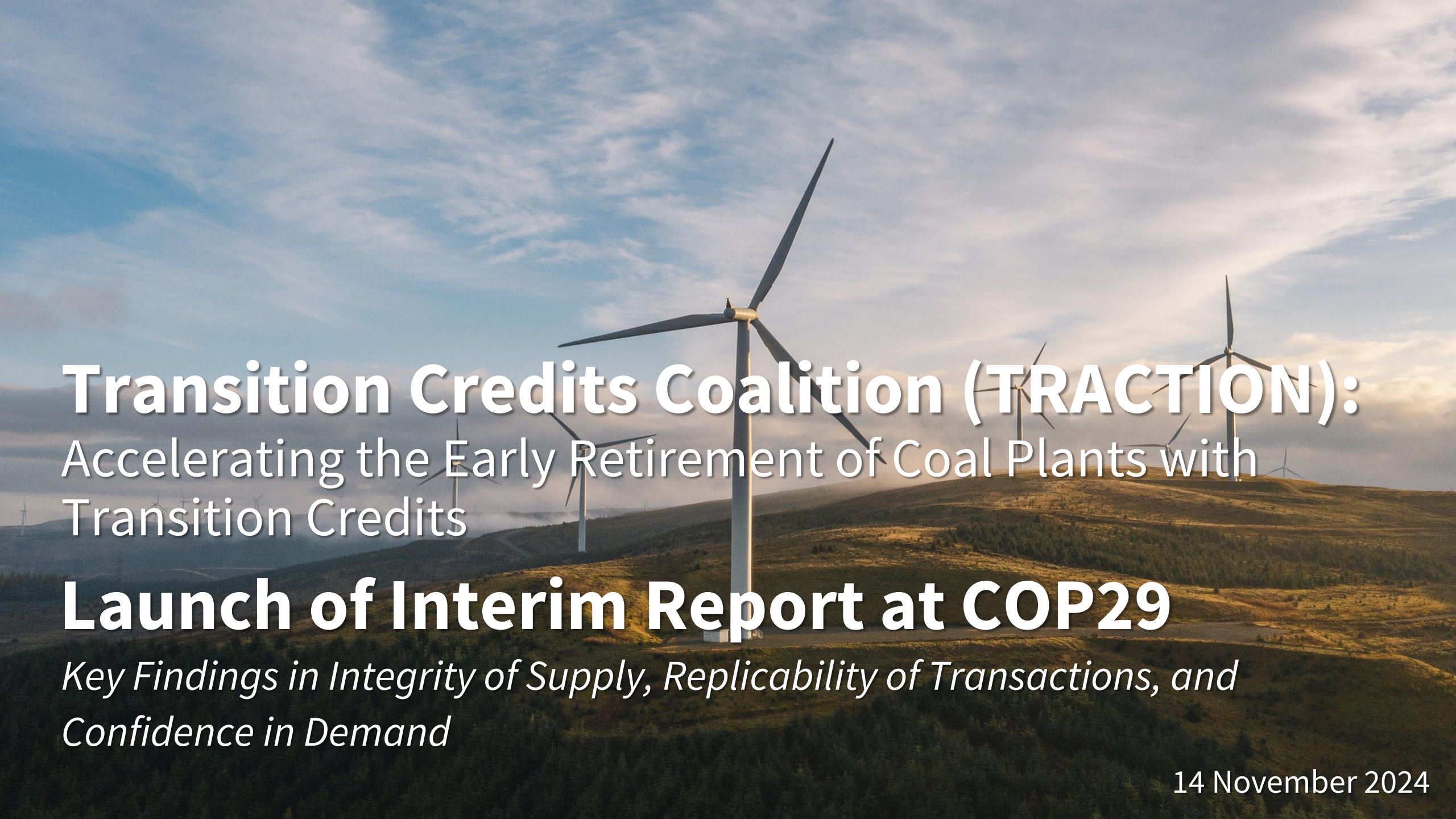


A photograph of several wind turbines on a grassy hill under a sunset sky. The sun is low on the horizon, creating a warm glow and long shadows. The turbines are white with dark blades. The text is overlaid on the image.

Transition Credits Coalition (TRACTION):

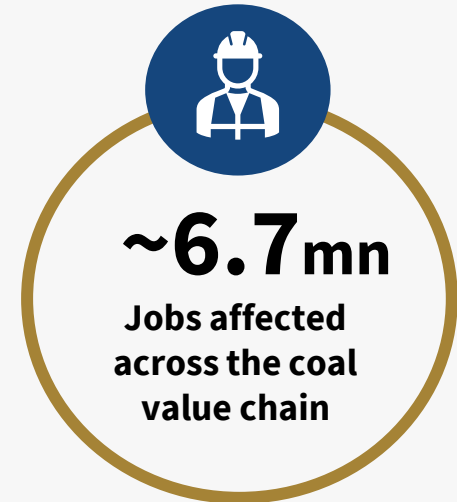
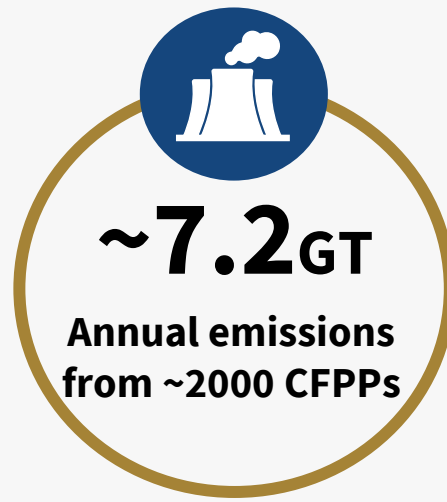
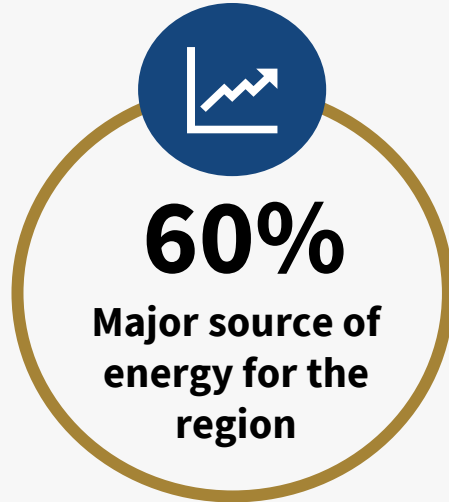
Accelerating the Early Retirement of Coal Plants with
Transition Credits

Launch of Interim Report at COP29

*Key Findings in Integrity of Supply, Replicability of Transactions, and
Confidence in Demand*

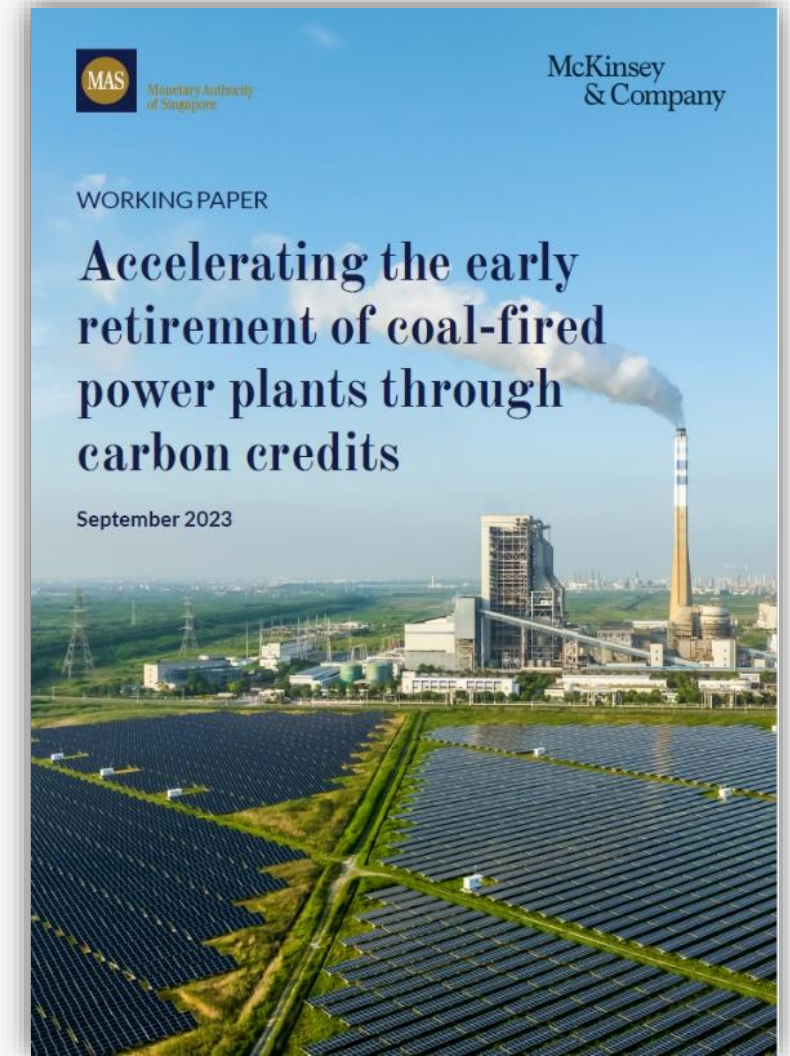
14 November 2024

Coal transition is a key decarbonisation lever for Asia's net zero. However, the challenges are significant.



Transition Credits

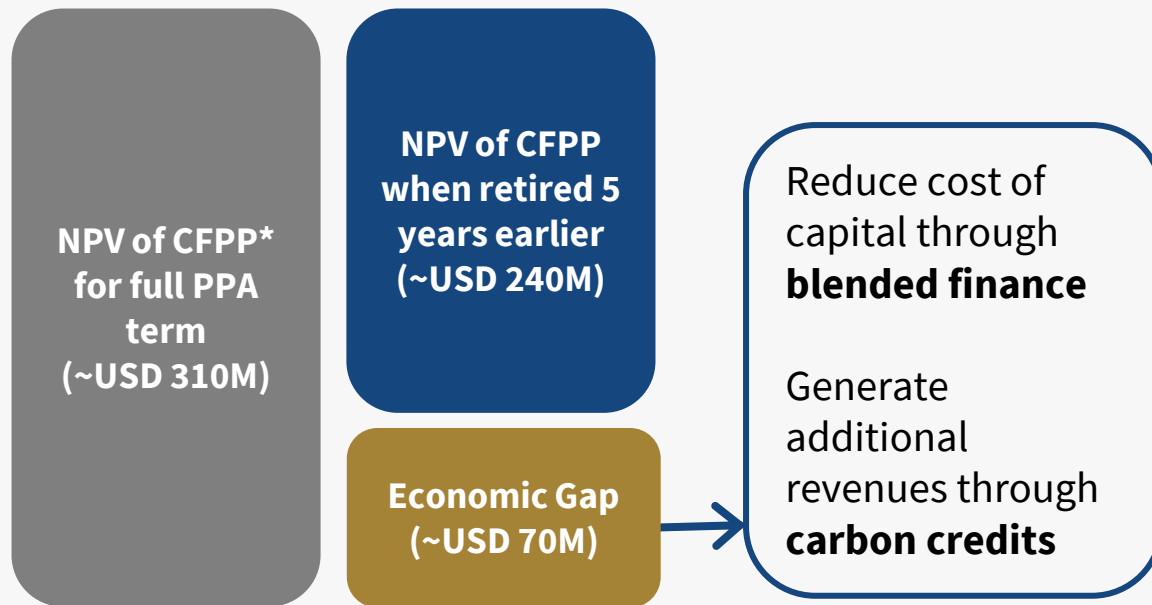
Complementary financing solution to address economic gap of coal phaseout



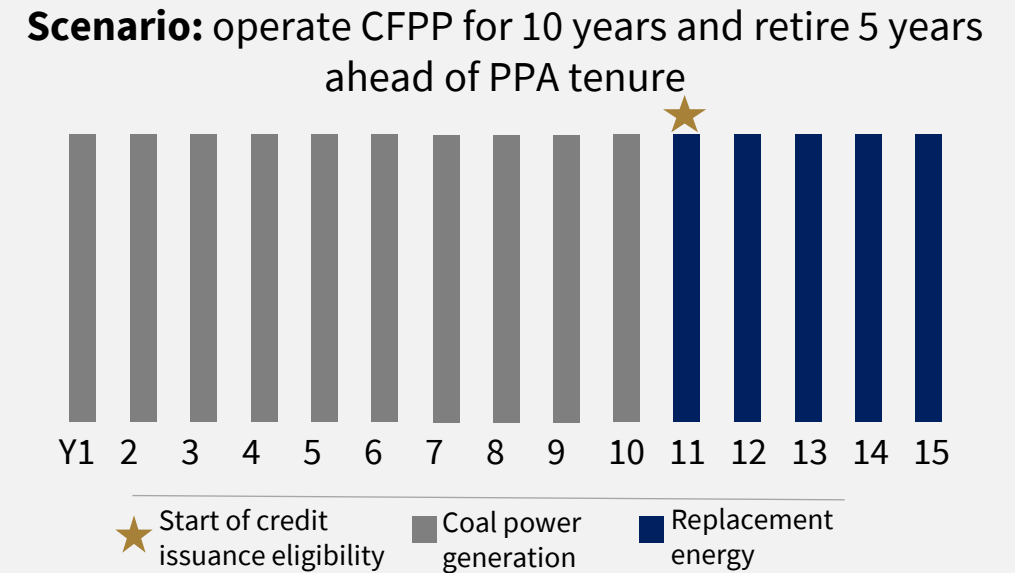
What are transition credits?

Carbon credits generated from emissions reduced from retiring coal plants earlier than planned and replacing with cleaner energy sources

1 Complementary financing solution to close the economic gap



2 Generated annually, upon verification, over the period of early retirement



*CFPP Key Assumptions:

Country: Indonesia
Installed capacity: 1 GW
Technology: Subcritical

Age: 10-12 years
PPA tenure remaining: 15 years
Capacity Factor: 50%
Cost of capital (in IDR): 8-9%

Source: MAS-McKinsey Working Paper "Accelerating the early retirement of coal-fired power plants through carbon credits, Sep 2023

Transition Credits can..

Align
***Financial
Interests*** with
Climate Goals



Attract
***Private
Capital*** at the
Scale Needed



Support a
***Just
Transition*** for
Impacted
Workers



Transition Credits Coalition (TRACTION) convened at COP28

OBJECTIVE

Develop a playbook for transition credits to be implemented and scaled as a viable financing solution to accelerate the early retirement of CFPPs



MEMBERSHIP

More than 30 members and partners from financial institutions, carbon services firms, and international organisations



TRACTION will run from 2024 to 2025, establishing a focused timeframe for impactful collaboration and outcomes

Three critical areas to address – Integrity, Scalability, Demand



1. Support high-integrity transition credit generation

Co-Leads:

HSBC
Sylvera



2. Enable transition credit transaction scalability

Co-Leads:

DBS Bank Limited
Howden Insurance Brokers

Secretariat: RMI



3. Bolster buyers' confidence and trust in transition credits

Co-Leads:

AirCarbon Exchange
Standard Chartered Bank

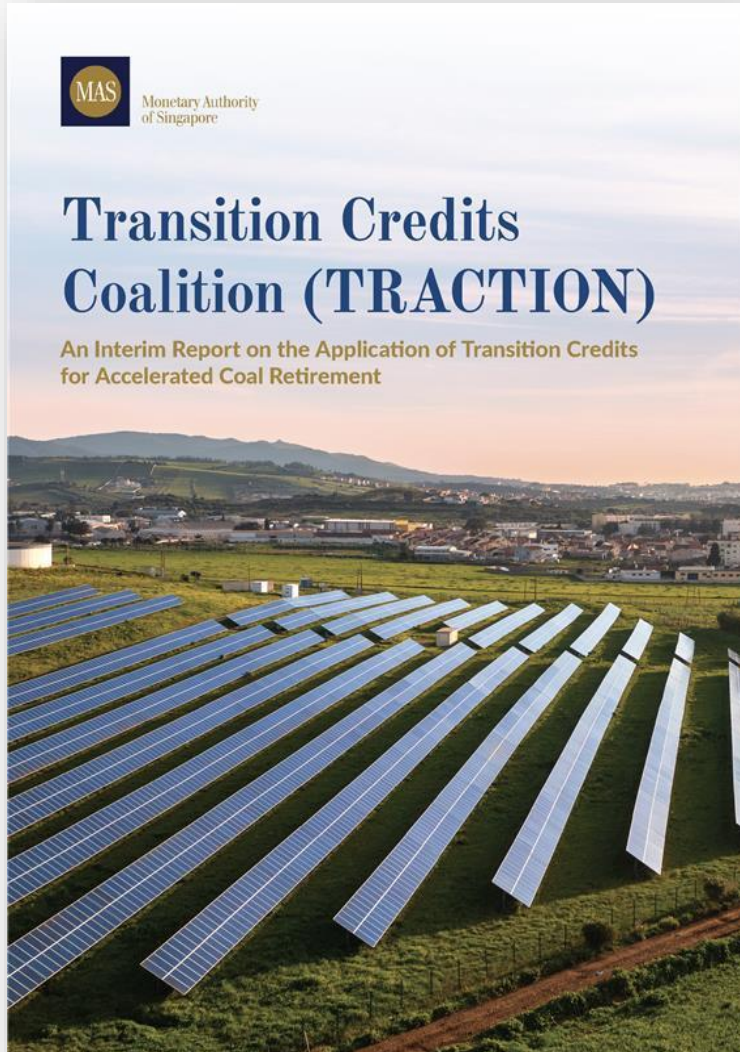
Members and Knowledge Partners

Aon
Asia Carbon Institute
Asian Development Bank
Bank of America
BeZero Carbon
Citi
Clifford Capital
Climate Impact X
Climate Smart Ventures

GenZero
Glasgow Financial Alliance for Net Zero
Global Carbon Market Utility
Gold Standard
International Energy Agency
International Emission Trading Association
Mizuho Financial Group
MUFG
Multilateral Investment Guarantee Agency

OCBC
Sumitomo Mitsui Banking Corporation
Temasek
The Rockefeller Foundation
United Overseas Bank Limited
Vitol Asia
World Wide Fund for Nature (WWF) Singapore

Interim Report highlights pertinent issues and solutions that can be developed in each area



1. Support high-integrity transition credit generation

- **4 common attributes** to develop high-integrity transition credits
- **Project-based and sectoral methodologies** are complementary



2. Enable transition credit transaction scalability

- **Risks unique to transition credits** to be addressed
- Need for **innovative solutions and clear demand signals** to unlock financing for projects

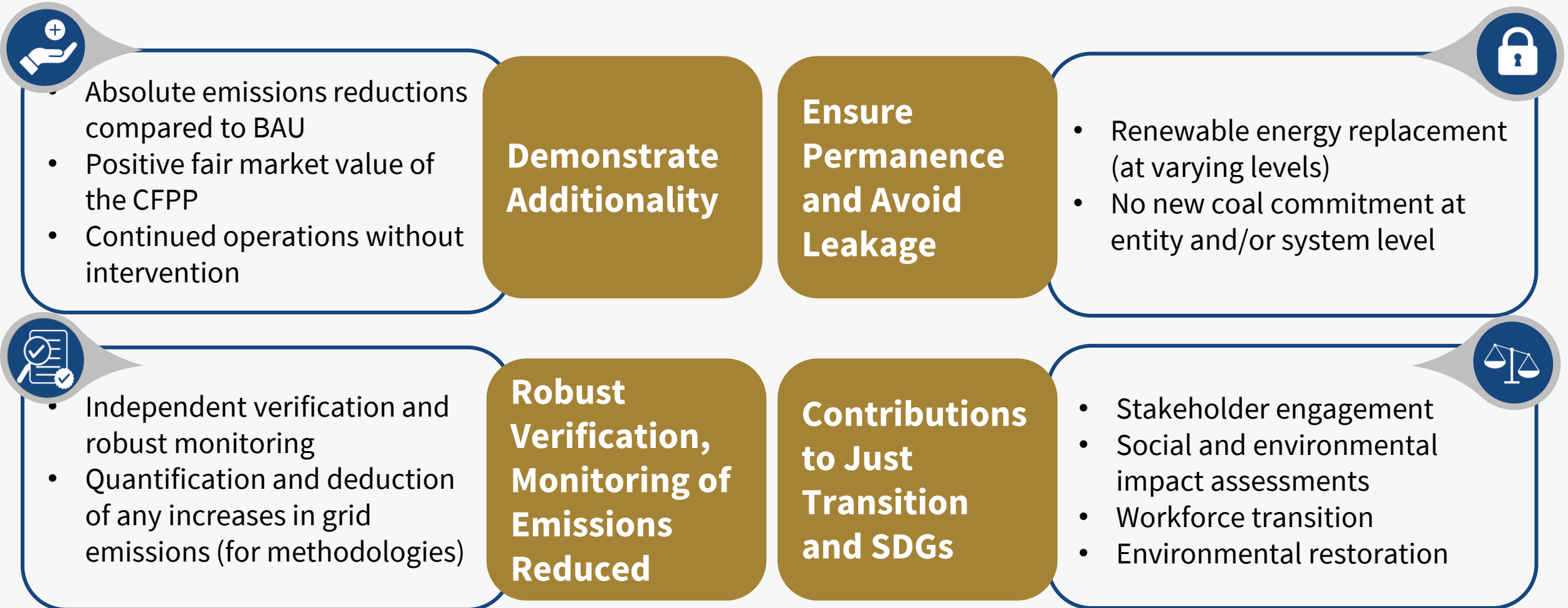


3. Bolster buyers' confidence and trust in transition credits

- Early insights on different **buyers' distinct motivations, needs and preferences**

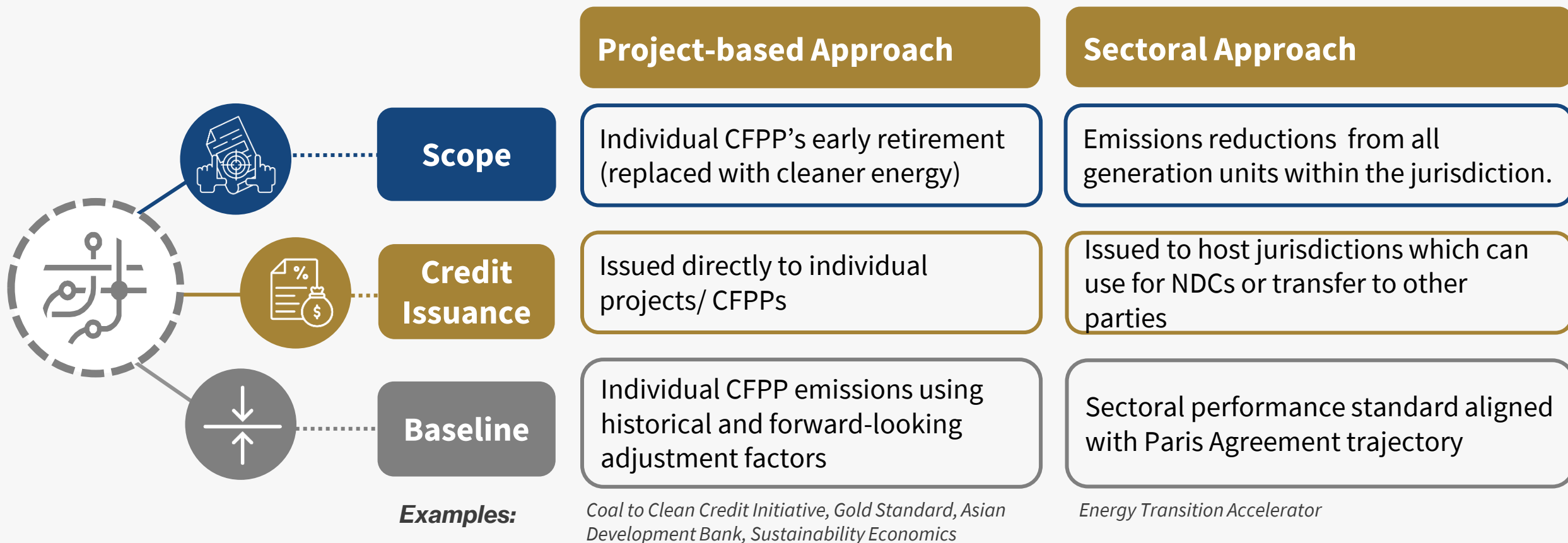
Four common attributes for early CFPP retirement to be more ready for high integrity transition credits – Additionality, Permanence/Avoid Leakage, Robust Verification, Just Transition

Based on existing Coal MPO financing guidance, taxonomies and crediting methodologies :



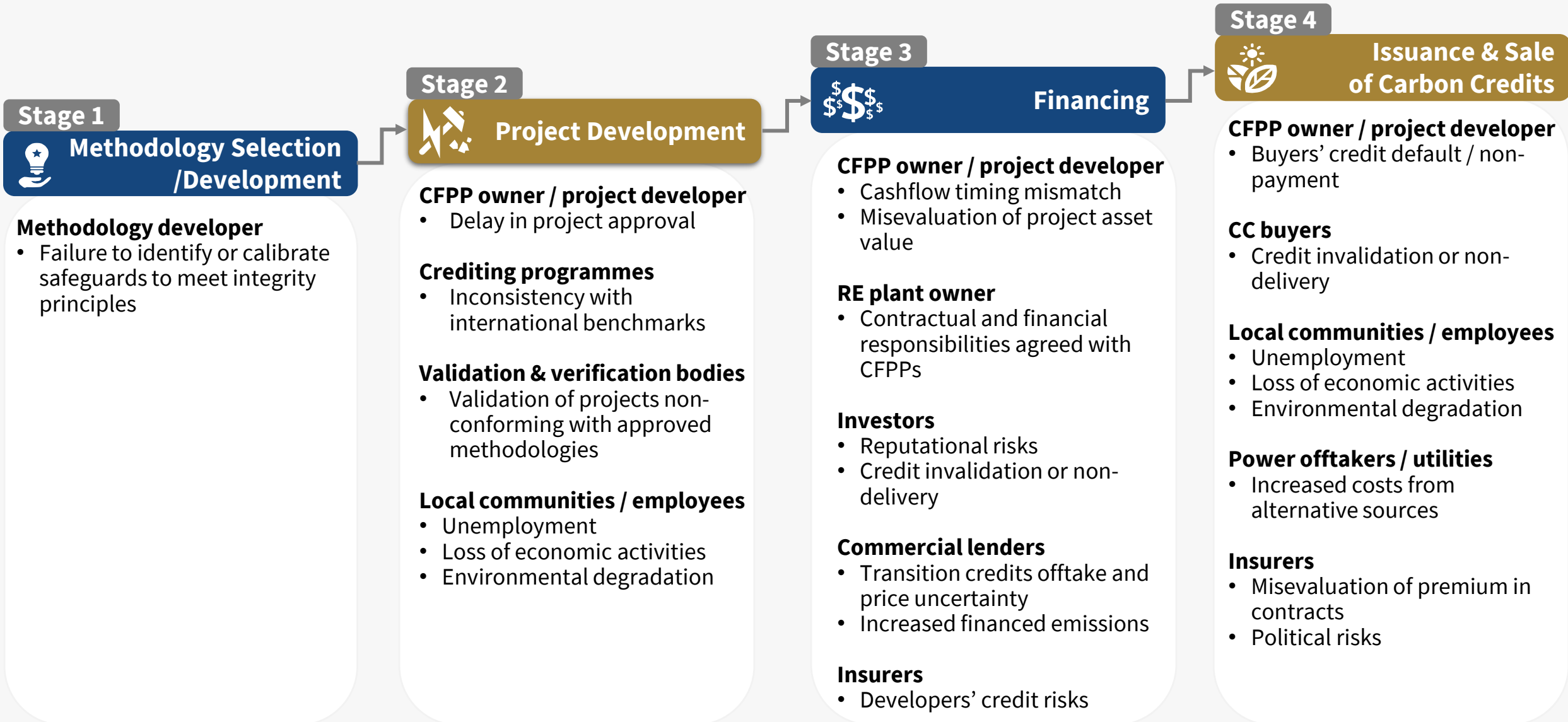
Project-based and sectoral approaches can complement each other in accelerating a just coal transition globally

Multiple methodologies have emerged, with two broad approaches:



Under development: How project-based activities can be integrated with sectoral approaches

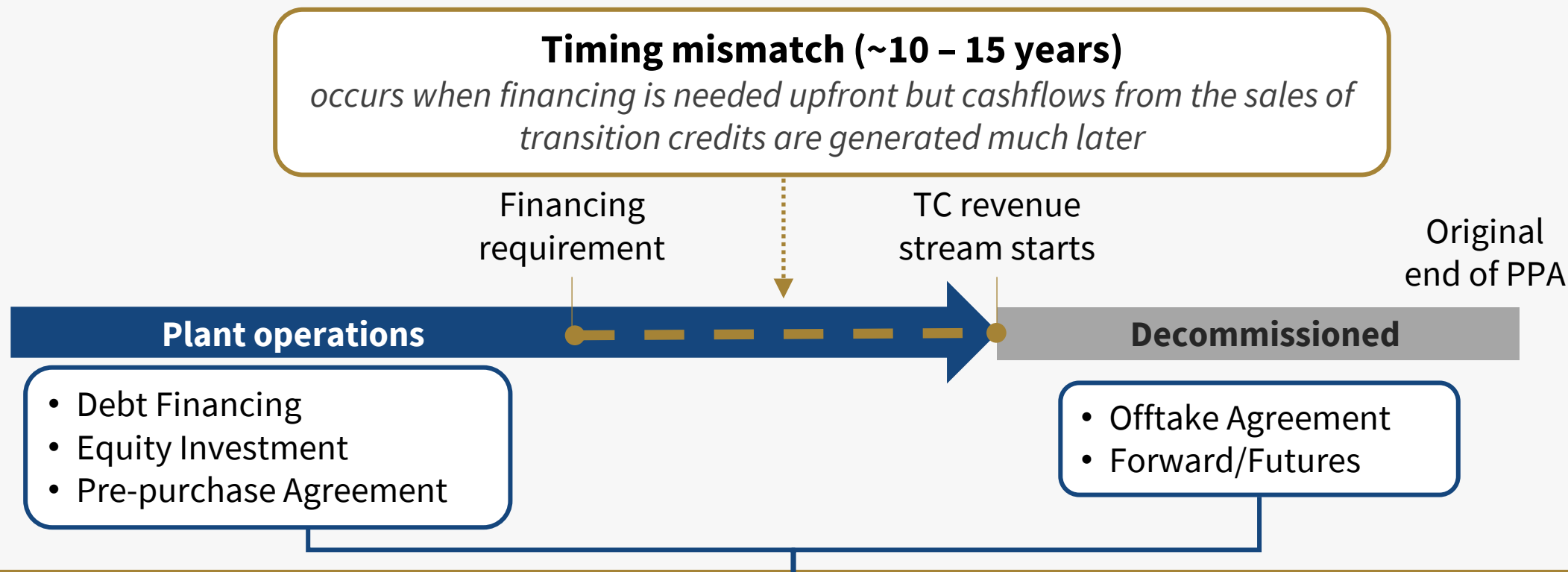
Stakeholders face transition credits-specific risks that will need to be addressed



Transaction Scalability

Timing mismatch is one of the key risks that requires a combination of conventional and innovative financing instruments to address

» Clear and strong demand for transition credits is essential to increase financing appetite



A combination of conventional and innovative financing instruments, **such as debt, equity, and advance market commitment** can mitigate the risks associated with timing mismatch.

Understanding the motivations and priorities of distinct groups of buyers enables specific approaches to unlock demand for transition credits



Voluntary Buyers

Meet climate targets or
contribute to global climate
action

Use cases relevant to their
businesses



Compliance Buyers

Fulfil regulatory requirements
or sovereigns to meet NDC
targets

Meet environmental integrity
criteria and approved for
compliance use



Investors

Generate returns from holding
or trading credits

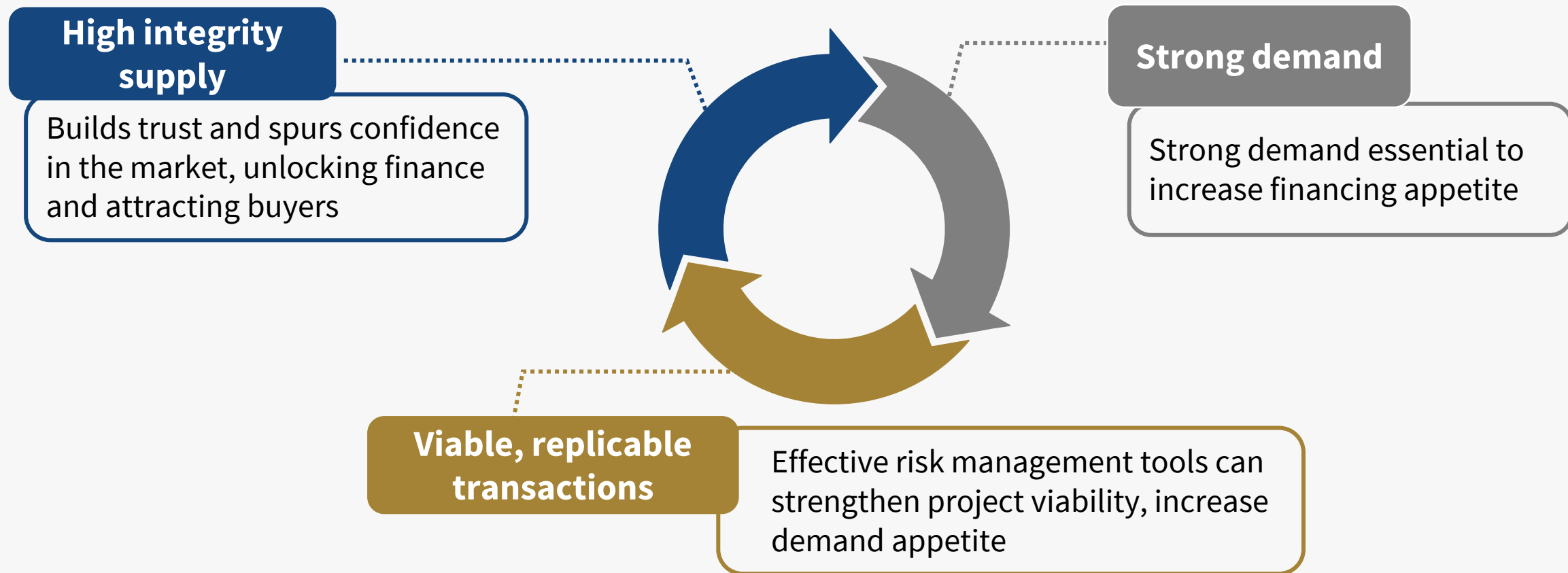
Liquidity and price
transparency



All buyers prioritise high integrity and the credible use of transition credits

Conclusion

Supply, demand and transaction solutions are strongly interlinked to build a robust transition credit market



The entire ecosystem needs to progress together to create a viable transition credits market

TRACTION's path forward in building a scalable, trusted market for transition credits



Prioritise Eligible Coal Plant Retirements

CFPP Selection Checklist: To identify markets and CFPPs which may be eligible for transition credits



Advance Crediting Methodologies

Coexistence of Methodology Approaches: Explore how different crediting approaches can be developed further to accelerate global action



Develop Innovative Financial Structures

Innovative Coal MPO Structuring: Outline potential solutions for timing mismatch and alternative options for early retirement



Build Market Demand

Buyer Engagements: Develop specific approaches to meet requirements of each buyer segment



Support a Just Transition

Just Transition Programs: Outline key considerations to achieve Just Transition with transition credits projects

TRACTION will progressively share insights in 2025 via various platforms



Today:

✓ **Interim Report Launch**



Ecosperity/FAST 2025:

✓ **Progress updates on pilot projects and TRACTION**



NYCW 2025:

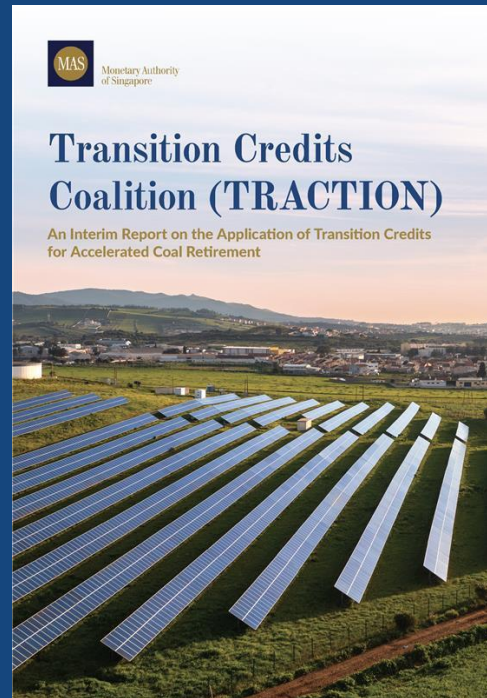
✓ **Share final report early insights and findings**



COP30:

✓ **Final Report Launch**

Scan to access the interim report



<https://go.gov.sg/traction-interim-report>

Feedback: transition_credits@mas.gov.sg

Thank you.