



Financing renewable energy: Options for developing financing instruments using SREP and other public funds

*Scaling up Renewable Energy Program (SREP) of the
Climate Investment Funds*

CIF Partnership Forum

Cape Town, June 2011



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Low Income Country (LIC) governments are currently developing SREP country investment plans

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- SREP aim is to pilot and demonstrate the viability of low carbon development pathways.
- Viability is based on creating new economic opportunities, increasing energy access and reducing carbon emissions.



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SREP funds to achieve *transformational* change

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- Significant relative scale-up in investment in Renewable Energy Technologies (RETs).
- But public/concessional funds are scarce.
- With appropriate enabling framework, private sector should be capable of making significant investments.
- Need to use SREP to support private sector to make significant investments.



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SREP and public funds to target barriers and risks holding back investment

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- Use SREP and public funds to target and address barriers/risks constraining private investment, rather than simply for funding RET projects in general.
- Develop appropriate ‘financing instruments’ focusing on barriers/risks to be addressed.



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Developing a paper and web tool to assist LIC policymakers

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- To better direct public and concessionary funds to increase investment in RETs.
 - ▣ through use of well-targeted ‘financing instruments’



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Paper and web tool need to be easy to put into practice

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- Focus on conciseness and usability rather than being all-encompassing
 - ▣ though with a comprehensive list of references and web short cuts.
- Applicable more broadly to public financing instruments



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Financing Instruments: selection

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- Use instruments which deliver greatest amount of private financing for the least amount of public funds ('leverage').
- Avoid 'crowding out' of private investment
- Minimize market distortions
- While being feasible under existing legal and practical constraints



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Barriers and risks relating to RETs

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- Barriers created by under-developed financial market
 - Lack of long-term loans
 - High financing cost
 - High transaction costs
 - Poorly capitalized developers
- Risks relate to high risks and costs of RETs
 - Cost competitiveness
 - Technology risk
 - Regulatory framework
 - Resource risk



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Different RETs have different degrees of exposure to the various identified barriers/risks

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Stylized representation of the significance of different barriers and risks to different RET technologies

FINANCING BARRIERS

TECHNOLOGY RISKS

Lack of long-term financing	Lack of project financing	High and uncertain project development costs	Lack of equity finance	Small scale of projects	High financial cost relative to other technologies	High exposure to regulatory risk	Uncertainties over carbon financing	High costs of resource assessments	Uncertainties over resource adequacy
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On-Grid

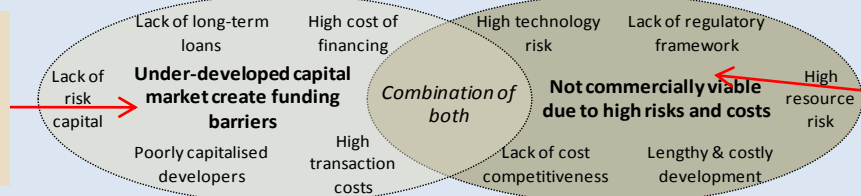
Wind	✓✓✓	✓✓	✓	✓	✓	✓✓	✓✓	✓	✓✓
Solar	✓✓✓	✓✓	✓	✓✓	✓✓	✓✓✓	✓✓	✓	✓✓
Small hydro	✓✓✓	✓✓	✓✓	✓✓	✓✓	✓	✓	✓✓	✓✓✓
Biomass	✓✓✓	✓✓	✓	✓	✓✓	✓✓	✓✓	✓	✓✓✓
Geothermal	✓✓✓	✓✓	✓✓	✓	✓	✓✓	✓	✓✓✓	✓

Off-grid

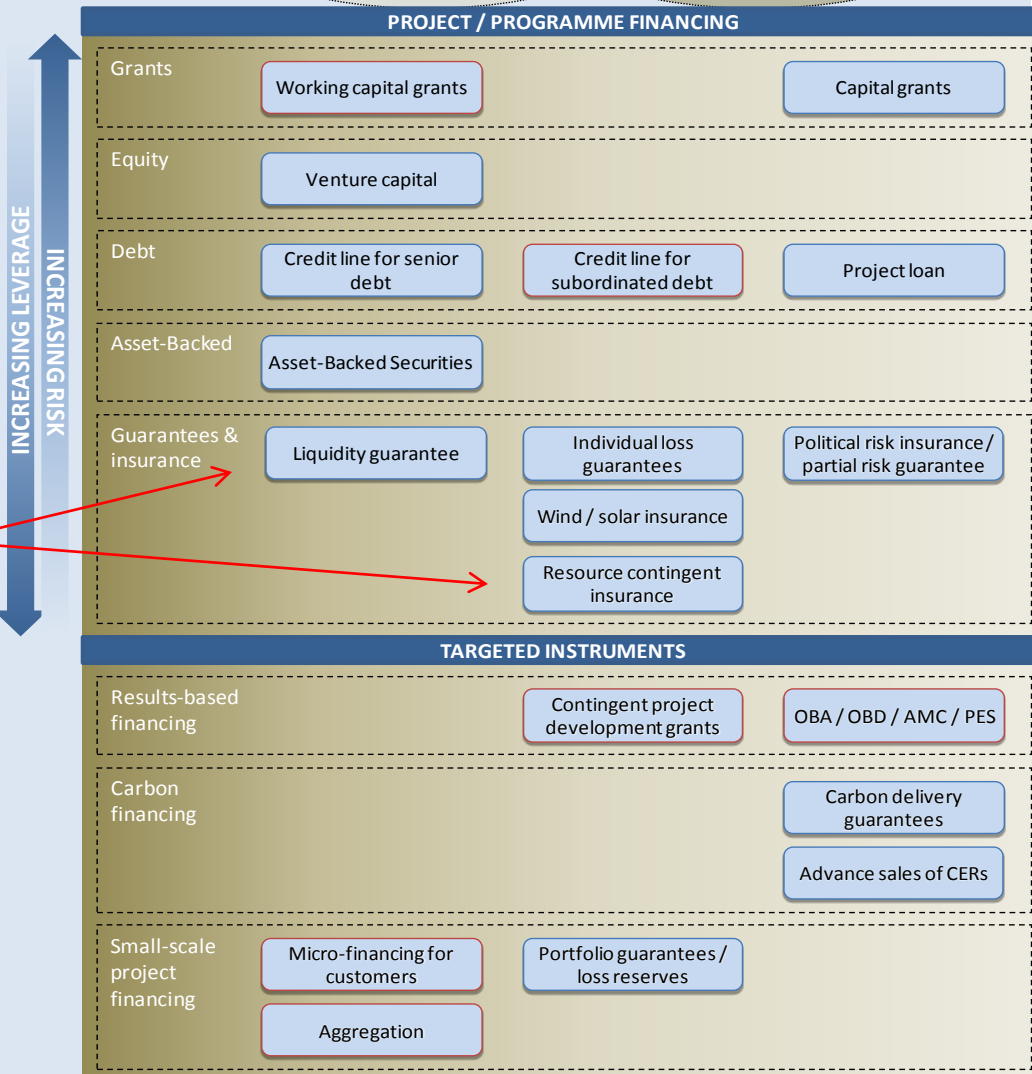
Solar / micro-hydro	✓✓	✓	✓✓	✓✓✓	✓✓✓	✓✓	✓	✓	✓✓
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Understanding how these Financing Instruments act: a framework

Under-developed market creating funding barriers



Not commercially viable due to high risks and costs



Project/program financing

Targeted instruments

Financing instruments

A number of case studies are documented

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- 34 case studies so far..
- Standard format for each write-up
 - ▣ Project background and objectives
 - ▣ Instruments used
 - ▣ Institutional arrangements
 - ▣ Outcomes
 - ▣ Further reading
- Intended to be updated regularly



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Thailand Energy Eff Revolving Fund	Asia - ADB Clean En Private Equity Inv Funds
Ukraine - Sustainable En Lending Facility	Burkina Faso - Rural Electrification Prog
C. America - Mezzanine Finance Fund	Egypt - NREA wind farms financing
Macedonia - Sustainable En Fin Facility.	Hungary – IFC-GEF Energy Eff Co-Fin Prog
Uganda – West Nile rural electrification	Thailand – UNDP-GEF Biomass Gen & Coop
Nepal - Power Development Project	Chile - Chilean Economic Dev Auth credit lines
India – Renewable Energy Dev Agency	Philippines - Leyte Geo Partial Credit Gu'tee
Philippines - Grid-connected Solar PV –	China - UNEP wind reinsurance facility
China - Utility -Based Energy Eff Fin Prog	Global - insurance4renewables
Hungary - GeoFund	India - ICICI securisation SHARE micro-credits
Uruguay – Wind Energy Programme	Global - Carbon Partnership Facility
India - UNEP Solar Loan Programme	India - IFC Rain CII Carbon (India) Ltd
Bangladesh – Solar prog on credit sales	Tunisia – UNEP Solar Water Heating Fin Prog
Africa - AfDB Africa Carbon Support Prog	Indonesia - GEF Small Hydropower
Sri Lanka - ADB Power Fund for the Poor	Bolivia – SHS Medium-Term Service Contracts
India, Sri Lanka and Vietnam – SELCO	Laos – Nam Theun 2 Project
Sri Lanka - Renewable Energy	Rwanda – AMCs for Rural Energy

Paper organizes evidence on relationships between instruments and barriers/risks

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- Paper sets out relationships between barriers/risks and financing instruments.
- Also documents the case study examples highlighting the experience of barriers/risks being addressed by specific financing instruments.



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Information to be updated periodically and be accessible as interactive tool

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- We are developing a web tool.
- The intention is for this web tool to be updated regularly (especially the case studies).
- We will run through a simulation of the use of this web tool.



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Feedback contacts

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- We would be interested in any feedback on the web tool once it goes 'live' and any suggestions for further case studies.

- Contacts

Mustafa Zakir Hussain
Snr. Infra Finance Specialist
World Bank

mhussain2@worldbank.org

Gevorg Sargsyan
SREP Coordinator
World Bank

gsargsyan@worldbank.org



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