

Scaling-up Renewable Energy Program for Low Income Countries (SREP): Concept Development Update

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Overview

- The challenges to overcome
- SREP rationale & objective
- Principal SREP features
- Proposed next steps
- SCF TFC guidance sought

SREP Evolution

- The SCF requests the development of a targeted renewable energy program...

“A renewable energy program is proposed to be established to support investments in low income countries for energy efficiency, renewable energy and access to modern sustainable energy”

Section C, *Governance Framework of the Strategic Climate Fund*

- Sept./Oct. 2008: Preliminary consultations to gauge interest
- Oct. 15, 2008: Preliminary views on scope sought from TFC in Washington;
- Nov./Dec. 2008: Concept note prepared on basis of these consultations and further bilateral discussions
- **Jan. 27 2009: TFC views sought of SREP concept and to advise on taking steps to further elaborate concept into design document**

Energy and Carbon Challenge of Low Income Countries

- *Low-income countries'* dual energy challenge in 2009:
 - Increase modern energy availability for economic development
 - Increase access to modern energy services
- Business as usual: Low-income countries are low GHG emitters today, but GHG emissions could reach 30% of the world's GHG emissions by 2030
.....inadequate financing instruments available today to move low-income countries on a low carbon energy pathway



SREP is designed to close this gap

Renewable Energy Challenge

- Providing a low carbon path using renewable energy can eventually be least cost
- High capital intensity of renewable energy technology
- Perceived risks of new technologies
- Higher transaction costs



SREP addresses this challenge

SREP Principal Objective

“Help low income countries make a transformational change to low carbon energy pathways by optimally exploiting their renewable energy potential to offset fossil-based energy supply”

SREP Builds on Experience

- Overcome reluctance of financiers to lend for renewable energy
- Increase affordability
- Incentivize entrepreneurship for renewable energy service delivery
- Establish the enabling environment

SREP Priorities & Design Principles

- Country-led
- Programmatic and outcome-focused
- Lead to large scale renewable energy impacts
- Work in a smaller number of low income countries
- Leverage potential of private sector and civil society groups
- Priority to renewable energy investments that create 'value added' in local economies
- Seek wider co-benefits

Scale of the *SREP* Facility

- **Targeted fund size - US\$ 250 million**
- **Committed countries:**
 - *The Netherlands: US\$ 50 million*
 - *The United Kingdom: £ 25 million*
 - *Switzerland: US\$ 25 million*
- **More commitments are sought**

Priority Countries

- Low income countries eligible for MDB concessional financing
 - Significant conventional energy needs that can be offset
 - Commitment to take programmatic approach
 - Potential/interest to build institutional capacity for large scale renewable energy adoption
 - Regional distribution of countries
 - Renewable resource potential

SREP Framework Modalities

- Financing:
 - Mixture of grants and highly concessional financing
 - Investment-focused with complementary technical assistance
- Selection Criteria:
 - Investments in “new” renewable energy programs
 - Transformative impacts
 - Economic and social development impact
 - Economic and financial viability
 - Funding additionality
 - Implementation capacity
- Results Measurement at program, project, and global environment level

SREP Proposed Way Forward

- Convene Working Group to prepare initial design document based on concept note and comments and views of SCF TFC ([Paris, March 9-10](#))
- Circulate Working Group document for review and written comments
- Revise Working Group document
- Convene design meeting ([Paris, April 29-30](#))
- [Optional: Second design meeting to agree on final design ([Washington, May 6](#))]
- Submit design document to SCF Trust Fund Committee for approval ([May 11](#))

SCF TFC Guidance Sought

- SREP Concept
 - ✓ Objective
 - ✓ Rationale
 - ✓ SREP priorities and design principles
 - ✓ Scale of SREP facility
 - ✓ Priority countries
 - ✓ Financing modalities
 - ✓ Investments and selection criteria
 - ✓ Results measurement
- Working Group members
 - Range of expertise needed – technology, policy, planning, economics, finance, business, program design & implementation, M&E, resource assessment...
 - TFC to propose members
 - MDB committee to select from TFC suggestions and submit to TFC for no objection
- Is the design steps and timetable appropriate?