Risk Coverage for Renewable Energy Investments

20 January 2014, 15h15-18h15
WFES, Capital Suite 10, Abu Dhabi

A World Future Energy Summit side event
Hosted by IRENA and jointly organized with Climate Policy Initiative

Background

Global investment in renewable energy has grown from US$40 billion in 2004 to around US$244 billion in 2012[1], but more is needed to build a sustainable future. The latest IPCC report is a reminder of the urgent actions required to stay on the 2 degree curve of global average temperature to avoid climate chaos. Characterized by high up-front costs and typically low running costs, renewable energy technologies bear substantial financing costs. While costs have fallen for some renewable energy technologies in recent years, this continues to represent a major barrier to scaling up renewable energy investments, even when forward-thinking policies and effective financing vehicles are in place.

Risk is the single most important factor keeping promising projects from finding investors. Since financing costs reflect a number of real or perceived risks, lowering the financing costs by derisking renewable energy investments is an important task for successful renewable energy deployment. Some risk mitigation instruments that are offered by multilateral agencies are only used to a limited degree for the financing of renewable energy projects and often do not apply to smaller scale, which is typical for many renewable energy investments. Recently innovative mechanisms have emerged to fill in this gap, but limited experience exists to date.

Objective

This event, hosted by the International Renewable Energy Agency (IRENA) and jointly organized with Climate Policy Initiative (CPI) seeks to explore the effectiveness and potential of existing risk mitigation tools, as well as innovative approaches, with a focus on political risk and loan guarantee mechanisms at a global and regional level.

Format

Two, 75- minute, moderated panel discussions open to the public including a networking coffee break. To favor interaction the room will be organized in U-shape with panellists and selected guests sitting in at the central table.

Outcome

The outcomes of this expert meeting will provide the basis for an *Agenda for Action on Renewable Energy Finance*. Through the *Agenda for Action*, governments, business and other stakeholders will have an opportunity to renew their collective commitment for long-term renewable energy policies and innovative risk mitigation mechanisms that can increase renewable energy investments. A report summarizing the recommendations from the meetings will be published in 2014.

[1] Frankfurt School/BNEF (2013)

Agenda

<table>
<tr><td></td><td>Risk Coverage for Renewable Energy Investments</td></tr>
<tr><td>Panel Discussion 1

15:15-16:30</td><td>Risk Mitigation Instruments – State of Play

Moderator and introductory remarks: Barbara Buchner, Senior Director, CPI

Questions:
Existing de-risking tools; what has worked and what has not, and why?
What innovative financing mechanisms are emerging to mitigate policy risks and risks specific to smaller-scale projects?
Can guarantee mechanisms for loans or PPAs play a role?
What are the success factors for guarantee instruments?
Panellists:
Frank Wouters, Deputy Director-General, IRENA
Jean-Marc Otero del Val, Deputy Senior VP Renewable Energy, Total, France
Sylvia Kreibiehl, Head, Frankfurt School – UNEP Collaborating Centre
DK Khare, Director, Ministry of New and Renewable Energy, India
Q&A</td></tr>
<tr><td>16:30-17:00</td><td>Coffee break</td></tr>
<tr><td>Panel Discussion 2

17:00-18:15</td><td>The Way Forward

Moderator and introductory remarks: Michael Eckhart, Global Head of Environmental Finance, Citigroup, Inc.

Questions:
What would be the ideal structure of risk coverage mechanisms? Do we need a focus on certain technologies? Certain regions?
Could a global risk mitigation fund further contribute to lower the risks?
Can existing risk coverage mechanisms be improved and expanded to encourage renewable energy investment at scale, or do we need new mechanisms?
What is the role of the different stakeholders in reducing risk for renewable energy? In particular, what types of instruments could the public sector provide to unlock significant pools of capital (e.g., institutional investors)?
Panellists:
Scott Vaughan, President & CEO, International Institute for Sustainable Development (IISD)
Madieu Jalloh, Monitoring and Evaluation Officer, Minister of Energy and Water Resources, Sierra Leone
Marcel Alers, UNDP-GEF Principal Technical Adviser for Energy, Infrastructure and Technology, United Nations Development Programme (UNDP)
Dean Cooper, Energy Finance Programme Manager, Energy Branch, United Nations Environment Programme (UNEP)
Q&A

Summary and Next Steps: Frank Wouters, Deputy Director-General, IRENA</td></tr>
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