Key findings from UNDP’s Derisking Renewable Energy Investment report

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Promoting renewable energy: The impact of high financing costs

All assumptions (technology costs, capital structure etc.) except for financing costs are kept constant between the developed and developing country. Operating costs appear as a lower contribution to LCOE in developing countries due to discounting effects from higher financing costs.
Public instrument packages: (i) reducing, (ii) transferring and (iii) compensating for risk

Case-studies (onshore wind): Financing cost waterfalls

Source: UNDP, Derisking Renewable Energy Investment (2013). Data obtained from interviews with wind investors and developers. See Annex A of the report for full assumptions. The post-derisking cost of debt and equity show the average impacts over a 20 year modelling period, assuming linear timing effects.
Case-study South Africa (8.4 GW, wind): Risk waterfalls

Source: UNDP, Derisking Renewable Energy Investment (2013). Data obtained from interviews with wind investors and developers. See Annex A of the report for full assumptions. The post-derisking cost of debt and equity show the average impacts over a 20 year modelling period, assuming linear timing effects.
Case-study South Africa (8.4 GW, wind): Modelling results

Conclusions

• Given renewable energy’s sensitivity to financing costs, derisking is a key opportunity for policymakers to attract private sector investment.

• Investing in derisking appears to be cost effective when measured against paying direct financial incentives, such as a FiT premium.

• The best outcomes occur when policymakers address the risks to renewable energy investment in a systematic and integrated way.

• Opportunity to combine risk reduction and risk transfer in key risk areas:
  - Power market risk: implement well-designed, high quality policy and policy risk insurance.
  - Counterparty risk: best practice operations, cost recovery and loan guarantees/partial risk guarantees.
Reports & Financial Tool

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