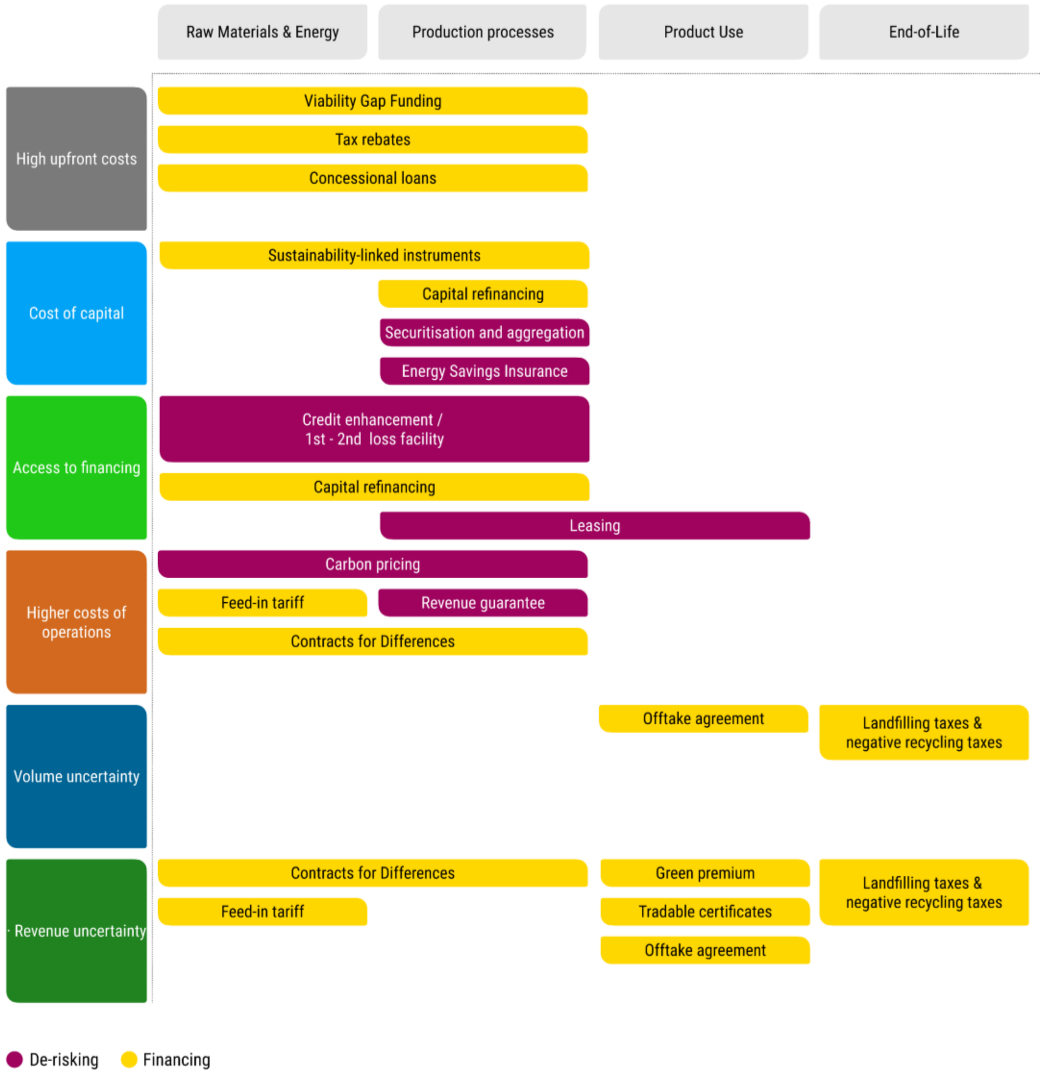
Comprehensive approach is needed across the whole industry value chain to identify challenges, opportunities and solutions

OECD Framework for industry's net-zero transition aims to:

- Improve enabling conditions: policies, regulations, …
- Identify financial and market solutions: Focus of the "Financing solutions to foster industry decarbonisation in EMDEs" report



Addressing barriers can build on a wide range of instruments



Tailored instruments can address various challenges across the value chain

- Financing instruments such as tax rebates and market-based instruments like CfD, offtake agreements & feed-in tariffs are key to support first-movers
- De-risking instruments (e.g credit guarantees, energy savings insurance), can optimise the leverage of public resources, especially in high-risk regions or sectors

Key learnings on successful approaches (case studies)

- Combination of instruments
- Direct public support for targeted or time bound uses help
- Sustainable taxonomies are key enablers
- Multistakeholder approach for risk sharing

Economic, de-risking and financing instruments

OECD work for the Climate Club 2024 Work Programme includes the development of a Financial Toolkit:

- an overview of 27 economic, de-risking and financing instruments,
- a suite of case studies using these instruments, both in EMDEs & developed countries:

Economic instruments

a means by which decisions or actions of the government affect the behavior of producers and consumers by causing changes in the prices to be paid for these activities.

De-risking instruments

help investors reduce or manage investment and project risks, typically in exchange for a fee, and improve the perceived risk-reward profile of an investment, lowering the total project cost.

Financing instruments

Instruments such as debt or equity financing that can help to fund business activities, making purchases, or investments.

Case study examples

Subsidies can play a crucial role in lowering costs associated with financing industry decarbonisation projects or low-carbon technologies

EBRD FINTECC

Economic instrument case study

The FINTECC programme by the EBRD

- Supports early-stage, demonstrative technologies with high potential for scalability
- Operates in EMDEs, providing investment opportunities in regions with regulatory gaps, market limitations, or risks related to supply chains and technology adoption.
- Financing instruments provided include investment grants and concessional loans.

De-risking instrument case study

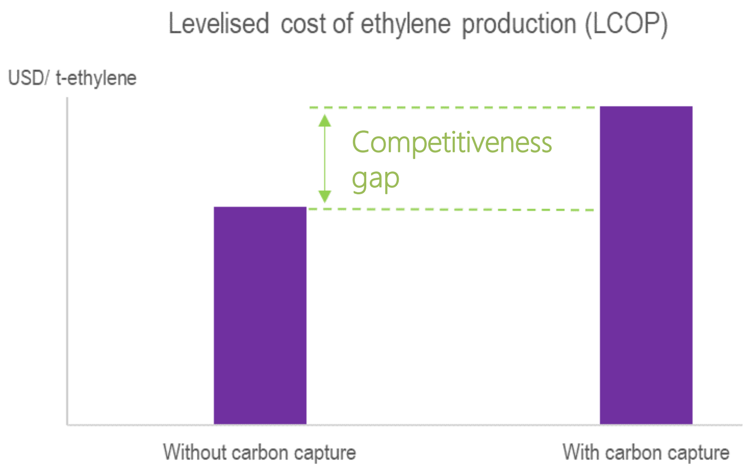
Eco-Invest hedging programme by the IDB & the Ministry of Finance of Brazil

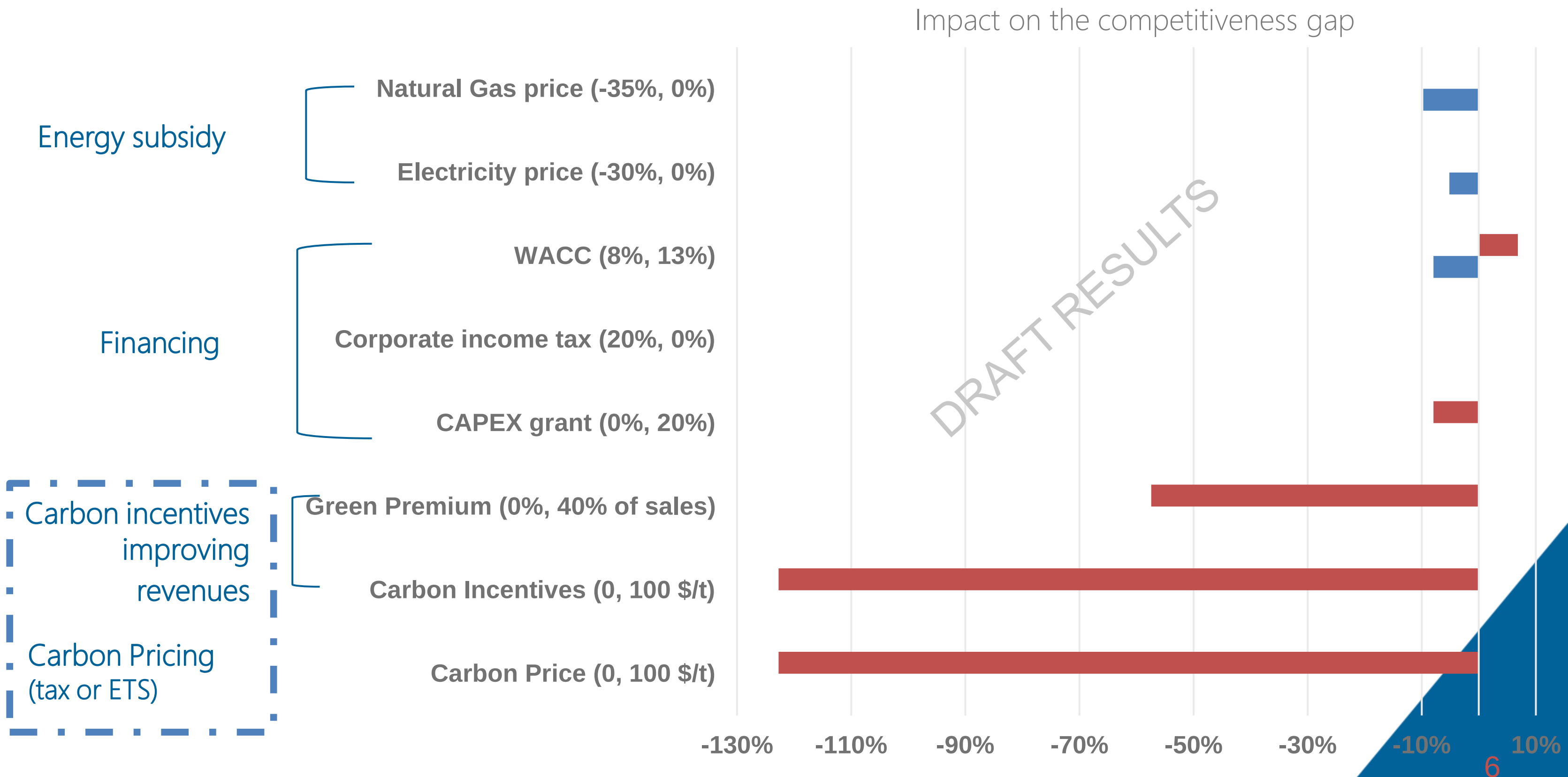
- Seeks to attract private foreign investments & allocate resources for long-term and sustainable projects in Brazil.
- It leverages four credit lines: blended finance, a long-term foreign exchange (FX) liquidity facility, foreign exchange derivatives, and project structuring to integrating Brazilian companies into the global financial system.

Implementation of instruments for a specific low-carbon technology, industry sub-sector and country

Selecting the most relevant instruments highly depends on the low-carbon technology, industry-sub-sector and country considered

Illustration for petrochemicals production with carbon capture in Thailand





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