OECD WORKSHOP ON FINANCING GREEN INFRASTRUCTURE
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Session: « The role of banks, utilities and equity sponsors in financing green infrastructure »

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SUMMARY

1. Some introductory comments on well-known subjects
2. The transformation of the energy system
3. Issues on electricity generation
4. Issues on energy efficiency
5. Conclusions
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Some introductory comments on well-known subjects
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- Paris Agreement, NDCs, SDGs
- Infrastructure Gap
- It is not just energy, but energy is an important part
- Carbon pricing is one part of the story
- Reduction/elimination of fossil fuel subsidies is also another part of the story
The transformation of the energy system
The transformation of the energy system

- Climate change and the transformation of the energy system.
- An irreversible move towards a decarbonised, decentralised and digitalised energy world.
- Adequate energy policies are needed.
- A remarkable example of energy transformation: France.
- The implications of the Paris Agreement mean an unprecedented and global transformation to take place in about three and a half decades.
- Going quickly creates a high risk of economic, technical and regulatory/political errors.
Issues on electricity generation
Utilities’ traditional business model was based on centralized generation: high capex, LT investment; a patient capitalist.

ENGIE has since the mid 90’s implemented various partnership structures, notably in the Middle East and Latam.

More recently, Engie’s Renewable Energy Platforms, with partners such as Equitix (UK), CDC, Natixis, Crédit Agricole + others (France), Mitsui and Fiera Axium (Canada), Marubeni (Portugal). ENGIE retain ownership control and manage the operational phase.

In Latin America, our local companies have gone public, with pension funds as equity partners.
Issues on electricity generation (2/3)

- Projects will be smaller in size and decentralised.
- Financing those projects: take a similar approach to financing “traditional” projects by pooling them into a single financial structure......
- Can we do better? The new generation of projects cannot support disproportionate development costs
- Some examples: IFC’s “Scaling Solar”, the Terrawatt Initiative, launched by Engie
- Need to work with governments (central and local), MDBs and MDAs to deliver such optimized financing
Issues on electricity generation (3/3)

• A new approach: IBS (Identify, Build and Sell / Securitise), a new business model?
• Approach could also work for mini-grids
• Analysts and rating agencies would need to understand the model.
• Need to gather all stakeholders, to establish and disseminate rules, market practices, ESG benchmarks, standard contracts.
• Moving from a “project approach” to a “process approach”. We believe this would be a decisive contribution to transformation of the energy system.
Issues on energy efficiency
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Energy Efficiency: buildings, transport, industry

● Buildings:
  — improvements and greenfield
  — green revolving funds, Brussels Green Loan
  — net zero buildings: green construction finance, certification

● Transport: Electric vehicles

● Industries: smart minigrids

● Cities are major stakeholders in energy efficiency

● Grid edge transformation: need for alliances, new regulation, enabling infrastructure
Conclusions
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- Energy system transformation presents risks and opportunities
- New business models will emerge to co-exist or replace existing ones
- A multi-stakeholder approach is needed: regulation, standards, certification, ESG, tracking, data management...
  — Customer-oriented, technology-driven transformation of the energy business
  — Climate has to be the main driver of energy policy
- Private finance: this transformation concerns you too
Thank you for your attention!

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