

Draft Concept Note
Side Event
**Creating Opportunities for Sustainable Energy Investments and Businesses in
Developing Countries**

2 October 2018, 14:00 – 16:00 | Impact Hub, Lindengasse 56, 1070 Vienna

The Global Forum on Sustainable Energy (GFSE) in cooperation with the Federal Ministry of the Republic of Austria for Europe, Integration and Foreign Affairs (BMEIA), the Austrian Development Agency (ADA) and the United Nations Industrial Development Organization (UNIDO) is organizing the Side Event: “Creating Opportunities for Sustainable Energy Investments and Businesses in Developing Countries”. The side event is organized as a pre-event of the High-Level Conference on “Regional Cooperation to Accelerate Sustainable Energy Innovation and Entrepreneurship in Developing Countries” on Wednesday, 3 October 2018 in conjunction with the Informal Meeting of the EU Directors General for Development Cooperation in Vienna, Austria. This afternoon event will follow and complement another side event titled “Business Forum: Decentralized Energy in Developing Countries,” which will be held in the morning of 2 October.

Under the Austrian Presidency of the Council of the European Union, the event will be facilitated by the German Federal Ministry for Economic Cooperation and Development (BMZ) and co-organized by the Austrian Government in partnership with the United Nations Industrial Development Organization (UNIDO) with the support of the Alliance for Rural Electrification (ARE). The event is organized in the framework of the “Green People’s Energy for Africa” initiative and the Private Financing Advisory Network (PFAN).

CO-ORGANIZERS

Global Forum on Sustainable Energy (GFSE)
Federal Ministry of the Republic of Austria for Europe, Integration and Foreign Affairs (BMEIA)
Austrian Development Agency (ADA)
United Nations Industrial Development Organization (UNIDO)

CONTACT PERSONS

Shruti Athavale, shruti.athavale@energyagency.at, +43-(0)1-5861524-151
Leonardo Barreto, leonardo.barreto-gomez@energyagency.at, +43-(0)1-5861524-127

BACKGROUND

Energy efficiency and renewable energy sources have substantial potential to ameliorate the living conditions of low-income populations by stimulating growth as well as by creating new employment and educational opportunities. Through innovation, the costs of the technologies have been reduced substantially in the past years. However, liquidity constraints and expensive access to credit limit the ability of low-income populations to undertake large up-front investments, notably on energy efficient equipment and/or renewable energy solutions. Thus, there is a need for innovative financing and credit schemes as well as business models that enable low-income consumers to spread the high initial cost over the life of the equipment.

Innovative financing schemes, new business models and appropriate technologies enable the provision of clean energy services to low-income populations in a more flexible and equitable manner. Innovative business models are necessary that adequately address the customer interface in the areas of sales, payments, service and disposal of energy efficiency and renewable energy products in a cost-effective manner. The combination of affordable financing schemes, appropriate technology, business models and sound policy frameworks also enables entrepreneurial opportunities in energy efficiency and renewable energy and provides opportunities for the development of local value chains. This

implies, among others, that access to affordable finance needs to be made available not just to consumers, but along the local value chain to organisations that manufacture, assemble, install and maintain energy efficiency and renewable energy technologies. Pro-poor public-private partnerships (PPPs) can combine public and private financing to serve low-income markets, overcoming government budgetary constraints and allocating project risks between the public and private sector.

Renewable energy technology-based solutions, which are not yet affordable, should be supported by access to financing. Through innovative business models, major unexploited market potentials for renewable-based solutions can be further exploited. However, in order to do so, actors must address the related existing challenges, including the economic viability of projects in developing countries, financing and up-scaling beyond pilot projects, the lack of available infrastructure for renewable energy technologies and appropriate incentives to step up investments in off-grid electricity solutions. In developing and emerging countries, business models need to be adapted to the local circumstances, which include adaptation to the financial and regulatory environment and to the existing institutional mechanisms. A bottleneck to long-term sustainability of innovative financing and business models is their ability to be scaled up and replicated.

Microfinance solutions to facilitate the access of underserved low-income populations to renewable energy and energy efficiency technologies are also necessary, which take into account their variable income patterns. As a complement to tailored financial products, financial inclusion policies are required to promote the access of these communities to affordable and flexible financial services.

Private and public sector actors alike must work together to accelerate the growth of a commercially-viable innovative financing market. Actors that already have experience in designing and implementing innovative financing schemes should share their knowledge. Such knowledge dissemination can help to attract various new actors to the market. Though numerous project ideas to increase the diffusion of renewable energy technologies exist, they are not structured to attract financing; thus, the development of bankable project pipelines must be encouraged. In addition, instruments for long-term and affordable financing of investment projects and support for banks and credit institutions in the assessment of relevant risks (technology, project and country risks) and the design of suitable financial products are necessary. Additionally, increasing the role of private investors requires using scarce public financing to leverage private-sector resources. Local banks in developing and emerging countries often lack the necessary capacity and resources to encourage new business models. Therefore, it is important to provide guarantee schemes to local banks to reduce their risk, thus helping them to lower their interest rates. Furthermore, donors and investors could support business model innovations.

There is also a need to handle foreign currency risks that affect project developers. Depreciation of local currencies can substantially affect the final returns of renewable energy projects as project developers have liabilities in foreign hard currencies, but their revenues are in local currencies. With the depreciation of the local currency, the company's liabilities will increase in local terms. One alternative is to provide local currency funding to project developers. Local banks, however, may not be willing or be able to provide the necessary financing. Thus, there is a need for international lenders to provide local currency debt to project developers. For this purpose, international lenders need to cooperate with foreign exchange hedge providers and hedging tools for investment in local currencies are required. Finally, an adequate blend of public and private financing is needed, with private-sector resources being leveraged, where possible, to provide local enterprises with business support and local debt.

Regional cooperation via centers for renewable energy and energy efficiency can help to strengthen efforts undertaken in the developing and emerging countries through the exchange of best practices and innovative solutions. Soft barriers for renewable energy and energy efficiency can often be addressed more (cost-) effectively through regional approaches. In this regard, regional centers can help strengthen and complement already existing national activities in knowledge and energy

management, awareness raising as well as policy and capacity development. In addition, it can help maximise impact by up-scaling already existing national initiatives, while also avoiding duplication of efforts. Cooperation and cross-learning between regional centres for renewable energy and energy efficiency can aid in identifying successful approaches and avoiding pitfalls when designing and implementing policies and measures. Furthermore, the regional centers for renewable energy and energy efficiency (ECREEE, SACREEE, EACREEE, CCREEE, PCREEE etc.) already in operation, or currently under development, can also serve as platforms for developing and implementing energy- and climate-specific initiatives and become vehicles to channel energy and climate financing. Stronger regional cooperation and capacities can mitigate barriers to renewable energy and energy efficiency investment, markets and industries. Specifically, regional centers can establish risk mitigation frameworks that facilitate the provision of risk sharing to different groups, such as commercial banks, debt funds and Energy Service Companies (ESCOs), depending on the mix of equity, debt, grants or guarantees available.

OBJECTIVE

This event will bring together entrepreneurs in decentralized renewable energy technologies and financiers to share best practices, discuss challenges and bottlenecks, and exchange experiences. Financiers and investors will present innovative financing instruments and products (e.g. grants, loans, guarantees, equity, insurance) aiming at promoting sustainable energy and climate technology business and innovation in developing countries. At the end of the event, participants will discuss how regional cooperation can contribute to strengthening regional financing opportunities. The outcomes of the discussions will then be presented at the High-Level Conference on “Regional Cooperation to Accelerate Sustainable Energy Innovation and Entrepreneurship in Developing Countries” on 3rd October 2018 in Vienna, Austria.

GUIDING QUESTIONS

1. What innovative financing instruments, products and programs exist for developing countries?
2. Which innovative microfinance solutions are available to facilitate the access of low-income population to renewable energy and energy efficiency?
3. What are the main financial challenges and bottlenecks that entrepreneurs, working, in particular, in developing decentralized renewable energy technologies, face to scale-up their products?
4. How can regional cooperation better contribute to bringing together financiers and entrepreneurs to solve energy challenges and facilitate risk mitigation?
5. What are the main instruments for mitigation of foreign currency risks that affect project developers?

Moderator: Martin Hiller (Director General, Renewable Energy and Energy Efficiency Partnership, REEEP)

Creating Opportunities for Sustainable Energy Investments and Businesses in Developing Countries

2 October 2018, 14:00 – 16:00
Impact Hub, Lindengasse 56, 1070 Vienna

14:00 – 14:30	Opening and Welcome Addresses
	<ul style="list-style-type: none"> • Mr. Robert Zeiner, Director, Programmes and Projects International, Austria Development Agency (ADA) • Mr. Felice Zaccheo, Head of Unit Sustainable Energy and Climate Change, DG International Cooperation and Development, European Commission • Mrs. Tania H. Rödiger-Vorwerk, Deputy Director General at Directorate 31 – Environment and Infrastructure, German Federal Ministry for Economic Cooperation and Development (BMZ), presenting the Green People’s Energy for Africa Initiative • Mr. Marcus Wiemann, Executive Director, Alliance for Rural Electrification (ARE), presenting conclusions from the 1st side event “Business Forum on Decentralised Energy in Developing Countries”
14:30 – 15:40	Interactive Panel Discussion and Q&A
	<ul style="list-style-type: none"> • Mr. Michael Wancata, Member of the Executive Board of the Development Bank of Austria (OeEB) • Representatives of Entrepreneurial Development Bank of the Netherlands (FMO, tbc), DEG (tbc), IFC (tbc) • Mr. Daniel-Alexander Schroth, Adviser to the Vice President, Power, Energy, Climate and Green Growth Complex, African Development Bank • Mr. Mahama Kappiah, Executive Director, ECOWAS Center for Renewable Energy and Energy Efficiency (ECREEE) (tbc) • Mr. Peter Storey/Mr. Marko van Waveren Hogervorst, Private Financing Advisory Network (PFAN) • Mr. Harald Hirschhofer, Senior Advisor, TCX Investment Management Company • Mr. Charles Wetherill, Program Manager, Nordic Development Fund (NDF) • Ms. Ana Hajduka, Founder, Green Aggregation Tech Enterprise (GATE)
15:40 – 16:00	Wrap-Up & Conclusions for the High-Level Conference
	By moderator and panelists

As of 14.9.2018

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