

Panel Summary: WWEC2011-Dii Finance Panel

Moderator: Mr. Alaa Ezz

Panelists:

- H.E. Dr. Mohamed Ibrahim Al Twaijry, Deputy Secretary General for Economic Affairs, League of Arab States
- Giuseppe de Beni, CEO, Italgas
- Volker Thomsen, Treasurer, World Wind Energy Association
- Eriks Atvars, Managing Director, Global Head of Power and Environment, Unicredit Group
- Dr. Silvia Pariente-David, Senior Energy Specialist, Middle East and North Africa Region, World Bank
- Nobuhiko Ikuro, Chief Representative, JICA
- Zhu Qingdong, Head of Cairo Office, Chinese Development Bank
- Jean-Pierre Macelli, Director, Agence Francaise de Développement
- Wolfgang Reuß, Director, North Africa and Middle East, KfW Development Bank
- H.E. Marc Franco, EU Ambassador, Head of EC Delegation

Main challenges:

- Country risk
- Regulatory framework
- Fossil fuel subsidies

Main success factors

- Provide risk guarantees
- Provide feed-in tariffs or similar long-term off-take arrangements
- Include commercial banks and industry in the financing structure

Summary:

H.E. Dr. **Al Twaijry of the Arab League** outlined the importance of governance support for renewable energy: The Arab world has the demand, the physical resources, the technology and the political will for renewable energy from deserts and the Arab League is committed to support this development.

Mr. De Beni of Italgel presented the perspective of the commercial sector on renewable energy financing: High domestic energy demand, large and good renewable energy potential and sufficient government support with ambitious renewable energy targets are key drivers of Italgel's decision to invest in a country. For its financing, Italgel does not require public financing but instead relies on its own equity. As a reason, Mr. De Beni states the significant fees that public finance institutions charge and that increase the CAPEX (Capital Expenditure) of projects. Instead, public finance institutions should provide risk guarantees to make projects more attractive.

Mr. Thomsen of the WREC stressed that not only financial parameters, but also the public momentum for renewable energy should be considered as import forces for renewable energy ; the feed-in tariff movement is an example for that. Fossil fuel support should be removed to promote renewable energy and reduce health costs associated with fossil fuel consumption. Proven financial measures and instruments such as cooperative banking systems for local wind farms should be used to promote renewable energy and should also support smaller projects.

Mr. Atvars of Unicredit argued that renewable energy technology today is considered as proven and that its risks can be managed. Instead, he drew the attention on the stability of renewable energy off-take and prices. He outlined the success story of independent power producers that require stable long-term off-take and concessional finance. He also stressed the importance of commercial banks, export credit agencies and public finance institutions to work together and should also address foreign exchange and inflation risk. Local governments should collaborate with NGOs to address risks such as country and environmental risks.

Ms. Pariente-David of the World Bank focused on the essential contribution of concessional finance to the CSP technology that is required since CSP is currently still expensive. Therefore, the World Bank has set up an USD 750M Clean Technology Fund offering very concessional finance. The private sector should be more integrated in the financing of CSP projects and Ms. Pariente-David proposed a risk sharing where the private sector would assume technology risks and public finance institutions would cover country risks. The export of renewable energy from MENA to Europe is besides concessional financing an important financing source and it should be discussed to encourage exports with a feed-in tariff. She however also mentioned the carbon market, fossil fuel price, the phasing out of fossil fuel subsidies and the opening of the EU market as important drivers of CSP's cost competitiveness.

Mr. Ikuro of the Japan International Cooperation Agency presented his agency's interest in renewable energy projects in the region including a large prefeasibility study for wind projects. He presented services such as financial and technical assistance, investment in pilot projects, gap financing, funding for Public-Private-Partnerships and grants for technical assistance.

Mr. **Zhou of the Chinese Development Bank** presented his agency's commitment for providing medium and long-term finance for renewable energy projects in the MENA region and his agencies services such as loans for small- and medium-sized companies, support for infrastructure projects and the provision of short- and long-term loans and financial advisory services for renewable energy projects.

Mr. **Macelli of the Agence Francaise de Développement** emphasized the importance that his agency allocates to renewable energy in the MENA region. He identified the grid connection of renewable energy and the strengthening of the transmission infrastructure as major challenges to be addressed. He also outlined the great potential for renewable energy in Egypt and its opportunity to serve as a hub for green electricity exchange within the MENA region and with Europe.

Mr. **Reuß of the KfW** focused on the challenges of financing renewable energy: Commercial banks currently only have limited access to debt funding and there are further constraints on equity within companies. As a result of the financial crisis banks are currently also more risk-averse. The large investment sums of large-scale renewable energy projects also require equity participation of the industry. The MENA region faces additional challenges: The Arab spring, although a very positive development, has led to a short-term drop in the MENA country ratings. There are however strong drivers for desert power. In Europe the change of the German energy strategy means that Germany is also looking over its borders to cover its energy supply. The Ouarzazate CSP project serves as a positive example of including the private sector and industry in financing renewable energy projects. The involvement of private financiers is a major success factor for renewable energy financing. A sustainable and certain cash flow - ideally secured through a feed-in tariff, power purchase agreements and tax credits as well as guarantees backed by government - is a key driver of renewable energy scale-up.

H.E. **Marc France of the EC Delegation** emphasized the importance of renewable energy and energy efficiency for the European Union's internal and external agenda. He sees the creation of a suitable regulatory framework and transparent market conditions as key success drivers for renewable energy. The framework should be addressed at the national and at the regional (e.g. the Mediterranean Solar Plan) level. International finance institutions as the EIB have recently made USD 80bn of additional funding available to MENA countries and much of it will flow into energy projects, although not the whole sum might be realized. A project pipeline of suitable renewable energy projects is therefore required to receive the funds. Public private partnerships should be set up to implement such projects and interdisciplinary teams should be formed to deal with such complex issues. These endeavors should be followed since ***energy can tremendously drive socio-economic developments and one of the greatest competitive advantages of the MENA region is its availability of sun and wind.***