



Global
Green Growth
Week 2016



IRENA

International Renewable Energy Agency

UNLOCKING RENEWABLE ENERGY INVESTMENT:

THE ROLE OF RISK MITIGATION
AND STRUCTURED FINANCE

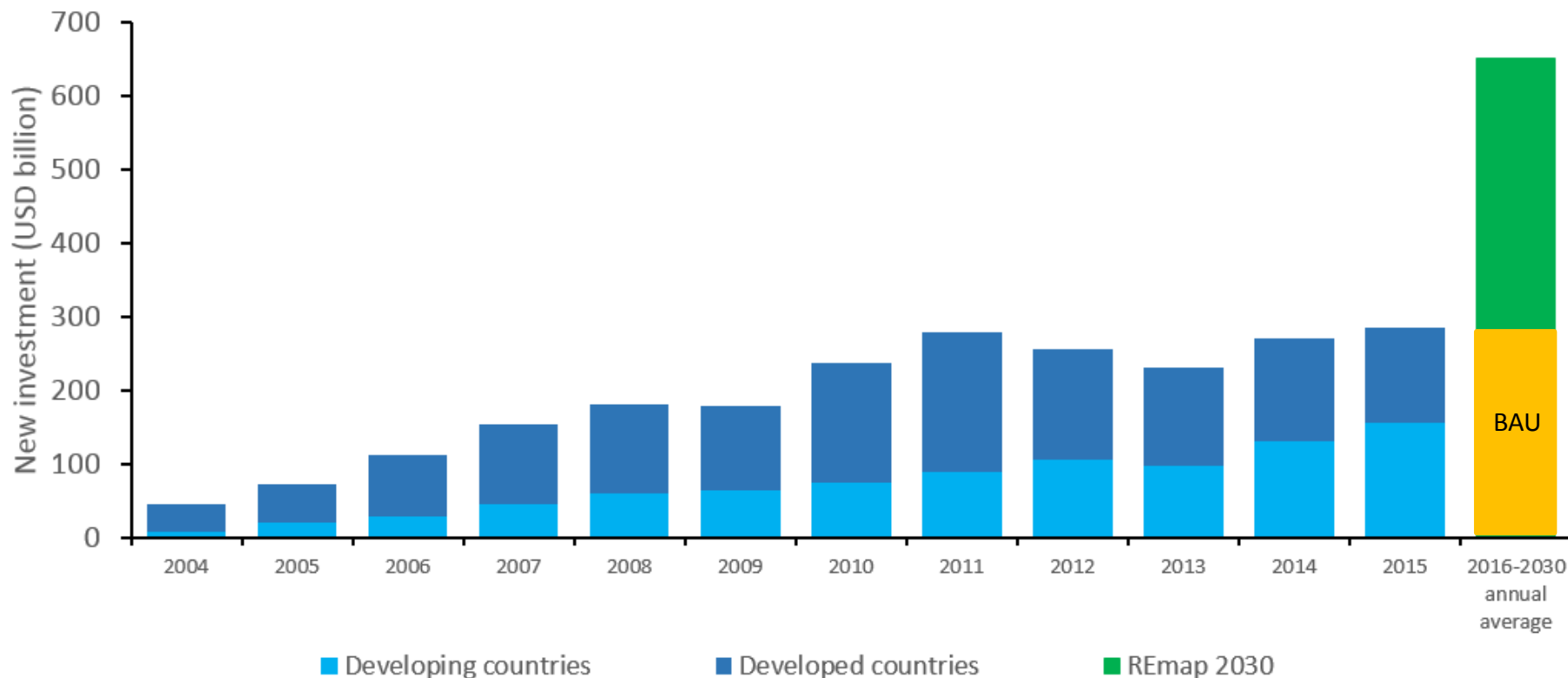


GGGW IRENA Side Event

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IRENA

Jeju International Convention Center
Republic of Korea
6 September 2016

Investment needs to double the share of renewables



Investments in renewable energy capacity have to be scaled up considerably (more than triple in the decade up to 2030)

Challenges of mobilising private and institutional investors

1

Lack of project pipeline

2

Limited access to affordable capital

3

High risk or perceived risk

4

Small deal size & high transaction cost

5

Limited supply of dedicated financing tools

Research approaches

Comprehensive literature review on available financial instruments for RE

Survey on the use and usefulness of financial risk mitigation instruments

Analysis of case studies to identify success factors

- UK Walney Offshore Wind Farm
- Indonesia Sarulla Geothermal Project
- Jordan Aggregated Solar Project

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Advance projects from initiation to full investment maturity

Challenges

- Lack of project pipeline
- Difficulty of accessing early stage developing funding
- Limited capacity in project development and financial analysis

Instruments

- Project preparation facilities and funding
- Capacity building tools such as IRENA's Project Navigator
- Platforms such as IRENA's Sustainable Energy Marketplace:
<http://marketplace.irena.org>

Recommendations

- Support project preparation through **capacity building and dedicated grants**
- Facilitate **interaction** between project developers and investors
- Improve **project visibility** and market transparency
- Build investor confidence with **long-term project pipeline**

Challenges

- Limited access to finance
- Limited availability of attractive local debt
- Local financial institutions' limited experience in lending for renewables

Instruments

- Grants for training and capacity building
- Loan syndication (B-loan structures)
- Concessional loans
- On-lending facilities using credit lines

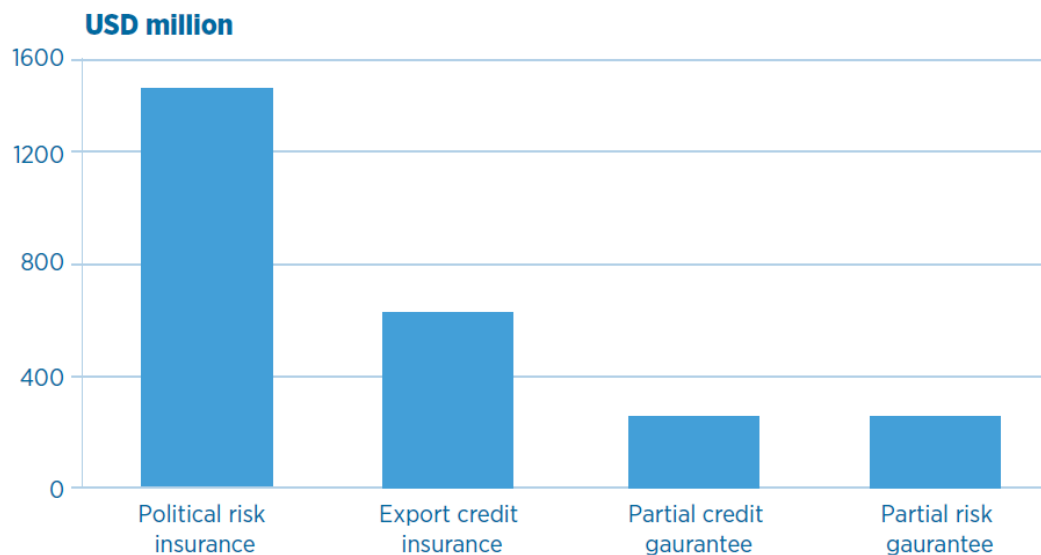
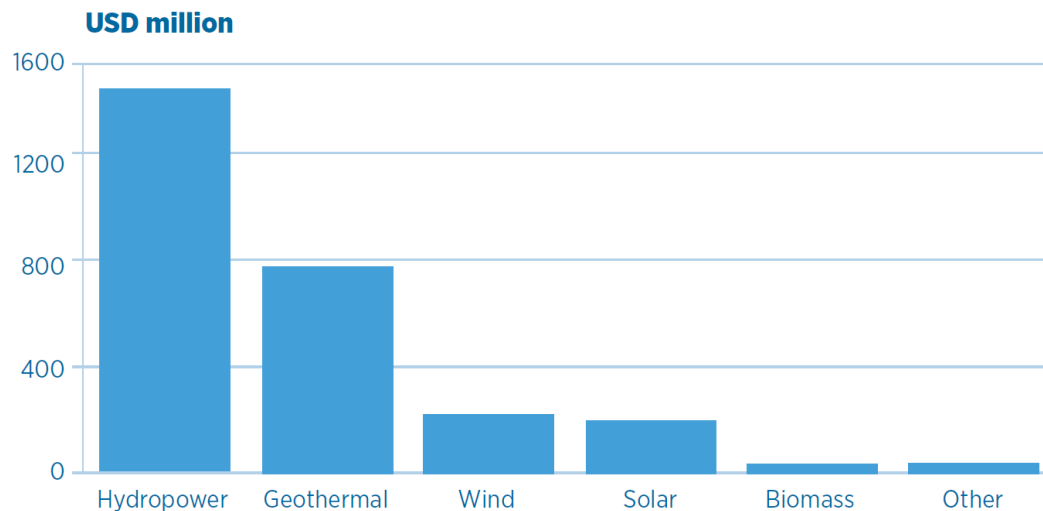
Recommendations

- Build **capacity at local financial institutions**
- Design and implement **on-lending facilities** for renewable energy projects
- Develop **simpler tools to assess projects**

Challenges	Instruments
<ul style="list-style-type: none">• Political risk• Policy and regulatory risk• Counterparty risk (power off-taker risk)• Grid interconnection and transmission line risk• Currency risk• Liquidity and refinancing risk• Resource risk• Technology risk	<ul style="list-style-type: none">• Political risk insurance• Partial risk guarantees• Export credit guarantees• Currency risk hedging instruments• Local currency lending• Liquidity facilities

Utilisation of guarantees in renewable energy projects

IRENA Survey (2014):
Use of guarantees for
renewables remains
limited



Challenges	Instruments	Recommendations
<ul style="list-style-type: none">• Political risk• Policy and regulatory risk• Counterparty risk (power off-taker risk)• Grid interconnection and transmission line risk• Currency risk• Liquidity and refinancing risk• Resource risk• Technology risk	<ul style="list-style-type: none">• Political risk insurance• Partial risk guarantees• Export credit guarantees• Currency risk hedging instruments• Local currency lending• Liquidity facilities	<ul style="list-style-type: none">• Enable greater issuance instruments to mitigate risks• Develop new risk mitigation instruments, structures, funds or facilities targeting specific risks

Challenges

- Small deal size
- High transaction cost
- Limited liquidity in the market
- Limited attractiveness to large-scale investors
- Financial regulations restraining illiquid and riskier investments

Instruments

- Standardised contracts
- Aggregation of small-scale projects
- Securitised instruments
- Green bonds
- Yieldcos

Recommendations

- **Standardised templates** for: project documentation, tendering, contracting and due diligence processes
- Project aggregation
- Develop policy and guidelines for green bond issuance

Challenges

- Need for dedicated focus on renewable energy
- Large agenda requires focused attention with specialized knowledge of renewable energy

Instruments

- Funds dedicated to renewables
- Specialized global facilities
- Regional facilities

Recommendations

- Establish **financing facilities** to issue risk mitigation instruments, cover transaction fees, and support the design of structured finance mechanisms
- **Various funding sources** for renewables can be pooled at national, global or regional level



Thank you!

