

Session 7- Reporting back and moving forward: Key findings of Day 1 and Introductory keynote on de-risking investment in climate technologies

Findings

During Session 7 Nagaraja Rao from Climate Technology Initiative - Private Financing Advisory Network (CTI-PFAN) presented on the de-risking of investments. The initiative which had recently been relaunched and is co-hosted by UNIDO and the Renewable Energy and Energy Efficiency Partnership (REEEP) builds on broad experience in de-risking and provision of related services. He encouraged the sharing of risk among different stakeholders, and noted the key role that political will can play in incentivizing large investments. Mr. Rao presented different approaches for de-risking such as public-private partnerships, foreign direct investment, technology transfer (if proper patent agreements are in place and the technology is scalable), impact investment (people who can help with small projects but with high social impact) and support for collaborative RD&D.

In Mr. Rao's opinion, the CTCN should consider reaching out to source technologies (mapping, getting right technology to right place), encourage adoption of proven technologies for developing markets, set up pilot projects that can be replicated and scaled up, catalyze needs based technology transfer assessments and assist in key technology assessment and project management.

Presentation

Unlocking finance for climate technology: Nagaraja Rao, Private Financing Advisory Network

De-Risking Investment in climate technologies

Scoping Workshop, Session 7
UN City, Copenhagen, Denmark.
23 May, 2017

Nagaraja Rao
Head, Investment Facilitation
Private Financing Advisory Network (PFAN)

Overview

Clean Energy Investment Accelerator: PFAN advises low-carbon, climate resilient businesses in developing countries, and matches projects to appropriate private financing.

PFAN mobilizes **private financing** to **reduce GHG emissions** and **build climate resilience** – contributing to Paris Agreement and Sustainable Development Goals.

PFAN operates on a low-risk, low overhead networking model based on fixed-fee project development and transaction advisory services

Assisted 87 projects to raise about US \$ 1.2 bn . 358 projects are in pipeline.

Overview of Investment in Climate Technology

- ❑ New investment in clean energy \$241.6bn in 2016
 - Developing countries – US \$ 116.6 billion
 - Developed countries – US \$ 125.0 billion
 - Sharp fall in equipment prices
 - Significant improvement in cost-competitiveness.
- ❑ Solar capacity additions rose in the year to a record 75GW, sharply up from 56GW
- ❑ Hybrid projects and energy storage are upcoming innovations in renewable power

❑ Source: Bloomberg Energy Finance report 2017

Risk management process

- Risk identification
 - Risk impact assessment
 - Risk allocation
 - Risk mitigation
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- Risks beyond control
 - Extreme weather
 - Wars and war like situations

- Mitigation
 - Insurance



De-risking investment

☐ Market risks

- Re-negotiating the PPA
- Impact of spot market
- Reverse bidding
- Un predictable subsidies

☐ Mitigation

- Long term Power Purchase Agreement
- Consistent policy backed by enforcement

De-risking Investment

❑ Credit risks

- Counter party risk/
Financial stability of
DISCOMs
- Single customer risk
- Delay in payments

❑ Mitigation

- Credit rating
- Multiple and diversified
customers
- Open access
- Credit guarantee and
insurance

De-risking investment

□ Financial Risks

- Interest rate
- Foreign currency fluctuation

□ Operational Risks

- Feedstock supply
- Forecasting and scheduling
- Transmission and distribution

□ Mitigation

- Hedging
- Foreign currency denominated PPAs
- Long term fuel supply agreements

De-risking investment

❑ Technology risks

- Disruptive technologies
- Performance and Efficiency
- Intellectual property
- Adaptation to different eco systems

❑ Mitigation

- Performance guarantee
- Patents

❑ Regulatory risks

- Frequent changes in policies
- Lengthy approvals
- Archaic regulations

- Simplified regulatory system and stable policy regime

Few Approaches for De-risking

- Public Private partnerships
- Improving grid infrastructure
- Foreign Direct Investments
- Technology transfer eco system
- Impact Investment for –Base of the pyramid projects
- Support for collaborative R&D
- Joint Ventures

Few Approaches for De-risking

- Yieldcos
 - Infrastructure investment trusts (InvITs)
 - Green Bonds
 - Developmental finance institutions
 - Multilateral finance institutions
 - Energy efficiency -Energy savings sharing contracts
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Possible CTCN support to Investment in climate technologies

- Influence states to adopt best in class long term and stable policies
- Outreach to source technologies and their applications
- Encourage early adoption of proven technologies for developing markets
- Setting up of pilot projects that can be replicated and scaled up
- Act as a catalyst in assessing need based technology transfer
- Assist in key technology assessment and project management

Contact



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Thank You