IRENA and REPP WORKSHOP

RISK MITIGATION IN RENEWABLE ENERGY INVESTMENTS IN AFRICA

DATE: 29 and 30 January 2018

LOCATION: Crown Plaza Hotel, NAIROBI, KENYA

Background

Renewable energy, and solar PV in particular, has become a gamechanger especially in developing countries. In many locations PV is already the lowest cost option for power generation. In addition, solar PV is a scalable solution that can be applied from small household level solutions up to thousands of megawatts utility-scale solutions. For example, in Africa, off-grid solutions could provide about 60% of the new capacity needed to provide universal access to electricity on the continent. Renewable energy is also a key component of the solutions required reach the Paris Agreement on climate change, including its objective to limit global temperature rise to well below 2° C.

The capital-intensive nature and the long-term time horizon of the investment in renewables, along with other risks and barriers, however, prevent a rapid scaling up of these technologies. There are real and perceived risks on several levels, in particular resource, policy, off-taker, currency and inflation risks. IRENA has studied these risks and barriers extensively, and provided recommendations for policy makers, developers and financiers, in its report "Unlocking Renewable Energy Investment – the role of risk mitigation and structured finance" (IRENA, 2016), and is undertaking a number of follow-on activities. It also operates the Sustainable Energy Marketplace (http://marketplace.irena.org/) to link project developers, financiers and service providers, in order to increase the liquidity of the market.

UK Department for Business, Energy and Industrial Strategy (BEIS), EIB and UNEP have launched the Renewable Energy Performance Platform (REPP, www.repp-africa.org) initiative focusing on small and medium-sized renewable energy power generation projects in sub-Saharan Africa. The initiative provides risk financing, technical assistance and results based finance for projects in advanced stage of project development. In addition, REPP helps the project developers and sponsors to identify investors, and works closely with developers and risk mitigation instrument providers in order to help project to utilise these instruments. REPP can also selectively provide collateral for project developers to enhance the conditions for debt financing. REPP will provide capacity building for relevant stakeholders to promote renewable energy project development, financing, and utilisation of risk mitigation instruments in sub-Saharan Africa.

The USD 8.3 billion Climate Investment Funds (CIF, www.climateinvestmentfunds.org) is providing 72 developing and middle income countries with urgently needed resources to manage the challenges of climate change and reduce their greenhouse gas emissions. The funds include Clean Technology Fund (CTF), Pilot Program for Climate Resilience (PPCR), Scaling Up Renewable Energy in Low Income Countries Program (SREP), and Forest Investment Program (FIP).

Objective and format of the workshop

In order to enhance the use of risk mitigation instruments for renewable energy financing, IRENA and REPP is co-organising a workshop on risk mitigation instruments in partnership with the CIF, with a geographical focus on Africa. The workshop will bring together the main stakeholders for practical,

hands-on discussion on the opportunities and challenges of risk mitigation instruments in renewable energy investments and how to increase the availability and use of such instruments for renewable energy projects in the region. In particular, the workshop will highlight emerging examples and innovations that are transforming the market.

The workshop will include presentations, panel sessions and group discussions, with 50+ participants representing various key stakeholders in the industry. The workshop will be interactive and solutions oriented, and will encourage the participants to share their views and experiences, and to discuss concrete measures to be taken by different stakeholders to improve the situation.

Target audience includes:

- Risk mitigation providers from public and private sectors
- Project developers and sponsors
- Investors and financiers
- Utilities and regulators
- Host and donor country government representatives

Specific topics to be addressed:

- The landscape of existing risk mitigation instruments – application process, requirements and key terms
- Needs from governments and renewable energy project developers to reach financial closure and how standardised project documentation and risk mitigation instruments can address such needs
- Practical challenges for developers and sponsors to apply risk mitigation instruments in renewable energy projects
- How to encourage private sector investor participation
- Role of private insurers and insurance markets
- Gaps in existing risk mitigation instruments
- How to manage risk perceptions amongst funders
- Potential for more collaboration between risk mitigation providers, e.g. coordinating requirements for approval processes

The event will be structured around the following elements

- Brief presentations on the landscape of risk mitigation instruments, building on a matrix exercise mapping existing risk mitigation instruments with different project scales
- Case examples of success stories, challenges and failures in utilising risk mitigation instruments in renewable energy projects
- Open discussion, group discussions and facilitated group work addressing these presentations and case studies to identify solutions and needed actions by different stakeholders

Key takeaways will include proposed actions for risk mitigation providers, project developers, financiers, off-takers, regulators, host country governments and donors, to make the application of risk mitigation instruments by renewable energy projects more feasible. Following the workshop, the organisers will share a summary of main conclusions and recommendations from the discussions with participants, and facilitate the follow-up actions by relevant stakeholders, based on the recommendations.