A low risk environment for financing Renewable energy

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3 billion people cook and heat their homes using open fires and simple stoves burning biomass (wood, animal dung and crop waste) and coal.

Over 4 million people die prematurely from illness attributable to the household air pollution from cooking with solid fuels (WHO, 2016).

Need to increasing access to energy and do it with renewables: facts & figures

Energy poverty

1.2 billion people without access to electricity (IEA, 2016)

Energy financing

Annual requirement for the period from 2010 to 2030 to achieve the universal access to modern energy services and doubling the share of renewable energy in the global mix:

• $50 billion for energy access (current spending is $9 billion)
• $442-650 billion for renewable energy (current baseline of $258 billion).

Except for Europe all regions need to increase investment to meet targets. The largest annual funding gap by far is in developing Asia.

• $560 billion for energy efficiency (current spending is $130 billion).

(Se4all Advisory Board’s Finance Committee Report on Scaling Up Finance for Sustainable Energy Investments, 2015)

Climate change

Notes: The implied CO2 subsidy is calculated as the ratio of the economic value of those subsidies to the CO2 emissions released from subsidised energy consumption. ETS = emissions trading scheme.
3 pillars of the EU strategy

1. Increase access to renewable energy
2. Increase renewable energy generation capacity and energy efficiency
3. Contribute to the fight against climate change

- Council Decision on Climate and Energy 2014
- Council Conclusions on Energy and Development 2016
- New European Consensus for Development 2016
- Council Conclusions on Energy and Climate Diplomacies 2017
Need to improving the energy sector as investors facing many risks

• Unclear and unpredictable legislative framework and planning
• Lack of transparency and of accountability of public utilities
• Non-cost-reflective (subsidized) tariffs
• Low profitability of the sector (customer with low consumptions per capita and lacking solvency, low payment recovery performance)
• Lack of technical qualifications of local workforces
Political ownership of reform agenda

- 23 Joint Declarations
- Africa Renewable Energy Initiative (AREI)
- Contribution to National/Regional and Global Indicative Programmes with (EUR 2.7 billion to sustainable energy in Sub-Saharan Africa)
- Covenant of Mayors in SSA to strengthen the role of local authorities

Capacity building

- Technical Assistance Facility (TAF) – supporting Reforms and regulatory frameworks

Investments

- Regional Blending facilities
- ElectriFI
- European External Investment Plan (EIP)
Regional Blending facilities

- 7 Investment facilities set up for infrastructures in regions worldwide
- 40% of projects are energy-related
Regional Blending facilities

Examples

Through AFIF:
Enhancing Vocational Training delivery for the power sector in Nigeria (NAPTIN)
SUNREF Nigeria

Through ITF:
Africa Energy Guarantee Facility (AEGF)
Clean Cooking Programme for Africa
Environmental Credit Lines for Kenya, Uganda and Tanzania – Engaging Banks in Energy Transition Projects
Geothermal Risk Mitigation Facility for East Africa (GRMF)
Renewable Energy Performance Platform (REPP)
Investment facility to increase access to renewable energy (mainly decentralised) with the private sector sharing high-risk in projects business plan with loans.

Ticket size: min. EUR 500k - max. EUR 10 M (Small- to medium-scale)

Product range: Equity, Quasi-equity, Debt and Development Finance

Target ventures/projects

Projects or businesses at least in “active development” stage
Technical assistance

• To help developing bankable projects which could be financed under pillar 1
• To support activities aimed at enhancing business climate under pillar 3

Enhanced Investment Climate

• Political and policy dialogue for economic reforms
• Support legal, institutional and regulatory frameworks
• Engaging with the private sector

One-stop-shop / web portal

External Investment Plan (EIP)

European Fund for Sustainable Development (EFSD)
Mobilising investments and improving access to finance

EFSD Guarantee Fund (especially for the private sector – EFSD Guarantee)
Regional Investment Platforms (Africa and the EU Neighbourhood)
External Investment Plan (EIP) Pillar 1 - Resources from EU and leverage

NEW PARTNERSHIP FRAMEWORK – EXTERNAL INVESTMENT PLAN

European Fund for Sustainable Development (EFSD)

- **New EFSD Guarantee**
  - EU contribution
  - EUR 0.75 billion *

- **Blending facilities (AfIF, NIF)**
  - EU contribution
  - EUR 2.6 billion

- **EFSD Guarantee**
  - Value > €1.5 billion

- **Blending: Total budget funds**
  - > €2.6 billion

Total extra investment through the Africa and Neighbourhood Investment Platforms:
- at least €44 billion

* Plus a EUR 0.75 billion contingent liability.