

How Multilateral Development Banks can Accelerate the Transition Away from Fossil Fuels

SANTA MARTA AS A CATALYST FOR ACTION

Viktor Ahlgren, Anda Yoshina

The imperative for countries to transition away from fossil fuels has never been greater, as intensifying climate impacts and geopolitical instability bring energy security into sharp focus. Across emerging markets and developing economies (EMDEs), multilateral development banks (MDBs) are essential delivery partners for implementing and navigating this transition. However, with finite resources and condensed timelines, accelerating implementation will require proactively leveraging any opportunities to both scale supply and foster robust demand, putting the full MDB toolkit to its most potent use. The Santa Marta Transitioning Away from Fossil Fuels (TAFF) conference and process remains a significant unfulfilled opportunity in this regard. Greater MDB engagement can help ensure that the political momentum built translates into concrete progress on implementation.

In 2026, several interconnected pressures are increasingly elevating the transition away from fossil fuels as a core strategic socio-economic question. Conflict in the Middle East has prompted unprecedented supply-side disruption to the oil and gas market, felt by consumers globally. Alongside increasingly severe and frequent climate-related shocks, this has ensured that energy security and economic resilience are front-of-mind issues for policymakers. Clean energy presents a viable and more reliable alternative to fossil fuels,

and demand signals show this choice is being made by consumers (and producers) already, particularly amid a drive towards electrification.¹

In this context, MDB support for the transition has arguably never been more interlinked with their mandates, activities, and tools. While geopolitical pressures can constrain the ability of MDBs to act on this (as demand-driven institutions beholden to the priorities of shareholders), the Santa Marta conference has created an opportunity to reinvigorate the transition away from fossil fuels as a priority area. This can be a catalyst for MDBs to organise and deploy existing mechanisms at greater scale and pace, while ensuring that this is synergistic with parallel efforts to build macroeconomic resilience and evolve the international financial architecture (IFA). It has created an opportunity for MDBs to connect with a structured, evolving coalition of the willing (made up of both shareholders and client countries, as well as a diverse network of additional stakeholders) and help translate this positive diplomatic and political momentum into coordinated delivery. The Santa Marta forward process can therefore be a prime vehicle through which MDBs can collectively better structure and connect their full toolkit of transition support with a critical mass of countries that are actively seeking to drive the transition.

In practice, this means explicitly organising their collective existing support offering for transitioning away from fossil fuels as part of clear and accessible pathways for countries developing and implementing a TAFF roadmap. By deliberately integrating TAFF in their strategic engagement with countries, MDBs will be better placed to respond to country ambition and deliver sustainable development that is powered by the transition away from fossil fuels, while ensuring energy security. For countries, a coherent support architecture that integrates different aspects of transition support would help to provide clarity, capture synergies, avoid duplicative efforts, and facilitate implementation of whole-of-economy transition roadmaps that can deliver on growth, development, and resilience goals.

MDBs and the transition away from fossil fuels

EMDEs navigating the transition, especially those highly dependent (via imports and/or exports) on fossil fuels, will face interconnected challenges shaped by their economic profiles, domestic factors, and political economy.² Across EMDEs, barriers relate to both policy and technical aspects (such as the lack of robust national transition planning tools, a functioning project preparation and pipeline development ecosystem, etc.), as well as to financing (such as high cost of capital for transition projects, limited access to finance, debt distress, weak domestic capital markets, etc.).

MDBs' positioning, and their existing toolkit of financial and technical support mechanisms, renders them invaluable partners for effectively tackling both the idiosyncratic and

¹ WRI, December 2025, [The State of Clean Energy in 10 Charts](#)

² E3G, September 2026, [Playing the oil endgame: Oil Producers and the geopolitics of declining demand](#)

systemic challenges facing countries. At a strategic level, financing the transition away from fossil fuels is intrinsically linked to the multi-part IFA reform processes (spanning topics such as cost of capital, debt reform, access to finance, governance, and capital adequacy frameworks) that MDBs are deeply embedded in (and which an incoming UK G20 Presidency could reinvigorate).³ At country level, transition planning and coordinated support for delivery are increasingly key pillars of effective national development strategies and forward-looking growth trajectories. MDBs are already well-equipped with financial and technical instruments to support the formulation and implementation of ambitious and financeable transition roadmaps.

Beyond their own existing approaches, MDBs sit at the nexus of international and national development finance. Internationally, MDBs can be vital for crowding in private capital for scaling investment in transition, at both the transaction and portfolio level. Moreover, their established regional and country-level presence ensures regular contact with the full spectrum of international development partners, such as bilateral development finance institutions, development agencies, vertical funds, and the International Monetary Fund (IMF). Nationally, their partnerships with and support for national development banks can help unlock capital in domestic financial ecosystems, through combining the local networks and expertise of these institutions with their own financial clout and technical capacity.⁴

The first TAFF conference

Over the past year, a new diplomatic track with significant momentum for delivering the transition away from fossil fuels has emerged. The first TAFF conference in April 2026 took place in Santa Marta, Colombia,⁵ against the backdrop of a global oil crisis, as a first-of-its-kind, landmark gathering of countries and stakeholder groups for practical discussions on advancing the energy transition. It recognised widespread consensus that, despite evidence that a global energy transition is already underway, countries still face structural, fiscal and strategic barriers, including debt constraints, limited fiscal space, and high costs of capital, that determine how quickly that progress translates into a lasting transition away from fossil fuels.⁶ The conference brought together 57 countries, accounting for one third of global GDP, 30% of fossil fuel demand and 20% of fossil fuel supply. It was positioned as complementary to UNFCCC processes, providing a space for progressive discussions

³ This includes ongoing processes with direct consequences for MDB capacity, such as continued progress on implementing the [G20 Roadmap Towards Better, Bigger and More Effective MDBs](#).

⁴ This includes both financial support (such as through on-lending, lines of credit, co-financing, and risk-sharing instruments), and technical support (such as capacity building, and technical assistance cooperation). See also: E3G & CPI, 2023, [Enhancing MDB-NDB Cooperation](#) and Germanwatch & NCI, 2025, [Enhanced Cooperation Between MDBs and NDBs](#)

⁵ The first conference was co-hosted by the Netherlands, and a second conference is planned in Tuvalu in 2027, co-hosted by Ireland.

⁶ IEA, April 2026, [Global Energy Review 2026](#)

outside the constraints of global consensus, without being either an official UNFCCC convening or a replacement.⁷

Santa Marta also sought to bring together 14 stakeholder groups beyond national governments, including MDBs and other development finance institutions (DFIs), the private sector, trade unions, and civil society. MDBs held a seat among the official stakeholder groups and are named directly as supporting actors in a workstream on macroeconomic dependencies and financial architecture. MDBs and DFIs describe themselves as “committed partners to governments and the private sector” on both the short-term impacts of the current state of geopolitics and the long-term transition away from fossil fuel dependencies.⁸ As the Santa Marta process develops, and looking ahead to future iterations of the conference, there is significant scope for increased MDB engagement in a process that will rely on their central role in financing the transition away from fossil fuels to ensure implementation matches ambition.

Why the Santa Marta conference matters for MDBs

The Santa Marta conference reinforced the fact that the transition away from fossil fuels, at both global and national levels, is intrinsically linked to ongoing discussions around IFA reform. Financing the energy transition requires not only unlocking new capital flows at a scale and pace not yet seen but also confronting the inequities and dependencies embedded within existing socio-economic structures. The realignment of existing financial flows (towards investments compatible with countries’ long-term low-emission development strategies), macroeconomic dependencies (such as reliance on fossil fuel exports), and fiscal space are all critical overlapping topics. This overlap is consequential in both directions: lasting, sustainable solutions to these latter issues cannot be devised without integrating the realities of the energy transition.

The Santa Marta conference also underlined that the transition away from fossil fuels is a whole-of-economy proposition. This framing provides an opportunity to meaningfully address systemic economic questions relating to fiscal barriers, transition risks, industrial transformation, and green diversification and job creation. The added value of the Santa Marta conference in this regard is also in providing a central forum for producer and consumer countries to have open, practical discussions about tackling these issues and exploring mutually beneficial solutions. This provides an action-oriented platform for existing coalitions and initiatives to connect with, while facilitating the joining up of overlapping efforts.

⁷ Geneva Environment Network, May 2026, [Climate Action from Geneva to Santa Marta, First Conference on Transitioning Away from Fossil Fuels](#)

⁸ Colombia and the Netherlands Co-hosts Report, April 2026, [1st Conference on Transitioning Away from Fossil Fuels](#)

Successful whole-of-economy national transitions will require cross-sectoral engagement and collaboration that integrates financing and planning with sector-level implementation and expertise. MDBs already operate across these different levels simultaneously (and are actively engaged in evolving country-level development cooperation to strengthen coherence and streamline coordination⁹) and are well-situated to ensure emerging processes build on this *modus operandi*. The heightened focus emerging from Santa Marta on support for country transition planning, specifically through the development of “TAFF roadmaps”, is particularly relevant in this regard, providing an opportunity for MDBs to help ensure this is complementary to the ongoing country platforms push.

► MDBs and the ‘dual’ TAFF processes

The scope of the two interrelated diplomatic processes on transitioning away from fossil fuels launched over the past year illustrates clearly how central MDBs are to delivery across these areas.

Global TAFF Roadmap

The global TAFF roadmap (led by Brazil and launched at COP30) is embedded within the COP process, but with an expectation that outcomes will feed into the second TAFF conference in 2027. MDB input to the global TAFF roadmap should be a condition for completeness, with the parallel “Baku to Belém Roadmap to 1.3T” (also led by Brazil as COP30 President) illustrating the centrality of MDBs to global efforts to finance the transition.¹⁰ In particular, this includes the role of MDBs in supporting countries with assessing and navigating economic dependency on and exposure to fossil fuels, as well as building readiness for the transition.

Santa Marta process

The Santa Marta conference outlined work across three workstreams to be taken forward by the engaged stakeholders,¹¹ each with relevance for MDBs:

1. Transition roadmaps: MDBs are often key financiers for the implementation of national transition roadmaps and can provide invaluable input in formulating robust, financeable roadmaps. Country platforms illustrate the importance of an integrated approach to planning, financing, and implementation.

⁹ See heading below on JETPs and country platforms, and: World Bank Group, October 2024, [Country Platforms for Climate Action: MDB Statement of Common Understanding and Way Forward](#)

¹⁰ UNFCCC, November 2025, [Baku to Belém Roadmap to 1.3T](#)

¹¹ Colombia and the Netherlands co-hosts’ report, April 2026, [1st Conference on Transitioning Away from Fossil Fuels](#)

2. Macroeconomic dependencies and financial architecture: MDBs and IFIs are already identified as supporting actors for this workstream. This reflects the important role of MDBs in supporting countries with transforming their energy systems, through policy and finance reform, as well as clean investment.¹² As the guardian of global macroeconomic and financial stability, the International Monetary Fund (IMF) also has an important role to play in supporting countries' management of risks associated with a disorderly transition.¹³
3. Trade and green economic transformation: Green economic transformation is synonymous with sustainable development amid the global transition away from fossil fuels. This therefore sits at the heart of MDB mandates to support countries in pursuing development pathways that lead to long-term wealth through green growth.

MDBs should respond proactively by bringing their wealth of practical experience and existing support mechanisms to the table in a manner that enables countries to develop and pursue ambitious TAF roadmaps grounded in robust financing strategies. With renewable energy deployment in many countries reaching the viability needed for private finance to drive large-scale implementation on the basis of profitability, MDB support should be strategically prioritised for high-impact interventions where public (and often concessional) finance is key.¹⁴ This includes public-sector, infrastructure, and social dimensions that may not generate a return on investment in the traditional sense (and are therefore less likely to draw in private capital), as well as shock-stabilisation functions and risk mitigation that helps close the bankability gap for particularly challenging aspects of national transition strategies. Specific areas of value include the early retirement of existing assets and accelerated phase-out of the most-polluting fuels (i.e. coal) from energy systems, as well as higher-risk green diversification projects involving lesser-tested renewable technologies.

¹² The [co-hosts' report](#) notes that stakeholders are presently divided between scaling private and blended finance and prioritising concessional public finance and debt relief, with concerns that poorly designed instruments can reproduce inequalities.

¹³ This includes assessing transition scenarios and potential impacts on a country's balance of payments, fiscal accounts, and domestic and financial stability and providing much-needed country-specific policy advice. Engagement with the Santa Marta forward process can support more effective application of existing IMF tools and processes by enhancing the quality of engagement with country authorities on associated topics and promoting synergies between countries' policies. See also: E3G, August 2026, [Prioritizing energy transition in IMF surveillance](#)

¹⁴ Germanwatch, April 2026, [Transitioning Away from Fossil Fuels - Why Multilateral Development Banks Should Play an Active Role](#)

What MDBs are already doing

MDBs have an established (and growing) toolkit of support measures that are highly applicable across the three Santa Marta workstreams. Broadly speaking, these measures can be placed into two categories: (1) financial mechanisms; and (2) technical assistance and policy advisory support.

Financial mechanisms

Energy transition financing remains a core business area across MDBs, despite political headwinds and an evolving justification for its purpose combining energy security, affordability and sustainability. While the bulk of this support is for renewable energy,¹⁵ MDBs have also developed mechanisms designed to support the “transition away from fossil fuels” side of the energy transition equation. For example:

- ▶ **Blended finance** vehicles, such as the ADB’s Energy Transition Mechanism (ETM).¹⁶
- ▶ **Concessional finance**, most notably through the Climate Investment Funds (CIF) Accelerating Coal Transition (ACT) Programme.¹⁷
- ▶ **Policy-based loans**, such as that issued to Chile by the Inter-American Development Bank (IDB).¹⁸
- ▶ **Lending safeguards and exclusions** that are intended to limit financing for projects with significant transition risks.¹⁹

Technical assistance and policy advisory support

Often in combination with these financial levers, MDBs have made use of their significant technical capacity, both to provide targeted support for specific transition initiatives, and more broadly to support national transition planning processes. For example:

¹⁵ OCI, [Public Finance for Energy Database](#), (accessed August 2026)

¹⁶ The ETM is a blended finance vehicle for the early retirement and repurposing of coal power plants. Operating on a transaction-by-transaction basis, at COP28 the ADB announced a provisional deal with Indonesia to shut down a coal-fired plant seven years earlier than planned. However, the planned early retirement of Indonesia’s Cirebon-1 coal plant was shelved in December 2025, after the government judged an accelerated shutdown unfeasible. See: [Energy Transition Mechanism \(ETM\) | Asian Development Bank](#)

¹⁷ CIF ACT is a blended concessional finance and technical assistance programme focused on accelerating retirement of existing coal assets and supporting advancement of clean alternatives. The programme is delivered in collaboration with the World Bank, IFC, and regional MDBs

¹⁸ The IDB approved a USD 50 million loan to Chile in 2021 to support policy reforms aimed at speeding up decarbonisation of the country’s energy matrix.

¹⁹ For an overview of these policies across MDBs, see analysis under the “fossil fuel exclusion policies” metric of the [E3G Public Bank Climate Tracker Matrix](#).

- ▶ **Targeted technical assistance** for transition projects and processes, such as the “Supporting Energy Transition in Coal Regions Initiative” of the Energy Sector Management Assistance Programme (WBG).²⁰
- ▶ **National transition planning support**, such as the newly operationalised Joint MDB Long Term Strategy (LTS) Facility, various initiatives to support implementation and design of Nationally Determined Contributions (NDCs), and country-level transition risk and climate vulnerability diagnostics.²¹
- ▶ **Policy advisory** on pertinent areas such as energy subsidy reform.

These financial and technical support levers are often deployed in tandem at both transaction and national levels. Although this is only a sample of the total support offer for countries navigating the transition away from fossil fuels, it illustrates the breadth of MDB support already available, spanning from roadmaps and policy (through support for macroeconomic-informed transition planning and finance reform) to implementation (through financial and technical interventions to support green economic transformation).

MDBs have also been closely involved with the evolution of country programming in development finance. In particular, the next generation of country platforms, championed as a model for more coherent, country-led development cooperation, are directly drawing on lessons learned from the first generation of Just Energy Transition Partnerships (JETPs).

JETPs and country platforms

Since the launch of the South Africa JETP in 2021 at COP26, a similar model has been iterated and adapted across several other coal-dependent economies, including notably Vietnam and Indonesia. In parallel, wider development finance efforts have increasingly aligned behind the promise of the country platform approach as a revitalised model for country-led development. The aspiration is that country platforms can truly tip the balance in mobilising finance at scale and pace to implement the objectives of national transition strategies.

The efficacy of the JETP model in practice has been heavily scrutinised, with a mixed picture of progress, lessons, and challenges seemingly the fairest verdict at this stage.²² Yet the opportunities and momentum around country platforms continues to grow, with energy transition a preeminent topic area, and MDBs closely involved in the process.²³ MDBs are

²⁰ ESMAP’s “Supporting Energy Transition in Coal Regions Initiative” aims to provide knowledge exchange and support effective planning and just transition processes as part of successfully phasing out coal and repurposing plants, through the allocation of technical assistance grants.

²¹ See: [Joint MDB Long-Term Strategy Program](#). For an overview of these initiatives across MDBs, see analysis under the “country level work” and “technical assistance for implementing Paris goals” metrics of the [E3G Public Bank Climate Tracker Matrix](#).

²² E3G, *forthcoming*, 2026.

²³ See for example Kazakhstan’s recently announced [just transition investment platform](#).

already collaborating closely with both local and international partners to respond to the demand for platforms among member countries. This has included offering the existing financial and technical support they have available within novel country-led coordination and implementation structures as these emerge.²⁴

Where MDBs could go further

Evidently, MDBs have a diverse toolbox of instruments at their disposal, and are continuing to innovate and develop new finance, policy, and technical support levers. The challenge that remains is deploying and connecting these solutions in a coherent, coordinated manner, as part of holistic, tailored packages of support for countries navigating the transition away from fossil fuels. Widespread engagement with country platforms approaches reflects broad recognition of this fact by MDBs. Since moving away from economic structures deeply dependent on fossil fuels represents a broader socio-economic transformation (and growth opportunity), as opposed to only an energy sector challenge, multifaceted, integrated packages of support are needed.

By explicitly organising their collective support offering for transitioning away from fossil fuels as part of clear and accessible pathways for countries developing and implementing a TAFF roadmap, MDBs can enable improved coordination and implementation, and actively complement the wider shift towards integrated, country-led models of development cooperation. Effective MDB engagement can therefore span the coordination, planning, and implementation stages:

Scoping stage: Map available TAFF support and identify gaps

- Map (at a regional level) the full landscape of financial, policy, and technical support mechanisms available from public financial institutions that can support all stages and/or aspects of developing and implementing a TAFF roadmap:
 - This should directly draw on the insights of public finance practitioners with experience in deploying these instruments.
 - Regional level mappings would balance feasibility with sufficient granularity and applicability.
 - Mappings should ideally include case studies of effective projects and/or implementation examples.

²⁴ For example, the ETM (first launched in 2021) was identified as a key delivery mechanism for implementation of Indonesia's JETP when this was launched subsequently in 2022 (with the ADB already a well-embedded development partner in the country).

- The scope and focus of this exercise should be calibrated to avoid duplicating any existing parallel mapping efforts/resources.
- ▶ This should be complemented by consultations with countries and other national and local stakeholders regarding perceived gaps in support (and how this relates to country demand for TAFF and energy diversification).
- ▶ This should include connecting ongoing MDB support (and scoping) for country platforms with national-level dialogue on transition, to ensure alignment of efforts, and that co-benefits and synergies are proactively sought out.

Planning stage: Embed MDB support for TAFF into national transition planning

- ▶ Integrate targeted support for the development of TAFF roadmaps as part of existing technical and policy support for national transition planning tools and strategies. This should specifically focus on:
 - Whole-of-economy approaches to transition planning through supporting countries to embed financial, regulatory and macroeconomic considerations for effective delivery;
 - Assessing green diversification pathways;²⁵
 - Leveraging MDB sectoral expertise, such as on technical aspects of energy planning.
- ▶ Support planning processes that proactively account for and embed the available and forecasted financial, policy, and technical support offering of public development banks (PDBs).²⁶
 - This should help to ensure national transition strategies are backed by financing plans that focus public finance interventions where they have maximum impact (including through scaling private capital mobilisation), and ultimately underpin a robust demand-side pipeline.
- ▶ Coordinate the available network of technical and policy support for TAFF at a regional level, to collate a menu of options that can directly inform national and sectoral transition planning, while also preventing duplication.

²⁵ Germanwatch, 2026, [MDBs' Role in Supporting Green Diversification and the Transition Away from Fossil Fuels](#)

²⁶ While the focus of this paper is on MDBs specifically, the [wider PDB ecosystem](#) must clearly be involved in practice.

Implementation stage: Enable improved deployment of existing mechanisms

- ▶ Accelerate and target deployment of tailored instruments to the governments and businesses that need them, in a manner that is aligned with long-term transition pathways and responsive to national conditions.
 - This could draw on the precedent set by the World Bank Framework for Financial Incentives (FFI) to incentivise financing of projects with cross-border benefits (for both donor and client countries).²⁷
 - This is catalysed by support at the scoping and planning stages underpinning increased demand-side appetite from countries in drawing on available mechanisms and scaling implementation alongside ambition.
- ▶ Pursue opportunities for support packages that combine complementary instruments from across different institutions for more systemic impact.

Practically, the above approaches could scale the deployment of finance and uptake of existing mechanisms, with MDBs coordinating to close gaps in the support architecture available to countries and maximise the overall efficiency of the development finance ecosystem. In this way, MDB support can also be the bedrock for enabling greater EMDE ambition and engagement on TAFF at both domestic and international levels, ultimately delivering sustainable development that leverages the transition away from fossil fuels as an opportunity through green diversification, reducing fossil fuel dependencies, and improving energy security.

The shift towards closer collaboration and integrated, country-led coordination among development finance partners has demonstrated that interconnected challenges are best addressed through interconnected solutions. By proactively making the connection between ongoing IFA reform, existing support mechanisms, and the two emergent TAFF processes; MDBs will be better placed to fulfil their mandates and effectively respond to the evolving needs of their clients as they navigate the transition.

²⁷ World Bank, 2025, [Catalyzing Local Solutions to Global Challenges: The Framework for Financial Incentives \(FFI\)](#)

ABOUT E3G

E3G is an independent think tank working to deliver a safe climate for all.

We drive systemic action on climate by identifying barriers and constructing coalitions to advance the solutions needed. We create spaces for honest dialogue, and help guide governments, businesses and the public on how to deliver change at the pace the planet demands.

More information is available at www.e3g.org

ABOUT THE PROJECT “MDBS’ CLIMATE LEADERSHIP”

E3G works with governments on improving countries’ access to climate finance through multilateral development banks (MDBs).

Within this project, E3G brings together an informal group of like-minded governments which aims to create a politically enabling environment for more effective leadership on climate change issues at MDBs, represented by finance, foreign and/or environment ministries.

At the same time, E3G reaches out to countries of the Global South with the purpose to build coalitions to protect existing climate and energy policies and further increase climate ambitions of MDBs. Concretely, the work focuses on improving access to adaptation finance for the most vulnerable countries as well as accelerating the energy transition.

COPYRIGHT

This work is licensed under the Creative Commons Attribution – NonCommercial – ShareAlike 4.0 License.

© E3G 2026

AUTHORS

Viktor Ahlgren is a Senior Researcher in E3G’s Public Banks and Development team, working on climate mainstreaming throughout the PDB ecosystem, energy finance, and international financial architecture reform.

Anda Yoshina is a Senior Researcher in E3G’s Public Banks and Development team. She supports E3G’s work on adaptation finance and multilateral institutions.

ACKNOWLEDGEMENTS

We gratefully acknowledge the input provided by E3G colleagues at all stages of the process from scoping to revision, as well as the valuable feedback received from external stakeholders.

OUR FUNDERS

Supported by:



Federal Ministry
for the Environment, Climate Action,
Nature Conservation and Nuclear Safety



INTERNATIONAL
CLIMATE
INITIATIVE

based on a decision of
the German Bundestag