



Private Finance for Sustainable Development (PF4SD) OECD Week

Session: Connecting investors to impactful clean energy investments in emerging economies

with the OECD Centre on Green Finance and Investment

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The mission of the [OECD Centre for Green Finance and Investment](#) (CGFI) is to help catalyse and support the transition to a green, low-emissions and climate-resilient economy through the development of effective policies, institutions and instruments for green finance and investment. At the event, the Centre announced the kick-off to the [Clean Energy Finance and Investment Mobilisation \(CEFIM\) Programme](#). The CEFIM Programme is a five-year programme supported by the government of Denmark and focusing on five emerging economies. Implemented in close collaboration with key ministries along with key public and private stakeholders, the CEFIM Programme will develop and support implementation of recommended measures to attract new sources of finance for clean energy projects.

The event also provided an occasion to share ideas on **creating a network to support the CEFIM Programme**. The network could focus on: existing and planned investment vehicles for clean energy investment; the current pipeline of clean energy projects in target countries; and government plans and policies (and OECD recommendations) to strengthen the pipeline of clean energy projects in the target countries. With respect to investment vehicles, the network could bring together: i) institutional investors, private equity, banks and project developers interested in green infrastructure investment opportunities in the target countries; and ii) providers of relevant investment vehicles. With respect to project pipelines and the CEFIM Programme more broadly, the network could bring together the above stakeholders as well as a broader group of actors with whom the OECD will seek to engage and co-operate under the Programme.

Institutional investors matter for the transition. They have up to USD 84 trillion in assets under management globally, but invest only 1.1% of these in direct infrastructure investments.¹ Asia and the Pacific alone will need to invest [USD 1.7 trillion](#) per year in infrastructure until 2030 to maintain its growth momentum, fight poverty, and address climate change.² To meet these needs, it will be important for institutional investors to significantly increase their clean energy and low-carbon investment.

Developing and emerging economies present major opportunities for clean energy investments. Take India for instance. As India's economy will grow at an estimated rate of 7% for the next decade, its electricity generation will continue to grow substantially. In 2014, the government set a target to reach 175GW of renewable installed capacity by 2022, including 100 GW from solar power. Political support enabled the country to reach 26GW of solar capacity in 2018. That year alone, India installed 9.6GW of solar capacity, which is more than all of Europe (6GW) but less than China (15GW). India aims to be seen as a sound destination for renewable energy infrastructure investment, attracting investors from international private funds, as well as to share lessons learned with other developing countries through the International Solar Alliance. The CEFIM Programme and its associated network(s) can help make investors more aware of such

¹ According to OECD estimates, based on an annual survey of large pension funds and public pension reserve funds. <http://www.oecd.org/daf/fin/private-pensions/2016-Large-Pension-Funds-Survey.pdf>

² Source: ADB (2017), <https://www.adb.org/publications/asia-infrastructure-needs>

opportunities in India and other target countries, and work with governments to help overcome any remaining investment barriers.

New initiatives are aiming to facilitate clean energy investment in emerging markets and engage institutional investors. In order to fill the financing gap, the Asian Development Bank (ADB) for instance has established several initiatives, under an innovative finance hub focusing on Southeast Asia. As part of this, the bank is supporting ASEAN countries set up a regional facility to structure bankable projects and de-risk green infrastructure projects in the region and mobilise private finance. Another example is the European Climate Foundation's new Climate Finance Partnership, launched at the One Planet Summit in New York. This is a six-party partnership between BlackRock, the German and French States, and the IKEA, Grantham and Hewlett foundations that aims to catalyse greater participation by institutional investors in climate-related investment in emerging markets. Other relevant initiatives include green lending activities of the European Investment Bank (EIB), and co-operation of multilateral development banks (MDBs) under the G20 Japan Presidency to create a joint infrastructure platform. Nevertheless, there remain challenges to involving investors in infrastructure finance, as referred to in a recent IIGCC report. In particular:

- Blending public and private finance to improve return
- Predictability and transparency
- Aggregating assets for large financing
- Robust national infrastructure development plan
- Key transaction enablers such as political stability and efficient capital markets

To attract investment at scale, a “whole of government” approach, engagement with a broad range of stakeholders, and strengthening domestic enabling conditions for clean energy infrastructure are all needed. The CEFIM Programme will leverage a whole of government approach to help accelerate clean energy investment, working closely with key ministries, financial institutions and other stakeholders.

The IPCC recent report is a reminder that we have only a decade to solve the green financing issue. As outlined in the OECD's [Financing Climate Futures](#) report, the financial system needs to be reset. To make this reset a reality, action is needed to strengthen the evidence base, build consensus, and experiment with policies and initiatives in the field. The next five years provide an opportunity to use the OECD's hands-on experience to show that scaling up of green finance and investment is possible.