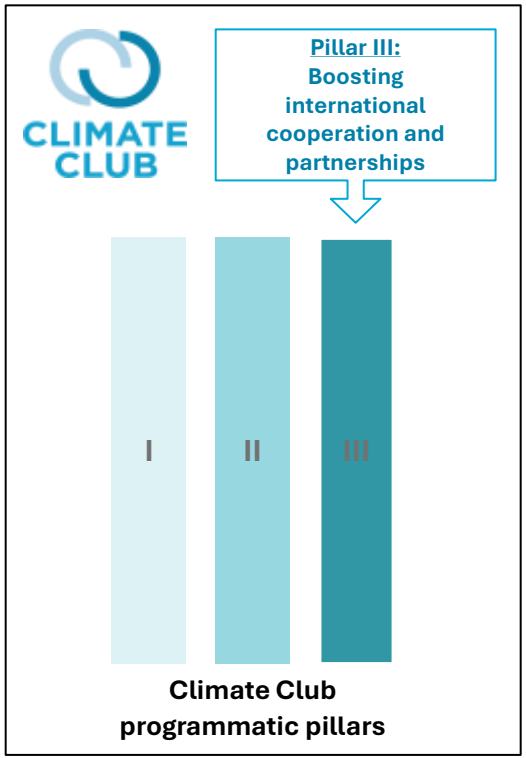
Climate Club Financial Toolkit

Economic, De-risking and Financing Instruments for Industry Decarbonisation

Developed by the OECD
under the Climate Club Work Programme 2024

June 2025

Overview - Climate Club Work Programme



- Currently comprising 46 members (as of April 2025), **the Climate Club** is an open, cooperative, and inclusive forum of climate-ambitious countries, aiming to **fast-track the decarbonisation of heavy-emitting industries** through three pillars:

  I. Advancing ambitious and transparent climate change mitigation policies

  II. Transforming industries

  III. Boosting international climate cooperation and partnerships

- The OECD and the International Energy Agency (IEA) **co-host the Secretariat of the Climate Club**.

- The Climate Club Financial Toolkit is a deliverable under **Pillar III**. It will be **updated by end 2025 under the Module 7 of the Climate Club Work Programme 2025/26**.

Objectives of the Financial Toolkit

- **Inform financial and technical assistance providers to identify and select instrument(s)**, notably to meet the requests from EMDEs on the Climate Club's Global Matchmaking Platform (GMP), by:
  - Providing an accessible tool for research and comparison of instruments and strategies
  - Sharing concrete examples on how to design and implement economic, de-risking and financing instruments

- **Support industry actors and project developers** to build robust business cases, by:
  - Analysing how economic, de-risking and financing instruments can improve industry decarbonisation business models
  - Identifying which institutions can provide these instruments

Overview of the Financial Toolkit

1

Economic, de-risking and financing instruments

- Overview of 28 financial instruments to advance low-carbon solutions
- Classification under economic, de-risking and financing instruments

2

Case studies of available instruments

- Success factors of instruments to support industry decarbonisation projects
- Diversity of regions, instruments and providers

3

Economic assessment of selected technologies

- Steel: Renewable Hydrogen and Carbon Capture Use and Storage (CCUS)
- Cement: CCS and Limestone Calcined Clay Cement (LC3)
- Petrochemicals: Biomass based solutions and CCUS

Overview of instruments covered

Economic

E.1. Accelerated Depreciation
E.2. Auction and Contract for Difference
E.3. Carbon Tax
E.4. Carbon Credits
E.5. Emission Trading Schemes
E.6. Extended Producer Responsibility Fees
E.7. Grants and Subsidies
E.8. Green Premium Financing
E.9. Tax Credits

De-risking

D.1. Buyer Credit Guarantees
D.2. Energy Savings Insurance
D.3. First and Second Loss Facility
D.4. Foreign Currency Guarantee
D.5. Partial Risk Guarantee
D.6. Performance Guarantee
D.7. Political Risk Insurance
D.8. Sovereign Guarantees
D.9. Swaps and Derivatives

Financing

F.1. Bonds
F.2. Concessional Loans
F.3. Local Currency Loans and Facilities
F.4. Public and Private Equity
F.5. Pull Financing Instruments
F.6. Results-Based Financing Instruments
F.7. Revolving Credit Facility
F.8. Short-term Loans
F.9. Structured and Securitised Products
F.10. Sustainability-Linked Instruments

> **Various economic, de-risking and financing instruments are already available**
> **Combining instruments can help address multiple barriers when developing an industry decarbonisation project**

20 Case Studies have been collected

Economic

E.2. Auction and Contract for Difference
Hintco/H2Global

E.4. Carbon Credits
Puro/Net Zero

E.6. Extended Producer Responsibility Fees
European Union

E.7. Grants and Subsidies,
EBRD; Government of India

E.9. Tax Credits
US Department of Energy

Derisking

D.1. Buyer Credit Guarantees
EIFO

D.2. Energy Savings Insurance
GCF/XacBank

D.4. Foreign Currency Guarantee
IDB and Ministry of Finance of Brazil

D.5. Partial Risk Guarantee
EESL/SIDBI/World Bank

Financing

F.1. Bonds
IDB and BBVA Sustainability Bonds

F.2. Concessional Loans
Climate Investment Fund; EBRD/GCF; Mitigation Action Facility

F.3. Local Currency Loans and Facilities
Eco Invest Brazil

F.5. Pull financing instruments

F.6. Results-based financing instruments
IDB; Instiglio

F.10. Sustainability-Linked Instruments
Indorama Ventures and JSW Steel; Votorantim Cimentos

Note: the "category" is not always strictly defined. For instance, some programmes or funds may use several instruments, and the definitions of instruments may overlap.

Key lessons from case studies

Instruments

- Direct public support for **targeted or timebound uses**
- **Derisking instruments** to optimise the leverage of public resources

Co-operation

- **Knowledge sharing and matchmaking platforms** to facilitate implementation
- **Multi-stakeholder approaches**

Enabling conditions

- **Capacity building** to strengthen institutional readiness and industry maturity
- Key role of **sustainable taxonomies**

Replicability and scale-up

- **Innovative financial instruments** for early stages of project/ technology development
- Importance of **project pipelines**

Illustrative Economic Assessment

- The economic assessment covers only a subset of technologies to decarbonise each sector.
- The technologies have been selected based on their relevance for the country/sector's decarbonisation, technology readiness levels and the need to benefit from policy and financing solutions to stimulate investment.

Cement

- **Cross-cutting** for a "reference cement plant" in the **United States** and sensitivities reflecting conditions in other regions
- Technologies:
  - CCS
  - Limestone Calcined Clay Cement (LC3)

Iron and Steel

- Based on economic assessment in **Indonesia** and **South Africa**
- Technologies:
  - Renewable hydrogen-based direct reduction
  - Blast Furnace revamping with CCUS

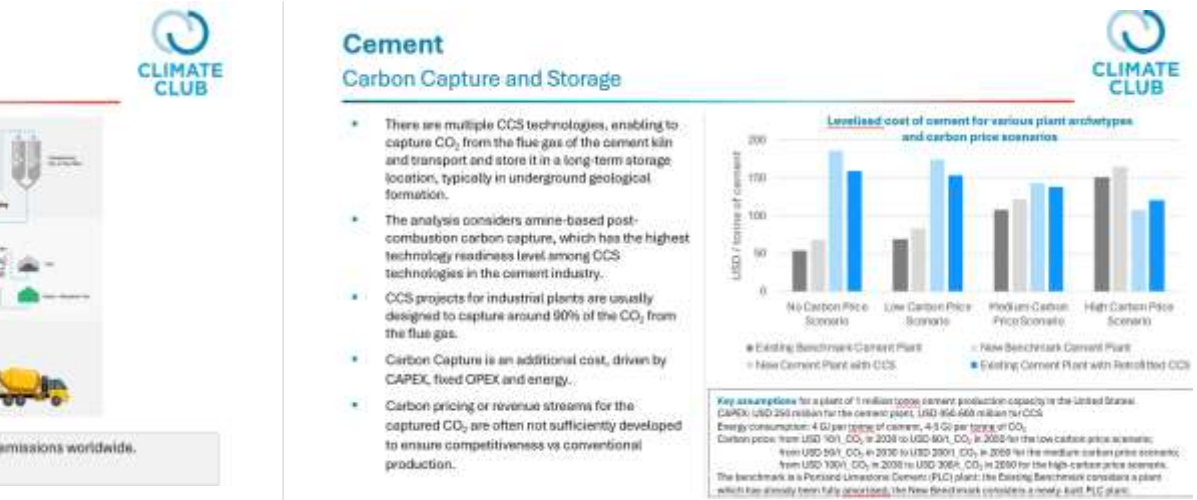
Petrochemicals and Plastics

- Based on economic assessment of **Thailand**
- Technologies:
  - Biomass to bio-ethanol to bio-olefins
  - Biomass to bio-based and biodegradable plastics
  - CCS

Reader's guide: Economic assessment

Value chain overview

Economic assessment



Next Steps

- **Around 15 new case studies are currently being prepared** with governments, industry actors and the financing community.

- The Toolkit will be updated, enriched and turned into an **OECD report by end 2025**, incorporating the comments received on the first version.

- **Workshop in Q4 2025** to discuss how to further make use of the Toolkit for Climate Club members and other stakeholders.

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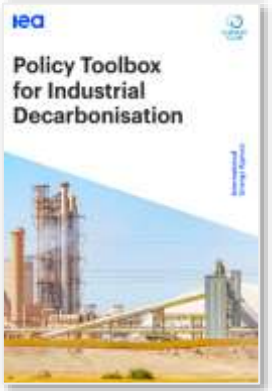
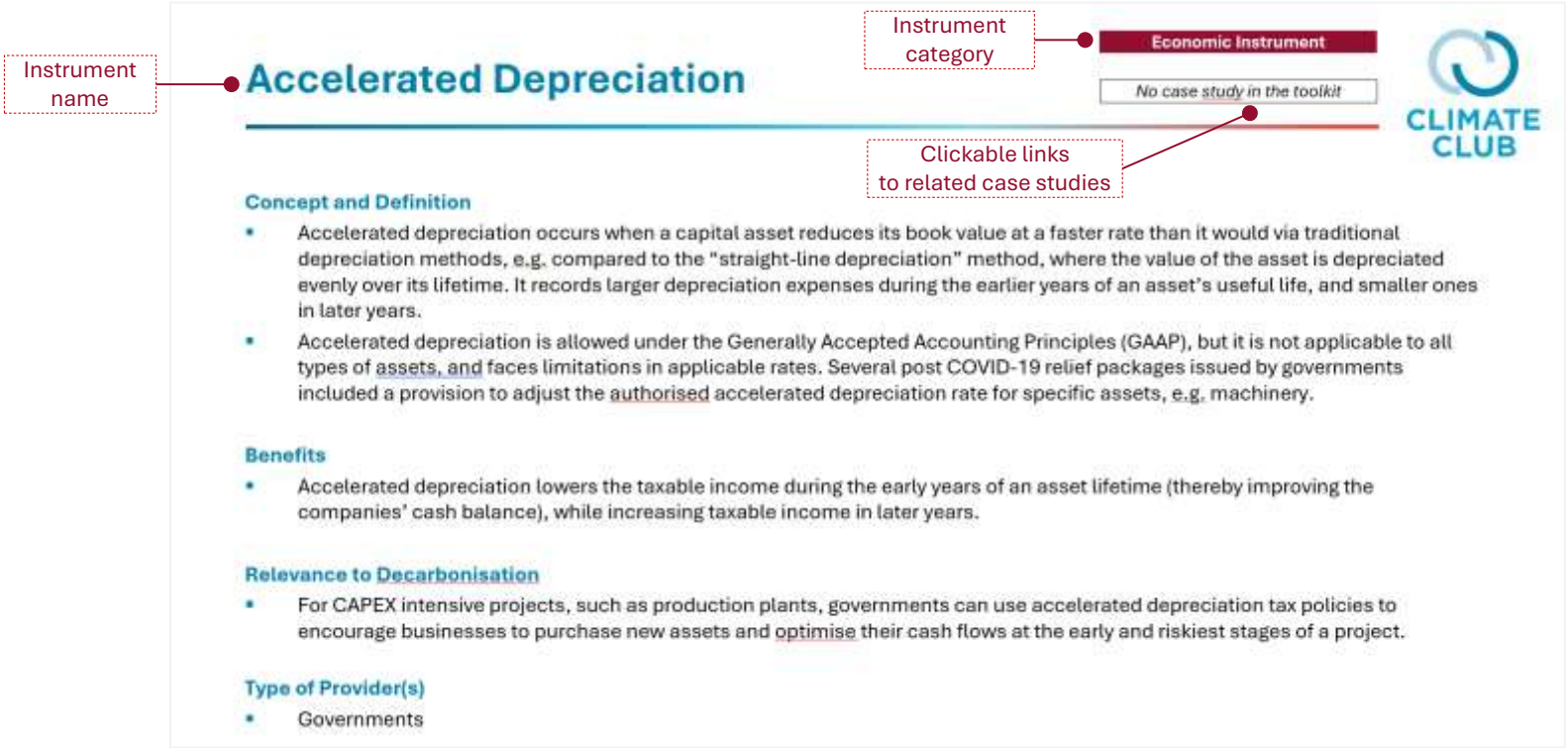
OECD, IEA and Climate Club knowledge products

- **Recent OECD, IEA and Climate Club knowledge products**:
  - *Climate Club Financial Toolkit*
  - *Financing solutions to foster industrial decarbonisation in emerging and developing economies*
  - *Mapping financial and technical assistance for industry decarbonisation in emerging markets and developing economies*
  - *Framework for industry's net-zero transition*
  - *Policy Toolbox for Industrial Decarbonisation*



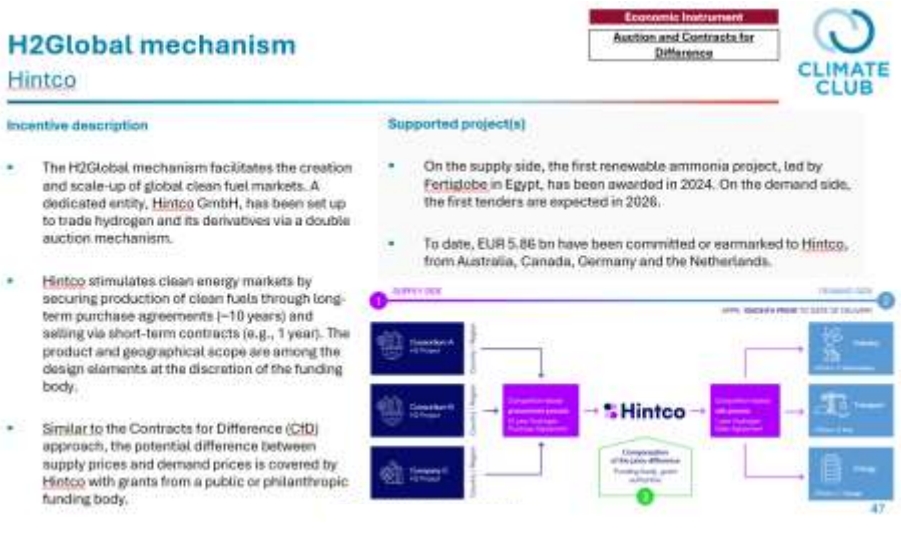
Reader's guide: Financial instruments



Reader's guide: Case studies

- **20 case studies** illustrating **14 instruments** of the toolkit

Description



Analysis