# Business Case

## Summary Sheet

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| **Title:** Clean Energy Transition Programme (CETP) Extension | | |
| **Project Purpose:** To continue to leverage the IEA's unique expertise to support target countries in scaling up clean energy deployment through technical assistance and project facilitation to further sustainable development and improving the welfare of the population in the target countries. | | |
| **Programme Value: £12 million** | | **Country/ Region:** Brazil, India, Indonesia, South Africa, Ukraine, Latin America, South-East Asia, and Africa. The programme also covers China, but UK funds will not support CETP work in China. |
| **Senior Responsible Owner: Sophie Westlake** | | |
| **Project Code:** | **Start Date:** 2023/24 | **End Date:** 2025/26 |

| Specialist | Comments | Date signed-off |
|---|---|---|
| **PMO**: | | 14/11/2023 |

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|---|---|---|
| **Economist:** | Sign-off as comments have been addressed | 09/11/2023 |
| **M&E:** | Sign-off as comments have been addressed | 07/11/2023 |
| **Commercial:** | G6 commercial will sign off as part of Portfolio Committee | 06/11/2023 |
| **Corporate Finance:** | | 06/11/2023 |
| **Legal** | | 10/11/2023 |
| **Finance:** | | 06/11/2023 |
| **Team G6:** | | 10/11/2023 |
| **Team DD:** | | 14/11/2023 |
| **SRO (for PIC only)**: | | [insert date] |

Specialist Sign-Off Document Link:

- Please complete and attach the table above to your email submission of the Business Case to G6/DD's.
- Please complete the table (additionally with G6, DD and SRO sign-off) and send to PMO at the same time the final business case is being submitted to PMO (5 working days for AP and 10 working days for PIC). PMO will then share both with the Panel or PIC at the same time.

## Intervention Summary (2 Pages)

**Approval Sought**

**This business case seeks a £12 million contribution for the extension of support to the International Energy Agency's (IEA) Clean Energy Transition Programme (CETP) over three years 2023/4 to 2025/6, comprising £10 million to fund the overall programme, combined with £2 million specifically ring-fenced to provide technical assistance to reduce methane emissions in the energy sector.** The programme leverages the IEA expertise to provide demand-led, needs-driven, independent, and expert capacity building and technical assistance to help recipient countries take the next steps to accelerate clean energy transitions and deliver the associated reductions in GHG and progress towards climate and sustainable development goals. Target countries and regions are Brazil, India, Indonesia, South Africa, Ukraine, Latin America, South-East Asia, and Africa. The programme also covers China, but UK funds will not support CETP work in China. There is a direct read-across between the key target countries of the CETP and Tier 1 ICF priorities – India, Indonesia, Brazil, and South Africa with a high proportion of activity targeted at, and in, these countries. Countries in Tier 2 are also targeted, principally through regional level activity.

This support builds on the £8milllion UK contribution for Phase 1 during which the UK was the lead-funder of the programme and will allow the CETP be scaled-up into a second phase to allow the IEA, as the delivery partner, to meet the increasing demand from target countries for technical assistance following the successful delivery of Phase 1 of the Programme.

The fundamental need for the CETP has only strengthened since the UK's initial support was provided. Rapid and sustainable transformation in the energy sector, the source of at least two-thirds of greenhouse-gas emissions (including 40% of methane emissions), is essential to meet the Paris Agreement's commitment to holding the global average temperature to well below 2°C above pre-industrial levels, and pursuing efforts to limit the temperature increase to 1.5 °C. Many countries, including nearly all those covered by the programme, such as India, Brazil, and Indonesia, have now adopted net-zero targets and actions in the energy sector comprise a very significant element of Nationally Determined Contributions.

Phase 2 of the CETP has already received funding commitments from Japan, Germany, Italy, Denmark, Canada, United States, Spain, Ireland, Belgium, France, and the European Commission.

**What are the main programme activities?**

The CETP provides demand-led support for technical assistance with aim of helping target countries and regions accelerate national energy transitions.

In collaboration with Funders, the IEA has developed a Strategic Framework for phase 2 of CETP, which is aimed at turning targets into action by realising global net zero and key sustainable development goals through a secure and people-centred transition underpinned by authoritative, data-driven analysis. The strategic framework for phase two of CETP is made up of three pillars, and these are:

- Pillar 1: Accelerating national transitions;
- Pillar 2: Strengthening multilateral coordination; and
- Pillar 3: Informing global energy dialogues.

Pillar 1's work will be organised around eight workstreams, which are critical for driving a systems-wide transition. These workstreams are:

1: Road mapping and Economy Wide Measures

2-7: Sectoral and Technology Planning (2: Industry, 3: Transport, 4: Buildings, 5: Energy Efficiency, 6: Renewables & Electricity, 7: Clean Fuels)
8: Data and Statistics

Worsktream 1 will enable governments to develop coherent and comprehensive strategies which link targets to planning. Workstream's 2-7 will help governments identify the priority issues for focus within and across key sectors and provide support in identifying policy options and best practices. Workstream 8 will ensure that planning and strategy is underpinned by evidence.

We are also proposing to fund an additional workstream for inclusion in the strategic framework as workstream 9 under pillar 1 focused on reducing methane emissions in the energy sector, as there is a need for independent and rigorous analysis and capacity building to ensure methane emissions can be identified and effective strategies implemented across oil, gas, and coal operations.

Pillar 2 will build on achievements from phase 1 of CETP, where the IEA played a growing role as an international forum facilitating dialogue on energy transitions and will see the IEA strengthen its role as a facilitator of and contributor to key multilateral partnerships and initiatives that support activity in, and assistance for, ODA-eligible countries. The expectation is that the key focus of activity and resources will be pillar 1 (circa 60%), with pillar 2 (10%) and pillar 3 (30%) work aimed at supporting the work in the pillar 1.

Pillar 3 will draw on the IEA's authoritative energy data and modelling capabilities, as well as extensive policy experience and holistic approach, which make it a trusted voice to inform global energy dialogue and key decision makers in the private sector, multilateral banks, and international development agencies. It will aim to utilise this expertise to help generate the political conditions for greater action.

**Expected Outcomes**

The following objectives would be delivered by an extension to the CETP:

- **improving countries' ability to develop a sound, analytically rigorous evidence base for policy action**, for example to accelerate the deployment of renewables and energy efficiency (via statistics, indicators, energy modelling, and improved data analysis capabilities)
- **developing more effective knowledge and information systems, as well as enabling environments, that create capacity for stronger policy action** (via country-specific scenario development, modelling capacity, advice and support on policy development, and facilitating knowledge exchange as relevant to country needs)
- **creating stronger enabling environments for technology RD&D and innovation,** through specific technology policy support activities, better data on RD&D support, and improved understanding of innovation needs for development, which should encourage the promotion of sustainable energy technologies and related investments.

**Commercial Issues**

As the 'owner' of the CETP the International Energy Agency will continue as the delivery partner with funding to be delivered through a direct award, replicating the approach under Phase 1.

**Financial Issues**

The business case sets out the case for an uplift in UK to £10 million to fund the overall programme over three years, combined with £2 million specifically ring-fenced to provide technical assistance to reduce methane emissions in the energy.

**Management Issues**

The UK will sit on the Funders Strategic Coordination Group that provides strategic direction, oversight of the programme and approves the annual work programme and budget. The IEA will track the delivery of programme

outcomes and outputs against a comprehensive Results Framework. The Results Framework includes a series of indicators to cover each of the pillars and workstreams, providing a unified approach to monitoring and analysis of broader programme impacts.

## CONTENTS

# 1. STRATEGIC CASE

## 1.1 The Context

### The Clean Energy Transition

Through the Paris Agreement, countries have committed to preventing dangerous climate change, with a long-term goal of holding the increase in global temperature to well below 2°C above pre-industrial levels, and pursuing efforts to limit the temperature increase to 1.5 °C above pre-industrial levels. The Inter-Governmental panel on Climate Change's Sixth Assessment Report estimates that 34% of global greenhouse gas (GHG) emissions (including 40% of methane emissions) in 2019 were from the energy supply sector. An additional 32% of emissions were from energy use in the buildings, transport, and industry sectors - thus two-thirds of global greenhouse gas emissions come from energy generation or use.

The IPCC pathways help illustrate how the speed and depth of emission reductions in energy sectors affect the likelihood of overshooting 1.5°C of warming. Crucially, IPCC modelling shows that without mitigation, energy emissions will continue to rise. In pathways limiting warming to 1.5 degrees, CO2 emissions from energy supply reach net zero around 2041. The 2017 UNEP Emissions Gap report set out how much emissions in each sector could technically be reduced by 2030 with the highest basic potential being in energy supply (37% of total potential) and AFOLU (26%), followed by the Buildings, Transport and Industry sectors (36% in total).

The IEA's global Roadmap to Net Zero by 2050 (2021, updated 2023), sets out an energy sector pathway that would limit global warming to 1.5°C. The case for transforming the global energy system in line with the 1.5°C goal has never been stronger. August 2023 was the hottest on record by a large margin, and the hottest month ever after July 2023. The impacts of climate change are increasingly frequent and severe, and scientific warnings about the dangers of the current pathway have become stronger than ever.

*Clean Energy Transition*

Global carbon dioxide (CO2) emissions from the energy sector reached a new record high of 37 billion tonnes (Gt) in 2022, 1% above their pre-pandemic level, but are set to peak this decade. The speed of the roll-out of key clean energy technologies means that the IEA now projects that demand for coal, oil and natural gas will all peak this decade even without any new climate policies. This is encouraging, but not nearly enough for the 1.5°C goal.

Positive developments over the past two years include solar PV installations and electric car sales tracking in line with the milestones set out for them in the IEA's 2021 Net Zero by 2050 report. In response to the pandemic and the global energy crisis triggered by Russia's invasion of Ukraine, governments around the world announced a raft of measures designed to promote the uptake of a range of clean energy technologies. Industry is ramping up quickly to supply many of them. For example, if fully implemented, currently announced manufacturing capacity expansions for solar PV and batteries would be sufficient to meet demand by 2030 in this update of the Net Zero Energy ZE Scenario.

Ramping up renewables, improving energy efficiency, cutting methane emissions and increasing electrification with technologies available today will deliver more than 80% of the emissions reductions needed by 2030. The key actions required to bend the emissions curve sharply downwards by 2030 are well understood, most often cost effective and are taking place at an accelerating rate. The scaling up of clean energy is the main factor behind a decline of fossil fuel demand of over 25% this decade in the NZE Scenario. But capacity to develop well-designed policies, such as the early retirement or repurposing of coal-fired power plants and introducing measures to reduce flaring and venting during oil and gas production, are key to facilitate declines in emissions and the use of fossil fuels and creating additional room for clean energy to expand. In the IEA's NZE Scenario, strong growth in clean energy and other policy measures together

lead to energy sector CO2 emissions falling by 35% by 2030 compared to 2022. The IEA also estimate that 40% of current methane emissions could be avoided at no net cost and available measures could reduce emissions by up to 45% by 2030 across energy, waste and agriculture.

The pathway set out in the Net Zero Road Map makes clear that, in parallel with doubling progress on energy efficiency, massively scaling up a wide range of clean energy technologies this decade is necessary to drive down demand for fossil fuels and reach net zero quickly enough to limit warming to 1.5°C. Within that portfolio of technologies, the single most important lever to bring about the reduction in emissions needed by 2030 to put the world on track to achieve net-zero by 2050 is to triple the global installed capacity of renewable power by the end of the current decade. Many countries, including nearly all those covered by the CETP, including India, Indonesia and Brazil, have now adopted net-zero targets and actions to reduce emissions in the energy sector comprise a very significant element of almost all Nationally Determined Contributions.

Tripling global installed renewables capacity to 11 000 gigawatts by 2030 provides the largest emissions reductions to 2030 in the IEA's NZE Scenario. Renewable electricity sources, in particular solar PV and wind, are widely available, well understood, and often rapidly deployable and cost effective. Current policy settings already put advanced economies and China on track to achieve 85% of their contribution to this global goal, but the IEA consider that stronger policies and international support are required in other emerging market and developing economies. While global clean energy investment is now well above where it was at the time the Paris Agreement was signed, the rise has been concentrated in advanced economies and China. Clean energy spending in emerging and developing economies (excluding China) remains stuck at 2015 levels. Virtually all the global increase in spending on renewables, grids and storage since 2020 has taken place elsewhere. More than 80% of EV sales are concentrated in China and Europe; more than 90% of global spending on public EV recharging infrastructure is in China, Europe and the United States.

Investment in many emerging and developing economies is more dependent on public sources; state-owned enterprises account for around half of energy investment in these economies. But public funds are typically scarce, many state-owned utilities are highly indebted and a worsening global economic outlook reduces governments' ability to fund energy projects. Additional financial and technical support, including concessional capital, private sector capital, and inflows from international carbon markets, will all be crucial. If clean energy investment does not rapidly pick up in emerging and developing economies, the world will face a major dividing line in efforts to address climate change and reach other sustainable development goals.

For all countries, speeding up permitting, extending and modernising electricity grids, addressing supply chain bottlenecks, and securely integrating variable renewables are critical.

This transition is particularly urgent in emerging and developing economies who have experienced a tripling in CO2 emissions since 1990 and now account for two-thirds of global greenhouse gas emissions with continued population and economic growth exerting upward pressure on energy demand and emissions and driving investment in unsustainable fossil fuel infrastructure. At the same time, developing countries face the challenge of ensuring access to affordable, reliable, sustainable and modern energy services, in line with the UN Sustainable Development Goals for 2030. As of 2020, 733 million people, mainly in Sub-Sharan Africa, lack access and the pace of progress in electrification has slowed in recent years which may be explained by the increasing complexity of reaching more remote and poorer unserved populations and the unprecedented impact of the Covid-19 pandemic. At current rates of progress, the world will reach only 92% electrification by 2030, and fail to meet Sustainable Development Goal 7. This lack of access stifles economic growth and increases vulnerabilities, for example, through limited access to reliable cold-chains for food and medicine. Over 2.6 billion people still rely on polluting fuels and technologies for cooking, resulting in around 2.5 million premature deaths due to indoor air pollution. Women and girls are disproportionately affected by energy poverty, and they are often responsible for the time-consuming collection of fuel and water.

The world is set to invest a record USD 1.8 trillion in clean energy in 2023: the IEA estimate this needs to climb to around USD 4.5 trillion a year by the early 2030s to be in line with a net-zero by 2050 pathway. The sharpest

jump in clean energy investment is needed in emerging market and developing economies other than China, where it surges sevenfold by the early 2030s in the IEA's NZE Scenario. This will require stronger domestic policies in emerging economies and developing countries together with enhanced and more effective international support. Annual concessional funding for clean energy in emerging market and developing economies will need to reach around USD 80-100 billion by the early 2030s.

The need to accelerate the clean energy transition has also been brought into sharp relief by the impacts of Russia's invasion of Ukraine on global energy markets and energy security. Increasing deployment of clean energy technologies will reduce global dependence on fossil fuels, diversifying supply sources, decreasing market volatility and, with clean energy technologies now cost-competitive in many markets. The CETP, through delivery of technical assistance and capacity building with target countries will help develop the national policy, regulatory, investment and innovation frameworks to facilitate and accelerate this deployment of clean technology.

*Methane*

Cutting methane emissions is recognised as one of the fastest and most cost-effective tools available to limit global temperature rise to 1.5°C. Due to methane's short atmospheric lifetime, taking action can rapidly reduce atmospheric concentrations and in turn rates of warming across the next decade. According to the UN Environment Programme's (UNEP) Global Methane Assessment, reducing methane emissions can avoid up to 0.3°C of warming by 2040. Taking action on methane is therefore crucial to meeting the Paris Agreement temperature goals. The IPCC AR6 states that the "evolution of methane emissions strongly influences the chances of limiting warming to 1.5°C". Rapidly reducing methane emissions is complementary to action on carbon dioxide and other greenhouse gases. Slowing today's unprecedented rate of warming can help avert our most acute climate risks, including crop loss, wildfires, extreme weather and rising sea levels.

Action on methane is therefore recognised as the 'last low hanging fruit' in tackling climate change because measures are readily available and, in some cases, very cost effective. Methane abatement delivers additional important benefits, including improved public health and agricultural productivity. According to the Global Methane Assessment from the Climate and Clean Air Coalition and UNEP, achieving the 2030 goal can prevent over 200,000 premature deaths, hundreds of thousands of asthma-related emergency room visits, and over 20 million tons of crop losses a year by 2030 by reducing ground-level ozone pollution caused in part by methane.

The global energy sector was responsible for nearly 135 million tonnes of methane emissions in 2022. Coal, oil and natural gas operations are each responsible for around 40 Mt of emissions and nearly 5 Mt of leaks from end-use equipment. Around 10 Mt of emissions comes from the incomplete combustion of bioenergy, largely from the traditional use of biomass. The energy sector is responsible for nearly 40% of total methane emissions attributable to human activity.

There is a huge opportunity to cut methane emissions from the energy sector and in high-emitting developing countries. IEA estimate that around 70% of methane emissions from fossil fuel operations could be reduced with existing technology. In the oil and gas sector, emissions can be reduced by over 75% by implementing well-known measures such as leak detection and repair programmes and upgrading leaky equipment, and so it is important to support developing countries in identifying and delivering these measures. In the coal sector, more than half of methane emissions could be cut by making the most of coal mine methane utilisation, or by flaring or oxidation technologies when energy recovery is not viable. The CETP will help target countries reduce methane emissions in the energy sector, through provision of independent and rigorous analysis and capacity building within target countries to ensure methane emissions can be identified and effective strategies implemented across oil, gas, and coal operations.

This funding is targeted specifically at building capacity on methane for policy makers and regulators in target countries, rather than directly funding companies, so will avoid any criticism of funding the oil and gas industry. At COP, we also anticipate significant focus on the role of the oil and gas industry in reducing methane emissions, including mobilising industry funding for initiatives like the World Bank's Global Gas Flaring Reduction Partnership. There is therefore a good story to tell on Governments supporting efforts to reduce methane emissions and industry also playing a leading role on

delivery and funding. Furthermore, although the government is prohibited from new direct financial or promotional support for the fossil fuel energy sector overseas, other than in limited circumstances, by its International Fossil Fuel Policy, ODA funding targeted at reducing methane emissions is out of scope of this policy, and so this funding is aligned with the wider Government policy.

*Rationale for Intervention*

To deliver the clean energy transition, a massive scaling up of investment is essential in emerging and developing economies to sustainably meet rising demand for energy, as well as to ensure that climate targets are met. Getting on track for net zero emissions by 2050 will require clean energy spending in emerging and developing economies to more than triple by 2030 – far beyond the capacity of public financing alone and therefore demanding an unprecedented mobilization of private capital. This increased investment needed to unlock the potential for clean energy in emerging and developing economies will not happen without strengthened policy frameworks, market reform and institutional capacities. By strengthening regulatory frameworks, energy institutions and infrastructure, and improving access to finance, technical assistance and capacity building support can help governments overcome obstacles that deter clean energy investments today, including relatively high upfront costs, transaction costs and a high cost of capital. For example, without specific capacity building and training on methane policy and regulatory frameworks, it is unlikely that developing countries will have the necessary tools available to make effective interventions. There are large discrepancies between countries on methane emissions in the oil and gas sector, but there are established frameworks and measures which have proved effective in the UK and other developed countries, so this funding will allow pre-existing knowledge to be shared.

The CETP has already played an important role in helping target countries put in place the policy, regulatory and investment frameworks that support the deployment of clean energy technologies and systems by effectively bringing to bear the IEA's energy sector expertise on the self-identified problems and barriers faced by participating countries. However, as demand from target countries for assistance continues to rise and the window for limiting global warming to 1.5 °C continuing to narrow, momentum towards the clean energy transition needs to increase rapidly against a backdrop of an energy landscape that has evolved considerably since the launch of the CETP, including the post-pandemic economic rebound and the extraordinary growth in some clean energy technologies – but also increased investment in fossil fuels and stubbornly high emissions. Strong international cooperation will be crucial to accelerate progress and a continuing CETP will help facilitate that co-operation, providing scaled-up technical assistance and capacity building to help target countries address these new challenges and barriers in order to accelerate national energy transitions.

**1.2 The CETP**

The International Energy Agency was established in 1974 in response to the 1970s Arab oil embargo as a counterpart to OPEC to enable consumer countries to ensure security of supply in any future oil crisis and the UK has been a member since its foundation. Since its establishment it has evolved into a key partner for the UK and its remit has extended beyond fossil fuels and resilience, to encompass promotion of open and transparent markets and providing all-of-energy analysis, including serving as a global clean energy hub aiding its members and non-members to deliver their net-zero commitments.

In recent years, the IEA has made increased co-operation with key emerging economies a priority. At the 2015 IEA Ministerial Meeting, IEA Ministers supported a vision for a modernised Agency with a focus that included "opening the doors" of the IEA to key emerging economies (the IEA's membership is currently limited to OECD members). This has included agreement of an IEA Association initiative, with current members including Brazil, China, India, Indonesia, Thailand, Singapore, Morocco, Brazil, South Africa, Argentina, Egypt, Ukraine, Senegal and Kenya. Association has

established a common forum for regular dialogue between IEA Members and Association countries, including through participation in IEA Standing Groups and Committees, as well as IEA Ministerial meetings.
This increased engagement has generated an increasingly high level of interest (demand led) from emerging economies for technical assistance on energy transition issues.

In response to this growing demand, the Clean Energy Transition Programme was established in 2017 having been proposed by the IEA Secretariat and its establishment agreed by IEA members through the IEA Governing Board to leverage the IEA's all technologies expertise to provide demand-led, independent, and expert capacity building and technical assistance to governments in six major emerging economies – Brazil, China, India, Indonesia, Mexico and South Africa and as well as through collaboration with key regional organisations in Africa, Latin America and South East Asia. These countries and regional partners were selected based on their significant potential to reduce their greenhouse gas emissions in the energy sector and the strong institutional links between the IEA and the respective governments and regional organisations.

Phase 1 of the CETP, which ran until 2021/22, was structured around seven themes reflecting the IEA's particular strengths, these being i) data and statistics ii) energy efficiency iii) renewable energy and system integration iv) policy advice and modelling v) sectoral work vi) energy innovation and vii) digitalisation. Specific country and regional work programmes were developed based on the demands expressed by recipient countries through iterative consultations both at senior and technical levels between government officials, IEA experts and other stakeholders, including funders. This assistance was delivered through a range of different mechanisms, including both classroom and on-line training for government officials, technical and policy workshops and exchanges, and development of a range of analytical outputs and recommendations. All activities are delivered by relevant IEA experts. Phase 1 was funded by the UK, Germany, France, Canada, Italy, Australia, the European Commission, Sweden and Denmark, the Netherlands, Switzerland, Finland, New Zealand and Japan. The UK provided the most funding during Phase 1, equivalent to 27% of overall funding.

During Phase 1, the CETP built strong on the ground relationships with governments and policy makers and demonstrated the value of drawing on IEA capabilities in creating enabling environments for national clean energy transition whilst strengthening the IEA's global leadership role in clean energy transitions at a pace and scale that would otherwise not have been possible.

With demand for assistance under the programme continuing to grow and noting the successful outcomes from Phase 1 of the CETP, Ministers at the IEA Ministerial in 2022 affirmed their intention to proceed with Phase 2 of the CETP to further strengthen IEA capabilities and resources to support target countries. This included an intention to make available a collective fund of €20million per year to 2030 to support the provision of technical assistance.

Phase 2 of the CETP, support for which is the subject of this business case, will structure its work around three pillars.

**Pillar I, Accelerating national transitions**. The top priority under the CETP is to support emerging and developing economies to develop and implement timely strategies or roadmaps for achieving national clean energy transition goals in line with the Paris Agreement objectives and Sustainable Development Goals. Work on Pillar I, which forms the bulk of activity under the CETP, is largely organised around eight workstreams, which the IEA views as critical for driving a systems-wide transition (Road Mapping and Economy Wide Measures, Sectoral and Technology Planning (Industry, Transport, Buildings, Energy Efficiency, Renewables & Electricity and Clean Fuels) and Data and Statistics). Work under this pillar will enable target governments to develop coherent and comprehensive strategies that link targets to planning and identify priority issues within and across sectors whilst identifying policy options and best practices underpinned by high quality evidence.

**Pillar II, Strengthening multilateral co-ordination**. Work on Pillar II is ordered around IEA-led activities under the CETP and CETP-supported IEA engagement in key partnerships and fora. The IEA is making significant inputs to major international collaboration mechanisms such as the Group of 7 (G7), the Group of 20 (G20), the Clean Energy Ministerial

(CEM), the Regulators Energy Transitions Accelerator (RETA), Mission Innovation (MI), and the IEA's own Technology Collaboration Programmes (TCPs) aimed at supporting transition in ODA-eligible countries.

**Pillar III, Informing global energy dialogue**. The IEA's authoritative energy data and modelling capabilities, as well as its extensive policy experience and holistic approach, make it a trusted voice to inform global energy dialogue and key decision makers in target countries, the private sector, multilateral banks and international development agencies. Pillar III is organised around major cross-cutting themes, which help generate the political conditions for greater action.

The expectation is that the key focus of activity will be pillar 1 (60%), with activity under pillar 2 (10%) and pillar 3 (30%) work aimed at supporting and facilitating the work under pillar 1. The following countries have already announced funding to support Phase 2 – Japan, Germany, Italy, Denmark, Canada, United States, Spain, Ireland, Belgium, France, Switzerland, Netherlands and the European Commission.

The CETP also complements and supports the development of Joint Energy Transition Partnerships (JETPs) by helping countries develop the evidence base, data and policies that help determine and support and support their self-defined emissions reduction pathways that form the basis of the financial support

### 1.3 Achievements to Date

Phase 1 of the CETP ran from 2017-22 and has strengthened the IEA's capacity to achieve real-world impacts with key partners by drawing on the Agency's wide expertise and ability to combine data and evidence-based analysis with strategic policy and regulatory implementation activities in order to respond to strong demand from target countries based on high-level buy-in to the programme from partners reflecting the IEA's standing as an expert and independent body. As a result, the Programme is highly valued by the targeted countries, IEA is increasingly the partner of choice for many target countries developing new policy frameworks, and the demands on the programme are again stretching the ability of the IEA to respond.

The CETP has a strong track record of delivering this technical assistance during Phase 1. It has:

- improved countries' ability to develop a sound, analytically rigorous evidence base for policy action, for example to accelerate the deployment of renewables (via statistics, indicators, energy modelling, and improved data analysis capabilities)
- developed more effective knowledge and information systems, as well as enabling environments, that create capacity for stronger policy action (via country-specific scenario development, modelling capacity, advice and support on policy development, and facilitating knowledge exchange as relevant to country needs)
- created stronger enabling environments for technology RD&D and innovation, through specific technology policy support activities, better data on RD&D support, and improved understanding of innovation needs for development, which should encourage the promotion of sustainable energy technologies and related investments.

In quantitative terms, Phase 1 has delivered:

- Training for over 16,000 officials with high levels of satisfaction recorded.
- Over 300 high-level exchanges with relevant entities in target countries
- Over 700 technical exchanges with relevant entities in target countries
- Over 200 tailored analytical outputs produced for target countries.

Examples of recent successful support for countries include:

In Indonesia, together with the Ministry of Energy and Mineral Resources (MEMR), the CETP delivered "An Energy Sector Roadmap to Net Zero Emissions", which ministers strongly welcomed at the G20, and has played a key role in shaping Indonesia's landmark USD 20 billion Just Energy Transition Partnership. The JETP will significantly accelerate Indonesia's transition toward a cleaner energy future, reducing cumulative greenhouse gas emissions by more than 300 megatons through 2030 and a reduction of well above 2 gigatons through 2060 from Indonesia's current trajectory. To move this to

action, the IEA has worked with Indonesia to strengthen policies, including consultations on Indonesia's fuel economy standards to improve vehicle efficiency, as well as participation in the review of Indonesia's Presidential Decree on renewable energy. Further, the IEA has supported direct implementation of energy projects, for example through detailed analysis and techno-economic modelling of the Java-Bali and Sumatra power systems.

In Brazil, the CETP has been instrumental in reshaping and emphasising the need for clean energy research, culminating in the revision of a federal law on R&D spending obligations. Thanks to the close collaboration on innovation data, Brazil became the first non-IEA member to submit RD&D spending data to the IEA. In partnership with the Energy Research Office (EPE), an official think tank of the Brazilian government, the programme delivered energy efficiency benchmarking of key sectors and recommendations on how to further improve energy efficiency and decarbonisation pathways. This included the launching of the Atlas of Energy Efficiency in Brazil 2021, with a special chapter on freight transport, and analysis of emissions reduction potential in the Pulp and Paper Industry in Brazil – two sectors that are critical for Brazil's decarbonisation efforts and have shown massive potential for both monetary and carbon savings.

In China, the IEA has reinforced its trusted advisor status, by holding closed-door sessions with government partners on power sector reforms, resulting in policy impact; the IEA recommendations were reflected in China's Five-Year Plan for Renewable Energy Development. This plan aims to deliver an extra 1.09 trillion Kwh of renewable energy generation in China by 2025. In addition, the IEA's work informed five national policy documents on energy and climate, calling for relevant ministries and companies to strengthen cooperation. The programme has enabled China's Ministry of Ecology and Environment to improve the world's largest emissions trading system, including via publication of Enhancing China's ETS for Carbon Neutrality: Focus on Power Sector.

Together with the Indian government, the CETP has delivered analysis and policy advice on energy efficiency in the building sector in cooperation with the Bureau of Energy Efficiency (BEE) of the Ministry of Power. Further, the CETP has delivered policy advice on solar PV, decentralised solar programmes and bioenergy in liaison with India's government and major think tanks. These exchanges fed directly into the Solar PV Global Supply Chains report published in July 2022 and presented at the first high-level forum on solar PV manufacturing.

Further details of activity delivered under CETP and impacts can be found in the annual reports delivered by the programme at https://www.iea.org/programmes/clean-energy-transitions-programme

Under Phase 1 of the CETP, the programme received an A+ rating in all four annual reviews undertaken and achieved a KPI15-rating equivalent to the new score of 5 ( Substantial evidence that suggests transformational change is likely or already occurring) in the final assessment undertaken in 2022 at the end of Phase 1 with clear evidence of training and capacity building having delivered lasting institutional capacity, regularised high-level engagement with target countries, high levels of satisfaction with the quality and breadth of analytical outputs together with evidence that outputs have directly influenced national policy with results demonstrated in national progress towards clean energy goals.

**1.4 Challenges to date**

Although the Programme has been a success to date, it was faced with a number of challenges during Phase 1 and the lessons learned from these challenges have been built into the development of the framework for Phase 2

**Funding Availability** – a symptom of the Programme's success has been ever-increasing demands from target countries for IEA advice and technical assistance which at times the IEA has struggled to resource within the existing funding envelope. To better balance the asks placed upon the Programme by target countries with resources available within the IEA to service these requests, an increased indicative budget of €20 million per annum from funders to 2030 has been proposed to the funders by the IEA and agreed by the funders as the basis for the planning of annual work programmes.

**Funding Predictability –** Funding during Phase 1 of the programme was typically provided on an ad-hoc annual basis making long-term planning more complicated. The UK was one of only a few donors to provide multi-year contributions that provided the IEA with certainty over future funding. In Phase 2, funders are encouraged to make multi-year contributions to facilitate long-term work planning and programming.

**Funding Flexibility –** Funding provided during Phase 1 of the programme was often ring-fenced for work in/with specific countries or for work on a specific issue, e.g., digitalisation, with target countries**.** On occasion, this has led to an unbalanced programme where the technical assistance delivered has followed the funding rather than necessarily the overarching needs of target countries. This was managed by careful deployment of the more flexible funding provided by countries such as the UK. To address this in Phase 2, the intention is that countries will instead fund an annual work programme agreed collectively by funders each year rather than ring-fencing money for specific elements of the programme – though there will still be scope for countries to provide additional support for specific elements (e.g. UK proposal for work on methane reduction to ensure funding flows to this high impact area) or to preclude support going to specific countries (for example we will be able to specify that UK funding should not support activity in China)

**Changes in Administration –** There have been a limited number of occasions in which a change of administration in target countries has impacted engagement, notably in Mexico, which has caused issues where funding has been specifically ring-fenced by a funder for activity in that country. In Phase 2, the proposal for more flexible funding focussed on an annual work programme (see above) will allow easier re-allocation of funding to other areas of the work programme should a target country reduce its engagement with the programme.

### 1.5 UK engagement to date

The UK was a founding supporter of the Clean Energy Transition Programme in 2017 and had provided £8million pound of ICF funding to support Phase 1 of the Programme between 2018-2022. £4.5 million of this funding was made available to the IEA to use flexibly to support activity across the programme and the remaining £3.5 million was ring-fenced to support activity in India and Mexico. During Phase 1, this contribution established the UK as the lead funder for the Programme. As the lead funder, the UK has had a leading voice in the programme's ongoing implementation and design through the Funder's Group that steered the work of the Programme as well as extensive bi-lateral engagement with the Programme Managers within the IEA Secretariat.

The UK's representative on the IEA Governing Board (Director/DG Level) has been the formal representative on the Programme's Funder's Group supported by the Programme Managers in the joint FCDO/DESNZ International Energy Unit (0.1 G7 FTE, 0.1 HEO FTE). The programme managers in IEU manage the contribution to the CETP, undertake regular engagement with the IEA Secretariat, undertake monitoring and evaluation activities and work to increase alignment with the wider ICF Portfolio. There has also been considerable in-country engagement through co-operation between the CETP and Posts in target countries, including the hosting of CETP activity and co-ordination of CETP and bi-lateral engagement and programming.

### 1.6 Expected Results

**Objectives**

Without the delivery of clear and comprehensive strategies for energy transition, countries risk making sub-optimal infrastructure investments, locking in emissions that will put achievement of NDC commitments and climate targets at risk whilst also missing opportunities to deliver the Sustainable Development Goals and maximise economic and development opportunities.

The overall objective of the CETP is therefore to accelerate progress towards the goal of realising global net zero emissions from energy through secure and people centred clean energy transitions in major emerging and developing economies. This includes meeting the objectives of the Paris Agreement and delivering on Sustainable Development Goals 7, 13 (Climate Action) and 17 (Global Partnerships for Goals) which in turn underpin achievement of many other SDGs. Through working with target countries and other key partners, CETP aims to contribute to energy sector reforms and support change at the policy level including by helping countries overcome market, regulatory, and governance barriers hindering clean energy transitions. The aim is for target countries and regions to increasingly be meeting the

energy-related GHG emission reduction targets they have set through NDCs and other mechanisms through the uptake and use of improved data, models, and best practice clean energy policy knowledge and capacity delivered by the IEA.

Whilst it is challenging to specify programme-level Specific Measurable Achievable Relevant Timebound (SMART) objectives given the demand-led nature of the CETP that targets transformational change through technical assistance and capacity building, individual projects within the workstream will have clearly defined SMART objectives as they are developed. In addition, the results framework will set out SMART Objectives for the delivery of clear time-bound objectives, including both at the strategic level in delivery of progress in target countries against SDG7 indicators, and quantitative targets for the levels of activity under the programme, including engagement, training, development of analytical products, tailored advice etc.

The CETP will undertake three key steps in order to help enact policy reforms and enable increased investment in the clean energy transition.

Firstly, the CETP, through the production of world-leading analytical outputs such as national net zero world maps, will increase and enhance awareness and knowledge of the necessary actions for national clean energy transitions.

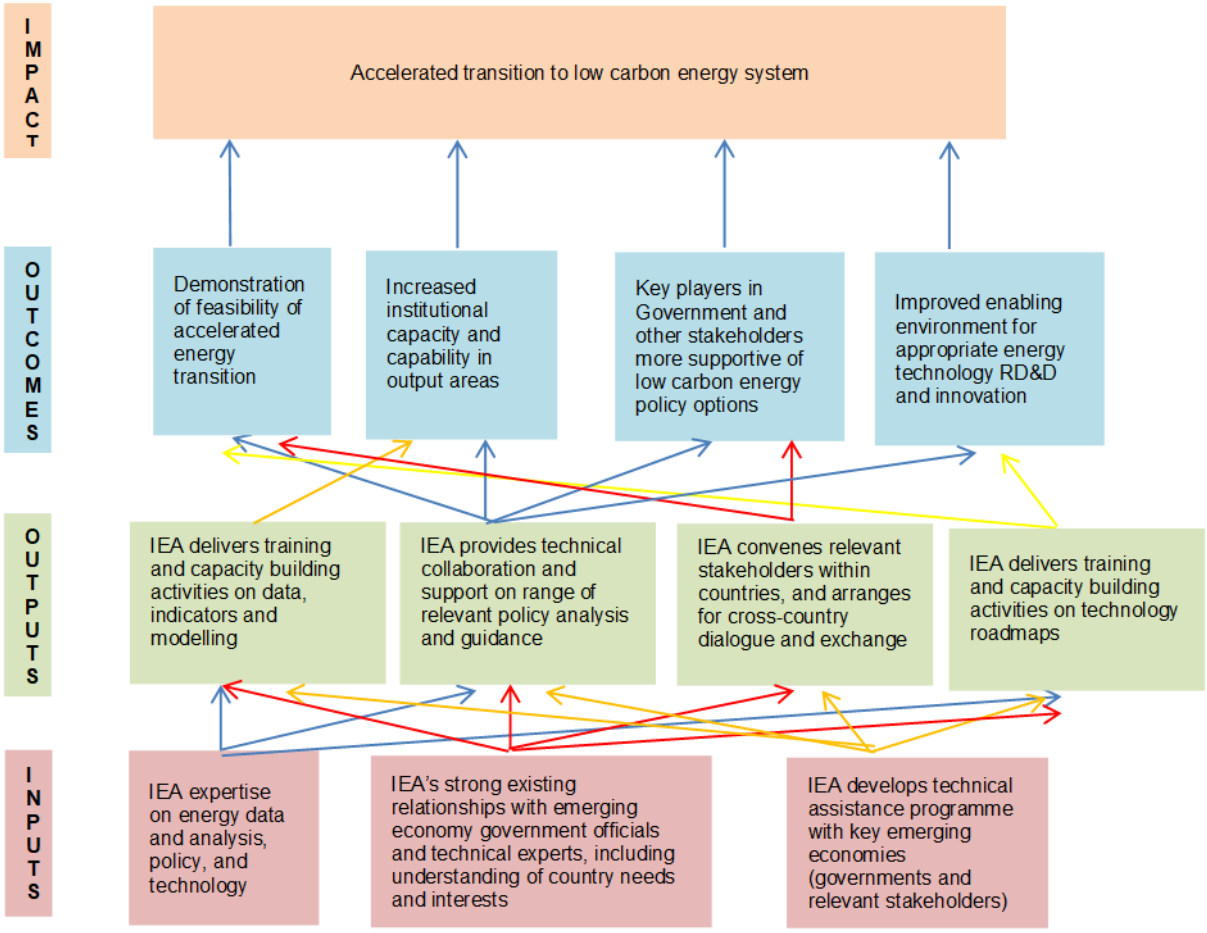
Secondly, using this increased and enhanced awareness and knowledge, the CETP will help embed the desire to deliver transition at the highest level of government through the regular high-level exchanges undertaken by the Programme, helping to ensure a solid foundation of political will to turn commitments into action.

Thirdly, CETP, will then ensure that at the working-level within governments assistance is available to deliver the necessary tools, models and bespoke analytical outputs, coupled with capacity building, through training and other activity, to embed long-lasting transformational change.

**Theory of Change**

The objective of this intervention, as set out as the expected impact in the theory of change below, is that the analytically-rigorous technical assistance provided under the CETP will deliver improved capacity to accelerate support for delivery of secure, affordable and low carbon energy transition policy, in specific major emerging economies and developing countries and regions. The CETP will deliver the assistance utilising the expertise within the IEA Secretariat and the assistance would be received by government institutions or organisations closely linked to those institutions.

Inputs include IEA expertise on energy data and analysis, policy, and technology, and the strong existing relationships the IEA has with emerging economy ministers, government officials and technical experts, including a comprehensive understanding of country needs and interests. These inputs will be leveraged to deliver training and capacity building activities on data, indicators, and modelling, provide technical collaboration and support on range of relevant policy analysis and guidance and convene relevant stakeholders within countries, and arrange for cross-country dialogue and exchange. The aim of these activities is to demonstrate the feasibility of accelerated energy transition, increase institutional capacity and capability in output areas, improve enabling environments for appropriate energy technology RD&D and innovation and encourage key players in Government and other stakeholders to be more supportive of low carbon energy policy options.




The theory of change relies on assumptions, which will continue to be tested in annual reviews, that:

- the specific scope of the work to be agreed with recipient countries is sufficiently aligned with the intended outcomes and impact, and the right government institutions and related organisations are able to be bought into the scope of work.
- the institutional capacity that is built by the IEA is retained in the targeted institutions.
- there is sufficient political commitment and cross-government buy-in to enable the newly created capacity and support for low carbon policy options to play a full role in the policy process.

**Target Countries**

The following are the priority target countries and regions for Phase 2 of the CETP. These reflect the target countries during Phase 1 of the CETP with the addition of Ukraine reflecting its new status as an IEA Association country and the need for technical assistance to guide the reconstruction of its energy sector in line with its long-term energy strategy.

**Brazil**

Total primary energy demand has doubled in Brazil since 1990, led by strong growth in electricity consumption and demand for transport fuels on the back of robust economic growth. The country is able to meet almost 45% of its primary energy demand with renewable energy sources (primarily hydropower), making Brazil's energy sector one of the least carbon-intensive in the world. At COP26, Brazil announced a 50% carbon emissions reduction target by 2030

(compared to 2005) and a long-term objective to reach net zero emissions by 2050. To support these targets, a 2030 climate action plan and a hydrogen national strategy are being developed.

The CETP's activities with Brazil have continued to expand. In recent years, the relationship has deepened through cooperation in energy efficiency in several priority sectors including freight transport, pulp and paper, and buildings, which are all included in Brazil's Energy Efficiency Atlas. The CETP has also provided ongoing support to the Ministry of Mining and Energy in the development of regulations linked to the new architecture of the country's electricity market. It has also helped the Ministry monitor investment trends in energy RD&D and formulate public policies for energy innovation.

**China**

China has played a central role in defining the global energy landscape in recent decades, becoming the world's largest consumer and producer of energy. In an effort to meet its growing energy needs, fight pollution and implement its updated NDCs, the government has strongly encouraged the harnessing of various types of renewable energy. Nevertheless, even though China has become the world leader in the production and installation of new renewable power capacity, coal continues to supply well over half of its total power generation.

The CETP has been engaging bilaterally on several levels with the Chinese government, companies and research institutions. Thanks to CETP funding, the IEA has been able to develop an Energy Sector Roadmap to Carbon Neutrality in China to help China design a pathway to peak its CO2 emissions before 2030 and achieve carbon neutrality before 2060. The IEA has also contributed to China's mid-term energy and climate plans including the 14th Five-Year Plan, by providing inputs and policy recommendations. There have been close engagements with numerous ministries, notably the National Development and Reform Commission, Ministry of Ecology and Environment, Ministry of Science and Technology and the National Energy Administration to design reforms related to the power sector, energy efficiency and the world's largest emissions trading scheme. Through these engagements the CETP has had considerable impact in recent years and is well positioned to assist with China's clean energy transition.

**Note – UK funding will not be used to support CETP work in China**

**India**

With a population of 1.36 billion and a fast-growing economy, India's soaring demand for energy has major implications for global energy markets. As the country continues to urbanise and the manufacturing sector develops, it has become the world's third-largest energy-consuming country. Energy use has doubled since 2000, with 80% of demand still being met by coal, oil and solid biomass. Solar energy represents the largest growth potential, but currently accounts for less than 4% of India's total electricity generation while coal accounts for nearly 70%.

The CETP has a well-established relationship with India at both the national and regional levels, which has led to several publications including the India Energy Outlook, Air Quality and Climate Policy Integration in India, and Renewables Integration in India. The CETP has delivered assistance on topics such as the introduction of a national Roadmap for Mainstreaming Energy Efficiency into Residential Buildings, a policy package to promote energy efficiency in small and medium-sized manufacturing firms in India and continued support for industry sector benchmarking and wider decarbonisation efforts. The CETP has also provided capacity building and technical assistance to Indian institutions to collect and produce high-quality data, which is indispensable in tracking the energy system transition and informing public policies.

**Indonesia**

This resource-rich nation is the world's fourth-largest producer of coal and Southeast Asia's largest gas supplier. The country is the world's largest producer of biofuels. Though it is rapidly scaling up efforts to exploit its renewable energy potential, Indonesia's imports of oil have sharply increased in recent years.

The CETP's relations with Indonesia are strengthened by the Energy Transition Alliance, the single largest country programme in the CETP by resource allocation. Over the past few years, the Agency and the Ministry of Energy and Mineral Resources (MEMR) of Indonesia have substantially scaled up cooperation across a variety of priority areas. The work of the CETP has pivoted around topics like energy efficiency, infrastructure development, power generation, improvement of industrial processes, power system transformation, incentives through a remuneration scheme for renewables, energy efficiency, and strengthening the environment for investment. The CETP has also delivered substantive inputs on energy security, people-centred transitions, bioenergy, energy efficiency, and a comprehensive Energy Sector Roadmap to Net Zero Emissions in Indonesia.

**South Africa**

Coal is the backbone of the South African energy system, meeting around 70% of installed power generation capacity. The 2019 Integrated Resource Plan however sets out a long-term diversification of the power mix by 2030 and moves towards reducing the carbon footprint of the energy sector while meeting growing energy demand and ensuring a socio-economic and just transition.

The CETP has been supporting the South Africa Department of Mineral Resources and Energy (DMRE) to develop indicators and benchmarks in the industrial sector, in particular for the pulp and paper industry. The IEA has been cooperating with South Africa on topics such as energy efficiency, power sector policy advice and modelling, a just transition, gas, carbon markets and digitalisation.

**Ukraine**

Ukraine remains heavily reliant on gas and oil product imports. It is a key transit country for Russian gas exports to Europe. While energy policy has incentivised investment in renewable forms of energy, possible policy reform reversals could impede further development. Since 2015, Ukraine has prioritised the reduction of natural gas subsidies, diversifying energy supplies and pursuing integration into European energy markets.

The IEA Governing Board agreed in June 2022 to welcome Ukraine as the IEA's 11th Association country, reflecting the Agency's full support for Ukraine in the face of Russia's aggression. The CETP is working with Ukraine to develop policy and build capacity in a wide range of energy-related fields, including market analysis, energy system reconstruction, energy security, efficiency, accelerated energy transitions, hydrogen, biomethane, and energy data and statistics.

**Latin America**

In Central and South America, per capita CO2 emissions in 2030 are predicted to be more than 10% lower than 2020 levels. The ambitious climate pledges from countries such as Argentina, Brazil, Chile and Colombia are expected to more than offset the growth of emissions in other countries in the region that lack a strict climate policy framework.

The CETP has engaged with countries in Latin America, including deepening cooperation with IEA accession candidates Chile and Colombia, Argentina and the Central American Integration System (SICA) region. Among other things it is facilitating dialogue on efficient equipment and appliances. The CETP has also undertaken analysis on the region's potential to play a major role in the future global low-carbon hydrogen landscape and the role that low carbon hydrogen could play in Latin America's own clean energy transitions. Other areas that the CETP has been involved in include power sector flexibility, energy security, retail market reform and smart grid strategy. Policy work in Latin America promoted by the CETP has included topics such as carbon pricing, climate resilience and climate risk assessment.

**Southeast Asia**

Southeast Asia's energy demand has increased at an annual average rate of about 3% over the past two decades. Although the ten countries of the Association of Southeast Asian Nations (ASEAN) are at different stages of development, almost all of them have more than doubled in size since 2000 accompanied by a steady growth in energy demand. Amidst this scenario, governments can introduce policies and measures to boost energy security and affordability, reduce emissions and ensure energy access for all.

The CETP has supported the ASEAN in achieving the aforementioned objectives through advancing energy security policy work, low carbon fuels and technologies, multilateral power trade, regional market analysis and finance for clean energy transitions. Other areas of CETP-related work in the region include energy efficiency, electricity, policy advice and modelling, and technology innovation.

**Sub-Saharan Africa**

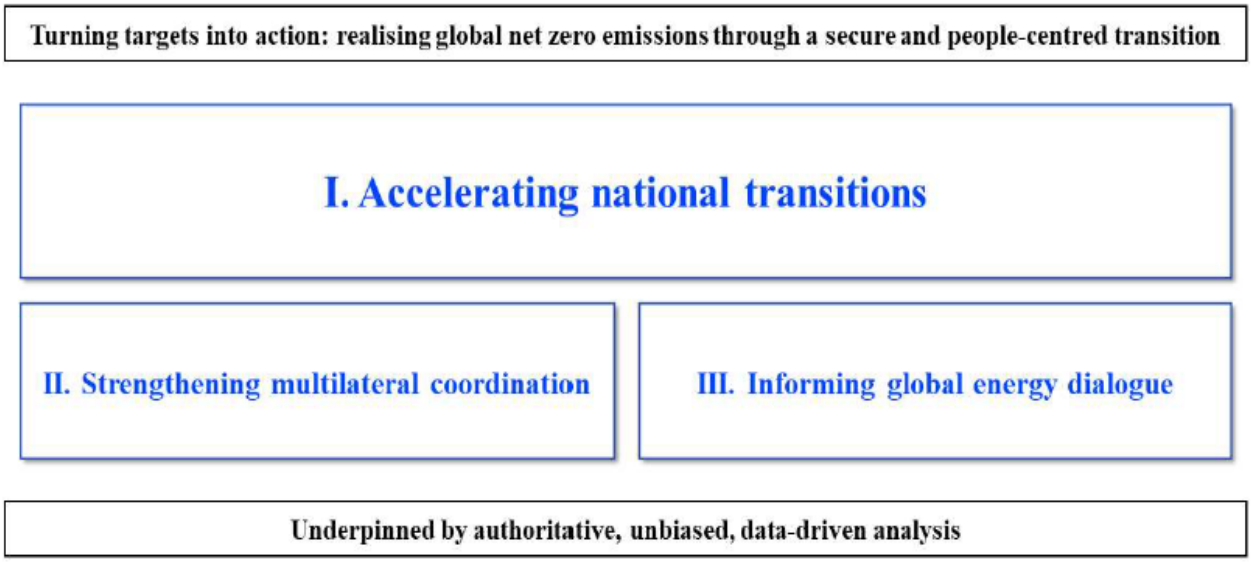
Today's Sub-Saharan Africa power mix, once dominated by hydro, is gradually diversifying towards more solar PV and natural gas. By 2040, the combined share of solar PV and natural gas is expected to reach the level of hydro. Though electricity consumption is very low today, it is expected to quadruple by 2040 as a result of growing consumption driven by urbanisation and industrialisation. The region's demand for oil is also increasing due to faster economic growth and demand growth led by light industry, appliances and cooling systems.

The CETP is providing technical support and capacity reinforcement to develop sustainable national energy information systems and energy modelling capability in the region. The CETP has provided policy recommendations on accelerating clean energy transitions throughout three African regions aimed at fostering deeper regional collaboration through the Clean Energy Transitions in the Sahel report. The CETP has also engaged closely with regional organisations such as the African Union Commission and African Energy Commission.

**Strategic Framework**

Funders have agreed a Strategic Framework for the 2nd Phase of the CETP based on three key pillars.

*Figure 1*: The Three Pillars of the CETP






Pillar I, Accelerating national transitions – The IEA's top priority under the CETP is to support emerging and developing economies in their development and implementation of timely strategies or roadmaps for achieving national clean energy transition goals in line with the objectives of the Paris Agreement and the Sustainable Development Goals (SDGs). The work on Pillar I is organised largely around eight impact areas, which the IEA views as critical for driving a systems-wide transition (see section below). Supporting national implementation, including enhanced support for the development of national and regional net zero roadmaps, is the core of the Programme.

Pillar II, Strengthening multilateral coordination –The work on Pillar II is ordered around IEA led activities under the CETP and CETP-supported IEA engagement in key partnerships and fora. The IEA is making significant contributions to key international collaboration mechanisms such as the Group of 7 (G7), the Group of 20 (G20), the Clean Energy Ministerial (CEM), the Regulators Energy Transitions Accelerator (RETA), Mission Innovation (MI) and the IEA's own Technology

Collaboration Programmes (TCPs) focussed on providing assistance to ODA-eligible emerging economies and developing countries.

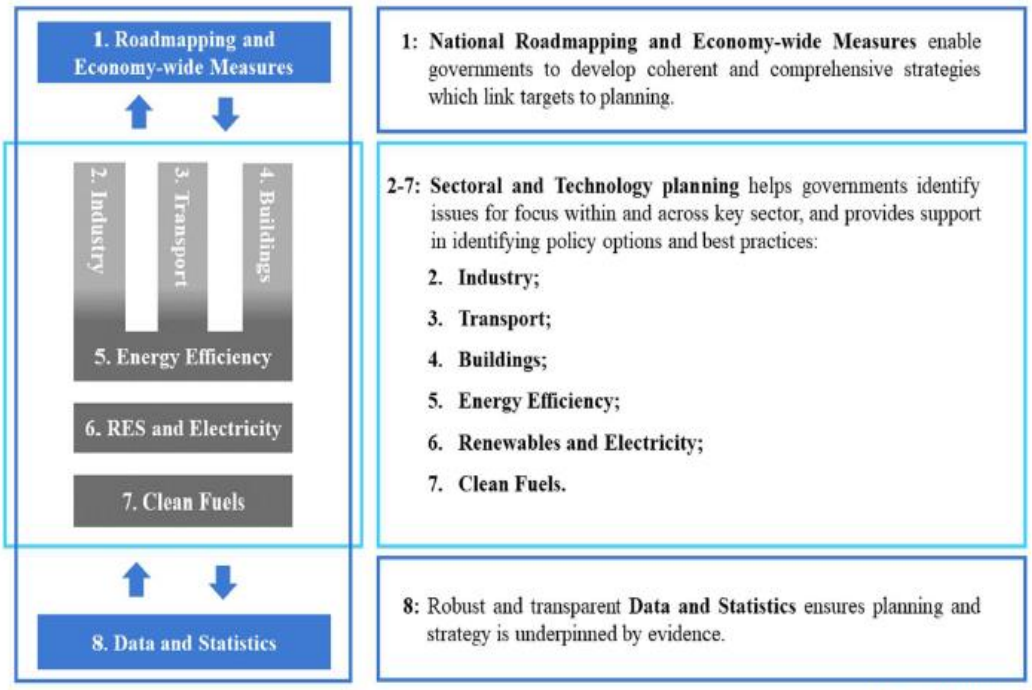
Pillar III, Informing global energy dialogue – The work on Pillar III is organised around major cross-cutting themes which help generate the political conditions for greater action. The Agency's authoritative energy data and modelling capabilities, as well as its extensive policy experience and holistic approach, make it a trusted voice to inform global energy dialogue and key decision makers in target countries, the private sector, multilateral banks and international development agencies.

**Programme Content - Work Area and Deliverables**

**Pillar 1 – Accelerating National Transitions**

The CETP work under this pillar is focussed on supporting regional and national transitions by assisting partner governments to identify secure, clean, just, and affordable pathways as they develop sustainable strategies and policies for clean energy transition to ensure targets adopted through NDCs are turned into action across the key energy use sectors in major emerging and developing economies. Reflecting the critical importance of turning NDC commitments into on the ground implementation, this pillar is envisaged as the continuing core of the CETP.

Work under pillar 1 will be structured around eight impact areas.






Whilst national circumstances and development priorities will vary, a comprehensive approach to managing national energy transitions will contain elements that are common to all, namely a strategy for developing sustainable energy supply, and strategies for transitioning and managing major energy demand sectors. For each of these sectors, countries will need a coherent and evidence-based strategy that address all key relevant issues. Country programmes will be shaped on the basis of each country's own priorities and need with work plans structured against the impact areas described below and agreed with funders on an annual cycle.

**Impact Area 1 – National Road Mapping and Economy Wide Measures**

Most net zero pledges take the form of political statements, with uncertainty surrounding the process and prospects for translating the stated ambitions into policies. Few countries have conducted the modelling and analysis necessary to

understand how to achieve a net zero pathway. This is an area where the CETP can provide valuable support. Based on the agency's unique expertise in energy systems modelling, net zero roadmaps focus both on the technical analysis of the energy system transitions needed to reach net zero across fuel supply, transformation and end-use, as well as the socio-economic implications of the energy transitions. The country/regional roadmaps are tailored to the target country/region circumstances and are intended to be co-designed together with the target countries and regions.

In addition to mapping pathways to net zero emissions, the CETP will continue to support governments with analysis, best practice information and advice on how to access the necessary clean energy finance, while ensuring clean energy policies are people-centred, inclusive and equitable. Net zero goals are underpinned by the imperative to improve peoples' lives and well-being. As achievement of the net zero goals depends on people's participation and acceptance, they will not succeed if they are not fully people-centred and inclusive. Road mapping will also include enhanced analysis on questions such as job impacts, skills requirements and socio-economic impacts of policies, as well as supporting countries and regions in designing impactful climate policy instruments such as carbon pricing and de-risking instruments. The CETP can also undertake in-depth peer reviews of the energy policies of target countries to support energy policy development, encouraging the exchange of international best practices and experiences.

Illustrative examples of outputs include an in-depth review of Indian energy policy, technical support for Indonesia to extend their emissions trading system, and development of a net-zero roadmap for Brazil.

**Impact Areas 2-4 Demand Side Transitions – Buildings, Transport and Industry**

Buildings – Direct and indirect C02 emissions are about 9Gt and despite tightening in minimum performance standards and building regulations, deployment of heat pumps and renewable energy technologies, buildings remain off track to achieve carbon neutrality by 2050 which, under the IEA's net-zero scenario, would require all new buildings and 20% of the existing building stock to be zero-carbon by 2030.

Transport – Accounting for 21% of global emissions, decarbonisation will require a shift to electric vehicles and zero carbon fuels such as sustainable biofuels and hydrogen.

Industry – Accounting for 25% of energy-related emissions, decarbonisation will require deployment of abatement technologies, including CCUS and flare systems, and scaling up of production and use of low and zero emission fuels.

The CETP will provide countries with cutting-edge analytical and policy advice and capacity development to frame effective policies in each sector.

Illustrative examples of outputs include recommendations for the Indian government on scaling up green hydrogen, supporting development of Indonesian fuel economy standards for goods vehicles and analytical work on region-specific challenges and opportunities related to critical minerals for ASEAN.

**Impact Area 5 – Energy Efficiency**

Energy efficiency is crucially important in enabling energy transitions and globally the annual rate of improvement needs to double by the end of the decade if the world is to be on track for net-zero by 2050.

The CETP will deploy the IEA's analytical strength, outreach capacity, policy and technical expertise to develop the necessary knowledge and evidence to assist governments in target countries develop energy efficiency policies and programmes.

Illustrative examples of outputs include supporting India in the development of a strategic and actionable National Energy Efficiency Strategy to implement actions across priority sectors of the economy, supporting the revision and further development of Indonesia's Energy Reporting System to expand data collection to enhance development of energy efficiency policies and evaluating market based instruments, providing recommendations to advance utility-funded energy efficiency programmes in Brazil and assessing energy efficiency potential in the mining sector for South Africa.

**Impact Areas 6 and 7 – Supply Side Transitions (Renewable Electricity and Clean Fuels)**

Work on renewable electricity and clean fuels will be a significant component within CETP country/regional programmes, with activity focussed on offering tailored policy advice according to each country's particular energy transition challenges drawing on IEA capabilities to model power systems at a granular level and draw out key insights about the technical and economic characteristics of future clean power systems and the resulting policy implications.

Illustrative examples of outputs include providing the Indian government with policy recommendations on the development of sustainable biofuel supply chains, advising the Brazilian government on reforming grid tariffs to reflect progress in clean energy transition, and providing advice to Ukraine on rapid exploitation of distributed solar PV and biogas.

**Impact Area 8 – Building Capacity for Robust and Transparent Data Systems**

Good quality data is the basis of secure, global energy systems and effective policy making. The CETP will work with target countries to expand coverage of energy statistics and publish data through training on data and statistics.

Illustrative examples of outputs include delivery of training for statisticians in India, Africa, Latin America.

**Proposed new Impact Area - Methane Reduction**

As implementation of the Global Methane Pledge gathers momentum, and with announcements on methane expected at COP28, there is a growing need to support governments and industry to take tangible steps in identifying and reducing methane emissions, particularly in high-emitting, lower-income regions. The IEA is uniquely positioned to provide independent and rigorous analysis and advice to accelerate action in this area through the CETP.

Illustrative examples of modelling and analytical outputs include publishing the annual Global Methane Tracker, providing the most up-to-date and comprehensive data on energy-sector methane emissions and abatement potentials, and implementing the Methane Alert and Response System (MARS) through targeted engagement with the relevant stakeholders to improve methane abatement where high emissions are identified. The CETP will also build upon existing legal and regulatory outreach, such as supporting the IEA to maintain a database of global policies, laws and regulations aimed at reducing methane emissions from oil, gas and coal operations. This requires regular monitoring and maintenance to ensure new policies and regulations are captured. It will also support the IEA to host webinars and training for policy makers to build capacity on methane reduction, including in Algeria, Egypt, Iraq, Kazakhstan, and African countries.

**Pillar 2 – Strengthening Multilateral Coordination**

Under this pillar the CETP will strengthen the IEA's role as a facilitator of, and contributor to, key international partnerships and initiatives that support accelerating clean energy transitions in the key emerging and developing economies that are CETP target countries. Transitions will happen faster through international collaboration where learning is shared, and when actions are co-ordinated to accelerate innovation and the diffusion of technologies through global markets. Such international collaboration can lead to faster innovation, falling costs through economies of scale as policies align, and creation of stronger incentives for investment. Sectoral transitions are also faster if technologies and infrastructure are created in a co-ordinated manner.

Illustrative examples of key partnerships with IEA-led activities supported by CETP include acting as facilitator of the Biofuture Platform launched by the Clean Energy Ministerial and including 12 CETP priority countries, acting as administrator and delivery partner for the Regulatory Transition Accelerator (RETA) providing policy advice, bespoke technical assistance, capacity building and facilitation of peer to peer learning for the network of 30 over regulators

including many from CETP target countries, and working with UN Bodies including UNFCCC, the UNEP Global Mobility Programme, and SE4All.

**Pillar 3 – Informing Global Energy Dialogue**

The CETP will undertake analytical work to shape the understanding of the barriers and solutions for accelerating the development and deployment of clean energy technologies, bringing together governments, including those from target countries, to focus attention on the issues that matter through the transition.

Illustrative examples of IEA-led activities supported by CETP include provision of policy advice and analytical reports that enhance co-ordination and the sustainable use of critical minerals, working with target countries to strengthen awareness, knowledge and capacity to unlock smart grid opportunities in emerging markets and developing economies, building capacity in emerging markets and developing economies to build capacity for the regulation of methane emissions including regulation strategies and technical abatement solutions, development of quantitative understanding of key factors determining the cost of capital of clean energy projects in emerging markets and developing economies. Information and analysis generated through this activity will be brought together and disseminated to inform IEA input, advice and recommendations to IEA Family members and key multilateral processes, including the Clean Energy Ministerial, G7 and G20, to influence and help steer broader global efforts to advance clean energy transition.

**1.7 Alignment with Government Strategy and DESNZ ICF Portfolio Objectives**

**HMG ICF Strategy**

HMG's ICF Strategy has identified four key priority areas for action: clean energy, nature for climate and people, adaptation and resilience, and sustainable cities, infrastructure and transport.

**The aims and objectives of the CETP are directly linked to delivery of the clean energy priority 1 as well as having potential to contribute to priority 4.**

***Clean Energy****: Reducing global reliance on fossil fuels is critical. Our ICF programming will support accelerating the clean energy transition in both energy-producing and energy-consuming sectors to help countries provide access to affordable, reliable, and clean energy for all. This transition will reduce or avoid high emissions pathways, making use of innovation, different technologies, and carbon pricing and addressing social and gender barriers to clean energy access*.

**The provision of affordable, reliable, sustainable and modern energy for all, in line with SDG 7, which includes three targets on universal access to energy (electricity and clean cooking), expanding renewables and doubling energy efficiency by 2030.**

CETP is working closely with countries in Sub-Saharan Africa, in particular, both on a bi-lateral and regional basis building data and modelling foundations to inform policy development; providing policy advice based on in-depth policy reviews; supporting the development of energy transition plans encompassing enhanced energy access and clean cooking and supporting development of effective clean energy investment and financing environments recognising that the development of realistic and ambitious national transition plans have been an increasingly important tool for facilitating developing countries negotiation of climate finance flows. More widely, enhancing energy efficiency and renewable energy deployment are both key impact areas under the CETP focussing on working with target countries to provide training (over 1500 officials have participated in energy efficiency training weeks), support policy design and regulatory frameworks to deliver improvements in energy efficiency and support deployment of renewables through work with target countries on innovation policy and power market design and regulation.

The CETP is also working on the provision of sustainable energy by building capacity in high emitting developing countries to reduce methane emissions associated with the oil and gas sector e.g., supporting policy makers and regulators to work with industry to reduce routine flaring during production. Taking these steps to reduce emissions in the oil and gas sector can rapidly reduce atmospheric concentrations and rates of warming across the next decade whilst supporting security of supply during the transition to renewable energy sources.

**Making clean energy technologies more affordable, reliable, and accessible than their fossil fuel counterparts in every major sector by 2030**.

The CETP works to provide technical assistance and capacity building across both the supply-side and all demand side sectors, including buildings, transport and industry. The CETP also helps target countries to develop effective energy innovation policy and frameworks to accelerate development and deployment of clean energy technologies, enhancing the tracking of innovation spending and outputs, supporting design of innovation policy through reviews and best practice exchanges and facilitating and promoting international collaboration through participating in mechanisms such as the Clean Energy Ministerial, Mission innovation and the IEA's own Technology Collaboration Partnerships.

**Accelerating the innovation and deployment of clean technologies and applications, tailored to specific developing country contexts and needs.** The CETP is a needs-driven programme with assistance focussed on, and tailored to, the specific identified needs of the target countries for accelerating their national transitions as established through high-level exchanges with target countries and put in place through mutually agreed work programmes. For example, the CETP is raising awareness and capacity to implement existing technologies to reduce methane emissions from the oil and gas sector, such as leak detection and flaring systems, accounting for developing countries where oil and gas production is a key sector in the economy.

**Supporting smart hydropower that responds to environmental risk, accounts for climate futures and minimises impacts on nature.** Supply-side transitions and the development and deployment of renewable energy technologies, including hydropower, and the role of individual technologies in effective power market design is a key impact area for the CETP and the focus of technical assistance and capacity building offered to target countries. Hydropower currently generates more electricity than all other renewable technologies combined and is expected to remain the world's largest source of renewable electricity generation into the 2030s. It will continue to play a key role as a dispatchable power source to back up variable renewables. Pumped storage could also potentially play a major role in balancing out variations in solar and wind generation. In working specifically on hydropower, the IEA draws on its significant expertise and reflects best practice on deployment and operation, including consideration of environmental and nature risks.

**Significant integration of larger shares of variable renewable energy into power supplies across Asia, including the Indo Pacific, Africa, and Latin America and the Caribbean, including work on regional, national, island and mini-grid distribution systems connecting least cost renewables with consumers, increasingly integrating smart systems, storage, and demand side response etc**. The development and deployment of renewable energy technologies is a key impact area for CETP working at both national and regional levels across Asia, Africa and Latin America. This includes delivering technical assistance to support power system reform and design through provision tailored policy advice and analysis according to each country's particular energy transition challenges drawing on IEA capabilities to model power systems at a granular level and draw out key insights about the technical and economic characteristics of future clean power systems, including integration of variable renewable energy sources, and the resulting policy implications.

**The implementation of nationally appropriate solutions for the rapid and socially responsible reduction in coal-fired power generation, and support to a Just Energy Transition in coal-reliant areas.** The CETP supports target countries to implement plans to increase penetration of clean energy technologies in power systems and phasing out unabated fossil fuel technologies – co-development and design of national net-zero road maps provide the modelling and analysis to translate stated ambitions into policies across all sectors reflecting national circumstances with additional support on developing and implementing those policies. The CETP is already providing valuable input to the negotiation of and ongoing development of the Joint Energy Transition Partnerships (JETPs) with Indonesia and Vietnam. Building on work undertaken by the IEA's Global Commission for People Centred Clean Energy Transitions, the CETP can also deliver analysis for target countries on job impacts, skills requirements and socio-economic impacts of policies, recognising that delivery of net-zero goals will not succeed if not fully people-centred and inclusive.

**A substantial reduction in emissions from energy-intensive industry through fuel-switching; deep energy efficiency and digitalisation; carbon capture, usage and storage (CCUS) and demand reduction, in line with SDG 9 (resilient, inclusive and sustainable infrastructure) and SDG 13 (climate action).** Recognising that industry accounts for around

25% of energy-related emissions globally, action in the industrial sector is a key impact area for the CETP. The CETP focusses on analytical assistance, policy advice and capacity development, including in hard-to-abate sectors such as cement, scaling up low-emission hydrogen production and in enabling CO2 abatement.

**Promotion of regional integration of energy markets and infrastructure planning where this unlocks greater viability to invest in renewable energy generation and use**. The CETP works both nationally and at regional level and looks to explore opportunities for regional integration, particularly in the development of regional electricity networks, for example working with ASEAN on regional integration of renewables.

***Sustainable Cities, Infrastructure and Transport****: With 68% of the world population projected to live in urban areas by 2050 and cities accounting for 75% of global CO2 emissions today, investment in sustainable cities is vital if we are to meet both our development and climate goals. In the context of rapid urban growth, we will support low-carbon, green and resilient urbanisation in order to promote sustainable and accessible cities, along with enabling access to clean and reliable infrastructure, including by attracting investment across the transport, digital, built environment, water and waste sectors.*

The CETP works with target countries (including sub-regionally and with municipalities in some countries) to provide assistance and analytical advice on the development of polices relevant to sustainable cities and transport, including work on facilitating the roll-out of zero-emission vehicles, and development of zero-carbon fuels and hydrogen.

**DESNZ ICF Strategic Objectives**

The Umbrella Business case for the DESNZ ICF portfolio sets out five key strategic objectives for the portfolio.

**Play a pivotal role in raising global climate ambition – including through supporting improved outcomes at a successful COP26 –** The IPCC Sixth Assessment Report estimates that 34% of global greenhouse gas (GHG) emissions in 2019 were from the energy supply sector, including 40% of global methane emissions. An additional 32% of emissions were from energy use in the buildings, transport, and industry sectors - thus two-thirds of global greenhouse gas emissions come from energy generation or use. The IPCC pathways help illustrate how the speed and depth of emission reductions in energy sectors affect the likelihood of overshooting 1.5oC of warming. Crucially, IPCC modelling shows that without mitigation, energy emissions will continue to rise. In pathways limiting warming to 1.5 degrees, CO2 emissions from energy supply reach net zero around 2041. The UNEP Emissions Gap report set out how much emissions in each sector could technically be reduced by 2030 with the highest basic potential being in energy supply (37% of total potential) and Agriculture, Forestry and Other Land Use (26%), followed by the Buildings, Transport and Industry sectors (36% in total). Increasing ambition through accelerating the clean energy transition across the energy and end-use sectors is therefore fundamental to raising global ambition. The overarching aim of the CETP is to support emerging economies in delivering and accelerating their clean energy transitions through providing actionable, practical solutions through needs-driven technical assistance and capacity building.

Cutting methane emissions is recognised as one of the fastest and most cost-effective tools available to limit global temperature rise to 1.5°C. Due to methane's short atmospheric lifetime, taking action can rapidly reduce atmospheric concentrations and in turn rates of warming across the next decade. According to the UN Environment Programme's (UNEP) Global Methane Assessment, reducing methane emissions can avoid up to 0.3°C of warming by 2040. Action on methane is recognised as the 'last low hanging fruit' in tackling climate change because measures are readily available and, in some cases, very cost effective. Methane abatement delivers additional important benefits, including improved public health and agricultural productivity. The CETP will deliver technical assistance that will provide independent and rigorous analysis and advice to help target countries accelerate action in this area through the CETP.

2. **Work in partnership with developing countries to accelerate decarbonisation across climate-critical sectors (including energy, infrastructure, nature), thereby reducing poverty through clean growth and avoided climate impacts.** The CETP delivers needs-driven technical assistance through partnership working with key emerging and developing countries (Brazil, China, India, Indonesia, South Africa, Ukraine) and regionally across Latin America, Southeast Asia, Middle East and North Africa and Sub-Saharan Africa, in order to accelerate national and regional clean

energy transitions to achieve both climate and sustainable development goals, including that for universal access to affordable, reliable, sustainable and modern energy. The CETP will deliver this assistance across the energy sector – supporting action to reduce methane emissions from production and supply of fossil fuels, increase deployment of renewable energy development, improve energy efficiency, recue emissions in end-use sectors and foster innovation.

3. **Use our role in UK PACT to support strong climate partnerships, maximising synergies with both the long-term COP26 campaigns and the domestic Net Zero agenda, projecting UK climate expertise and increasing UK visibility within our priority geographies.** The CETP complements UK PACT delivery through delivery of technical assistance to a broader range of key emerging economies and developing countries currently not targeted by UK PACT and through the IEA utilising experience gained through the CETP to produce data, analysis, and policy recommendations on abroad range of issues related to the clean energy transition which can inform and evidence engagement with UK PACT target countries.

4. **Effectively promote broader HMG objectives, including (i) facilitating a green, resilient and inclusive post-COVID-19 recovery (ii) promoting energy and climate finance research, demonstration and innovation at scale, and (iii) supporting nature and biodiversity.** The CETP provides technical assistance on development of energy innovation polices  On innovation the IEA continued to engage with stakeholders in priority countries to develop new analytical material to support government decision making, including on support of start-ups (drawing on 14 detailed case studies), connecting priority countries and other emerging market energy innovation policy experts to share experiences, and support for development of effective framework for innovation funding. Engagement through CETP has also generated greater participation from target countries in the IEA's Technology Collaboration Programmes which undertake R, D&D activity to support national policy ambitions and priorities.

5. **Supporting a rules-based international system by helping deliver an effective global climate finance architecture through.**

**a. playing a catalytic role in mobilising capital investment flows for low-carbon, climate-resilient projects in our priority geographies.** Recognising the risk of shortfalls in clean energy investment in emerging economies and developing countries**,** the CETP works with priority countries to provide technical assistance to offer solutions that unlock capital through enhanced market and regulatory design, fostering electricity system optimisation from an institutional perspective and facilitating more attractive investment and financing conditions to accelerate sustainable energy transitions in the power sector, including through development of case studies and gathering and disseminating new data on the cost of capital for emerging economies and developing countries. The CETP has also supported the launch of the Cost of Capital Observatory to increase transparency in the energy sector and inspire investor confidence, especially in emerging and developing countries where data on financing costs is scarcer. Detailed analysis has been undertaken of the amount of investment needed in clean energy by sector, energy source and provider, estimating that investment in clean energy in EMDEs needs to expand more than seven times, to above USD 1 trillion annually by 2030, to put the world on track to reach net zero emissions by 2050.

**b. pushing for maximum possible climate ambition amongst International Finance Institutions (IFIs) and Multilateral Development Banks, driving up both the quality and volume of climate programming**. The CETP works closely with key IFIs including collaboration through CETP to support IFI engagement with priority countries including working with the European Bank for Reconstruction and Development, International Monetary Fund, Regional Development Banks, and the World Bank.

**c. securing meaningful reform in the Green Climate Fund (GCF).** Not directly supported by the CETP

**1.8 Legal compliance**

**International Development Act**

As with the original funding to support Phase 1 of the CETP, this support fits within the spending powers of the International Development Act 2002 (IDA 2002), which provides at Section 1(1) a power for the Secretary of State to

"provide any person or body with development assistance if he is satisfied that the provision of the assistance is likely to contribute to a reduction in poverty". The ability of the Secretary of State to provide funding for development assistance is conferred under section 8(1) and (2) of the IDA 2002. In this context, "development assistance" means assistance provided for the purpose of a) furthering sustainable development in one or more countries outside the United Kingdom, or b) improving the welfare of one or more such countries. Assistance" includes financial assistance. "Sustainable development" includes "any development that is, in the opinion of the Secretary of State, prudent having regard to the likelihood of its generating lasting benefits for the population of the country or countries in relation to which it is provided.

The delivery of technical assistance and capacity building activities to key emerging economies and developing countries to accelerate national energy transitions, which is the principal object of the proposed extension of UK support for the CETP will contribute to both sustainable development and poverty reduction and the goal of enabling climate-resilient and low carbon growth (in line with Article 4.51 and 7.62 of the Paris Agreement). We consider that the support is likely to contribute to a reduction in poverty because climate change is projected to have serious impacts on the poorest people around the world, which could undermine decades of progress in development assistance and poverty reduction. Climate change is an obstacle to ending extreme poverty, and that as the impacts of climate change worsen, it will become harder to eliminate poverty. Reducing emissions from the energy sector will be fundamental to meeting our climate change objectives.

The technical assistance delivered will also contribute to target countries progress towards Sustainable Development Goal 7 to ensure access to affordable, reliable, sustainable and modern energy for all by 2030 and its targets to increase substantially the share of renewable energy in the global energy mix by 2030, double the global rate of improvement in energy efficiency by 2030, enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology, and expand infrastructure and upgrade technology for supplying modern and sustainable energy services for all in developing countries, in particular least developed countries, small island developing States, and land-locked developing countries, in accordance with their respective programmes of support. Achieving SDG 7 will in turn catalyse actions to combat climate change and reach the other SDGs on poverty eradication, gender equality, mitigation of and adaptation to climate change, food security, health, education, sustainable cities and communities, clean water and sanitation, jobs, innovation, transport, and refugees and other situations of displacement.

The energy transition will also have important co-benefits in terms of environmental quality, particularly air and water quality. The IEA estimates that approximately 6.5 million premature deaths each year can be attributed to air pollution and assesses the transition to clean energy systems as a critical part of the solution. The International Development Act 2002 also requires consideration to be given to the desirability of providing development assistance that is likely to contribute to reducing poverty in a way which is likely to contribute to reducing inequality between persons of different gender. This is considered further below.

The OECD Development Cooperation Directorate examined the IEA CETP proposals and has said that contributions to the programme would qualify as Official Development Assistance.

**Gender and Public Sector Equality Duty**

In order to meet the requirements of the gender equality provisions, which have been added to the International Development Act 2002 by way of the International Development (Gender Equality) Act 2014, we have had regard to the desirability of providing development assistance that is likely to contribute to reducing poverty in a way that is likely to contribute to reducing inequality between persons of different gender, which forms part of the consideration that must be made by the Secretary of State prior to providing development assistance under the International Development Act 2002. DESNZ is required by the Equality Act 2010 to give due regard to the need to eliminate unlawful discrimination, advance equality of opportunity and foster good relations between those who share a characteristic and those who do

not (including in relation to age, gender, disability, race, religion, pregnancy and sexual orientation). In doing so we have had regard to DESNZ Gender guidance and the BEIS ICF Gender Strategy: Guidance for Gender Mainstreaming.

Despite making up 39% of the global labour force women only account for 16% of the traditional energy sector. For management levels the numbers are even lower. The barriers women face in the energy sector are similar to those they face elsewhere in the economy. However, the challenges of the energy sector are more pressing since the sector is going through a process of transformation. Clean energy transitions will require innovative solutions and business models to be adopted and greater participation from a diverse talent pool.

There is also evidence that climate change will have disproportionately large impacts on women and girls and the lack of access to energy or to clean cooking fuels particularly impacts women, limiting their work options, exposing them to health risks, and forcing them to forage for wood or other combustible materials. Therefore, achieving improved access to energy and clean cooking and enhanced energy security will impact on social development, including gender, by allowing more economic opportunities for women and thereby contributing towards reducing inequality between persons of a different gender. Thus, accelerating emissions reductions through supporting the low carbon energy transition will indirectly contribute to improved outcomes for women and girls.

An important aspect of the CETP is to emphasise responsiveness to developing countries' needs and priorities and work to ensure a country-driven perspective. This inclusive and country-driven perspective will ensure that country priorities are taken into consideration without discrimination based on characteristics such as religion etc. Technical assistance also aims to facilitate delivery of the SDGs in countries – which include links to SDG 5 and 10 on gender equality and reduced inequalities. Monitoring and reporting during Phase 1 of the CETP revealed increasing levels of female participation in training and other activities delivered by the CETP and the reporting framework for Phase 2 will continue to reflect the aim for increasing participation of women in CETP activity.

More widely, gender issues in the energy sector are an increasing area of focus for the IEA, which through its gender diversity initiative is working across multiple tracks to raise awareness about the importance of mainstreaming gender issues within energy policy making including through the Clean Energy Education and Empowerment initiative. The IEA's work on gender, including CETP, is steered through the IEA Gender Advisory Council, on which the UK is represented.

An Equality and Gender impact assessment for the Programme has been completed and is attached at Annex A.

**Paris Alignment and Climate Risk Assessment**

This proposal has been assessed against the four limbs of the Paris Agreement. This programme does not go against HMG's fossil fuel policy, nor does it go against partner countries own climate plans. A Climate Risk Assessment (CRA) and Environmental Screening has been completed and is attached at Annex B. They concluded that, on the basis that the programme delivers intellectual services in the form of technical assistance, the programme is rated low risk both for the CRA and the Environmental Screening. It is not required to undertake Shadow Carbon Pricing due to the programme only delivering technical assistance.

| **Paris alignment pillar** | **Description of activity** |
|---|---|
| How have you taken a proportional approach to climate and environment risk assurance? | Yes, a climate risk assessment has been undertaken which conclude that the programme is **low risk.** An Environmental Screening was also conducted, which was rated **low risk**. |
| How have you taken a proportional approach to using shadow carbon pricing? | Yes, reflecting programme's focus on provision of technical assistance. |
| Does the programme adhere to HMG's fossil fuel policy? | Yes, the programme is focussed on providing technical assistance to accelerate deployment of clean energy |

| | |
|---|---|
| | technologies |
| Are you ensuring the programme does not undermine impacted countries climate plans? | Yes, the CETP is designed to specifically aid delivery of national climate plans by providing technical assistance to develop human capacity, policy, regulatory, investment and innovation frameworks to accelerate national transitions |

**Environment Act 2021**

Although the scope of the duty at s19 of the Environment Act 2021 (to have due regard to the principles set out in the Environmental Protection Policy Statement) is yet to be determined by the Courts, decisions to make sums available to a particular project made in the context of an existing wider policy framework will not typically constitute policy making and will therefore not typically attract the duty at s19 of the Environment Act 2021.

In this case the decision to make sums available to CETP (i) does not create a precedent for other ICF programmes or decisions or otherwise set a particular direction for future decisions, projects or programmes; (ii) does apply to this specific project; (iii) is intended to give effect to the wider ICF policy (as reflected in the ICF strategy; and (iv) does not change the overall policy objectives which DESNZ is working towards in this policy area.

There is little risk of direct environmental harms occurring as a result of the decision due to the nature of the programme (technical assistance to help developing countries create the policies necessary to support the acceleration of clean energy transitions and deliver sustainable development goals, thereby protecting the environment from the global threat of climate change).

There is the potential for indirect environmental harms to occur in connection with the establishment of renewable energy projects in connection with the policy frameworks supported by the programme. That harm is likely to be associated with sourcing and transporting of materials necessary for and the construction of renewable energy projects (including to marine environments in the context of offshore wind projects).

In the majority of those cases there will be little to no ongoing sources of environmental harm once such a project is established. In many cases the environmental impacts of the renewable energy projects which the programme has the potential to directly facilitate (through the development of effective national policy, regulatory and investment frameworks) will be significantly less acute than the direct, indirect and ongoing environmental harms associated with the reliance on non-renewable or unabated sources of generation.

The technical assistance for methane reduction in the oil and gas sector will build capacity for regulation of existing oil and gas infrastructure. That infrastructure generates ongoing environmental harm in the form of greenhouse emissions but the technical assistance that will be delivered is aimed at limiting those environmental harms by enhancing institutional capacity in target countries to develop policy, regulate and develop technical solutions in order to reduce methane emissions from operation of the infrastructure

DESNZ will use its position as Donor and CETP member to encourage consideration of the environmental risks associated with clean energy projects where that is consistent with the scope of the programme.

The polluter pays principle is likely to be of limited relevance given DESNZ role in providing advisory assistance for developing countries seeking to accelerate their clean energy transitions. Policies which would place a direct financial obligation on sector or in connection with any polluting activity to fund the energy transition would almost certainly require changes to local regulatory regimes (which is outside the scope of DESNZ's direct control and this project).

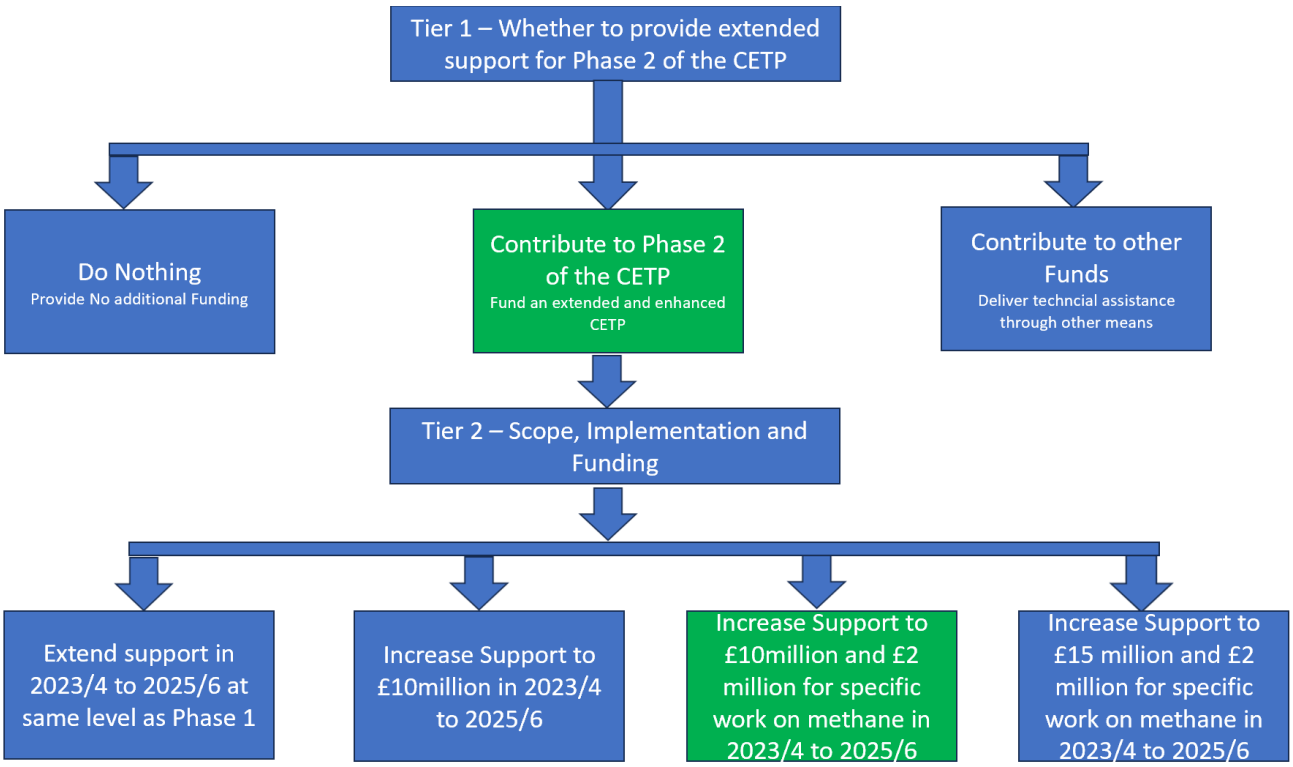
There is no reason to consider that a programme which designed to provide advisory support to reduce reliance on fossil fuel power generation has the potential to cause serious or irreversible damage to the environment (especially in light of the clear and ongoing harm associated with that alternative).

## 2. APPRAISAL CASE

### 2.1 Outline of Purpose and Options

A two-tiered appraisal approach set out below has been used to generate and filter a longlist of options into a shortlist based on the preferred way forward from the longlist. In each tier, the options were developed based on option choices along the dimensions of scope, solution, delivery, implementation and funding. These were then appraised in SWOT analyses and assessed against the programme objective and Critical Success Factors using a Red, Amber and Green system to score and rank the options to identify the preferred way forward in Tier 1 and eventual preferred option in Tier 2. This approach is aligned with HMT's Green Book guidance on appraisal.

We analysed the options from Tier 1 appraisal against the Critical Success Factors and SWOT analysis to identify the preferred way forward, building on this to produce a shortlist of options that were assessed in the Tier 2 appraisal to identify the preferred option As this programme is technical assistance, a formal benefit-cost ratio is not appropriate, so we assess the programme using the "4Es" framework (economy, efficiency, effectiveness, and equity).




### 2.2 Critical Success Factors

The options outlined above have been assessed against the following Green Book critical success factors.

| Critical Success Factor | Description |
|---|---|
| Strategic Fit / Timing | Does the option demonstrate UK commitment to the global clean energy transition and enable ICF to provide effective technical assistance to accelerate national energy transitions that is country-led, transformational, timely and flexible? |

| | |
|---|---|
| VFM/Benefits optimisation | Does the option facilitate increased programme reach and enable sufficient scale up to ensure transformational programme, as outlined in the theory of change? |
| Potential Achievability | Is the level of human and financial resources sustainable to deliver high-quality support with UK visibility? Does the programme have a strong relationship with emerging economies and developing countries and the necessary high levels of political buy-in from target country governments and regional institutions? |
| Supplier Capability and Capacity | Is the Programme able to deliver technical assistance at pace to meet urgent and changing country needs reflected in demand-driven requests and operate at scale benefitting a wide range of ODA-eligible countries? Does the programme have the ability to leverage global partnerships and coordinate their delivery with other donors? |
| Potential Affordability | Is the option affordable given current budget constraints and does it effectively make use of the available budget? |

**2.3 Option Choices**

The options for the appraisal assessment were generated following Green Book-recommended 'option choices' as set out below:

| **Option choice** | **Factors considered in the context of the CETP** |
|---|---|
| Scope | **Coverage of the activities to be delivered** – in addition to considering whether to provide support, the appraisal considers options for continuing to provide support to meet demand from emerging economies and developing countries for technical assistance and capacity building related to all aspects of accelerating national energy transitions to meet climate and sustainable development goals. It also considers opportunities for extending the scope of UK support to enhance assistance on delivering methane reductions, a key UK policy objective |
| Solution | **How this would be done** – the appraisal considers different options for achieving the aim of meeting demand from emerging economies and developing countries for technical assistance and capacity building related to all aspects of accelerating national energy transitions, whether to continue to support the CETP or to achieve the same aims through different mechanisms including new or existing bi-lateral or multi-lateral programmes. |
| Delivery | **Who is best placed to deliver these activities** – the appraisal considers whether to continue to support a CETP delivered by the International Energy Agency, the current delivery partner, or to seek to aim to achieve the same ends through working with other programmes and delivery partners. |
| Implementation | **When and in what form can activities be delivered –** the appraisal considers timelines for support and how the support can be best structured, including in the context of providing support to enhance assistance on delivering methane reductions |
| Funding | **What will the costs be and how will it be paid for –** the appraisal sets out a range of options for structuring CETP funding both in terms of the amount to be offered and how that support is structured |

**2.4 Tier One Appraisal – What to support.**

In the first tier of the appraisal, we consider three approaches to meet demand from emerging economies and developing countries for technical assistance and capacity building related to all aspects of accelerating national energy transitions to meet climate and sustainable development goals. The options that have been considered are:

**Option A: Do Nothing** – under this option we would end our support for the CETP and would not provide any funding for Phase 2.

**Option B: Extend our support for the CETP** into a second phase in support of the delivery of the Strategic Framework for the CETP agreed by Funders.

**Option C: Contribute funding to another existing or new source of technical assistance** for emerging economies and developing economies to accelerate their national energy transitions. This could be a solely UK-funded procurement of a technical assistance provider, a contribution to another similar programme or fund run by another donor or multilateral body.

**2.5 Tier One Assessment – Risks and Benefits**

A qualitative SWOT analysis of Tier 1 options taking into account the overall objective of meeting demand from emerging economies and developing countries for technical assistance and capacity building related to all aspects of accelerating national energy transitions to meet climate and sustainable development goals is set out in the table below.

| Option | Strengths | Weaknesses | Opportunities | Threats |
|---|---|---|---|---|
| **Option A: Do Nothing** | No increased financial resource or workload implications for DESNZ | Would not meet increasing demand for technical assistance – potentially slowing pace of development of policy, regulatory and investment frameworks unless others filled the gap.<br><br>The UK has been a lead-funder of Phase 1 of the CETP and withdrawal would be taken as an indicator that we felt the programme had not delivered – which could impact views of other donors and target countries putting continuation at scale envisaged at risk. | Ability to reallocate funds elsewhere in the ICF portfolio. | Could be seen as reducing UK support for the global energy transition and damage relationships with key partners amongst emerging economies and developing countries who value technical assistance delivered through CETP.<br><br>Would damage our standing with and within the IEA, a key partner for the UK, reducing our influence within the organisation. |
| **Option B: Extend our support for the CETP** | Leverages our prior funding that has already developed significant capacity for delivery during Phase 1 of CETP and enhances an existing and high-performing programme that has built | Need to maintain resource to engage effectively with the Programme.<br><br>As only one (albeit potentially the leading) funder amongst many, have to share influence on work | Maintain UK influence within the CETP, and wider IEA, and the ability to steer (and receive credit for) work that is valued by target countries. Demonstrating UK | Target countries are currently institutionally embedded in the IEA Family as Association countries but if the desire, e.g. from India, for a closer |

| | | | | |
|---|---|---|---|---|
| | strong political buy-in from target countries and delivered effective assistance leveraging IEA's unique combination of expertise and that is judged to already be delivering transformational change.<br><br>Avoid overheads and learning curves associated with delivery of assistance through new structures.<br><br>Provide certainty of multi-year funding to the CETP to 2025/6, allowing effective forward planning to best meet needs of target countries. A Broad base of committed funders increases sustainability of programme, making it unlikely that UK is "left on hook" in providing support.<br><br>IEA's unique reputation as an expert, independent, technical organisation gives it sustained access to target countries that are less at risk of disruption due to geopolitical interference.<br><br>CETP provides for strong level of oversight of the IEA as delivery partner both through the Programme's Governance but also ultimately through the IEA's own Governing Board<br><br>Target countries all have very strong institutional links to the IEA as Association countries. IEA also has a very broad | programme and direction of programme and visibility of UK support may be constrained without effective communications.<br><br>If sufficient funds do not come forward to meet the annual projected budget of €20 million, then CETP may not be able to meet the demands placed upon the programme – failure to respond positively to request for assistance could see target countries turn-away from the programme | commitment to helping countries achieve climate and sustainable development targets.<br><br>Provide certainty of multi-year funding to the CETP to 2025/6, allowing effective forward planning to best meet needs of target countries. A Broad base of committed funders increases sustainability of programme, making it unlikely that UK is "left on hook" in providing support.<br><br>Allow the UK to steer future priorities and shape of what is an influential programme, to match wider UK objectives and provide a ready-built platform for taking forward new objectives, for example the provision of assistance for methane reduction in oil and gas sectors.<br><br>A strong signal of UK continued support may encourage others to come forward with funding, whilst generating a new workstream on methane reduction will provide a platform for others looking to support methane reduction efforts to concentrate and co-ordinate their support for technical assistance. | relationship and full membership are rebuffed then there is a risk they turn away from the organisation. |

| | | | | |
|---|---|---|---|---|
| | range of engagement with key international partnership working with target countries than any comparable country with direct involvement in G20, G7, Clean Energy Ministerial, Mission Innovation, Joint Energy Transition Partnerships, Breakthrough Agenda etc which can be brought to bear to inform and support CETP engagement and delivery.<br><br>Delivers Value for Money | | | |
| **Option C: Contribute funding to another existing or new source of technical assistance** | Provision of Assistance through a bi-lateral mechanism such as, for example, UK PACT would allow UK to have greater control over objectives, design, delivery and targeting of assistance and allow full attribution of funding.<br><br>. | We have not identified alternative existing programme that can deliver the breadth and depth of technical assistance that CETP can deliver or the level of access and political buy-in from target countries secured by the IEA with the level. IEA expertise and the level of engagement and access to decision makers in target countries and it would be difficult to replicate. For example, IRENA's focus is on renewables rather than the whole energy system; and ESMAP's role is primarily about supporting World Bank lending activities rather than the broader energy transition.<br><br>Putting aside the question of whether an alternative mechanism could deliver similar outcomes, there would be considerable overheads associated with establishing any new mechanism – and it would take time for it to deliver | Would allow a greater focus on a particular issue or country where UK has particular strengths (commercial or policy) or where we have geopolitical, economic, climate environmental or development objectives | Bi-lateral engagement can be impacted by wider geopolitical issues outside control of the programme.We would lose influence over a successful CETP programme whilst, given the scale of proposed UK funding, simultaneously diminishing what the programme can deliver. As we judge that no other existing programme can deliver comparable assistance and influence, the overall impact and contribution to our goal of accelerating national transitions would be reduced.<br><br>Withdrawal and setting up alternative mechanisms would harm our relationship with the IEA and also endanger co-ordination between CETP and bi-lateral |

| | | | | |
|---|---|---|---|---|
| | | the transformational change that CETP is already judged to be delivering.<br><br>IEA is engaged in, and can influence and benefit from, a broader range of international partnership working with target countries than any comparable organisation that might deliver assistance, with direct involvement in G20, G7, Clean Energy Ministerial, Mission Innovation, Joint Energy Transition Partnerships, Breakthrough Agenda etc. No other institution has this level of engagement or access. | | programmes. |

**2.6 Summary of Tier One – Critical Success Factors Appraisal and Preferred Option.**

The following Tier 1 Options were assessed against the critical success factors incorporating the qualitative risks and benefits outlined above.

- Option A – Do Nothing
- Option B - Extend our support for the CETP.
- Option C - Contribute funding to another existing or new source of technical assistance.

To arrive at a final recommendation the options were assessed through a scoring system based on a scoring system where confidence in the option providing effective technical assistance to accelerate national energy transitions is reflected in the following scoring scale 1 Low (Red) 2. Medium (Amber) 3 (Green)

The completed appraisal is attached at Annex C.

The principal benefit of Option A is that it would allow funds to potentially be re-allocated elsewhere in the ICF portfolio for activity unrelated to provision of technical assistance to accelerate national energy transitions. However, the balance of activity within the ICF portfolio is outside the scope of this business case. Beyond the fact that withdrawal would mean technical assistance would not be delivered and the anticipated benefits of that assistance would not be realised, the risks associated with this option are principally political in terms of the impact on our relationships with other donors, target countries who value the CETP, and the delivery partner, the IEA, which is a key international partner for the UK. However, there is also a not insignificant risk that the UK withdrawing support from CETP could have knock on impacts on the scaling up and delivery of what, to date, our own analysis judges to be a successful programme.

We have identified and considered two options for continuing to provide technical assistance, Option B is to extend our support for the CETP into a further phase, whilst Option C would be to continue to provide technical assistance but through alternative means. These alternative means might include either new or existing bi-lateral programmes funded solely by the UK, potentially building on existing programmes such as UK-PACT or establishing new programmes, or through multi-lateral programmes, whether existing or new multi-donor programmes.

Comparison of Options B and C highlights the limitations of seeking to establish alternative routes for delivering technical assistance. The principal advantage that Option B and extending financing of the CETP brings to the appraisal is that it is an existing programme with a strong track record of achievement reflected in the annual reviews undertaken of the Programme (A+ every year), a KPI-15 rating of 4 that suggests transformational change is likely, and commitments made by donors to continue the programme into a second phase. As an existing programme the CETP has also built up high-levels of political buy-in from target countries with demand for assistance under the programme rising all the time and clear evidence of assistance leading to real world outcomes in the form of policy development, regulatory change and increased human capacity. This is demonstrated, for example, in the IEA's work on methane, where their database on methane-related policies and regulations contains more than 450 entries from nearly 60 countries and regions and provides the most comprehensive coverage of the methane regulatory landscape available globally. With lower levels of existing funding, they have also already delivered capacity building sessions in countries such as Algeria, Iraq, and Ghana and have been asked to support and collaborate with other expert organisations such as UNEP's International Methane Emissions Observatory (IMEO) with their capacity building initiatives.

The level of demand and the outcomes the programme has delivered reflect the fact that the IEA both possesses an unparalleled breadth and depth of expertise across the energy sector and is considered an independent expert technical body by the target countries with whom it has very high levels of engagement both through the institutional structures of the IEA (with many target countries being IEA Association Countries) but also through the IEA's lead role in multiple International partnerships focussed on the clean energy transition such as the Clean Energy Ministerial (the IEA hosts the CEM Secretariat). The success of phase 1 of the CETP has provided a strong platform to scale up activity and the programme has demonstrated that it is able to respond swiftly and effectively to changing demands from target countries reflected in governance structures that provide for work programme flexibility – as was the case in Phase 1 when the programme pivoted rapidly to address the impacts of the Covid19 pandemic and to build a programme of assistance for Ukraine..

Weighed against these considerations, whilst it is not impossible to imagine that other mechanisms that could be developed under Option C could deliver effective technical assistance, all such mechanisms would seem to come with limitations when compared to continuing support for the CETP under Option B. At present, we do not consider that there are alternative existing programmes that can replicate the unique breadth and depth of expertise and status of the IEA and their unique political positioning that has secured strong buy-in from the highest levels of government within target countries. In addition, a significant limitation of establishing any new initiative that seeks to deliver technical assistance aimed at accelerating national transitions, whether bi-lateral or multi-lateral would be the overhead costs of establishing a new programme and the time it would take to deliver the assistance whereas CETP is ready now to absorb and utilise funding. It is also the case that for any new multi-lateral programme, the pool of donors would be almost identical to that being drawn on for the CETP and funders of CETP would likely see any new programme as duplicative. When exploring potential options for funding on methane with other organisations, there was broad agreement that the IEA have the right technical expertise and connections to deliver high quality capacity-building in this space. The principal benefit of delivering assistance through another mechanism would seem to be through utilisation of a UK only programme, for example UK PACT, which would potentially provide both greater visibility of UK support and greater control over the work undertaken and with whom. However, when considering the sums at issue in this business case, the amount of assistance that could be delivered bi-laterally is likely to be less than through a multi-lateral programme like CETP due to greater overheads due to inability to share costs and deliver economies of scale through a multi-donor framework and whilst visibility in a limited number of countries may be higher, UK participation in CETP will have visibility across a much broader range of countries, particularly given our leading role in the programme to date.

**Therefore, the recommendation is to take forward Option B and extend support for CETP into a second phase to run from 2023/4 to 2025/6.** As well as the benefits and assessment outline above, it should also be highlighted that as well as the positive case for extension there are, conversely, significant risks that would come with Option A – do nothing especially as the UK was the lead-funder of Phase 1 of the CETP, and withdrawing support at this stage (so far no existing donors have declined to support phase 2) would be seen as casting doubts on the programme, disappoint fellow donors and target countries and damage our wider relationship with the IEA, the global energy authority and a key partner for the UK and limit our influence over a key strand of the IEA's work – its engagement with important non-member countries. It is also the case that whilst we have not recommended that we deliver support for technical assistance through other existing bi-lateral and

multi-lateral programmes, it is important that where such programmes exist and operate in the same countries, we ensure that synergies are exploited through engagement through the CETP's governance structures and bi-laterally, including in-country.

**2.8 Tier 2 Options Appraisal – How much funding should we provide and what for?**

As set out in the Strategic Case, the CETP is a multi-donor programme and the CETP is aiming for contributions of €20 million per annum to deliver the CETP work programme and meet the demand for technical assistance from target countries. This figure is based on activity delivered under funding secured for Phase 1 of the Programme and the increased unmet demand materialising by the end of Phase 1. We anticipate that demand for assistance will continue to grow as countries look to implement commitments made at COP26 and since and as confidence in the programme grows as a result of the impact of work undertaken and the high levels of political buy-in secured from target countries.

We are proposing that the UK should provide a multi-year contribution to support the programme within the current ICF3 spending period covering the periods 2023/4, 2024/5 and 2025/6. For this option we have assessed four potential options for the amount and scope of a UK contribution to the CETP over this period.

Option A - a contribution of £8 million to fund the work programmes for 2024, 2025 and 2026 which would reflect UK support at a similar level to Phase 1 of the CETP

Option B – a contribution of £10million to fund the work programmes of 2024, 2025 and 2026 reflecting an increase of UK support to meet increased demands on the programme.

Option C - a contribution of £10million to fund the work programmes of 2024, 2025 and 2026 reflecting an increase of UK support to meet increased demands on the programme. In addition, a further ring-fenced contribution of £2million to fund a specific programme of technical assistance to target countries to reduce methane emissions from the oil and gas sector. The methane funding would primarily focus on outreach and capacity building, including broadening webinars, training sessions, and materials to assist government officials to gain the knowledge and capacity to develop and enforce new regulations on methane, including events in Algeria, Egypt, Iraq, Kazakhstan and African countries. The IMEO have also requested support to implement their MARS programme, with the IEA providing strategic input on how to bring additional countries into the programme and developing capacity-building support and technical assistance for those countries where methane emissions have been identified via the satellite system. Funding would also support the IEA with methane analysis and modelling, including publication of the Global Methane Tracker in 2024 and improving modelling and data to provide country-level emissions for developed and developing economies alike.

Option D – a contribution of £15 million to fund the work programmes of 2024, 2025 and 2026 to meet increased demands on the programme. In addition, a further ring-fenced contribution of £2million to fund a specific programme of technical assistance to target countries to reduce methane emissions from the oil and gas sector (as outlined in Option C above).

A qualitative SWOT analysis of Tier 2 options considering the overall objective of meeting demand from emerging economies and developing countries for technical assistance and capacity building related to all aspects of accelerating national energy transitions to meet climate and sustainable development goals is set out in the table below.

| Option | Strengths | Weaknesses | Opportunities | Threats |
|---|---|---|---|---|
| **Option A: £8million 2023/24 to 2025/26** | Demonstrate continued support for CETP funding a broad work programme that would not place additional call on ICF funding over and above that in Phase 1. | Would not allow programme to grow to meet increased demands from target countries. | Would retain leading role for UK within the Programme<br><br>Would allow for longer-term resource planning and sustainability as well as providing flexibility for | As signal to other donors – not increasing funding risks overall programme not meeting funding objectives and not |

| | | | | |
|---|---|---|---|---|
| | Provides certainty of funding for IEA. | | the Programme to react to changing demands and priorities through the development and implementation of the annual work programmes. | meeting demand |
| **Option B: £10 million 2023/24 to 2025/26** | Demonstrate continued support for CETP funding a broad work programme with target countries,<br><br>Would allow CETP to scale-up to meet increased demand placed on the programme by target countries. | Would not allow scaling up of technical assistance for methane reduction in oil and gas sector.<br><br>Potentially reduces funding for other ICF programmes. | Would likely position UK as lead funder of the programme bringing visibility and influence.<br><br>Would allow for longer-term resource planning and sustainability as well as providing flexibility for the Programme to react to changing demands and priorities through the development and implementation of the annual work programmes.<br><br>Strong signal of confidence to other donors | Expanded UK funding and programme could require more DESNZ resource to support effective engagement with the programme. |
| **Option C: £10million + £2million for methane 2023/24 to 2025/26** | Demonstrate continued support for CETP funding a broad work programme with target countries and providing flexibility for the IEA to respond nimbly to changing demands.<br><br>Would allow CETP to scale-up to meet increased demand placed on the programme by target countries.<br><br>Allows UK to fund and specify an enhanced workstream to deliver technical assistance on methane reduction targeting one of the fastest most cost-effective tools to limit global | Potentially reduces funding for other ICF programmes | Would position UK as lead funder of the programme bringing visibility and influence.<br><br>Would allow for longer-term resource planning and sustainability as well as providing flexibility for the Programme to react to changing demands and priorities through the development and implementation of the annual work programmes.<br><br>Strong signal of confidence to other donors.<br><br>Allow the UK to develop a leading position on | Expanded UK funding and programme could require more DESNZ resource to support effective engagement with the programme<br><br>Ring fenced funding could limit IEA flexibility to deploy funding to match demands on other workstreams |

| | | | | |
|---|---|---|---|---|
| | temperature rises. | | methane internationally - which will be important for our objectives of helping countries decarbonise and is a growing area of international focus | |
| **Option D: £15million +2million for methane 2023/24 to 2025/26** | Demonstrate continued support for CETP funding a broad work programme with target countries,<br><br>Would allow CETP to scale-up to meet increased demand placed on the programme by target countries.<br><br>Allows UK to fund and specify an enhanced workstream to deliver technical assistance on methane reduction targeting one of the fastest most cost-effective tools to limit global temperature rises. | Potentially reduces funding for other ICF programmes | Would position UK as lead funder of the programme bringing visibility and influence.<br><br>Would allow for longer-term resource planning and sustainability as well as providing flexibility for the Programme to react to changing demands and priorities through the development and implementation of the annual work programmes.<br><br>Allow the UK to develop a leading position on methane internationally - which will be important for our objectives of helping countries decarbonise and is a growing area of international focus<br><br>Strong signal of confidence to other donors. | Expanded UK funding and programme could require more DESNZ resource to support effective engagement with the programme.<br><br>Would raise UK funding to 25-30% of the overall projected budget which would be out of scale given number and scale of donors, potentially leading to free-riding.<br><br>Ring fenced funding could limit IEA flexibility to deploy funding to match demands on other workstreams |

**2.9 Tier Two – Critical Success Factors Appraisal Summary and Preferred Option**

The following Tier 2 Options for funding were assessed against the critical success factors incorporating the qualitative risks and benefits outlined above.

- Option A - £8million
- Option B - £10 million
- Option C - £10 million plus £2 million for methane reduction assistance
- Option D - £15 million plus £2 million for methane reduction assistance

To arrive at a final recommendation the options were assessed through a scoring system based on a scoring system where confidence in the option providing effective technical assistance to accelerate national energy transitions is reflected in the following scoring scale 1 Low (Red) 2. Medium (Amber) 3 (Green)

The completed appraisal is attached at Annex D.

Option A would see the UK funding continuing at the same rate as in Phase 1 providing a multi-year contribution to fund the programme as a whole which would provide both certainty of funding and allow for longer-term resource planning and sustainability as well as providing flexibility for the Programme to react to changing demands and priorities through the development and implementation of the annual work programmes. However, demand for technical assistance under the programme has risen and at the end of Phase 1 there was unmet demand. This led Funders to agree to scale up funding in Phase 2. Although substantive, Option A, would not reflect an increase in funding and therefore – all other things being equal – would not allow the programme to expand its reach and meet increased demand. It would also not allow the Programme to substantively expand its technical assistance on methane reduction activity in the oil and gas sector, which has been identified as a high-impact and cost-effective area to focus on, yet there are currently unfunded areas including updating and expanding the database of methane policies, laws and regulations and bilateral training with countries based on methane Regulatory Roadmaps.

Option B would see the UK funding raised to a multi-year contribution of £10million demonstrating our confidence in the programme based on the record of delivery in Phase 1. It would also replicate the benefits of Option A in providing longer-term certainty of funding, providing flexibility to meet changing demands but would also allow greater reach in line with the Funder's commitments to scale-up the programme during Phase 2. This would demonstrate UK leadership, act as an example for other donors, and, on current indications, would place us in the leading group of funders for Phase 2, and very likely retain our position as lead funder, which brings with it added influence within the programme and visibility during delivery. However, as with Option A, a flexible contribution such as this would not allow us to specify and deliver a specific workstream to build and enhance an effective technical assistance offer for methane reduction within the programme.

Option C would see the UK funding raised to £10million as outlined in Option B bringing the benefits of funding certainty, flexibility and agility, expanded reach and UK leadership and influence outlined above. However, through an additional ring-fenced contribution of £2million it would also allow us to specify and deliver through the CETP an enhanced programme specifically for technical assistance for methane emissions reductions in the oil and gas sector. This would help to meet the growing need to support governments and industry alike, particularly those in high-emitting, lower-income regions, to reduce methane emissions in the energy sector which is crucial to meeting climate goals and limit near-term warming. Under the IEA's Net Zero Emissions by 2050 (NZE) Scenario, total methane emissions from fossil fuel operations fall by around 75% between 2020 and 2030. Policy makers have at their disposal well-established policy tools that have been demonstrated as effective in driving reductions in these emissions in many contexts, including leak detection and repair programmes, technology standards and bans on non-emergency flaring and venting. It is therefore crucial that this knowledge is shared and countries with good track records on reducing methane emissions, like the UK, contribute to building capacity globally. The IEA are uniquely positioned to provide independent and rigorous analysis and advice to accelerate action in this area, including through modelling, analysis, and regulatory outreach/capacity building. They have strategies in place to broaden the reach of this support, have a positive track record on the success and achievability of their previous methane initiatives, and prioritising action on methane has political buy-in from key countries and organisations, including the US, EU, IMEO, and CCAC, many of whom are calling for a coordinated effort to increase funding and activity on methane rapidly to deliver commitments under the Global Methane Pledge. This option would therefore meet the critical success factors and ensure high-impact and cost-effective activities are targeted.

Option D would build on Option C by raising UK funding to a multi-year contribution of £15million whilst retaining the additional ring-fenced funding for technical assistance. Overall, this would represent a doubling of the UK Phase 1 contribution and, as such, would provide greater certainty of funding for the Programme as well as greater flexibility and reach and a clear position as lead funder of the programme. However, a contribution of this scale would see the UK funding represent between 25-30% of the overall projected budget for the Programme over the period. The CETP has benefitted from a broad base of funders to date which brings greater insight to inform development of the programme and strengthens engagement with both the bi-lateral and other multi-lateral programmes that donors participate in. Given the number of donors and the relative size of the economies participating as donors, raising our contribution to the level outlined in Option D would be disproportionate given the size of the donor-base and create potential risks of other donors scaling back contributions and "free-riding" on the UK contribution.

**Therefore, the recommendation is to support Option C and extend support for CETP into a second phase through a multi-year contribution of £10million to fund the overall work programme combined with a specific £2million ring-fenced contribution for the programme to deliver technical assistance on methane reduction in the oil and gas sector.** This would provide the CETP with certainty of funding for three years, allowing effective resource planning, and the flexibility and agility to respond to changing demands through the annual work programming process and expand the programme's reach in line with increased demands. It would also strike the right balance between provision of flexibility allowing the majority of UK funds to be deployed across the work programme to meet needs-driven demand with the specific UK priority for the Programme to significantly scale up its technical assistance to help deliver methane reductions in the oil and gas sector in line with the implementation of the Global Methane Pledge.

**2.10 Value for Money of the Preferred Option**

As the CETP delivers technical assistance a formal benefit/cost ratio or net present value assessment would not be appropriate to assess value for money (VFM). This is because the impacts of technical assistance are largely indirect and difficult to quantify accurately and consistently given the difficulty in identifying causal links and the interplay with other policies and programmes and in many cases long lead-times in achieving intended outcomes. Instead, this will be assessed using the "4Es" framework (economy, efficiency, effectiveness and equity). This is consistent with the approach taken for other ICF technical assistance programmes and was the approach taken during Phase 1 of the CETP to assess VFM during the annual review process.

**Economy**

Economy refers to whether our delivery partner is buying inputs – e.g., staff, consultants, travel, accommodation – that are used to produce outputs at the appropriate quality and at the right price. UK Funding will be spent on delivering technical assistance in response to needs-driven requests from target countries and regions – including provision of specific funding to support assistance for methane reduction. The delivery partner for the Programme is the IEA and the IEA has a strong track record of delivering high-quality technical assistance as demonstrated through the success of Phase 1 of the programme, the agreement of funders to progress to a scaled-up Phase 2 and four consecutive A+ ratings achieved in the ICF annual review process.

The CETP largely builds on and leverages the IEA's existing expertise and resources built up through long-standing investment by the UK and others through our assessed and voluntary contributions to support the work of the IEA, though additional resource continues to be recruited and deployed to scale up engagement under the CETP in line with agreed IEA/OECD recruitment procedures. Outputs delivered to date have been of high quality, subject to expert peer review in the case of analysis, and well received by target countries with high satisfaction rates recorded.

The IEA already has significant experience in using an open and competitive process for procuring additional external expertise, where necessary, to get high quality inputs. The CETP Funders Strategic Co-ordination Group will scrutinise all relevant budgets, workplans and expenditure through quarterly and annual reports, thus ensuring strong levers are available to funders to ensure good economy.

**Efficiency**

Efficiency refers to how well our inputs are converted into the outputs we want. For the CETP the principal outputs of the programme comprise technical assistance through development of data products, modelling and analytical inputs to support national policy development and implementation, technical and high-level exchanges, training and capacity-building events, and multi-lateral dialogue.

This has been assessed principally with reference to the track record of delivery of the programme during Phase 1 as evaluated during the annual review process.

Throughout Phase 1, the level of activity largely achieved or surpassed output milestones agreed in the logframe and milestones were regularly upgraded to reflect over-achievement. These results were achieved despite the challenges related to the of Covid 19 pandemic which required a rapid pivot to new ways of working and to increased expectations of what

would be delivered in terms of both the breadth and depth of activity with target countries. Outputs have been robust and of high quality and, in the case of training and capacity building events, have recorded very high satisfaction rates from participants.

Outputs from CETP during the period under review have included activity across all seven themes of the programme i) data and statistics; ii) energy efficiency; iii) renewable energy and system integration; iv) policy advice and modelling; v) sectoral work; and vi) innovation and vii), digitalisation (from 2020).

This support included training events and workshops to improve the skills bases of target countries as well as focused technical exchanges with relevant entities in these countries. Alongside this, the IEA produced numerous analytical outputs covering macro energy transition plans, such as "An Energy Sector Roadmap to Carbon Neutrality in China," which provided a detailed scenario analysis that fulfils the ambition of China's pledge. CETP also provided the basis for longer term cooperation agreements, like the IEA-Indonesia Energy Transition Alliance, which was designed to provide range of direct assistance to Indonesian government, including targeted analysis. The programme also covered more micro analysis and support such as technical assistance to Brazil to develop their regulatory framework for power sector reform and integration of renewable energy.

In quantitative terms CETP's Phase 1 delivered:

- Number of participants in training events or workshops – 15,736
- Average satisfaction of 8.5/10 with training provided
- 162 high level exchanges with relevant entities in target countries
- 444 technical exchanges with relevant entities in target countries
- 99 tailored analytical outputs produced with targeted emerging economies

These outputs have contributed to improving countries' ability to develop a sound, analytically rigorous evidence base for policy action, for example to accelerate the deployment of renewables, other clean energy technologies and energy efficiency (via statistics, indicators, energy modelling, and improved data analysis capabilities), develop more effective knowledge and information systems, as well as enabling environments, that create capacity for stronger policy action (via country-specific scenario development, modelling capacity, advice and support on policy development, and facilitating knowledge exchange as relevant to country needs), and created stronger enabling environments for technology RD&D and innovation, through specific technology policy support activities, better data on RD&D support, and improved understanding of innovation needs for development, which should encourage the promotion of sustainable energy technologies and related investments.

Under Phase 1 of the CETP, the programme received an A+ rating in all four annual reviews undertaken and achieved a KPI15-rating equivalent to the new score of 5 ( Substantial evidence that suggests transformational change is likely or already occurring) in the final assessment undertaken in 2022 at the end of Phase 1 with clear evidence of training and capacity building having delivered lasting institutional capacity, regularised high-level engagement with target countries, high levels of satisfaction with the quality and breadth of analytical outputs together with evidence that outputs have directly influenced national policy with results demonstrated in national progress towards clean energy goals.

In Phase 2, the Funders Strategic Co-ordination group will continue to agree the outputs to be delivered through the annual work programming process including budget allocation and tracking and review the effectiveness of delivery through the monitoring and evaluation framework and results framework.

**Effectiveness**

Effectiveness refers to how well the outputs (that are under the direct control of the delivery partner) achieve the outcomes (over which there is less control). It is important that the outputs help build the right conditions in target countries to deliver transformational outcomes. In the case of the CETP, the outcomes we want to achieve are to increase availability of tools

and solutions to accelerate clean energy transitions in targeted countries, to build momentum for change and mobilise political will for implementing clean energy transitions, enhance capacity to formulate and implement policies for clean energy transition, transfer knowledge, and improve co-ordination of clean energy transition nationally, regionally and internationally.

To date, the IEA has devoted significant effort, engaging very closely with both funders and target countries to develop programmes of work that are driven by, and effectively meet, the needs, expectations and priorities of target countries in accelerating their own clean energy transition. This has involved regular engagement with high level decision-makers to secure the buy in for individual demand-driven technical programmes. This buy-in, combined with the high quality of the outputs, and the IEAs standing as an independent authority on the global energy system, gives CETP the maximum chance of having long-lasting and significant impacts with strong evidence that the programme is having transformational impacts.

CETP has a strong track record of delivering this technical assistance during Phase 1. It has:

- improved countries' ability to develop a sound, analytically rigorous evidence base for policy action, for example to accelerate the deployment of renewables (via statistics, indicators, energy modelling, and improved data analysis capabilities).
- developed more effective knowledge and information systems, as well as enabling environments, that create capacity for stronger policy action (via country-specific scenario development, modelling capacity, advice and support on policy development, and facilitating knowledge exchange as relevant to country needs).
- created stronger enabling environments for technology RD&D and innovation, through specific technology policy support activities, better data on RD&D support, and improved understanding of innovation needs for development, which should encourage the promotion of sustainable energy technologies and related investments.

Examples of recent effective technical assistance have included:

- Supporting the National Development and Reform Commission in China to develop national priorities on energy efficiency, digitalisation, data and indicators and input to policy recommendations for 14th five-year plan on energy, providing recommended targets on a rapid decarbonising pathway.
- Providing the National Energy Administration in China with analysis of China's power sector transition and policy options for achieving carbon neutrality by 2050 including effective design of power markets to facilitate a high renewables system with recommendations feeding into the preparation of the 14th 5-Year Plan.
- Co-operating with the Ministry of Energy and Mineral resources in Indonesia to develop regulations for electric vehicles and a land-based transport road-map for Indonesia.
- Undertaking a series of analytical studies with the Indonesian Ministry of Energy and Mineral Resources and the State Electricity Company focussed on power system enhancement and renewables integration, including detailed analysis and techno-economic modelling of the Java-Bali power system in the context of delivery of 2025 renewables targets.
- Under the IEA-Indonesia Energy Transition Alliance the CETP has reviewed and redesigned the Ministry's Energy and Mineral Resources industry energy management system to bring into line with international best practice
- Working with the Ministry of Mining and Energy in Brazil to develop regulations linked to the new architecture for the country's electricity system.
- Undertaking joint analysis with Brazil's Energy Research office on the efficiency of Brazil's road freight sector providing an analysis of trends, policies and programmes and international comparisons to inform development of future policy in Brazil.
- Partnering with the ASEAN Secretariat to develop roadmaps towards sustainable and energy efficient buildings and cooling in the ASEAN region.
- Production of an Energy Outlook for India providing analysis and guidance on Indian energy policies, exploring scenarios for how the energy sector might evolve to 2040 providing a coherent framework for India to consider its choices and their implications.

Undertaking analysis and training with the South African Department of Mineral Resources and Energy and the South African national Energy Development Institute to develop energy performance certificates for buildings and improve management of the database of energy certificates.

In quantitative terms, milestones for key indicators during Phase 1 of the CETP have been met or surpassed including for the number of entities engaged in target countries, number of training events, satisfaction with training and levels of female participation, number of high level and technical exchanges, and delivery of tailored analytical work. Outputs have been robust and of high quality and, in the case of training and capacity building events, have recorded very high satisfaction rates from participants. As a result, the Programme, is highly valued by the targeted countries with strong levels of engagement at the most senior levels of government. The IEA is increasingly the partner of choice for many target countries developing new policy frameworks.

Ringfencing support on methane will also help to achieve this overall objective, by expanding the tailored bilateral training offer to key high-emitting countries and ensuring materials, such as the database of methane policies and regulations, are up to date. This is something which many developing countries are proactively asking for support on and this funding is expected to further improve the quality of the outputs, increase satisfaction, and galvanise action in a high-impact and cost-effective area.

During Phase 2 we will continue to monitor the outcomes of the Programme utilising the governance and reporting structures that will be put in place and the ongoing development of a methodology to assess continued performance and will work with the IEA to collect data and report ICF Technical Assistance KPIs 1, 2.1, 2.2, 3, 5 and 15 to monitor and demonstrate the programme's continued effectiveness.

**Equity**

Equity refers to understanding who will benefit in order to judge whether this is fair in relation to need.

The CETP is a needs driven programme that aims to provide technical assistance to support target countries to accelerate their national energy transitions to achieve their climate, sustainable development and economic goals. A wide-range of countries have access to the programme, and it undertakes activity across a broad range of ODA-eligible countries with expanded reach through its regional-level activities undertaken with partner bodies such as the African Union, OLADE and ASEAN. In Phase 2 there will be an increased focus on least developed countries, including enhanced activity in Sub-Saharan Africa, with Kenya and Senegal recently joining South Africa as IEA Association Countries and significant regional activity.

The impacts of climate change are also likely to have a disproportionate impact on women and vulnerable communities so mitigating the impacts through accelerating the clean energy transition and expanding access to reliable, affordable and sustainable energy – key objectives of the CETP - are likely to be positive for gender equality and vulnerable consumers in target countries. Whilst the benefits of the programme are not directly received by these communities, the support to government and other institutions in the target countries, can help secure clean growth transitions that can both increase the deployment of clean technologies but also create new jobs and economic growth. Within the programme itself there is a focus on increasing the participation of women in the training and capacity-building events that form a key part of the programme and the outcome milestones for number and proportion of women participating have been in surpassed in every year of the programme so far with the proportion of female participation increasing year on year.

**Summary**

**The preferred option is to extend the UK's support with funding of £12million in the period 2023/4-2025/6 to be divided between £10 million to fund the overall work programme and £2million to fund and develop a specific workstream delivering methane reduction in the oil and gas sector, to be announced ahead of COP28.**

The strength of this option is that it will allow the UK to demonstrate that is responding effectively and constructively to the increasing demands placed on the programme by target countries reflecting their trust in the programme and appreciation of the benefits it has delivered for them. It will allow the programme to extend its reach and deploy its funding flexibility and in an agile manner to develop and implement work programmes that respond to need and shifting priorities. In addition, the

provision of a specific contribution of £2million for technical assistance for methane reduction will respond to country demand and help develop and deliver a new workstream to transform the level of assistance available under the programme for work in this field adding significant programme capacity to address an issue that the IEA considers crucial for keeping 1.5 degrees within reach - cutting methane emissions from the energy sector by 75% by 2030 is one of the least cost opportunities to limit global warming in the near term. By doing so we will establish methane reduction as a core part of future work programmes that can be funded through flexible future work programme funding from donors.

A contribution of this scale also solidifies the UK's leadership role and visibility within the programme, positioning the UK as (a) lead funder(s) without providing perverse incentives for other donors to scale back their own contributions.

We consider that the track record of delivery during phase 1 of the programme – exceeding many output and outcome milestones - as reflected in the annual ICF review and results processes there is strong case that the CETP will continue to deliver significant VFM in the context of the 4Es Framework.

**2.12 Assessment of Risks and Uncertainties**

The proposed extension of funding to the CETP has an overall moderate risk. As it is additional technical assistance support, working on relatively small projects across many countries, the levels of fiduciary, operational, compliance and reputational risk are low**.**

The CETP's needs-driven work programming approach means that assistance is tailored very closely to the needs and specific priorities of the target countries which greatly increases the opportunities for impactful action and results, aided by the high-level political buy in that engagement at all levels of the IEA, from the Executive Director down, has undertaken on behalf of the programme. This has ensured that partners within country are well chosen and partnership working with key organisations extends over time – a key reason why the CETP is a trusted, valued partner organisation for target countries and which helps minimise many of the risks to the delivery and impact of work undertaken under the programme with the risks identified below successfully managed during Phase 1 of the programme.

With the UK having been the lead funder of the programme to date and a successful track record of delivery reflected in assessments to date, the principal risks associated with the extension sit at the political rather than operational level in terms of the potential impact of a decision to not extend our funding and the impacts on our relationship with the IEA, a key UK partner in the energy field, other donors and target countries.

If successful with this application for funding, we will work with relevant specialist teams to seek to mitigate risks in the proposed grant agreement and update the full risk register.

| Description | Impact | Likelihood | Mitigation |
|---|---|---|---|
| **Political Risk –** If the UK does not contribute, this could damage our climate leadership position and our relationship with the International Energy Agency which is a key partner across the wider energy agenda | High | Low | We have been transparent to date with the IEA and other donors that the business case process, including ultimately ministerial approval, will determine whether we can provide support.<br><br>This business case seeks to mitigate this risk, evidencing the UK's current leadership role within the CETP and its strong track record of delivery to put forward a persuasive case to extend our support.<br><br>Any decision to not support extension would have to be handled very sensitively at senior level with both the IEA and donors with clear explanations of decision taken and |

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|---|---|---|---|
| | | | any potential opportunity to revisit. It would also impact the UK's climate leadership position on areas like methane, where other countries are committing significant amounts of funding as part of the US Methane Finance Sprint. |
| **Results Risk** – If the UK does not contribute, the fund is likely to be significantly smaller undermining confidence in target countries and donors | Medium | Low | As the UK has been the lead funder of the CETP to date, withdrawing support for the extension could be seen as a lack of confidence in the programme. The combination of lack of UK support plus potential influence on other donors could mean that the target budget Is not reached. Any decision to not support extension would have to be handled very sensitively at senior level with clear explanations of decision taken.<br><br>This business case seeks to mitigate this risk, evidencing the UK's current leadership role within the CETP and its strong track record of delivery to put forward a persuasive case to extend our support |
| **Results Risk** IEA technical assistance activities do not create long-lasting institutional expertise with a risk that the capacity created is lost without being passed on as individuals move into new roles and organisations. | Medium | Unlikely | The second phase of CETP will run over three years to help to mitigate this risk, with expectation of a continuing programme to allow replenishment of expertise.<br><br>The IEA will also mitigate this risk by identifying and working with appropriate national organisations to build lasting relationships.<br><br>IEA will also emphasise the important role of good knowledge management in building organisational capacity. |
| **Results Risk** IEA is unable to target the appropriate individuals and institutions participating in meetings, exchanges, training events, workshops, and overall activities | Low | Unlikely | The IEA has a long history of effective engagement with emerging economies, and in-depth experience identifying partner institutions and individuals in targeted countries and access to the highest levels of government.<br><br>Each technical team implementing CETP activities with the IEA has a sound understanding of the institutional landscape relevant for its activities, while the IEA country desk officers have a sound understanding of overall institutional and policy issues, as well as knowledge of levers for high-level political engagement.<br><br>As the amount and scope of work with target countries increases through the CETP, the Agency will continue to build on previous experiences and relationships developed to ensure it appropriately targets key entities working on each work stream.<br><br>In addition, the IEA engages with other experienced institutions (including donors as well as other multilateral or bilateral agencies) to ensure its targeting is correct and |

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| | | | aligned to needs, capabilities, roles, and responsibilities of each participating institution. For instance, on methane technical assistance, the IEA has worked with UNEP's International Methane Emissions Observatory (IMEO) and the Climate and Clean Air Coalition (CCAC) to share experience on where capacity-building can be best targeted and who to prioritise engagement with. |
| **Results Risk** - Programme of work fails to get buy-in from targeted emerging economies, these are not responsive to CETP-led engagements, and they do not change policies and take action as a result | High | Unlikely | The programme is needs driven and programmes of work are developed in partnership with target countries to ensure alignment with national priorities.<br><br>Experience under Phase 1 has shown considerable buy in from highest levels of government in most target countries. Funding of an overall-programme in Phase 2 – as opposed to country-specific or thematic activity – provides more flexibility to re-allocate funding if, for example, changes in administration lead to changed attitudes to the Programme.<br><br>The IEA is a global leader in energy data, policy, and technology analysis, and has strong, pre-existing relationships with key influencers in the key emerging economies targeted by the intervention.<br><br>These relationships, including through the IEA's Association process, provide the IEA with a sound understanding of country needs and priorities; capacity to identify appropriate stakeholders; a level of trust and comfort among experts and policymakers; and an expressed demand signal for more IEA help.<br><br>Country buy-in and involvement of the right people in country will be a key factor considered when selecting which activities to pursue.<br><br>The IEA will ensure outputs are targeted/tailored, practical and supported to maximise take-up. This includes, for example, working with IMEO on their Methane Alert and Response System (MARS), so that data can be used from the satellite system to ensure support is targeted where detections are identified. This means taking an evidence-based approach to capacity building and providing strategic input on how to bring additional countries into the programme. |
| **Results Risk** - Difficulty of measuring and assessing the programmes full impact given nature of funding and identifying and | Medium | Unlikely | Phase 2 of CETP will have a strong focus on identifying and sharing real-world impacts of activity.<br><br>We will continue to develop and utilise a methodology for assessing programme's transformational change under KPI- |

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| attributing tangible impacts of technical assistance programmes | | | 15<br><br>The reporting methodology and results framework will draw on best practice for assessing technical assistance programmes. Working with the IEA to collect data to report ICF TA KPIs 1, 2.1, 2.2, 3 and 5 should help to demonstrate impact and mitigate this risk.<br><br>An evaluation of the programme will be undertaken by the IEA Secretariat under the direction of the Funders Strategic Co-ordination Group. |
| **Commercial Risk** – IEA does not have ability to absorb and deploy increased amounts of funding effectively | Medium | Unlikely | Governance Structures and annual work-programming cycle and reporting will allow for oversight of resource deployment effectiveness.<br><br>Phase 1 of the CETP demonstrated ability to scale up programme from standing start to deliver effective results within the increasing funding envelope. |
| **Management Risk** – lack of strong governance constrains ability to ensure supported activity to continues to offer VFM | Low | Unlikely | The IEA has established a clear governance structure to allow donors to work with the IEA Secretariat on the design, implementation, timings and evaluation of the programme.<br><br>This provides an opportunity for the UK to provide feedback and guidance to the IEA on the operation of the programme and the need to address any shortfalls against agreed objective, outcome and output milestones. |
| **Management Risk** - UK receives only limited credit for funding the work. | Low | Unlikely | Phase 2 will see the development of a stronger CETP "Brand" that will highlight the work of Programme, clearly identify deliverables, and credit funders for support.<br><br>The IEA Executive Director is committed to giving the UK full credit in line with its status as what would be a leading partner supporting the intervention.<br><br>The IEA media and communications team will be engaged from the start of the intervention to design a strong communications programme around the intervention, including opportunities at events / workshops to highlight the UK's contribution.<br><br>We will also work through the FCDO network to leverage opportunities to highlight to governments and other in-country stakeholders the UK's leading contribution. The inclusion of funding for methane technical assistance means that we could publicly join the US-led Methane Finance Sprint at COP28 and demonstrate our leadership on this issue. The overall extension of CETP funding would also be a positive ICF announcement at COP and other fora to |

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| | | | ensure visibility on the UK's contribution. |

# 3. COMMERCIAL CASE

### 3.1 Award Mechanism – Direct Award

The proposed award mechanism for the CETP is a direct award to the existing delivery partner, the International Energy Agency (IEA). A direct award is justified on the grounds that this is a contribution to an existing initiative that the IEA, as delivery partner, houses and owns and to which the UK is one of many donors. The key strengths of the CETP, as set out in the options appraisal, derive to a very large degree from the fact that it is embedded in the IEA and is able to leverage its unique position in terms of its combination of its breadth and depth of "all fuels all technologies" technical expertise and political status. Their standing as an independent, technical and expert international organisation is crucial for securing the buy-in from target countries that has contributed to the success of the programme. The IEA has a global reputation and credibility for providing expert insights and are respected by the diversity of countries and stakeholders whom this programme needs to reach. In addition, the IEA has strong institutional links with the target countries through their ties to the IEA as Associate Members of the Agency providing the IEA with access to decisions-makers at the highest levels of government within the target countries.

As outlined in the appraisal case we assess that there is no other similar programme available that could fully replicate the breadth and reach of the work delivered by the IEA under the CETP, nor secure the same levels of political buy-in, and therefore conclude that there is no alternative to a direct award to the IEA who we assess as being of excellent standing and of the required capability to manage and deliver the work as evidenced by their track of delivery during phase 1.

### 3.2 The Delivery Partner – The International Energy Agency

The delivery partner for the CETP is the International Energy Agency. The IEA is a world-leading energy authority engaging in a wide variety of activities on topics that span all aspects of the energy sector. Throughout Phase 1 of the CETP, the IEA has demonstrated capacity to deliver the CETP to a high standard whilst delivering value for money. This is reflected in the Programme receiving an annual report rating of A+ in all four years of its existence, with a KPI-15 rating of 4 (transformational change judged very likely) by the end of Phase 1. The level of impact that the IEA delivered via the programme was disproportionate to the level of funding that was provided, despite the programme operating in the difficult context of the Covid pandemic for much of Phase 1.

The IEA has demonstrated throughout the ability to absorb and effectively deploy, monitor and evaluate the impact of funding, report on results in a timely fashion providing significant confidence of their ability to deliver to a high standard in phase 2.

The UK sits on the IEA's Governing Board which oversees all elements of the IEA's programme of work and budget, including the CETP. The IEA has demonstrated a transparent and rigorous approach to programme and budget management over Phase 1. All budget processes follow the OECD's Internal Control Framework. The five elements of the Internal Control Framework ensure that the following control objectives are achieved: operations are executed in an orderly, efficient and effective manner consistent with the highest professional ethics; accountability obligations are fulfilled; and the Organisation's assets and resources are safeguarded against loss, misuse or damage.

### 3.3 Type of Funding Arrangement: MOU

ICF funding for Phase 1 of the CETP was provided via a direct award as a grant in the form of a "voluntary contribution[1]" to the IEA with annual disbursement of funding in arrears on the basis of invoices received. This process was also used by other donors. Since the phase 1 agreement was signed the Department has moved away from using VCs in all cases except where

[1] a "voluntary contribution" in IEA terminology distinguishes the funding from an "assessed contribution" which is our mandatory Treaty required annual subscription required of all IEA members.

funding is for general or mandatory contributions to the general running of an organisation. Where we are specifying the use of the funds, such as in this case, a VC is not appropriate.

An MOU is the most appropriate type of agreement for funding IEA's work. This is in line with more recent agreements made between DESNZ and the IEA such as for the SEAD initiative and the Breakthrough Agenda Report. An MOU is an established method of providing support to the IEA as a contribution to an international intergovernmental organisation. The IEA is not commercial organisations and consistent with their status as international intergovernmental organisations they are unable to sign contracts or accept grants for work as they are not able to sign up to contract/grant terms and conditions. DESNZ has agreed MOU terms with the IEA that have been approved by legal and commercial teams and will be the basis for our funding arrangement for CETP. These terms will be reviewed to ensure continued compliance with recent legislation changes (e.g. Subsidy Control Act and Environment Act).

The MOU consists of standard upfront terms governing the relationship and an annex which provides more detail about the specific project being funded including the payment schedule, disbursing funding on annual basis from 2023/4 to 2025/6 (see financial case). The MOU will make explicit that the funding provided is to support the delivery of the programme in accordance with a detailed specification document annexed to the MOU. This includes the amount of funds ring fenced for specific activities relating to methane.

The MOU will clearly state the value of the overall contribution, duration of the arrangement, provisions for varying the arrangement (including funding levels), exit provisions, arrangements for DESNZ oversight including annual reviews and accounting and measures to prevent fraud and corruption and ensure appropriate safeguarding and the promotion of equality, diversity and inclusion. The proposed funding is a contribution to and does not cover the expected full costs of IEA's role in delivering CETP. At the time of writing, IEA are yet to confirm that they are content to use the usual MOU for CETP phase 2. However, all project specific funding provided to the IEA over the last 2 years has used these agreed terms, as such we do not expect any issues. Commercial notes for the record that IEA term contributions of the nature we are proposing here (i.e. contributions for specific project activities) "voluntary contributions", this is simply a difference of terminology on their part.

**Intellectual property**

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**Agreement Management**

As a non-legally binding funding arrangement, the formal levers available to the Department to manage performance are more limited than may be found in other forms of agreement. However, there will be strong oversight and coordination from the DESNZ team to balance this risk. The UK will monitor the IEA's work programme closely through the Funders' Strategic Coordination Group and regular bilateral engagement to review progress and ensure the CETP is delivering against its key objectives, and that these outputs are delivered in a timely manner to a high quality. The Annual Review process will also allow us to formally take stock of progress on a regular annual cycle – utilising the programme log frame - and to make recommendations to the IEA as appropriate.

The IEA is a member-led body, governed by their country members and their status and future funding is dependent on their credibility with key countries, many of whom will be represented on the Funders Strategic Co-ordination group, they are therefore strongly incentivised to fully deliver on their commitments.

**Commercial Risks**

| **Commercial Risk** | **Mitigation Risk** |
|---|---|
| Delivery partner (IEA) is unable to deliver the requirements | Phase 1 of the CETP has provided a strong track record of delivery by the IEA reflected in annual reviews of the programme and assessment against KPIs. Annual performance monitoring through the reporting and monitoring framework will take place throughout the agreement period allowing early identification of any failings. The MOU will provide for variation or termination options in the case of poor performance or significant failure due to other factors (e.g lack of demand). |
| Funding arrangement with Delivery partner is not robust | Programme Managers will work with legal, finance and commercial colleagues to ensure that the MOU provides sufficient clarity and oversight for how CETP will be delivered and managed. |
| Delivery partner engages in activities that could reputationally damage HMG | All IEA activity is overseen by the IEA Governing Board in line with ministerial mandates on which the UK has a seat and the CETP work programme and activities are agreed by the Funders Strategic Co-ordination group which the UK is represented on. The grant agreement will provide for variation or termination in the case of poor performance or significant failure. |
| Projects delivered using HMG funding reputationally damage UK | DESNZ as a member of the Funders Strategic Co-ordination group will have oversight of approval over the CETP Work Programme and will input into decision-making on whether project activity goes ahead and can also specify where UK funding is or Is not deployed, for example, UK funding will not support activity in China. |

**3.3 Subsidy Control Assessment**

Under section 2 of the Subsidy Control Act 2022 the four limbed test states that financial assistance conferred from public resources which gives a specific advantage to an enterprise is not to be considered a subsidy where that assistance is not capable of having an effect on competition or investment within the UK or it is not capable of having an effect on trade or investment between the UK and another territory outside the UK.

The CETP delivers technical assistance and other capacity building measures for stakeholders in emerging economies and developing countries. It is highly unlikely UK businesses could benefit as the support is targeted aimed at government institutions in those countries, upskilling staff and providing analytical products and policy advice in order to help those institutions contribute to the development of skills and regulatory, policy and investment frameworks that can accelerate national energy transitions.

# 4. FINANCIAL CASE

**4.1 Budget Classification and Affordability**

The Programme budget will be provided from programme RDEL (resource department expenditure limits) as it is a technical assistance programme that will not be creating any assets that will be used in the long term and which are owned by the programme. Rather, it is offering to provide services in the form of technical assistance and analysis that will be consumed in the short-term. This was the approach taken when providing funding for Phase 1 of CETP and the existing grant agreement which was entirely RDEL.

The proposed contribution of £12million for the periods 2023/4 to 2025/6 is affordable within the envelope of DEZN ICF3 funding. DESNZ DG approval will be sought in advance for the proposed CETP expenditure in 2025/26 that falls outside the current spending period.

**4.2 Powers to spend ODA**

Spending on this programme will be under the spending powers of the International Development Act 2002, which provides power for the Secretary of State to "provide any person or body with development assistance if he is satisfied that the provision of the assistance is likely to contribute to a reduction in poverty".

The programme will also follow the rules for spending Official Development Assistance (ODA), as the proposed funding in the form of a grant will:

- Be provided by an official agency (DESNZ)
- Only be used in ODA eligible countries – at present, all key CETP target countries are ODA-eligible and we will work with the IEA to ensure that within the CETP, DESNZ funds for accounting purposes are not used to support non-ODA eligible countries or activities.
- Promote the economic development of target countries and reduce poverty through improving their capacity to accelerate their national clean energy transitions.

**4.3 CETP Funding Outlook and Financial health of the IEA**

Phase 2 of CETP is projected to have a budget of €20million per annum. For 2024, 80% of funding is already in place as of 18 September with contributions from the US, Canada, Japan, Denmark, Italy, EU, Spain, Switzerland, France, Ireland and Belgium and negotiations are underway with Germany and others over contributions that would take funding to 88% of the project budget. The proposed UK multi-year funding would potentially allow for a fully funded work programme in 2024 and provide a solid base for 2025 and 2026.

The IEA itself is funded through a combination of assessed contributions that fund its core work and what it terms voluntary contributions from members that fund additional and specific pieces of work or IEA programmes (including the CETP)[2]. The IEA's Budget and overall financial health are overseen by the Committee on Budget and Expenditure on which the UK is represented, and the IEA's budget is approved by the IEA Governing Board where the UK representative is a DESNZ Director-General.

In addition, all IEA budget processes follow the OECD's Internal Control Framework. The five elements of the Internal Control Framework ensure that the following control objectives are achieved: operations are executed in an orderly, efficient and

[2] We note that we do not consider this funding a voluntary contribution which for HMG is equivalent to what the IEA terms an "assessed contribution" – i.e. a contribution to core operations and work programmes which the organisation is free to spend as it wishes.

effective manner consistent with the highest professional ethics; accountability obligations are fulfilled; and the Organisation's assets and resources are safeguarded against loss, misuse or damage.

**4.4 Payment Schedule and Arrangements for making payments**

The proposed budget contribution set out in section 3 (Appraisal Case) is a contribution of £12million comprising £10 million to support the overall CETP work programme with an additional £2 million ring-fenced to support technical assistance to support target countries to reduce methane emissions. It is proposed that the grant agreement provides for disbursement funds on an annual basis (in arrears) in line with actual spend associated with the agreed annual work programme. The work programme will be agreed on an annual basis and approved by the Funders Strategic Co-ordination Group. The work programme will be monitored through the course of delivery by the Funders Strategic Co-ordination Group and an Annual Report, including reporting against the agreed results framework and logframe, delivered to funders in Q1 of the following year. Invoices would be approved following receipt of the annual report and assessment by the Programme Manager of satisfactory delivery of the work programme. All CETP Spending is always available to be audited under the OECD financial framework.

An indicative overview of the payment schedule as forecast is set out in the table below, though this may change depending on when exactly the direct award is made, the level of demand, and the timing and scale of other donor contributions.

| Date | Amount – CETP overall work programme | Amount – ring fenced contribution for methane reduction |
|---|---|---|
| FY 2023/24 | £1,500,000 | £300,000 |
| FY 2024/25 | £3,500,000 | £700,000 |
| FY 2025/6 | £5,000,000 | £1,000,000 |

DESNZ DG approval will be sought in advance for the proposed CETP expenditure in 2025/26 that falls outside the current spending period.

These funds will contribute towards the targeted annual budget of the programme of EUR 20 million per annum over this period. The activity to be supported during each year of funding will be determined through the development of annual work programmes for each target country/region and workstream (as described in section 1 outlining the strategic case) based on country need and assessment of previous work delivered. The work programme and the budgets allocated to workstreams are subject to the approval of funders through the Funders Strategic Co-Ordination group. Further details of this process are set out in the section below on governance.

The UK contribution will be in GBP, and we will not accept any risk in the case of adverse foreign currency movements, and we will not be expected to make up any funding shortfall. Text to this effect will be included in the funding agreement.

## 5. MANAGEMENT CASE

**5.1 Impacts on Team Resourcing**

There are currently two staff members in the joint DESNZ/FCDO International Energy Unit - a Grade 7 (0.1 FTE) and HEO (0.1 FTE) working on the CETP. These posts have provided programme management within the ICF portfolio, including

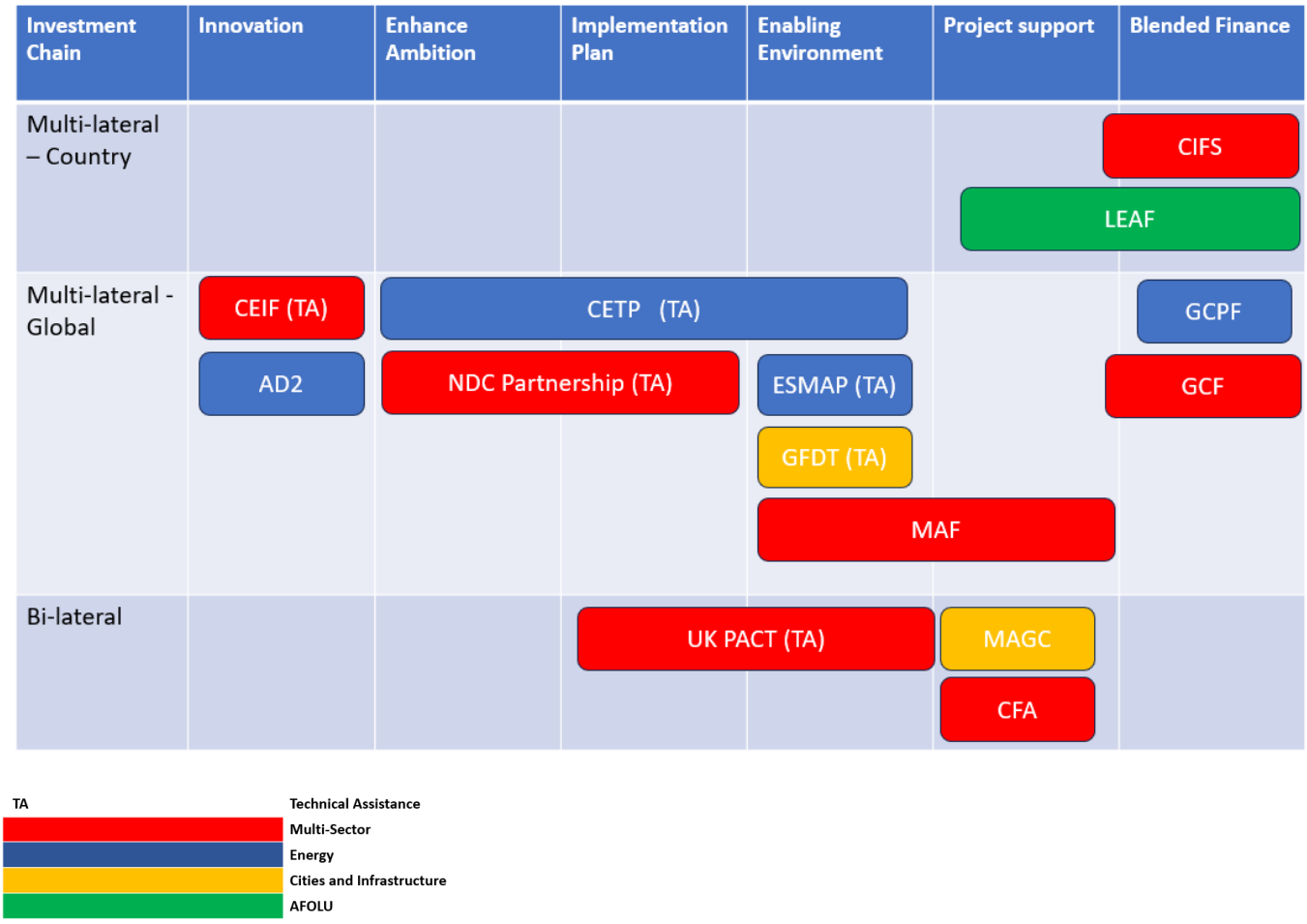
development of business cases, undertaking of annual reviews, undertaking internal reporting, liaising with the IEA Secretariat, other funders and Posts and participating in (or supporting senior officials in) the funder oversight structures to monitor progress and approve work programmes.

It is proposed that in Phase 2 this should be increased to a Grade 7 (0.2 FTE) and HEO (0.2 FTE) given the increased scale of the proposed funding and the CETP work programme as whole, the development of the enhanced methane reduction programme, and the fact that, as potentially the lead funder during this period, we will at some point during the course of the period covered by the funding take on the role of the Chair of the Funders Co-ordination Group.

### 5.2 Links to other ICF programmes

To maximise the impact of our decarbonisation efforts, the UK ICF portfolio provides support across the full length of the investment chain, from enhancing ambition, to innovation, demonstration, and full deployment of clean energy technologies. By leveraging the IEA's all technologies expertise to provide demand-led, independent, and expert capacity building and technical assistance to governments in major emerging economies as well as through collaboration with key regional organisations in Africa, Latin America and Southeast Asia, the CETP helps build key institutional skills to deliver the innovation, policy, regulatory and investment frameworks that comprise effective investment chains. The figure below outlines how CETP fits within this structure:

*Figure - Representation of DESNZ climate funding across the investment chain*




The CETP is operating within countries and regions where other ICF programmes operate, including other programmes offering technical assistance. There are therefore opportunities for CETP to both draw on wider experience of capacity building and technical assistance programmes within the ICF portfolio, including on the ground through Posts, as well as for lessons and material generated by CETP, for example national net-zero road maps, to feed into and inform wider ICF activity.

In this context, a particular benefit of the CETP accrues from the fact that its work and the experience and insight gained from working with key institutions within the target countries delivered through first-hand co-operation with local institutions feeds directly back into the wider work of the IEA and enhances its authoritative energy analysis, modelling, data and statistics which is then made publicly available to the global energy community. Such data and analysis is an important source of evidence and insight for other ICF programming.

In addition, a principal aim of the CETP is to support the development of effective regulatory and investment frameworks for clean energy as a key enabler of investment in, and deployment of clean energy technologies, thus providing receptive and supportive frameworks for the deployment of innovative clean energy technologies and business models being supported through ICF funding in programmes such as Clean Energy Innovation Facility and Accelerate to Demonstrate as well as providing the enabling regulatory and policy frameworks for ICF programmes which can mobilise investments for large scale deployment such as the Green Climate Fund and Climate Investment Funds. CETP also supports the development and implementation of the Joint Energy Transition Partnerships, with secondees from the Programme working in the Indonesian JETP Secretariat for example.

Where programmes are delivering technical assistance on the ground, notably through UK PACT where there are share target countries including Indonesia and South Africa, there are opportunities to explore synergies and ensure that work programmes are complementary by sharing of work programmes, via programme manager networks, as they are developed, sharing outputs and working with Posts in target countries where programmes operate. There are also potential synergies with the Market Accelerator for Green Construction (MAGC) that could be exploited given the strong focus within CETP on action to improve energy efficiency and deployment of renewable energy in the building sector through development of innovation and policy frameworks which can help address barriers, including assistance in developing appropriate standards. The IEA already has close links with the World Bank and has engages with the ESMAP programme to review relevant investment outputs and exchange of information about planned activities. The CETP also has had a focus on innovation frameworks within its sectoral workstreams and engagement with target countries and technical assistance given can help support the objectives of the Clean Energy Innovation Facility to fill key R,D&D gaps in developing countries, including the work of the Accelerate to Demonstrate Facility.

We are also exploring whether CETP might act as a repository of knowledge generated under now closed ICF programmes, including the 2050 Calculator, by developing contacts between the IEA Secretariat and Programme Managers and providing materials generated through programmes to inform IEA as they develop technical assistance offers.

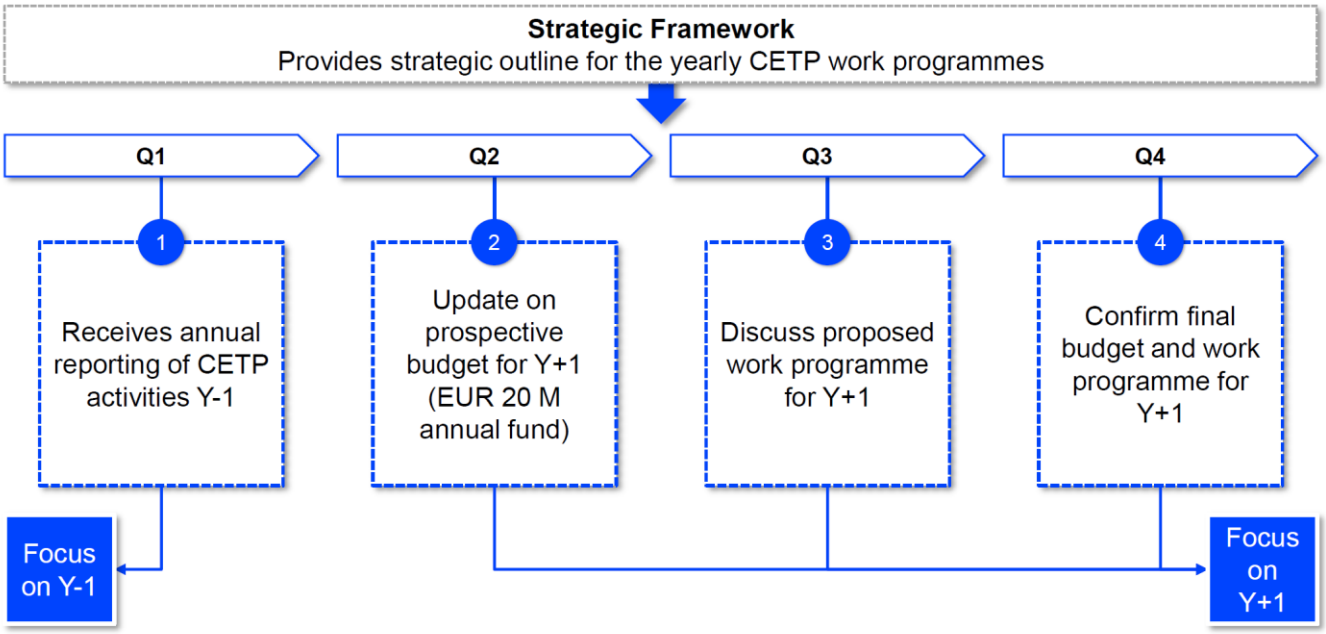
### 5.3 Working with other Government Departments

To secure the maximum benefits (and visibility) of UK support for the CETP, it will be important to engage with other government departments. This will mainly involve working closely with FCDO, in particular, consulting posts within target countries and regions to access their expertise as the annual CETP country work programmes are developed to ensure consistency with wider UK objectives, exploit synergies with other bi-lateral engagement, and avoid duplication of effort. This engagement will be facilitated by the programme managers for the CETP sitting within the Joint FCDO/DESNZ International Energy Unit within the team containing the country leads for the target countries covered by the CETP.

### 5.4 Governance

The CETP governance structure consists of four parts, 1) the Funders' Strategic Coordination Group 2) the cross-agency IEA Steering Committee, 3) interaction with the broader IEA membership and 4) coordination at country and regional level.

**The Funders' Strategic Coordination Group** is the main coordination body of the programme and meets at least four time per annum. Each funding country is invited to nominate a representative to serve on the group and there is also scope for observers – for example, prospective donor countries, to attend meetings. The Group allows funders to engage in strategic conversations about the CETP's priorities and advise on the programme´s workplan development and implementation, including to ensure that IEA efforts are complementary to, and do not duplicate, other bilateral and multilateral initiatives. The Funders Strategic Co-ordination Group has agreed the Strategic Framework for Phase II of the CETP and will agree the annual work programme and budget for the programme on an annual cycle set out below.




Whilst work programmes and collaborations with target countries can have multi-year horizons, specific projects under the CETP are planned on an annual cycle, through the funding allocation process ensuring that programme content reflects the priorities of the CETP funders and needs identified by target countries. This process is managed by the CETP Core Team (see below) which collates detailed project proposals within the scope of the agreed Strategic Framework. These are then matched with available funding (respecting any constraints placed by funders on use of their contribution) and presented to the IEA Steering Committee (see below) which takes the final internal decision on the funding of each project ensuring that projects align with the Strategic Framework and the overall mandates and priorities of the IEA as determined by member countries. This process generates a detailed workplan for the following year which is presented to the Funders Strategic Co-ordination Group in Q4 of the year for approval.

The DEZNZ DG for Net Zero International and Nuclear and the Programme Manager from the DESNZ/FCDO International Energy Unit sit on the Funders' Strategic Coordination Group as the UK representatives. The Chairmanship of the Group rotates on an annual basis and, as a leading funder, the UK could be expected to take on the rotating chair of the Group in Phase 2. The International Energy Institutions team in the DESNZ/FCDO International Energy Institutions Team would act as the UK Programme Manager supported by specialist teams within the ICF PMO and would provide/support the UK representation on the Funders Strategic Co-ordination Group. In addition, the UK is represented at DG-level on the IEA's Governing Board which has ultimate oversight over all IEA work, including the CETP.

An internal to the IEA, **CETP Steering Committee,** which includes IEA senior management and Division Heads from across the Agency, convenes periodically as needed, but typically 5-7 times a year, to exchange information on activities under the CETP with meetings happening more frequently during the development of the annual work plan and any major strategic outputs. The Steering Committee, under the guidance of the IEA Executive Director, advises on resource allocations for the different workstreams under the CETP in line with the Funders Group agreed work programme. The activities are supported by country desk officers in the IEA's Office of Global Energy Relations in order to ensure streamlined and coherent country and regional strategies, including co-ordination with in-country IEA energy specialists deployed in some target countries.

A central **CETP Core Team**, housed in the IEA Strategic Initiatives Office, is responsible for quality control, strategic management, engagement with donors, disseminating key messages, information exchange and overall coordination. The CETP Core Team also coordinates work planning, monitoring, and reporting.

The IEA is a member driven organisation. Not all IEA members are CETP funders, but the IEA will report on the CETP to the **IEA Governing Board** and seek guidance – though not approval – from the broader membership via the Governing Board (GB), the Standing Group on Global Dialogue (SGD) and the IEA's other Delegates' bodies to ensure programme planning and budget allocation remains aligned with IEA Ministerial mandates and the biennial IEA Programme of Work and Budget (PWB).

The CETP will also include strengthened **coordination at country and regional levels** between the CETP and the activities of other partners including relevant national and regional actors and international organisations:

***National and Regional Policy Makers*** – The CETP works to ensure that collaboration is sought with the most relevant government ministries, institutions and policy makers responsible for energy policy within target countries and regions and the CETP has, through Phase 1, established a broad and deep range of national institutions which it has collaborated with to date (see Annex C for illustrative list). The choice of partners for collaboration in country is guided by the wishes and advice of the target countries during the regular high-level engagement between senior officials at the IEA and Ministers and other senior officials in target countries and through their representatives to the IEA.

***International partners*** – Co-ordination will take place with in-country activities of other relevant international organisations.

***In country partners*** – CETP activities will be delivered in co-ordination with relevant bi-lateral co-operation programmes of CETP funding countries in the priority countries and regions through regular engagement with Post in Country, bi-lateral engagement with funding countries through regular bi-lateral meetings and through the Funders Strategic Coordination group. CETP funding countries are encouraged to share with the IEA information about existing and proposed co-operation on clean energy in all CETP priority countries and regions to maximise impact and establish synergies between respective programmes. During Phase 1 of the Programme the IEA worked closely with UK Posts to co-ordinate efforts, host events and publicise outcomes. This Co-ordination includes convening periodic meetings of representatives from Posts in donor countries in-country during CETP missions or other in-country activity. These typically take place a couple of times a year, and CETP funders are encouraged to share information with the IEA Secretariat on existing and future clean energy cooperation initiatives in CETP priority countries and regions in order to maximise impact and create synergies between their efforts.

### 5.5 Integrated Assurance and Approvals Plan (IAAP)

The IAAP attached at Annex D sets out our assurance and approvals processes for the CETP in-line with the HMT "three lines of defence" and DESNZ's Integrated Assurance and Approvals Strategy. The plan clearly sets out the assurance processes in place to assess the management, governance and risk management of delivery. ICF assurance and approval processes ensure a risk-based, proportionate and integrated approach.

### 5.6 Monitoring and Evaluation

The IEA will track the delivery of programme outcomes and outputs against a comprehensive Results Framework. The Results Framework includes a series of indicators to cover each of the pillars and workstreams, providing a unified approach to monitoring and analysis of broader programme impacts. This has drawn heavily on the log-frame for the UK support for Phase 1 and was developed with UK input. This will form the core of reporting across the Programme but there is scope to agree additional objectives, indicators, outputs and outcomes to reflect specific UK reporting needs. For example, we will work with the IEA to collect data and report on a) delivery of the proposed ring-fenced funding for activity to deliver technical assistance for methane reduction, b) indicators for gender, equality and social inclusion (GESI) c) and the technical assistance KPIs (particularly TA KPI 1, 2.1, 2.2, 3 and 5) for which some relevant data, on engagement with individuals and organisations, is already being collected by the Secretariat within the results framework. We will also make sure that KPI 15 will keep being monitored, and revise whether the methodology might need updating.

The next strategic review point for the CETP will be prior to the end of the current Strategic Framework period (2025/6) when a full evaluation of the Programme will be undertaken by the IEA Secretariat. This will evaluate the delivery of the programme and the results achieved with a view to ensuring that lessons learnt from work delivered under the current Strategic Framework inform the evolution/amendment of the Strategic Framework for the next phase of the Programme. The scope and process for the evaluation will be agreed by the Funders Strategic Co-ordination group and the IEA Secretariat will be reporting to the donors through the Funders Strategic Co-ordination Group. On this basis, and due to the relatively small size of the programme, we have concluded that there is not a need to undertake a separate UK-led evaluation of the CETP.

In addition, there are multiple interim review points built into the work programming process through the strategic oversight of the Funders Strategic Co-ordination Group. The CETP (like all IEA activities) is available to be audited under the OECD

financial framework. The CETP is also covered within a broader independent review of the IEA that is considering all aspects of its financial and governance arrangements. This independent review is due to report in 2024 and may have recommendations pertaining to the CETP.

***Results Framework Overview***

*Table 1*: Results Framework, an overview

| | |
|---|---|
| Programme title | IEA Clean Energy Transitions Programme |
| Programme objective | Accelerate progress towards the goal of realising global net zero emissions from energy through a secure and people-centred clean energy transition, particularly in major emerging and developing economies |
| Outcome 1 | Enhanced availability of evidence for policy making to support and accelerate clean energy transitions in targeted emerging economies |
| Output 1.1 | IEA data, models and analysis inform stakeholders and the general public on solutions, policies and best practices and guide national, regional and international policy dialogue and multilateral processes |
| Output 1.2 | IEA communication channels provide relevant information to the stakeholders and general public |
| Output 1.3 | CETP public events build momentum for change and deliver critical messaging on the speed and scale for the needed clean energy transitions |
| Outcome 2 | Mobilised political will for clean energy transitions in CETP priority countries builds consensus and support for implementing transitions |
| Output 2.1 | High-level bilateral meetings between the IEA and CETP priority countries |
| Output 2.2 | In-depth engagement through workshops and technical exchanges with CETP priority countries |
| Outcome 3 | Enhanced capacity to formulate and implement policies for clean energy transitions in targeted countries and regions |
| Output 3.1 | Knowledge transfer and capacity building delivered to enable CETP priority countries and local and external stakeholders to drive, implement and expand national and regional clean energy transitions |
| Output 3.2 | Tailored advice on best practices in clean energy transitions delivered to CETP priority countries |
| Outcome 4 | Improved coordination on clean energy transitions among national, regional and international stakeholders supports knowledge and political will, thereby building capacity to deliver change |
| Output 4.1 | Partnerships focused on clean energy transitions developed in CETP priority countries |
| Output 4.2 | Exchanges between funders within the framework of the CETP |

The objective of the CETP is to accelerate progress towards the goal of realising global net zero emissions from energy through a secure and people-centred clean energy transition, particularly in major emerging and developing economies through supporting national transitions, reinforcing multilateral coordination and shaping dialogue around global energy issues.

The CETP aims to deliver this change on all levels of society, creating both the push from the public at large, and the pull from governments who are empowered, willing and able to act. First, the availability of high-quality information with clear evidence on the benefits of clean energy transitions and the necessary steps to take, creates positive public opinion for action. Therefore, the first outcome of the Results Framework measures the efforts to close the existing knowledge gap. At the same time, the CETP works to mobilise political will through high-level engagement, and deep technical discussions and workshops with key stakeholders, so the public opinion for energy transitions is acted upon. Outcome 2 therefore measures the declared willingness to apply the information to national, regional and/or global policy making among the stakeholders.

Even with the strongest motivation, the energy transition cannot be delivered in a long-lasting and sustainable way, if stakeholders do not have the capacity to act upon the available information. That is why Outcome 3 measures the effort of the programme towards capacity building activities in priority countries.

The programme also strives to create a virtuous circle among stakeholders who are knowledgeable, willing, capable of delivering change, work together and build new partnerships. This way, local and international knowledge can be shared, political will can be further reinforced, capacity can be strengthened, and by collaborating synergies and economies of scale can be enhanced and expanded.

Outcome 4 measures improvements in coordination, partnerships established and strengthened thanks to the programme.

The CETP internal tracking tools translate the Results Framework indicators into project-level data points. IEA teams delivering the programme record relevant data on a monthly basis, which allows the IEA to track progress throughout the year. The CETP team conducts a mid-year review and presents the result to the IEA Steering Group to inform any necessary adjustments to funding for the second half of the year. The process guides the delivery of the programme either with no modifications or with changes which permit the adaptation of funding streams to the geopolitical context, needs of the CETP priority countries, as well as changing priorities of the funders. Any significant modification of priorities will be discussed in the Funders' Strategic Coordination Group.

For internal purposes, we expect that results will be recorded by updating the monitoring framework based on KPI15 that was developed for phase 1 of the project to include, in addition, clearly identified ICF Technical Assistance (TA) Key performance Indicators (KPIs) (e.g. TA KPI1 – countries; TA KPI2.1 and 2.2 – individuals and organisations; TA KPI3 – climate policies; TA KPI5 – emissions reductions or avoided) and the log frame for the programme. The programme manager together with analysts will make an annual assessment against the KPI 15 transformational change indicator and log frame as part of an Annual Review process. The Annual Review would be based around delivery of the outputs and outcomes and make a qualitative assessment against each of the key risks outlined above.

We will also consider whether ICF KPI 15 methodology on transformational change remains the most appropriate one to measure progress on this programme. As with phase 1, we would expect phase 2 to deliver a rating of 5 (Clear evidence of change - transformation judged very likely), based on the success of phase 1 and the expansion of scope and delivery.

**Reporting**

The CETP produces an Annual Narrative Report on the CETP activities by the end of the first quarter of the year following completion of the annual work programme. The report includes detailed, descriptive information on activities delivered in each region and country and under each pillar and workstream of the programme. It also summarises and presents the programme output against the Results Framework indicators outlined above, based on the project-level data reported by teams to shows the overall results of the programme**.**

This unified approach to reporting allows the IEA to demonstrate how the CETP creates synergies between various funding streams. It provides an assessment of the impact of each individual funder's contribution and demonstrates how it is multiplied through the programme to create a whole greater than the sum of each part. Detailed financial information will also be provided separately as part of the financial reporting process.

In addition to the written report, the IEA presents regular updates to the Funders Strategic Coordination Group, IEA Governing Board and other relevant IEA committees, all of which the UK is represented on.

**Financial Reporting**

Funding provided to the CETP is managed in accordance with OECD Financial Regulations and other relevant OECD rules, procedures and policies. In the Annual Narrative Report (see above) the IEA presents the total CETP expenditure for the previous financial year, broken down by the pillars set out in the Strategic Framework and by country. Individual reporting for donors is provided in the standard reporting format with expenditures broken down by the OECD by nature of expenditure.

**5.6 Communications**

The IEA systematically disseminates results of CETP activities in order to increase visibility of the programme, enhance the availability of evidence for policy making and implementation, to mobilise political will for clean energy transitions, to enhance capacity to formulate and implement policies for clean energy transitions in targeted countries and regions and to improve coordination among national, regional and international stakeholders. All CETP communication efforts are integral part of the overall IEA communication strategy.

The IEA sees the dissemination as an ongoing dialogue with audiences with particular objectives as follows:

***Communication with CETP funders and IEA members*** - IEA delivers regular narrative and financial reporting to CETP funders, as described above. In addition to the annual narrative reports, CETP organises quarterly meetings for CETP funders as well as regular presentations to the IEA Governing Board the Standing Group on Global Energy Dialogue and other IEA Committees and Working Groups as relevant. It also delivers continuous communication through the CETP funders' portal. Furthermore, short and concise communication tools to assist funders in promoting the CETP work programme and added value have been developed.

***External communication with stakeholders in CETP priority countries and the general public audience -*** In order to reach all relevant audiences and support stakeholders in CETP priority countries, the IEA leverages all communication channels including the IEA website, social media, newsletters, webinars, events, as well as its extensive network of media relations around the world. It aims to make all output publicly available and ensure the data and analysis produced under the programme is easily accessible, which is especially relevant in engagement with emerging economies. Support of the CETP funders is acknowledged in all output in order to bring attention to the value created by the programme thanks to the funders´ contribution.

***Internal communication*** - The CETP Core Team coordinates the programme management across the IEA, under the direction of the Executive Office. The Core Team continuously provides information related to the processes and feedback from funders' meetings to the IEA staff involved in the delivery of the programme, through regular internal Steering Group meetings and direct exchanges. The objective of internal communication is to create a cohesive narrative and support planning, monitoring and delivery of the programme following the direction defined by the CETP funders.

## ANNEX A - PUBLIC SECTOR EQUALITY ANALYSIS FOR THE CLEAN ENERGY TRANSITION PROGRAMME

### Please include completed versions as an annex to the business case

This document records the equality analysis undertaken by BEIS International Climate Finance.

This analysis is designed to fulfil the requirements of the Public Sector Equality Duty (the equality duty) as set out in section 149 of the Equality Act 2010. This requires BEIS to pay due regard to the need to:

1. eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act
2. advance equality of opportunity between people who share a protected characteristic and those who do not
3. foster good relations between people who share a protected characteristic and those who do not

The protected characteristics which should be considered are:

- age
- disability
- gender reassignment
- marriage or civil partnership
- pregnancy and maternity
- race
- religion or belief
- sex
- sexual orientation.

Please note that in relation to the protected characteristic of marriage and civil partnerships the department is required to have due regard only to point 1.

Please also note that *gender* equality, although not listed as a protected characteristic for the purposes of PSED, is of particular interest to the BEIS ICF Portfolio. The template below should be used when preparing a new business case, but the full BEIS Gender Guidance document should be used to ensure gender mainstreaming is considered at every stage of the programme cycle.

Women and girls in developing countries are often more vulnerable than men and boys to the impacts of climate change and have less opportunity to effect change due to pre-existing gender inequalities regarding political leadership, access to information and resources, and mobility and voice. The International Development (Gender Equality) Act 2014 makes consideration of gender equality a legal requirement before the provision of any UK development and humanitarian spend. The UK Aid Strategy 2015 makes a commitment to prioritise the needs for women and girls throughout all its development spending. For more information, please see the BEIS ICF Gender Strategy.

You should consider the equality duty and gender equality before and after business case approval and monitor how the programme is working once delivery has started, all the way through implementation and programme closure. Considering equality in this way should be part of normal day-to-day activity and not a one-off exercise.

Notes in italics are to help you fill in this template. They should be deleted from the final version.

## 1. Outline your proposal

Through the Paris Agreement, countries have committed to preventing dangerous climate change, with a long-term goal of holding the increase in global temperature to well below 2°C above pre-industrial levels, and pursuing efforts to limit the temperature increase to 1.5 °C above pre-industrial levels. The IPCC Sixth Assessment Report estimates that 34% of global greenhouse gas (GHG) emissions (including 40% of methane emissions) in 2019 were from the energy supply sector. An additional 32% of emissions were from energy use in the buildings, transport, and industry sectors - thus two-thirds of global greenhouse gas emissions come from energy generation or use. Action in the energy sector to reduce emissions is therefore fundamental to delivery of climate objectives and keeping the 1.5 degrees target within reach. Developing countries also face the challenge of ensuring access to affordable, reliable, sustainable and modern energy services, in line with the UN Sustainable Development Goals for 2030. As of 2020 733 million people, mainly in Sub-Saharan Africa, lack the access that will help underpin delivery of many of the Sustainable Development Goals.

The programme leverages the IEA expertise to provide demand-led, needs-driven, independent, and expert capacity building and technical assistance to help recipient countries take the next steps to accelerate clean energy transitions and deliver the associated reductions in GHG and progress towards climate and sustainable development goals. Target countries and regions are Brazil, India, Indonesia, South Africa, Ukraine, Latin America, South-East Asia, and Africa.

The business case seeks a £12 million contribution for the extension of support to the International Energy Agency's (IEA) Clean Energy Transition Programme (CETP) over three years 2023/4 to 2025/6, comprising £10 million to fund the overall programme, combined with £2 million specifically ring-fenced to provide technical assistance to reduce methane emissions in the energy sector.

In collaboration with Funders, the IEA has developed a Strategic Framework for phase 2 of CETP, which is aimed at turning targets into action by realising global net zero and key sustainable development goals through a secure and people-centred transition underpinned by authoritative, data-driven analysis. The strategic framework for phase two of CETP is made up of three pillars:

- Accelerating national transitions
- Strengthening multilateral coordination; and
- Informing global energy dialogues.

The targets for the technical assistance are key energy institutions within target countries and the primary interaction will be with officials at both senior and technical levels within those institutions. The aim of the technical assistance is to accelerate the development and deployment of the policy, regulatory and investment frameworks that can help accelerate national clean energy transitions, transitions which will ultimately impact, and benefit, energy consumers within the target countries.

## 2. Summary of the evidence considered in demonstrating due regard to the equality duty and gender equality

***Guidance notes – please delete these from the final version:***

*You should use this section to summarise the evidence you have considered.*

Although the Clean Energy Transition Programme beneficiaries and the delivery partner, the International Energy Agency, are entirely international, as a proposed ongoing major donor, we will continue to work through the programmes governance structures to ensure that wherever possible, the CETP continues to advance equality of opportunity for people with a protected characteristic. As such, we have conducted a proportionate, light-touch equality analysis and with a particular focus on sex/gender than other protected characteristics. We would like to redress this balance in time. To inform this equality analysis, the following evidence has been considered:

- The CETP extension Business Case
- The CETP extension Concept Note
- The CETP Phase 2 Strategic Framework and Work Programme
- CETP Phase 1 Annual Reports
- CETP Phase 1 Logframe and results framework
- IEA Ministerial Mandates and outputs of the IEA Gender Advisory Council and Just Transition Council and Commission on People-Centred Clean Energy Transitions
- BEIS ICF Gender Strategy: Guidance for Gender Mainstreaming

## 3. Identify the impacts

Accelerating national clean energy transitions will have wide ranging implications for citizens and societies, influencing the nature of employment, infrastructures and lifestyles. Net zero goals are underpinned by the imperative to improve peoples' lives and wellbeing, and at the same time depend on people's participation and acceptance, and thus will not succeed if they are not fully people-centred and inclusive.

Within the CETP and building on the recommendations of the Global Commission for People-Centred Clean Energy Transitions, and responding to the 2022 IEA Ministerial mandates, the IEA is building its work supporting governments in the design and implementation of clean energy policies that fully encompass issues ranging from jobs and skills to equality and inclusion. Work will include research and analysis, best practice guidance, global convening, and implementation support in key countries and regions.

A particular challenge - and opportunity - is increasing job opportunities for women, and more generally the lives of women through sustainable energy solutions. The IEA notes that the energy sector remains one of the least gender diverse sectors: despite making up 48% of the global labour force, women account for only 22% of jobs in the energy sector. The share of women in the management levels of the energy sector is even lower. Hence, improving gender equality in the energy sector is an important goal for the programme and. gender issues in the energy sector are becoming an increasing area of focus for the IEA, which, through its gender-diversity initiative, is working in multiple areas to raise awareness about the importance of gender mainstreaming in energy policy making, including working

with governments, including through mainly through the CEM Clean Energy Education and Empowerment (C3E) TCP and with other international organisations to improve the collection of disaggregated gender and energy data to inform energy policy makers. Through the CETP, the IEA has increased engagement on gender and energy issues with target countries, including work on data, indicators and best practice. There is a particular need to raise awareness about the challenges of data collection and to improve capacity and internal coordination in governments, to develop new methodologies – as without accurate data it is difficult to judge the effectiveness of action taken to improve gender-diversity in the energy sector and reduce the barriers for underrepresented groups.

## 4. Analyse the impacts

Our analysis did not identify any negative impacts on protected characteristic groups internationally as the funding aims to provide technical assistance and capacity building to support government develop enabling policy and regulatory environments and investment frameworks for scaling up deployment of clean energy technologies and is inherently not people or community focussed as other similar ODA funds can be.

Nevertheless, as well as providing specific assistance to target countries on progressing people-centred clean energy transitions, the programme should help catalyse improved livelihoods internationally at a higher level by creating the conditions for faster sectoral decarbonisation and meeting the Paris Agreement goal.

There is also evidence that climate change will have disproportionately large impacts on women and girls and the lack of access to energy or to clean cooking fuels particularly impacts women, limiting their work options, exposing them to health risks, and forcing them to forage for wood or other combustible materials. In addition, achieving improved access to energy and clean cooking and enhanced energy security will impact on social development, including gender, allowing more economic opportunities for women. Thus accelerating emissions reductions through supporting the low carbon energy transition will indirectly contribute to improved outcomes for women and girls.

An important aspect of the CETP is to emphasise responsiveness to developing countries' needs and priorities and work to ensure a country-driven perspective. This inclusive and country-driven perspective will ensure that country priorities are taken into consideration without discrimination based on characteristics such as religion etc. Technical assistance delivered under the CETP also aims to facilitate delivery of the SDGs in countries – which include links to SDG 5 and 10 on gender equality and reduced inequalities. Monitoring and reporting during Phase 1 of the CETP revealed increasing levels of female participation in training and other activities delivered by the CETP and the reporting framework for Phase 2 will continue to reflect the aim for increasing participation of women in CETP activity.

## 5. Record your decision

On the basis of the available evidence, it is proposed to proceed as planned with the programme as it should have no adverse or disproportionately negative impact on people who share a protected characteristic, and through the technical assistance it delivers can make a contribution to advancing equality objectives both at a practical level, for example through delivery of inclusive training events and programmes, and at a global level by creating the conditions for faster sectoral decarbonisation and meeting the Paris Agreement goal thus

avoiding the worst impacts of climate change which can fall disproportionately on those with protected characteristics.

Through the CETP's Governance structures and our membership of the International Energy Agency (including its Gender Advisory Council), DESNZ will continue to monitor and review the work of the CETP as it relates to the the equality duty and gender equality and appropriate steps will be taken to advance equality of opportunity and foster good relations to a greater extent as possible.

## 6. Monitor and review

The programme will be monitored through the CETP's governance structures with the UK represented on the Funder's Strategic Coordination Group which approves the programme's annual work programme and monitors results through the annual reporting cycle – both through narrative annual reporting and through the results framework of agreed objectives, outcomes and outputs, including relevant indicators for assessing equality and gender related objectives as reflected in the logframe that will be developed.

*(The sign-off is for internal accountability and not publication)*

## Sign off by the Programme Manager

Name:

Job title: Head of International Energy Institutions, International Energy Unit, DESNZ

Date: 5th October 2023

**Please include completed assessments as an annex to the business**

## ANNEX B – CLIMATE AND ENVIRONMENTAL RISK SCREENING TOOL

| **Risk Screening Tool** | | | |
|---|---|---|---|
| <u>General Programme Identification</u><br><br>1. 29 September 2023<br>2. Programme Title: Clean Energy Transition Programme<br>3. Delivery Partner (if known): International Energy Agency<br>4. Funded by DESNZ: Proposal is £12million over Financial Years 2023/24 – 2025/6 | | | |
| **Climate screening factors** | **Supporting information** | **Score 0-3** | **Remarks** |
| <u>Exposure, vulnerability, and hazards</u> | | | |
| 1. Which physical environment best describes the area the programme is taking place in?<br><br>The Programme does not deliver activity that impacts the physical environment | See Table 1: Physical environment exposure zone examples.<br><br>(If you are operating in multiple exposure zones, note these and total the score. Mark at '4' if the total surpasses this). | 0 | The programme delivers intellectual services in the form of technical assistance |
| 2. What sectoral vulnerabilities can be identified?<br><br>Technical, vocational training & skills development | See Table 2: Vulnerabilities by sector.<br><br>Consider the impact of these vulnerabilities both on the programme, and the potential for the programme to exacerbate these vulnerabilities.<br><br>(If several sectoral vulnerabilities are identified, note these and mark the highest scoring sector). | 0 | Limited direct exposure to the types of risks discussed here |

| | | | |
|---|---|---|---|
| 3. What relevant individual hazards can be identified?<br><br>None | See Table 3: List of hazards.<br><br>(Add 1 for each natural hazard, up to a maximum of 4. If hazards are unknown use 3 as a risk value). | 0 | The programme delivers intellectual services in the form of technical assistance |
| 4. Estimate the number of people potentially "exposed" to climate-related risks? | • <100 score = 0<br>• 100-1000 score = 1<br>• 1000-10,000 = 2<br>• >10,000 score = 3 | 0 | The programme delivers intellectual services in the form of technical assistance |
| ***If the TOTAL value for the first four questions sums to 4 or less there is no need to complete the remaining questions. You will not be required to complete any further scoping or full CRAA.*** | | | |
| <u>Stakeholder engagement and adaptation support</u> | | | |
| 5. Does the programme have the institutional capacity to successfully incorporate, manage and deliver climate risk management measures? | Yes/No<br><br>• Yes, good capacity = 0<br>• No, poor capacity = 1<br>• Very poor capacity = 2 | | |
| 6. Will potential hazards impact on communities, gender, people with disabilities or indigenous peoples? | Yes/No<br><br>• Yes = 0<br>• No / Unsure = 1 | | |
| 7. Are there any demographic or socio-economic variables (i.e., population increase, settlement patterns, bio-physical/environmental conditions) that may increase exposure to hazard impacts? | Yes/No<br><br>• Yes / Unsure = 1<br>• No = 0 | | |
| 8. Is it likely that the delivery/implementing partner has some practical knowledge of climate risk reduction measures for the programme? | Yes/No<br><br>• Yes = 0<br>• No / Unsure = 1 | | |

| | | | |
|---|---|---|---|
| 9. Will the programme reduce, leave unaltered, or increase the risk to project beneficiaries? | • Reduce = 0<br>• Unaltered = 1<br>• Increase = 2 | | |
| 10. Will the programme reduce, leave unaltered, or increase the risk to the localized environment/project dependent ecosystem? | • Reduce = 0<br>• Unaltered = 1<br>• Increase = 2 | | |
| 11. Will the programme improve or provide opportunities to increase ~~adaptive~~ (mitigation) capacity through any of the programme elements?[3] | See Table 4: Adaptive Capacity.<br>Yes / No<br>• Yes = 0<br>• No / Unsure = 1 | | |
| 12. Do country/institutional policies or climate laws significantly promote climate risk management measures? | Yes/No<br>• Yes = 0<br>• No / Unsure = 1 | | |
| 13. Does the programme require a risk expert to introduce risk reduction measures in project design, implementation, or operations and maintenance? | Yes/No<br>• Yes / Unsure = 1 or 2 (based on assessment of the level of risk)<br>• No = 0 | | |
| **Total Risk Value (Range 0 to 25)** | **Severe Risk: 21-26**<br>**Major Risk: 15-20**<br>**Moderate Risk: 8-14**<br>**Low Risk: 0-7** | 0 | State:<br>Severe, major, moderate or low |
| **Low Risk (0-7):** This range indicates the programme is either very low risk, or the proposal has considered risk management measures to minimize hazard impacts and associated risks, and that the programme may therefore have a potentially higher threshold against current and anticipated risks. | | | |
| **Moderate Risk (8-14):** Climate related risks could possibly impact on the programme success, and at least light touch risk reduction measures should be incorporated into project design and activities. | | | |

[3] Adaptive capacity refers to the ability of a system to adjust, modify or change its characteristics or actions to moderate potential damage, take advantage of opportunities, or cope with the consequences of shock or stress (Brooks and Adger, 2004).

| |
|---|
| **Major Risk (15-20):** Climate related risks could significantly impact on the programme success, and risk reduction measures should be incorporated into project design and activities. |
| **Severe Risk (21-26):** Climate related risks are likely to derail the programme. It is highly recommended that risk reduction measures be incorporated into programme design and activities, and that a further review of the programme proposal be undertaken. At this level of risk, consideration of the suitability of undertaking this programming activity at all should be given. |

| **Environmental screening factors** | **Supporting information** | **Score 0-3** | **Remarks** |
|---|---|---|---|
| <u>Safeguarding and protection</u> | | | |
| 1. Will your programme exacerbate risk to any of the five safeguarding categories? | See Table 5: Environmental Risks and Safeguarding.<br>Yes/No<br>• Yes / Unsure = 1<br>• No = 0 | 0 | The programme delivers intellectual services in the form of technical assistance. There is little risk of direct environmental harms occurring as a result of the decision due to the nature of the programme (technical assistance to help developing countries create the policies necessary to support the acceleration of clean energy transitions and deliver sustainable development goals, thereby protecting the environment from the global threat of climate change). |
| 2. Will the programme include any measures or safeguards to mitigate against these risks? | See Table 5: Environmental Risks and Safeguarding. | 0 | Whilst we do not consider that there are substantive risks associated with |

| | | | |
|---|---|---|---|
| | Yes/No<br>• Yes = 0<br>• No / Unsure = 1 | | programme, DESNZ will use its position as Donor and CETP member to encourage consideration of the environmental risks associated with clean energy projects where that is consistent with the scope of the programme. |
| 3. Will the programme be operating in or near critical habitats? | Yes/No<br>• Yes = 2<br>• Unsure = 1<br>• No = 0 | 0 | The programme provides intellectual services in the form of technical assistance. |
| 4. Will the programme consider opportunities to enhance the environment through your programme? | Yes/No<br>• Yes = 0<br>• No / Unsure = 1 | 0 | The programme is aimed at helping countries accelerate national energy transitions to reduce greenhouse gas emissions. Reducing emissions will mitigate the environmental impacts of climate change |
| 5. Will the programme go against a country's biodiversity strategy or plans? | Yes/No<br>• Yes / Unsure = 1<br>• No = 0 | 0 | The programme provides intellectual services in the form of technical assistance to accelerate national transitions to reduce emissions from the energy sector. Reducing emissions will mitigate the environmental |

| | | | |
|---|---|---|---|
| | | | impacts of climate change on biodiversity |
| ***If the TOTAL value for the first four questions sums to 3 or less there is no need to complete the remaining questions. You will not be required to complete any further scoping or full EIA.*** | | | |
| <u>Stakeholder engagement and participation processes</u> | | | |
| 6. Does the programme have the institutional capacity to successfully incorporate, manage and deliver environmental risk management measures? | Yes/No<br>• Yes, good capacity = 0<br>• Some capacity = 1<br>• Poor capacity = 2 | | |
| 7. Will there be any environmental risks that disproportionally impact any communities, gender, people with disabilities or indigenous people? | Yes/No<br>• Yes / Unsure = 1<br>• No = 0 | | |
| 8. Have participatory processes been used, or plan to be used, in the planning, design and management of the programme? | Yes/No<br>• Yes = 0<br>• No / Unsure = 1 | | |
| 9. Is it likely that the delivery/implementing partner is skilled and has the resources and expertise to implement an environmental risk management plan? | Yes/No<br>• Yes = 0<br>• No / Unsure = 1 | | |
| 10. Does the project require a risk expert to introduce risk reduction measures in project design, implementation, or operations and maintenance? | Yes/No<br>• Yes / Unsure = 1 or 2 (based on assessment of the level of risk)<br>• No = 0 | | |
| 11. As well as safeguards, are there opportunities to build capacity and deliver environmental benefits? | For example, if the intervention involves infrastructure, have you considered nature-based solutions? | | |

| | | | |
|---|---|---|---|
| | Yes / No<br>• Yes = 0<br>• No / Unsure = 1 | | |
| 12. Do country/institutional policies, regulations or laws promote environmental risk assessments? | Yes/No<br>• Yes = 0<br>• No / Unsure = 1 | | |
| **Total Risk Value (Range 0 to 16)** | **Severe Risk: 12-15**<br>**Major Risk: 8-11**<br>**Moderate Risk: 4-7**<br>**Low Risk: 0-3** | 0 | State:<br>Severe, major, moderate or low |

**Low Risk (0-3):** This range indicates the programme is either very low risk, or the proposal has considered risk management measures to minimize hazard impacts and associated risks, and that the programme may therefore have a potentially higher threshold against current and anticipated risks.

**Moderate Risk (4-7):** Environmental risks could possibly impact on the programme success, and at least light touch risk reduction measures should be incorporated into project design and activities.

**Major Risk (8-11):** Environmental risks could significantly impact on the programme success, and risk reduction measures should be incorporated into project design and activities.

**Severe Risk (12-16):** Environmental related risks are likely to derail the programme. It is highly recommended that risk reduction measures be incorporated into programme design and activities, and that a further review of the programme proposal be undertaken. At this level of risk, consideration of the suitability of undertaking this programming activity at all should be given.

## ANNEX C – TIER ONE – CRITICAL SUCCESS FACTORS APPRAISAL

The table below assesses the Tier 1 Options against the critical success factors incorporating the qualitative risks and benefits outlined above. To arrive at a final recommendation the options have been assessed through a scoring system based on the following scoring system where confidence in the option providing effective technical assistance to accelerate national energy transitions is reflected in the following scoring scale 1 Low (Red) 2. Medium (Amber) 3 (Green)

| **Success Factor** | **Option A – Do Nothing** | **Option B - Extend our support for the CETP** | **Option C - Contribute funding to another existing or new source of technical assistance** | **Commentary** |
|---|---|---|---|---|
| Strategic Fit / Timing | 1 | 3 | 2 | Option B scores highly on this factor on the basis of a strong track record of delivery of effective technical assistance in Phase 1 of CETP as reflected in its KPI-15 rating of 5 at the close of our initial UK support.<br><br>Whilst Option C could in theory deliver effective technical assistance, we have not identified any existing programmes that deliver the breadth and depth of technical assistance that CETP can deliver or the level of access and political buy-in from target countries secured by the IEA with the level. IEA expertise and the level of engagement and access to decision makers in target countries and it would be difficult to replicate. Similarly any new programme would find it difficult to replicate the IEA's reach and expertise and regardless would require more time to deliver as against an already existing programme, given time needed to establish a new programme. In particular, any new programme is unlikely to be in place to deliver methane reduction activity to our desired timescale as it takes to build relationships with the target countries and to develop the necessary materials - we, alongside the US, EU and other |

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| | | | | countries, are looking to release funding as soon as possible, gathering momentum ahead of COP28 and build on existing capacity building programmes. |
| VFM/Benefits optimisation | 1 | 3 | 2 | Option B would provide UK funding that would help scale up of the work programme from Phase 1 to match increased demand from target countries and continue to deliver transformational change based on a strong track record of capacity to deliver high quality technical assistance. This draws on the IEA's unique breadth of expertise and the high levels of buy-in secured from target countries at the highest levels, reflecting strong institutional links between the IEA and target countries. As an existing programme, CETP is well positioned to absorb funding and put it to use rapidly whilst UK support has also leveraged support from other donors<br><br>We have not identified alternative existing programme that can deliver the breadth and depth of technical assistance that CETP can deliver or the level of access and political buy-in from target countries secured by the IEA . This IEA expertise and the level of engagement and access to decision makers in target countries and would be very difficult to replicate.<br><br>Additionally, under Option C as new programme or change to an existing technical assistance programme, there would be scale up of activity but as a new programme or new activity it would be expected that it would take time to demonstrate transformational change. |

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| | | | | Establishing a new multi-lateral programme would also require time to garner support from both potential funders and target countries and there is no certainty that such funds would be forthcoming.<br><br>A new bi-lateral programme would suffer from all overheads and start-up costs falling on the UK rather than being shared between donors, reducing the resource flowing directly to activity in target countries. |
| Potential Achievability | 1 | 3 | 2 | Under Option A no assistance would be delivered. Under Option B, the CETP has already demonstrated a strong track record of delivery and has the expertise already in place for delivery and Ministerial Level commitments from donors to support the programme.<br><br>Under Option C, new or existing UK-only funded or multi-lateral programmes have the potential to deliver assistance given equivalent resource allocation. However, our assessment is that no existing programme currently exists that could replicate the IEA's unique breadth and depth of expertise and relationship with the target countries which has driven and shaped the increasing demand for the IEA's assistance. Under Option B, we have high confidence that the high-levels of political buy-in delivered through extensive high level engagement under the CETP and through the target countries engagement in the IEA's institutional structures will continue. |
| Supplier | 1 | 3 | 2 | Under Option B CETP is delivered |

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| Capability and Capacity | | | | through an annual work programme allowing priorities to change year-on year as well as having governance structure sin place that would allow variation of work programming to cope with changing demands from target countries or global developments (for example CETP 1 pivoted quickly to providing assistance on COVID recovery plans in the energy sector) but with multiple funders, significant changes require consensus. Under Option C, delivery of technical assistance through a UK-only funded and controlled bi-lateral programme, for example, could be well-positioned to move swiftly to reflect changing needs. However, delivering technical assistance through alternative multi-lateral arrangements would potentially face similar constraints in responding swiftly to changing needs.<br><br>Under Option B, there is also high confidence that CETP can continue to deliver assistance to a growing range of target countries, as reflected in the fact that the programme has quickly moved to deliver programmes of work with additional target countries, including Ukraine – aided by the fact that target countries are largely part of the IEA Family institutional structures. It has also partnered with regional bodies such as OLADE, ASEAN and the African Union to leverage national assistance more broadly. Under Option C, it is unlikely that a UK only bi-lateral programme of technical assistance (based on same UK funding levels) would have wide reach with ODA eligible countries or ability to operate at scale. Other multi-lateral organisations could provide broad |

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| | | | | reach to ODA-eligible countries without necessarily having the ability to operate at scale due to constraints on expertise.<br><br>Under Option B we have confidence that the CETP is very well placed to leverage global partnerships given IEA membership in many key international partnerships (CEM, MI, Breakthroughs, G7, G20) and ability to coordinate their delivery with other donors given the significant number of donors within the CETP funding structure and the emphasis on co-ordination with funders both through the governance structures and in-country. Under Option C, there is some confidence that other programmes could leverage global partnerships and coordinate their delivery with other donors but for new programmes this would mean investing in establishing the relationships with other donors and global partnerships and our assessment is that there are no other existing technical assistance programmes that currently have have the level of engagement with key international partnerships that the CETP delivery partner, the IEA has developed and retained over many years. |
| Potential Affordability | | 3 | 2 | Option A would be highly affordable as there would be no costs or resource requirements arising if we withdraw support from the programme and do not seek to deliver assistance through an alternative mechanism. Under Option B IEA has already secured significant funding commitments for the first year of Phase 2 and Ministerial-level commitment from donor countries. With the programme and delivery and governance structures already in |

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| | | | | place, there would be no additional start-up costs. By building on an existing platform and structures as well as other donor funds so we have more confidence that this would allow us to spend the money effectively and deliver the objectives.<br><br>Under Option C, developing alternative bi-lateral or multi-lateral delivery mechanisms to provide technical assistance would come with uncertain start-up costs and overheads though this could be mitigated by allocating funding to other existing programmes instead though our assessment is that no other existing programme can deliver the breadth and depth of technical assistance that CETP can deliver or the level of access and political buy-in from target countries . |
| Score | 7 | 18 | 10 | |

## ANNEX D TIER TWO – CRITICAL SUCCESS FACTORS APPRAISAL

We have undertaken an assessment of each option against the critical success factors using where confidence in the option providing effective technical assistance to accelerate national energy transitions is reflected in the following scoring scale 1 Low (Red) 2. Medium (Amber) 3 (Green).

| **Success Factor** | **Option A**<br><br>**£8million**<br><br>**2023/4 – 2025/6** | **Option B**<br><br>**£10 million**<br><br>**2023/4 – 2025/6** | **Option C**<br><br>**£10 million plus £2 million for methane reduction assistance**<br><br>**2023/4 – 2025/6** | **Option D**<br><br>**£15 million plus £2 million for methane reduction assistance**<br><br>**2023/4 – 2025/6** | **Commentary** |
|---|---|---|---|---|---|
| Strategic Fit/Timing | 2 | 2 | 3 | 3 | Options B,C and D would all represent an increase in funding and likely mean the UK will be the programme's lead funder, helping to show climate leadership. Options C and D, specifically including funding for methane, would ensure that we are targeting one of the fastest most cost-effective tools to limit global temperature rises. This is a priority for the UK, as demonstrated by our strong domestic record on reducing methane emissions and our leadership on this issue internationally such as at COP26. Our international partners, including the US, are also prioritising the reduction of global methane emissions, as shown by the Global Methane Pledge and Methane Finance Sprint, and so including this funding demonstrates that the UK are committed to this collective effort. |
| VFM/benefits optimisation | 1 | 2 | 3 | 3 | Options C and D would increase UK contribution contributing to scale up of the programme whilst specific funding for methane |

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| | | | | | production would expand the scope and reach of the programme and ensure we are targeting impactful yet cost-effective measures. Option A would allow delivery of a programme at similar scale to phase 1. Option B would allow an increase in funding but not deliver the benefits of an enhanced workstream for methane reduction |
| Potential Achievability | 1 | 2 | 3 | 3 | Option A retaining funding at existing levels would not allow the programme to scale-up to deliver work programmes consistent with demands being placed on the programme. Option B would allow for an enhanced and flexible work programme to respond to demands from target countries but would not allow development of a new workstream for methane reduction. Options C and D would both allow support both for a scaled up programme and development of a new workstream for technical assistance for methane reduction. The additional funding in Options C and D allowing the programme to match demand from target countries is also likely to raise satisfaction levels and thus buy-in for future engagement. For instance, there is significant political appetite for capacity building on methane given recognition that it is one of the quickest and most cost-effective measures developing countries can take – hence IEA's previous engagement with developing countries including Algeria, Iraq, and Ghana, and their plans to |

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| | | | | | expand engagement with Algeria, Egypt, Iraq, Kazakhstan, and African countries. The US Methane Finance Sprint, which aims to raise at least $200mn in new public and philanthropic support for developing countries on methane ahead of COP28, also demonstrates the broad political appetite for more funding and support in this space. |
| Supplier Capability and Capacity | 2 | 2 | 3 | 3 | Option A is consistent with the ability for the IEA to conduct level of outreach in Phase 1 but Phase 2 has extended target countries and regions and it could also limit ability to meet urgent and changing country needs. Additional funding in Options B,C,D would allow for greater reach across ODA-eligible countries – with Options C and D allowing for broad yet targeted and high-impact technical assistance on methane emissions. Providing funding for the overall programme provides flexibility for the IEA to allocate funding within the work programme to best match beneficiaries priorities and needs. The ring-fenced funding for work on methane reduction constrains this flexibility but provides the funding for the specific start-up development and delivery of a new workstream that once developed can then form a core part of the work programme and be supported in future through more flexible funding |
| Potential Affordability | 3 | 3 | 3 | 2 | Option A is the least cost option, whilst Option D is unlikely to be affordable within |

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| | | | | | the ICF Budget given current pressures and pipeline of projects, Options B and C would both make a significant contribution to funding the work programme and likely be enough to ensure the UK is a lead-funder of the programme. This would allow us to bring extra influence over the programme development whilst not funding to the extent that other donors can free-ride on a UK contribution. Option D would see the UK providing 25% of the budget which would be disproportionate given the number of existing and potential donors to the programme |
| Score | 9 | 11 | 15 | 14 | |

## ANNEX E – ILLUSTRATIVE LIST OF KEY PARTNERS IN TARGET COUNTRIES

The table below is not exhaustive but lists a wide range of organisations and actors with which the IEA cooperates through the CETP.

| Partner Name | Description and collaboration area |
|---|---|
| Brazil | |
| Centre for Management and Strategic Studies (CGEE) | CGEE (Centro público de Gestão e Estudos Estratégicos do Brasil), operates under the Science and Technology Ministry and supports decision-making processes on topics related to science, technology and innovation, also through engagement with the National System of Science, Technology, and Innovation. Collaboration includes innovation and support to policy to Brazil |
| Electricity Regulatory Agency (ANEEL) | ANEEL (Agência Nacional de Energia Elétrica) is linked to the Ministry of Mines and Energy. Its purpose is to provide favourable conditions for the electricity market to develop a balanced environment amongst agents. Collaboration focuses on innovation policy support to Brazil |
| Energy Research Office (EPE) | EPE (Empresa de Pesquisa Energética) is a government agency that supports the Brazilian Ministry of Mines and Energy. Its scope of operations includes the power, oil and gas, and biofuel sectors. Collaboration includes RD&D data collection, global support to Mission Innovation, innovation policy support, and clean energy innovation data and tracking |
| Ministry of Mines and Energy (MME) | MME (Ministério de Minas e Energia) fosters investments in mining and energy-related activities, funds research and sets out government policies. Collaboration includes policy support to Brazil |
| Ministry of Science and Technology (MCTIC) | MCTIC (Ministério da Ciência, Tecnologia e Inovações) is a civilian cabinet organization which coordinates science, technology, and innovation activities in the country. Collaboration includes national work on the innovation pathway for Brazil, and innovation policy support to Brazil |
| National System of Science,Technology, and Innovation | SNCTI is formed by governmental, private sector and |

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| (SNCTI) | academic bodies with the objective of fostering investments aiming at accelerating scientific and technological development. Collaboration includes innovation and support to policy to Brazil |
| India | |
| Accelerating Growth of New India's Innovations (AGNIi) | AGNIi is a programme of the Office of the Principal Scientific Adviser to the Government of India, and the Prime Minister's Science, Technology, and Innovation Advisory Council (PM-STIAC). It is executed at Invest India (India's national investment promotion agency).Collaboration includes assistance to the Mission Innovation ClimEx platform, and work on national innovation pathway in India |
| Bureau of Energy Efficiency (BEE) | BEE operates within the Ministry of Power created in March 2002 under the provisions of the nation's 2001 Energy Conservation Act with the function to develop programs aimed to increase the conservation and efficient use of energy in India. Collaboration includes the development of the Roadmap for Mainstreaming Energy Efficiency in Residential Buildings in India |
| Central Pollution Control Board (CPCB) | CPCB is an organisation under the Ministry of Environment, Forest and Climate Change entrusted with the powers and functions under the Air Prevention and Control of Pollution Act, 1981. It serves as a field formation and also provides technical services to the Ministry. Collaboration includes work on Indian transport and air pollution |
| Centre for Social and Economic Progress (CSEP) | CSEP is an independent, public policy think tank which conducts policy research and provides recommendations for the challenges facing India and the world. Collaboration includes work on the role of gas in India |
| Council of Energy, Environment and Water (CEEW) | CEEW is a not-for-profit policy research Indian institution formed to provide insights to policy makers for building a sustainable India. Collaboration includes work on the role of renewables in India |
| Department of Biotechnology (DBT) | DBT operates under the Ministry of Science and Technology and it is responsible for administrating development and commercialisation in the field of |

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| | modern biology and biotechnology. Collaboration includes work on clean energy innovation data and tracking with a dedicated effort to improve coverage of India |
| Department of Science and Technology (DST) | DST is responsible for organising, coordinating and promoting Science & Technology activities in the country and for expanding future horizons by promoting new areas in the field. Collaboration includes clean energy innovation data and tracking with a dedicated effort to improve coverage of India |
| Institute of Indian Technology (IIT) | IIT is a school that engages in questions at the intersection of science, technology, innovation and development with the aim of producing cutting-edge research, training the next generation of policy professionals, and contributing to the improvement of policy processes in India and beyond. Collaboration includes work on the national innovation pathway for India |
| Ministry of Environment, Forest and Climate Change (MoEFCC) | MoEFCC is responsible for planning, promoting, coordinating, and overseeing the implementation of environmental and forestry programmes in the country. Collaboration includes discussion on Emission Trading System design |
| Ministry of New and Renewable Energy (MNRE) | Ministry that is mainly responsible for R&D, intellectual property protection, and international cooperation, promotion, and coordination in the field of renewable energy sources. Collaboration includes work on bioenergy policies, hydropower policies, renewable energy auctions design, and renewables policy advisory in India |
| Ministry of Road Transport and Highways (MoRTH) | MoRTH ministry is in charge of the administration of the rules, regulations and laws relating to road transport, transport research, mobility and efficiency of the road transport system. Collaboration includes work on Indian transport and air pollution |
| National institution for transforming India Aayog (NITI Aayog) | NITI Aayog serves as the apex public policy think tank of the Government of India, and the nodal agency tasked with catalysing economic development, and fostering cooperative federalism through the involvement of State Governments of India in the economic |

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| | policymaking process using a bottom-up approach. Collaboration includes work on India transport and air pollution |
| Office of the Principal Scientific Advisor | Office that, through the Prime Minister's Science, Technology and Innovation Advisory Council (PM-STIAC), helps scientific cross-sectoral synergy across ministries, institutions and the industry. Collaboration includes work on a national innovation pathway for India, assistance to the Mission Innovation ClimEx platform |
| The Energy and Resources Institute (TERI) | TERI is an independent, multi-dimensional organisation, with capabilities in research, policy, consultancy and implementation. It focuses on the energy, environment, Climate Change and sustainability space. |
| Indonesia | |
| Ministry of Energy and Mineral Resources (MEMD) | MEMD is responsible for providing assistance to the President and Vice President in performing government affairs in the field of energy and mineral resources. Collaboration includes discussion and design of energy trading systems and carbon pricing in Indonesia |
| Ministry of National Development Planning or National Development Planning Agency (BAPPENAS) | BAPPENA is tasked with overseeing government affairs in the field of national development planning to assist the President in organising state government. Collaboration includes ETS and carbon pricing in China |
| South Africa | |
| Department of Agriculture, Forestry and Fisheries (DFFE) | DFFE aims to preserve the environment avoiding it from becoming harmful to the health or well-being. Collaboration includes policy alignment for clean and sustainable energy transitions in South Africa |
| Department of Mineral Resources and Energy (DMRE) | DMRE is responsible for the mining industry, including exploitation of the country's mineral resources, and the energy industry. Collaboration includes policy alignment for clean and sustainable energy transitions in South Africa |
| University of Cape Town | Public research University. Collaboration includes policy alignment for clean and sustainable energy transitions |

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| | in South Africa |
| Latin America | |
| Central America Integration System (SICA) | SICA (Sistema de la Integración Centroamericana) is the institutional framework of the Central American regional integration with the objective is the realization of the integration of Central America, to establish it as a Region of Peace, Freedom, Democracy and Development. |
| Development Bank of Latin America (CAF) | CAF (Corporacion Andina de Fomento – Banco de Desarrollo de América Latina) is a development bank with 20 shareholder countries in Latin America, the Caribbean, Spain and Portugal as well as 13 private banks. Collaboration includes training on energy efficiency in buildings |
| Inter-American Development Bank (IDB) | IDB is the largest source of development financing for Latin America and the Caribbean. Collaboration includes a report on the Climate Impacts on Latin America Hydropower |
| Latin American Energy Organization (OLADE) | OLADE (Organización Latinoamericana de Energía) is anintergovernmental public body of cooperation, coordination and technical advisory, with the objective of promoting the integration,conservation, rational use, commercialization and defence of the region's energy resources. Collaboration includes work on data and policies for improving energy efficiency in the region |
| Ministry of Energy of Chile | Ministry responsible for preparing and coordinating, in a transparent and participatory manner, the different plans, policies and regulations for the development of the country's energy sector. Collaboration includes work on retail market reforms and smart grid strategies. |
| United Nations Economic Commission for Latin America (UNECLAC) | ECLAC has the purpose of contributing to the economic development of Latin America, coordinating actions directed towards this end, and reinforcing economic ties among countries and with other nations of the world. Collaboration includes work on data and policies for improving energy efficiency in the region |

| MENA and Sub-Saharan Africa | |
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| African Development Bank (AfDB) | AfDB is a multilateral development finance institution. Collaboration includes efforts to accelerate clean energy transitions in Africa (with a focus on the horn of Africa), energy systems based in MENA, key challenges in MENA |
| African Energy Commission (AEC) | AEC is a specialised agency of the African Union in charge of developing, coordinating and harmonising the energy policies of the participating countries. Collaboration includes exchanging data and statistics on African countries energy balances |
| Southern African Power Pool (SAPP) | SAPP is a cooperation entity of the national electricity companies in each African countryt that operates under the hospice of the Southern African Development Community (SADC). Collaboration includes efforts to accelerate clean energy transitions in Southern Africa |
| African Union Commission (AUC) | AUC is the executive/administrative branch or secretariat of the African Union that consists of a number of Commissioners dealing with different areas of policy. Collaboration includes energy systems based in Africa and workshops to identify key challenges in accelerating clean energy transitions in Africa |
| African Union Development Agency- New Partnership for Africa's Development (AUDANEPAD initiative) | AUDA-NEPAD coordinates and executes priority regional and continental projects to promote integration towards the realisation of Agenda 2063, provides advisory support, undertakes the full range of resource mobilisation and serves as the continent’s technical interface with various stakeholders. Collaboration includes work on the power sector in Africa, with discussion of the Africa single electricity market project |
| Regional Centre for Renewable Energies and Energy Efficiency (RCREEE) | RCREEE is an intergovernmental organisation with diplomatic status that aims to enable and increase the adoption of renewable and energy efficiency practices in the Arab Region. Collaboration includes efforts to accelerate clean energy transitions in Africa (with a focus on the horn of Africa), energy systems based in MENA and key challenges in MENA |

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| South East Asia | |
| Asian Development Bank (ADB) | ADB is a regional development bank based in the Philippines that has local offices in more than 30 countries. Collaboration includes workshops/policy briefs/side-events on Carbon Pricing in the region. |
| Association of Southeast Asian Nations (ASEAN) | ASEAN is a political and economic union of ten states in Southeast Asia, which promotes cooperation and integration at multiple levels in the Asia-Pacific. Collaboration includes work on the role of renewables in Southeast Asia, system integration and regional grids, clean energy finance workshop, people-centred transitions, and clean energy technology. |
| Electricity Generating Authority of Thailand (EGAT) | EGAT is a state-owned power utility under the Ministry of Energy of Thailand, responsible for electric power generation and transmission for the whole country as well as bulk electric energy sales. Collaboration includes support to Thailand's NDC enhancement and climate policy |
| Greenhouse Gas Management Organisation (TGO) | TGO is an autonomous governmental organization under the Ministry of Natural Resources and Environment (MNRE) responsible for reducing greenhouse gas. Collaboration includes capacity building of technical skills, NDC enhancement and climate policy in Thailand |
| Natural Resources and Environmental Policy and Planning (ONEP) | ONEP operates under Thailand's Ministry of Natural Resources and Environment with the mission to formulate policies and plans to promote and maintain the quality of the environment by suggesting policies and plans for the conservation and management of natural resources and the environment. Collaboration includes NDC enhancement and climate policy in Thailand |
| South East Asia Transition Partnership (ETP) | ETP is a multi-donor partnership formed by governmental and philanthropic partners to accelerate the sustainable energy transition in Southeast Asia in line with the Paris Agreement and Sustainable Development Goals. Collaboration includes advising on renewables policy. |

## ANNEX F CLEAN ENERGY TRANSITIONS PROGRAMME INTEGRATED ASSURANCE AND APPROVAL PLAN

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| Programme Name | Clean Energy Transitions Programme |
| Programme SRO | |
| BEIS Directorate | International Net Zero: Energy and Trade (Joint DESNZ-FCDO International Unit) |

**Programme Purpose and Scope**

*ICF Overview:*

The Clean Energy Transitions Programme be funded by the UK's International Climate Finance (ICF). The ICF, a £11.6 billion allocation for 2021-2026, forms part of the UK's commitment to supporting developing countries to adopt low-carbon development, become more climate resilient and tackle deforestation. All UK ICF is Official Development Assistance (ODA) and is spent in line with ODA rules. Three government Departments (FCDO, DESNZ and DEFRA) are responsible for administering the budget. The DESNZ International Climate Finance team is responsible for delivering policy and programmes which support climate mitigation, mainly in countries with large or rapidly growing emission trajectories.

*Programme Overview:*

Under this Business Case, DESNZ would invest £12 million (RDEL) to extend UK support for the Clean Energy Transition Programme (CETP) to be delivered by the International Energy Agency. The programme leverages the IEA expertise to provide demand-led, needs-driven, independent, and expert capacity building and technical assistance to help recipient countries take the next steps to accelerate clean energy transitions and deliver the associated reductions in GHG and progress towards climate and sustainable development goals. Target countries and regions are Brazil, India, Indonesia, South Africa, Ukraine, Latin America, South-East Asia, and Africa

**Programme Assessment of Risks and determination of Assurance / Approval requirements**

The IAAP seeks to set our assurance and approvals processes for the CETP in-line with the HMT "three lines of defence" and DESNZ's Integrated Assurance and Approvals Strategy. The plan clearly sets out the assurance processes in place to assess the management, governance and risk management of delivery. ICF assurance and approval processes ensure a risk-based, proportionate and integrated approach.

Set out below are the specific ICF approval requirements that are applicable for the AIM for Forests Programme business case:

- As this business case is under £70m and is not novel, contentious, or repercussive, the business case is within the delegated authority given to DESNZ ICF from DESNZ Projects and Investments Committee (PIC) and is not required to go to PIC for approval.
- All investment decisions approved by the DESNZ ICF Portfolio Committee are submitted to BEIS Ministers for approval.

### Programme Roles and Responsibilities

| Dept. | Team | Role(s) |
|---|---|---|
| DESNZ | **Approvals Committee** | • Approves IAAP |
| DESNZ | **SRO** | • Agrees IAAP<br>• Sponsors assurance reviews<br>• Communicates and actions assurance findings and recommendations<br>• Owns programme response and implementation of recommendations in assurance reports |
| DESNZ | **ICF Portfolio Management Office** (PMO) | • Monitors execution of IAAP and actions exceptions<br>• Monitors delivery of assurance recommendations |
| DESNZ | **Programme Management Team** | • Develops initial IAAP<br>• Manages execution of the IAAP schedule and requirements (for programme-level IAAPs not Portfolio-level)<br>• Liaises with potential assurance providers to schedule and resource assurance reviews in-line with IAAP<br>• Reviews IAAP after each assurance activity and updates IAAP if appropriate – sends amended IAAP to DESNZ Portfolio Management Office |
| DESNZ | **Wider stakeholders** | • Indicate assurance requirements<br>• Receive assurances (for example, reports) |

### Project Assurance and Approvals Activity

| Approval and Assurances | Indicative Dates/Timeframe |
|---|---|
| ICF Portfolio Committee for Business Case | 21 November 2023 |
| Ministerial approval of Business Case | November 2023 |
| Theory of Change, Updated Logframe / key MEL products approval including results and monitoring framework | Within 6 months of signing the Standard Administration Arrangement with the International Energy Agency |
| Annual workplan and budget | Budget and Workplan agreed Q4 of each calendar year for the upcoming year |
| Annual Reviews | Annually Q2 following receipt of annual reporting from delivery partner in Q1 |
| Approval of encashments | As per indicative encashment schedule |
| Programme Delivery Plan meetings | Quarterly meetings between Programme Lead and ICF PMO |
| Formal review meetings with delivery partner | Quarterly meetings between DESNZ Programme Leads and IEA at Funders Strategic Co-ordination Meetings.<br>Ad hoc meetings in-between quarterly meetings (virtual) as needed between programme leads and IEA |

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| Approval of country selection and activities | Annual Work Programmes agreed through Funders Strategic Co-ordination meetings Q4 ahead of delivery in upcoming year. |
| End of project evaluation, including approval of evaluation methodologies and plan developed by FAO | End of programme or in the final year of programme implementation. Approvals by G6/G7/SEO Programme leads, MEL Advisers, FAO/BEIS Steering Committee |
| Project Completion Review | End of programme |
| Delivery Chain Mapping and Risk Mapping | Ongoing (in line with annual reviews timeframe) |

**Approvals Summary:**

The purpose of ICF approval processes is to ensure that programmes entering the ICF Portfolio are deliverable, affordable, will drive benefits aligned with DESNZ's ICF strategy and represent value-for-money. Investment approvals must be defendable within the rules of 'Managing Public Money'. The DESNZ Projects and Investment Committee (PIC) or, where delegated (as for CETP), the BEIS ICF Portfolio Committee, do this by scrutinising business cases, including benefits, financial impacts, governance arrangements, resourcing, deliverability and value-for-money of programmes.

The DESNZ ICF approval process is outlined below:

| **Product/Change** | **Sign Off** | **Approvals Prior to Sign Off/Points to Note** |
|---|---|---|
| Delivery Partner Assurance Review | Programme SRO | ICF PMO, IFU DD |
| Fee structure and sign off on Standard Administrative Arrangement with the Delivery Partner (International Energy Agency) | Programme SRO | DESNZ and ICF corporate legal and finance specialists, ICF commercial specialists, and IEU DD. |
| Key MEL products (Theory of Change, Logframe and MEL Framework including MTR and end of project evaluation) | IEU DD, IEUG6, MEL G6 | MEL Advisers, G7/HEO Programme Leads |
| Annual Review (AR) | IEU DD if Annual Review score B or lower, IEU G6 if A, A+ or A++.<br>*Scoring agreed by project G6/PMO & G6/Analysts. Escalated to SRO for sign-off if scoring cannot be agreed)* | IEU G6 & PMO G6<br>G7/HEO Programme Leads<br>PMO, MEL Advisers, Economists |
| End of Project Evaluation | IEU DD | G7/HEO Programme leads, PMO, MEL Advisers, Economists |
| Project Completion Review | IEU DD | IEU G6 and PMO G6 prior to final review. MEL Advisers, Economist, PMO review/sign-off. |
| Changes to scope | Portfolio SRO (decisions with particular reputational | IEU DD and G6, specialists and PMO<br>The change will be requested and |

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|---|---|---|
| | risk escalated to Portfolio Committee). | recorded through the change control process |
| Changes to logframe | IEU DD or G6 dependent on level of change | IEU G6, PMO, MEL Advisers, Economists |
| Time Extension | ICF Portfolio Committee. Time extensions under 9 months may be delegated to the (SRO, IEU DD or G6 (dependent on length of time requested) for approval. | IEU G6 and IEU DD and specialists<br>If the request is greater than 6 months, the change will be requested and recorded through the change control process.<br>If the request is less than 6 months, the change will be recorded in the Change Log. |
| Programme costs increase up to 30% of programme value or up to £10M, whichever is lower | Portfolio SRO | Complete a CR form, signed off by the Programme Director. PMO is informed and CR quality assured by PMO & analysts. CR submitted to the Portfolio SRO to consider and decide. Change is documented in the change log. |
| Programme costs increase exceeds >31% of programme value or over £10M, whichever is lower | Portfolio Committee | Complete a CR form, signed off by the Programme Director. PMO is informed and CR quality assured by PMO & analysts. CR submitted to the Portfolio Committee to consider and decide. Change is documented in the change log.<br>*An extension business case may sometimes be required if the cost increase will have implications on VfM or the original business case objectives. In this case the business case is also likely to require Ministerial sign-off. PMO will advise on a case-by-case basis. |

**Programme: Cost and Resource for Assurance and Approvals Activity:**

DESNZ resources for the Clean Energy Transitions Programme including assurance and approvals are detailed in the table below

| Grade and Role | FTE |
|---|---|
| G7 Programme Lead | 0.2 |
| HEO Programme Lead | 0.2 |
| G6 Team Leader | 0.05 |
| SEO MEL Adviser | 0.1 |
| HEO Economist | 0.1 |
| IEU Deputy Director | 0.05 |

**Project: Reporting and Communications:**

DESNZ ICF will use the following tools to report on the Clean Energy Transitions Programme.

- Project Delivery Plans (monthly)
    - BEIS ICF Portfolio Delivery Group (monthly)
    - Quarterly updates (quarterly)
    - Annual Review (annually)
    - Ministerial submissions (ad-hoc, as required)

**Programme: Managing Outcomes and Consequential Assurance**

DESNZ ICF has adopted a programme management approach which is aligned with the PRoF Rules and Guide and ensures a clear separation between those delivering and those checking against compliance and performance. This approach is set out in the ICF Operating Manual.

DESNZ has undertaken a Delivery Partner Review (DPR) of the International Energy Agency, which is a key component of the due diligence process undertaken on new delivery partners for programmes funded under the ICF through international climate finance, which informed the decision on the delivery partner's suitability as a delivery partner, and whether DESNZ's Accounting Officer is sufficiently protected in relation to the use of public funds. The DPR provided an increased level of assurance to the DESNZ SRO on the delivery partner's suitability to manage our funds before moving ahead with an agreement.

DESNZ intends to enter into a Standard Administrative Arrangement (SAA) with the International Energy Agency. The SAA allows DESNZ to make a contribution to the CETP and to specify DESNZ's requirements for IEA's management of the programme through annexes to the SAA including the schedules for approvals, changes, MEL and other processes for managing outcomes and assurances. The final administrative arrangement will be agreed by DESNZ legal and DESNZ ICF finance and commercial advisors to ensure it aligns with BEIS's legal requirements and that the fees are competitive and appropriate.

The CETP will be managed by the ICF programme lead, who will engage with IEA informally on a bi-monthly basis at least, throughout the programme cycle to support day to day programme management and delivery on the ground. This allows for ongoing oversight of spend, results as well as horizon scanning and provide an opportunity for the programme lead to account and challenge relevant assumptions.

The IEU team leading on the CETP will work with the DESNZ ICF PMO to monitor the programme through monthly Project Delivery Plans (PDP) meetings and Annual Reviews. The programme team will work closely with MEL advisers and economists to ensure that a rigorous MEL framework is developed and implemented effectively by the delivery partner, including end of project evaluation.

The performance of the programme will be measured and scored against each output indicator in its log frame. The overall scoring will be primarily driven by the progress towards log frame outputs and their respective weightings. The Annual Review will analyse and assess the results, highlighting any successes or shortcomings in the programme, as well as the key programme risks and mitigations and the VfM performance. It will include specific, time-bound recommendations for action, consistent with the key findings. The recommendations will be embedded in DESNZ ICF Project Delivery Plans (PDP). In line with ODA transparency requirements all the programme's Annual Reviews will be published on Dev-Tracker. Lessons learned from the Annual Reviews will be captured to encourage more active sharing of lessons learned across ICF.

Monthly meetings will be held with DESNZ ICF PMO to review the PDP to assess performance of the programme. The PDP, maintained by the ICF programme manager, will contain the risk register, an issues log, a workplan, financial management information, the log frame and other important tools critical for the successful delivery of a programme. Outcomes of the meetings will feed into the monthly Portfolio Delivery Group meetings held to provide the SRO and Senior Management Team (SMT) with an oversight of the performance of this programme.

Additionally, all programmes in ICF are subject to portfolio-level governance and assurance processes in accordance with FCDO best practice for delivering ODA, following HM Treasury guidance on ODA Value for Money and the framework for Managing Public Money. This is set out in ICF Governing Principles.

**Programme: IAAP Schedule**

Central to the IAAP is the schedule. This is a summary of all assurance and approval and allows the ICF Portfolio to plan the various assurance and approval points.

**1st Line of Defence**

- Internal Monthly Programme Delivery Plan meetings with the PMO, to discuss key programme updates, milestones, issues, and risks. These 1-1 meetings allow for programme oversight at a working level.
- Internal Monthly DESNZ ICF Portfolio Delivery Group meetings, chaired by the DESNZ ICF Portfolio Deputy Director, for monitoring programme performance, programme risks, portfolio risks, financial performance, and recent annual reviews outcomes.
- Annual Reviews: conducted on a yearly basis and a key tool to monitor performance and ensure continuous improvement. The annual reviews are published.
- Quarterly meetings of the Funders' Strategic Coordination Group between DESNZ and IEA to discuss progress, including risks and performance against annual performance KPIs.

**2nd Line of Defence**

- DESNZ ICF Portfolio Committee: in cases where agreed milestones are not being met, a decision can be taken by the Portfolio Committee on whether to implement a six-month Programme Improvement Plan (where payments may be withheld until agreed milestones are met by the end of the period).

**3rd Line of Defence – External Assurances**

- Programme-specific assurance reviews are conducted on an ad-hoc basis when a need is identified.
- In discussion with ICF Portfolio Committee and PMO, agree whether to commission a portfolio-level external review, such as by Government Internal Audit Agency (GIAA) and Independent Commission for Aid Impact (ICAI). Such reviews would be managed by DESNZ ICF PMO and the CETP programme team.