



# Green Climate Fund

Position Paper

International Renewable Energy Alliance

**The Green Climate Fund (GCF) should:**

- **Support renewable energy investment in the poorest countries**
- **Establish global incentive programmes for renewable energy technologies**
- **Set up appropriate technology support mechanisms such as global feed in tariff programmes for grid-connected technologies**
- **Create suitable financial support mechanisms such as micro-credit programmes for decentralised off-grid applications**
- **Introduce new models for further applications in heating/cooling and transportation**
- **Take into account Energy Efficiency Measures and Public Education in All Aspects of Energy Use**
- **Focus on mobilising and leveraging private capital with public funds, seek expansion of public funding sources and work to incentivize private investment**
- **Collaborate with key players such as the International Renewable Energy Agency (IRENA) and the International Renewable Energy Alliance (REN Alliance)**

The REN Alliance sees the creation of the GCF as a significant opportunity to accelerate climate change mitigation and adaptation efforts. The GCF should emphasize direct investment in renewable energy technologies (i.e., solar, wind, water, biomass, and geothermal) and supporting infrastructures, which can make effective and sustainable contributions both in the short and long term. The success of GCF programmes must be measured in terms of emission-free energy and sustainable output of the deployed solutions throughout their life cycles. Careful monitoring of GCF projects to ensure effective use of funds to achieve the desired outcomes is essential. The REN Alliance encourages the following steps.



## Renewable Energy investment in the Poorest Countries

While access to other climate change mechanisms - such as the Clean Development Mechanism (CDM) - is in practice limited to a handful of countries and technologies, the GCF should provide its funds especially to those countries that do not currently benefit sufficiently from the CDM processes. The GCF must be easily accessible for all non-Annex I countries – primarily the least developed countries.

## Global incentive Programme for Renewable Energy Technologies

All investment in renewable energy technologies should have a strong focus on the mitigation and ‘co-benefit’ measures (e.g. parallel non-mitigation sustainable development measures including adaptation). Typical renewable energy investments have a very broad range from smaller-scale, off-grid household uses (e.g. biomass heating or solar home systems) up to larger-scale projects (e.g. major hydropower or Concentrating Solar Power plants). The full range of investments and projects needs to be supported by the GCF using different mechanisms depending of scale and form of investment.

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## Grid-connected Technologies: Global Feed-in Tariff Programme

The REN Alliance proposes implementation of a Global Feed-In Tariff Fund for electric power generation installations, district cooling/heating systems or transportation fuels to allow governments in developing (i.e. non-Annex I countries) to set up national feed-in tariff policy and system infrastructure. The additional cost would be covered by the GCF, which would also reduce the regulatory risks for private investors. Built on such a model, it can be expected that the volume of private capital can be mobilized for investment in the developing countries. A number of organizations have been supportive of this proposal and some of them have developed detailed proposals, such as Deutsche Bank (i.e. GET FIT), Greenpeace, UN DESA and the World Future Council.

## Micro-Credit Programmes for Decentralised Off-Grid Applications

In parallel with the Global Feed-in Tariff Programme, The GCF contribution should subsidise microcredit schemes and thus reduce the regular payments (or the size of the payments) that the consumers have to make. Micro-credit programmes have already had successful applications in South Asia and Africa, which have delivered electricity to hundreds of thousands of families and communities, and the basic concept is transferable to new areas.

## New Models for Further Applications in Heating/Cooling and Transportation -

For other non-electrical, direct applications of renewable energy technologies, such as biomass, geothermal and solar for heating/cooling and biofuels for transport, additional mechanisms should be implemented that incentivise investment in renewable energy infrastructure and systems.

## Energy Efficiency and Conservation Measures in All Aspects of Energy Use

Efficient and wise use of energy should be significant part of energy programs in all countries. Education and training of the local populations must be provided as new energy services are being introduced to ensure best practices and acceptance of the services. Programs supported by the GCF need to have efficient renewable energy use and public education as key considerations.

## Mobilising and Leveraging Private Capital with Public Funds

The major barrier to large-scale penetration of renewable energy is the high financial risk of the investments. The GCF must work to minimize this financial risk by supporting the development of a stable long-term policy framework. The GCF should primarily focus on public funds and indirectly incentivise the mobilisation of private finance by reducing the perceived and actual regulatory and financial risks of investment in renewable energy technologies. These technologies usually have high upfront investment costs, despite low operating costs over the long term compared to fossil fuel and nuclear options. Hence the capital costs are decisive for the economic feasibility of investment in such projects. It is also important that funds are provided based on the output of the investment, in order to increase efficiency and effectiveness.

**“ The GCF must have a predictable budget to reduce regulatory risks for investment in climate mitigation and adaptation energy technologies”**

### Public Funding Sources

The GCF must have a predictable budget to reduce regulatory risks for investment in climate mitigation and adaptation of renewable energy technologies. This budget should be fully guaranteed by governments. Development banks are likely the most appropriate means of administration, with overarching governance from the UNFCCC framework. This would provide stimulus, certainty and assurance to investors, developers and markets. In principle, governments should contribute in relation to the amount of emissions they produce and economic strength they represent. In addition use of GCF funds should be based on existing effective and efficient support schemes for renewable energy that have been proven to work in practice at national, regional and local levels.

### Private Capital Incentives

By primarily focusing on public funds the GCF will indirectly incentivise the mobilisation of private finance by reducing the perceived and actual regulatory and financial risks of investment in renewable energy technologies. Regarding the proposed scheme (i.e. output based incentives for investment in renewable energy) the total amount of available funds will have to be increased during the first few years. Due to generally decreasing prices for renewable energy equipment, the total fund size can be expected to stabilize after this initial period. It will be of crucial importance (even more important than the absolute size of the GCF) that the funding provided by the GCF be predictable and reliable. This is especially important in order to raise the confidence of private sector investors and in order to mobilize the necessary large amounts of private capital.

### GCF Governance: IRENA and REN Alliance Collaboration

In order to ensure the necessary knowledge of effective regulations and operations, private sector and international expertise should be involved in the GCF governance. Governance and administration of the fund should include the relevant international organizations, such as IRENA. The private sector should be involved through representative industry associations such as the REN Alliance. Collaboration between GCF and the REN Alliance could accelerate progress. The private market actors coordinated by the REN Alliance are vital to moving to a renewable energy system, and in adaptation to a changing climate. The GCF's value-added purpose focuses on investment that directly contributes to a low-emission, climate resilient economy, based on renewable energy. The GCF can also distribute funds in a more efficient, effective and equal way than existing funds by focusing on output based incentives for investment in renewable energy technologies. The REN Alliance encourages the GCF to achieve all these goals on a long-term, affordable, large scale, and sustainable manner.

### **The International Renewable Energy Alliance**

The International Renewable Energy Alliance, the REN Alliance, was formed at the time of the Bonn 2004 International Renewable Energy Conference to advance policy and information on renewable energy by providing a combined voice for renewable energy science, technology and practice.

The REN Alliance is uniquely placed in that it represents a partnership of international organizations, representing five principal renewable energy sources: bio, geo, solar, water and wind. The partners of the REN Alliance comprise:

- International Geothermal Association (IGA)
- International Hydropower Association (IHA)
- International Solar Energy Society (ISES)
- World Bioenergy Association (WBA)
- World Wind Energy Association (WWEA)

The REN Alliance partners are UN accredited non-profit, non- governmental organizations, with individual and corporate memberships spanning some 110 countries. All of the partner organizations are committed to advancing the deployment of renewable energy. The REN Alliance bridges the gap between policy and practice by pooling collective experience and knowledge of the partner organizations.