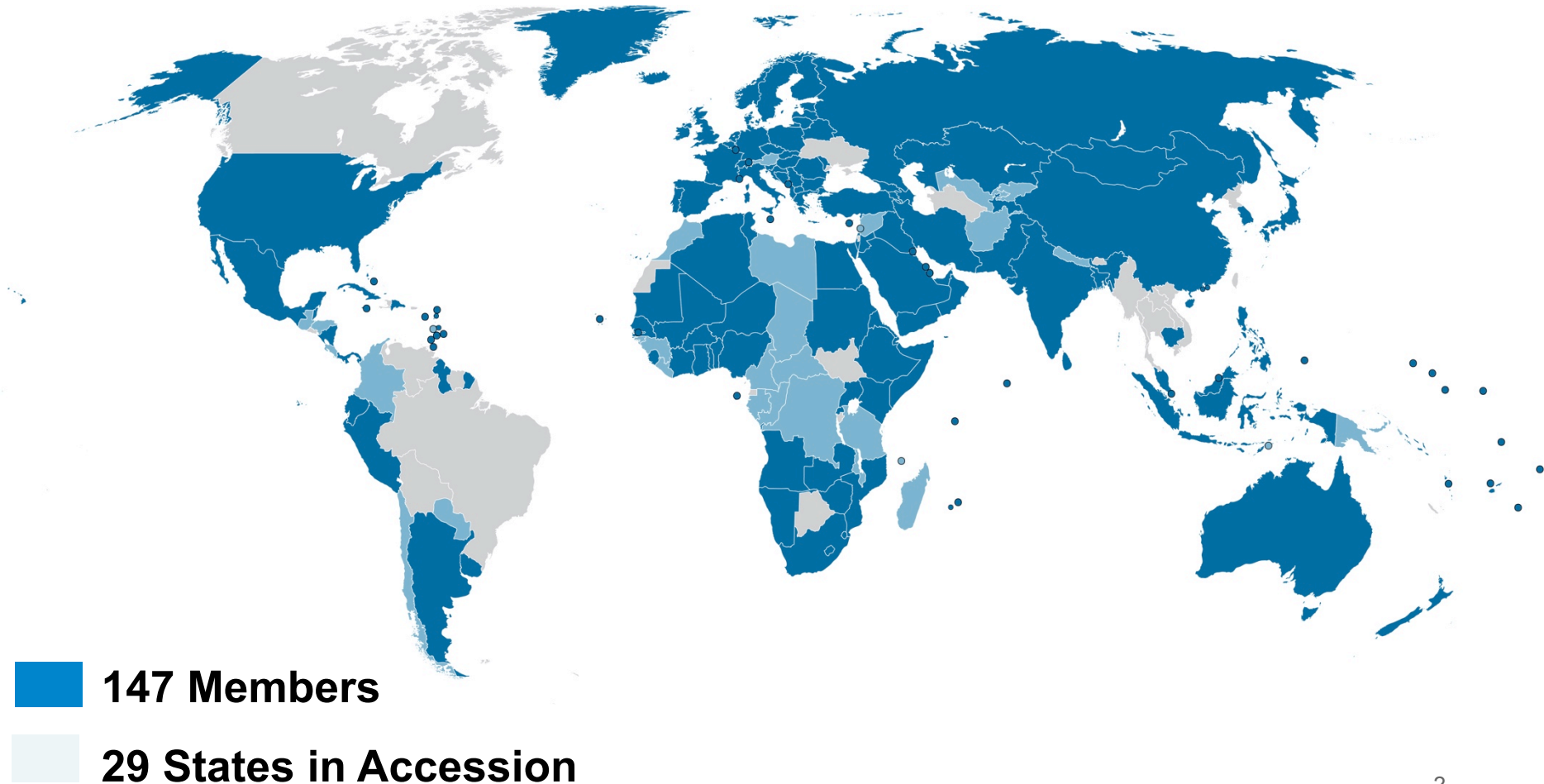


Risks and Barriers of Renewable Energy Investments and Financing

Clean Energy Project Financing MENA 2016
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for all forms of sustainable renewable energy*



Characteristics of Investment Frameworks for RE in MENA

- Centralized planning
- Strongly government-driven auctioning schemes; specified site, project parameters, permitting, ownership, etc.
- Project, rather than market and sector, orientation
- Bankability established on the project level, rather than on the level of market and regulations
- New frameworks emerging, however
- EPC → IPP / PPP → IPP / Private

Current Frameworks, Pros

- Getting started, use of existing structures
 - Low-hanging fruits
- Learning, capacity building, track record
 - Increased level of ambitions; institutional and regulatory development
- Bankability established on the level of individual projects and agreements, in the absence of bankable regulations and markets
 - Low cost of financing, depending on the RfP structure

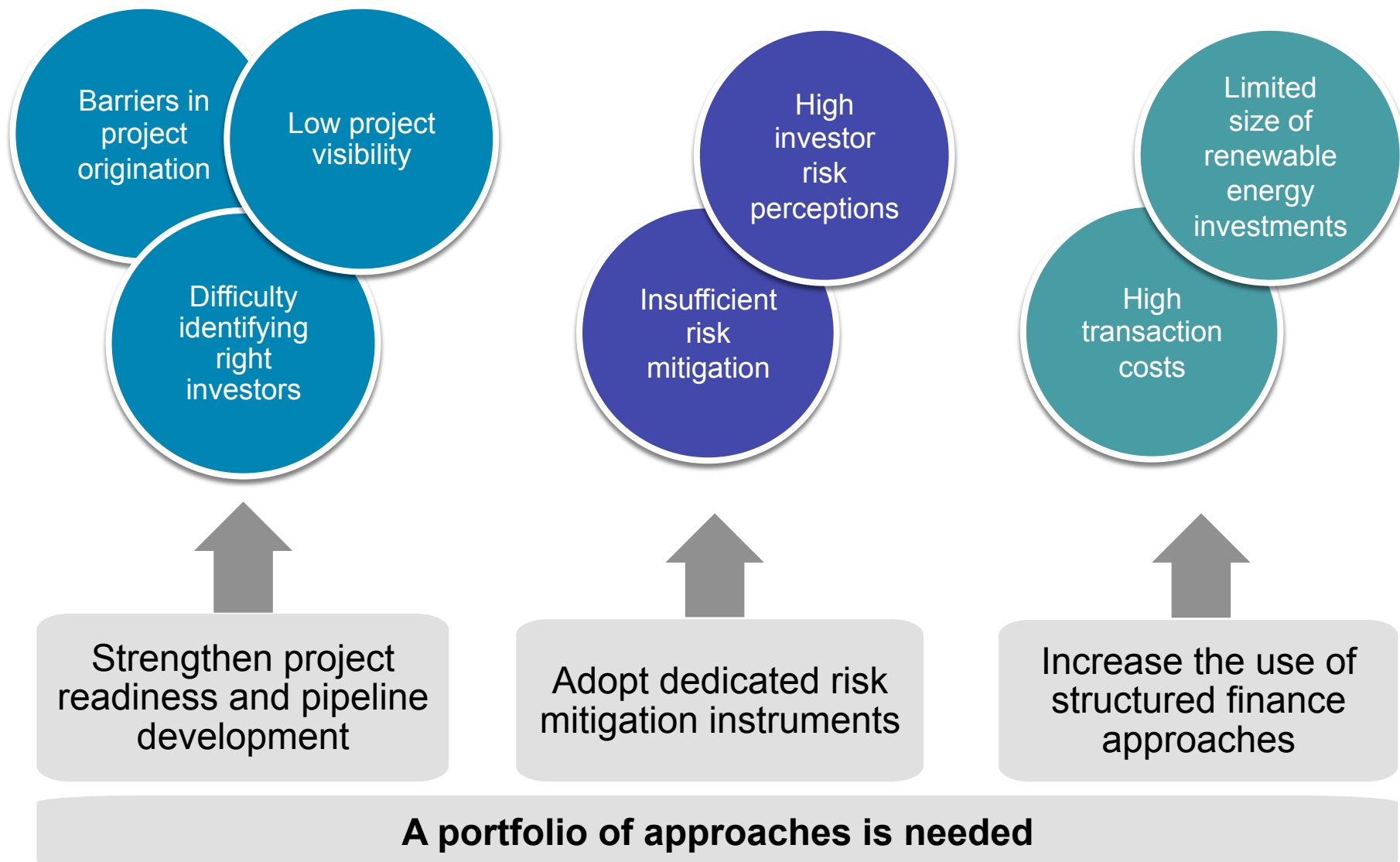
Current Frameworks, Cons

- Current frameworks do not support other than large scale individual projects
- High transaction costs; administratively inefficient in realizing the potential in other segments
 - Small and mid-sized grid connected and off-grid systems, desalination, rooftop, etc segments remain unexploited
- One-off nature does not encourage development of local value chains, market favors international consortia
 - Other economic and employment benefits of RE are not fully realised

More Advanced Frameworks Needed

- Unlocking the private sector activity, creating local value chains
- Realising full renewable energy potential in MENA
- Long-term certainty
 - Not only on the level of project revenues but on market level
 - Long term targets matched with transparent and credible policies
- Institutional and regulatory clarity
 - Regulatory body/ies independent from policy makers and the utility with clear roles
 - Especially addressing project development stage risks
- Energy subsidy reform

Key challenges for private investment in renewable energy



Project development and deal origination

Challenge

Deal origination

Recommendation

Strengthen project readiness
and pipeline development



ACCESS TO
CARIBBEAN PORTAL

ACCESS TO
LATIN AMERICA PORTAL

ACCESS TO
AFRICA PORTAL

Engage local financial institutions in renewable energy finance

Challenge

Lack of local capacity and finance

Recommendation

Country-specific on- and co-lending

Availability of financing

- Technical assistance
- On- and co-lending structures

Mitigate risks to attract private investors

Challenge

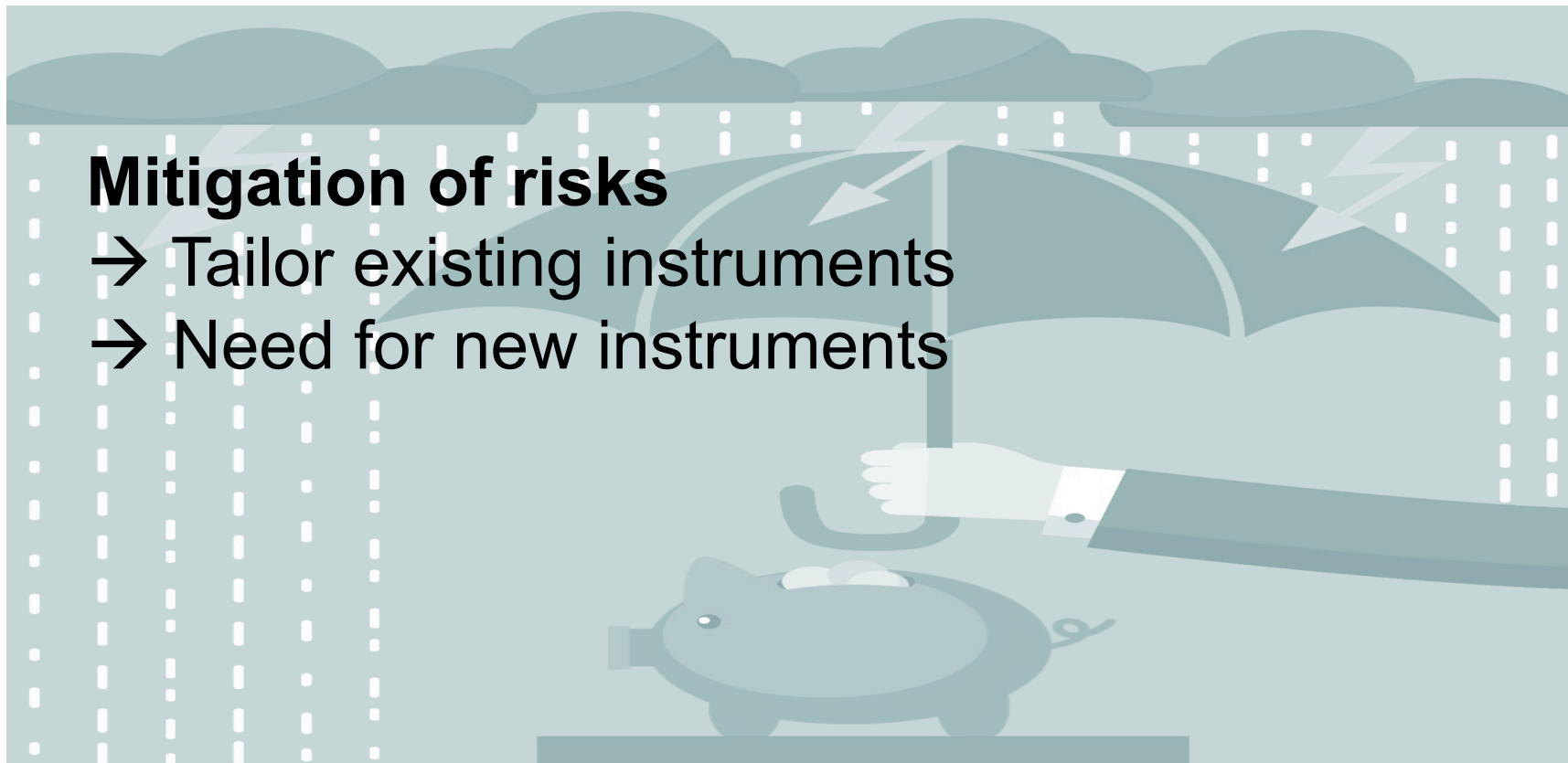
Insufficient risk mitigation

Recommendation

Enhanced use of risk mitigation instruments

Mitigation of risks

- Tailor existing instruments
- Need for new instruments



Mobilise investment from the capital markets

Challenge

Limited scale to attract institutional investors

Recommendation

Increase the use of structured finance approaches

Scaled up investments

- Standardisation → aggregation → securitization
- Green bonds, ABS, YieldCos, etc.

Thank you!



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