

Advance Market Commitments (AMCs): catalysing low carbon development

Presentation to SREP Sub-
Committee

22nd June 2010

Oliver Knight

Energy Adviser, Climate & Environment
Group, Policy Division



What are AMCs?

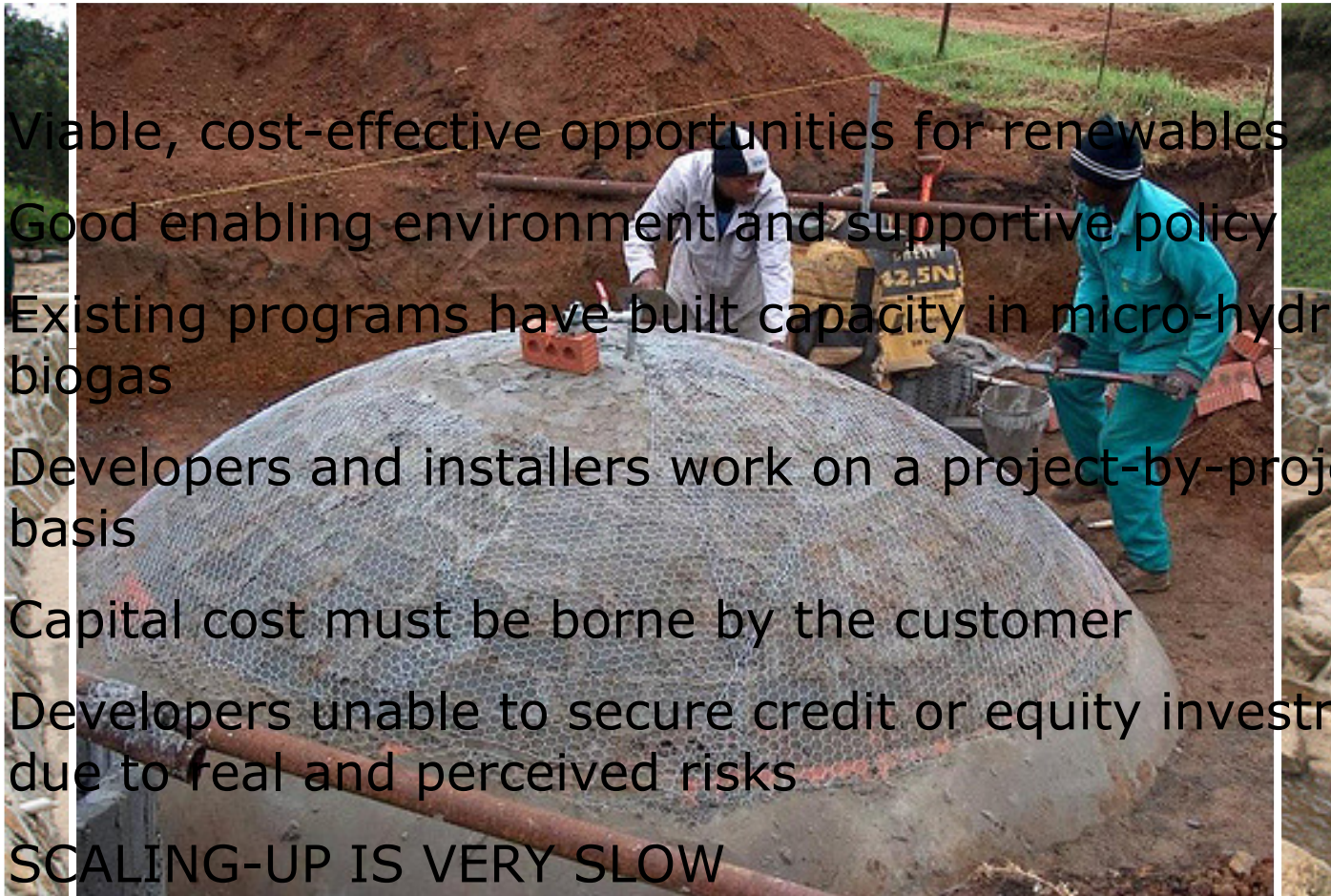
Vivid Economics:

"Advance Market Commitments (AMCs) are temporary interventions to make revenues from markets more lucrative and more certain in order to accelerate investment.."

"In the case of deploying existing technologies, or encouraging incremental R&D, AMCs are likely to be preferable to capital subsidies, and other interventions that aim to reduce the cost of supplying outputs, in a wide range of circumstances."

Case study: Rwanda

- ✓ Viable, cost-effective opportunities for renewables
- ✓ Good enabling environment and supportive policy
- ✓ Existing programs have built capacity in micro-hydro and biogas
- ✗ Developers and installers work on a project-by-project basis
- ✗ Capital cost must be borne by the customer
- ✗ Developers unable to secure credit or equity investment due to real and perceived risks
- SCALING-UP IS VERY SLOW



Pilot AMC in Rwanda

- Incentivise an owner-operator model
- Short-term cash incentives (not subsidies!) provided on certified delivery of service
- Incentives lowered each year to reward first-movers
- No uptake = no payment
- Private banks to manage monitoring and payment

Other possible AMC



Supporting to ensure that the policy is well implemented and that the system is sustainable

Why are AMCs attractive for low carbon energy?

- Focused on creating or expanding markets
- Results-based financing
- Maximise leverage of private sector investment
- Demand-side intervention: 'market pull'
- Time-limited
- Apply at market level: non-discriminatory

Leading the UK government's fight against world poverty

LONDON

1 Palace Street
London
SW1E 5HE

GLASGOW

Abercrombie House
Eaglesham Road
East Kilbride
Glasgow
G75 8EA

Tel: +44 (0) 20 7023 0000
Fax: +44 (0) 20 7023 0016
Website: www.dfid.gov.uk
E-mail: enquiry@dfid.gov.uk
Public Enquiry Point: 0845 300 4100
If calling from abroad: +44 1355 84 3132