

Private finance perspectives on policy & incentives for mobilising RE investment

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Low Carbon Finance Group – one model for engagement....

- Set up to assist policymakers with conditions to attract capital at greater scale.
- Senior energy finance practitioners, extensive track record in RE investment 15+ years, EU and international.
- Across debt & equity: commercial banks (project or structured finance), specialised funds, infrastructure funds (institutional capital).
- Also engages with public finance institutions GIB/EIB (UK & EU)

....provides feedback loop on other factors

- Match policy expectations with input from different sources of capital: timing, scale, risks and barriers.
- Understand context: other factors (e.g. energy, financial market conditions) that impact capital allocation or other decisions.
- Identify specific bottlenecks (re use of public finance instruments / tools) and timing around those
- Often: theory vs. practice (e.g. cost of capital)

Common starting points

- Risk & return (e.g. project economics must work)
 - Stages of project: development, construction, operation
- Market potential – is this a growth market with a pipeline of opportunities
- Underlying drivers for energy policy/market development
- General business environment, macro-economic conditions.

‘Investment Grade’ Policy - remains central

Two tiers must add up

- Confidence in overall direction
- Detail of policy/regulatory environment (planning, support or incentive, power market)
- Stability, longevity (link into affordability/policy risk)
- Straightforward / low risk
- No one-size fits all (very different electricity markets, ownership structures, target technologies)

Shift from RE incentive onto power markets

- Good experience with FITs, trading, auctions (various designs)
- Is power market fit for variable power
- Reflected in CEM6 'Power Market Challenge'
- Is policy anticipating use of storage, demand-side, DE, variable power (scale) – country dependent?

Public Finance

- Observations:
 - considerable track-record and now innovation
 - increased targeting of public finance: mitigating risks that are non-policy barriers in any given situation (timing)
 - enabling particular sources of capital to come in
- Wider range of tools
- Tackle policy-related risk through improving policy rather than mitigating through public finance where possible.

Contact

- Final-editing stage of updated 'Finance Guide' for policy-makers; reviewers welcome
- Original Guide (2010):
http://www.chathamhouse.org/sites/files/chathamhouse/public/Research/Energy%20Environment%20and%20Development/1209_financeguide.pdf

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