



Climate Club Financial Toolkit 2026 Update: Economic, de-risking and financing instruments for industry decarbonisation

Key messages

June 2026

Report prepared by the OECD for the Climate Club

In a nutshell



- 1. Annual global investment** in near-zero emission technologies for the steel and cement sectors **will need to increase 25-fold over current levels by 2035** (reaching at least USD 500 billion). Mobilising investment at this scale will require finance from all sources - **public, private, international and domestic.**
- 2. Finance** (not technology) **is the main bottleneck:** It is therefore critical to identify which de-risking, economic and financing instruments can effectively unlock and mobilise the private capital required.
- 3. Low-carbon options remain costlier, but financial tools close the gap:** Levelised cost of production premiums range widely, from 0–210%.
- 4. Projects require bundles, not single instruments:** Projects need a combination of instruments to overcome barriers including upfront cost, cost of capital, access to financing, operational expenditure, and revenue and volume uncertainty

Message 1

Concessional and risk-tolerant capital enables first-of-a-kind industrial decarbonisation projects.

- First-of-a-kind projects face **high technology, execution and market risks** that commercial financiers are generally not willing to bear.
- By absorbing early technology and execution risks, concessional and risk-tolerant capital reduces the cost of financing and supports investment decisions in areas where commercial lenders remain hesitant.

Message 2



Targeted risk-mitigation instruments improve project credit quality and bankability terms.

- Many industrial decarbonisation projects struggle to attract commercial finance because the risk profiles exceed lender and investor tolerance.
- Risk mitigation instruments help transfer risk to public or specialist counterparties (thereby reducing the probability and severity of losses faced by lenders) and enable better financing terms.

Message 3

Predictable revenue frameworks strengthen financial viability.

- Volatile or uncertain revenues undermine cash flow projections and prevent projects from reaching Final Investment Decision (FID).
- Revenue stabilisation mechanisms (e.g. revenue floors or fixed prices) reduce exposure to price volatility, lowering default risk and improving bankability.

Message 4

Scaling investment requires standardisation.

- One of the main barriers to scaling investment is the high effort required to appraise each project individually.
- Standardising supports:
 - Reduced transaction costs e.g. by using common eligibility criteria, documentation, contracting and MRV frameworks
 - Replication: move from one-off transactions to repeatable investment models
 - Capital mobilisation: familiar structures and comparable performance data facilitates participation by commercial financiers

Which tools are available?



For the full list of instruments that can help overcome each barrier, see Table 3.1 in the full report.

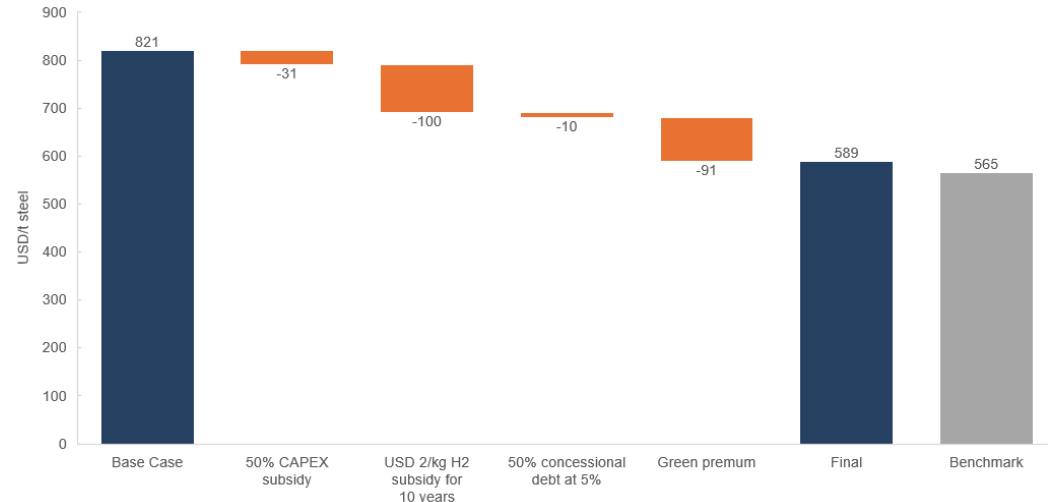
■ Economic ■ Risk mitigation ■ Financing

How can the financial instruments help close the cost gap in the iron and steel sector?

Key results:

- The levelised cost of low-carbon hydrogen direct-reduced iron (H₂-DRI) is **43% higher** than the blast-furnace baseline, and has the highest cost among the low-carbon technologies.
- With the largest gap of competitiveness compared to the baseline, H₂-DRI case will require deployment of **multiple instruments** to close the gap.
- A **hydrogen supply cost subsidy and green premium** contribute to the majority of the effort to close the competitiveness gap in the analysis.

Illustrative deployment of financial instruments to improve low-carbon hydrogen direct reduced iron levelised cost of production



The base case is H₂ DRI plant, 2 Mtpa capacity. Hydrogen price of USD 4/kg.

Multiple instruments involved to close the gap: CAPEX subsidy, 10 years hydrogen price subsidy, concessional loan, and green premium.

Post financial instrument deployment, the H₂ DRI levelised cost is reduced from 821 to 589 USD/t steel, which is almost at parity with benchmark BF-BOF

What the Toolkit offers

Read the full Toolkit to discover:

- A catalogue of 32 financial instruments (economic, de-risking, financing)
- 30 illustrative case studies
- Preliminary economic assessments of decarbonisation options in cement, steel, and petrochemicals
- Practical guidance for policymakers, project developers, and financiers



Its purpose is to help countries identify **which instruments address which risks**, and **how to combine them into effective financing packages** that make low-carbon industrial projects viable.