

# **IRENA REPP CIF Workshop**

## **RISK MITIGATION IN RENEWABLE ENERGY INVESTMENTS IN AFRICA**

### **DAY 1**

**Crowne Plaza Hotel, Nairobi, 29 Jan 2018**

# Key findings from IRENA publication **Unlocking renewable energy investment: the role of risk mitigation and structured finance**

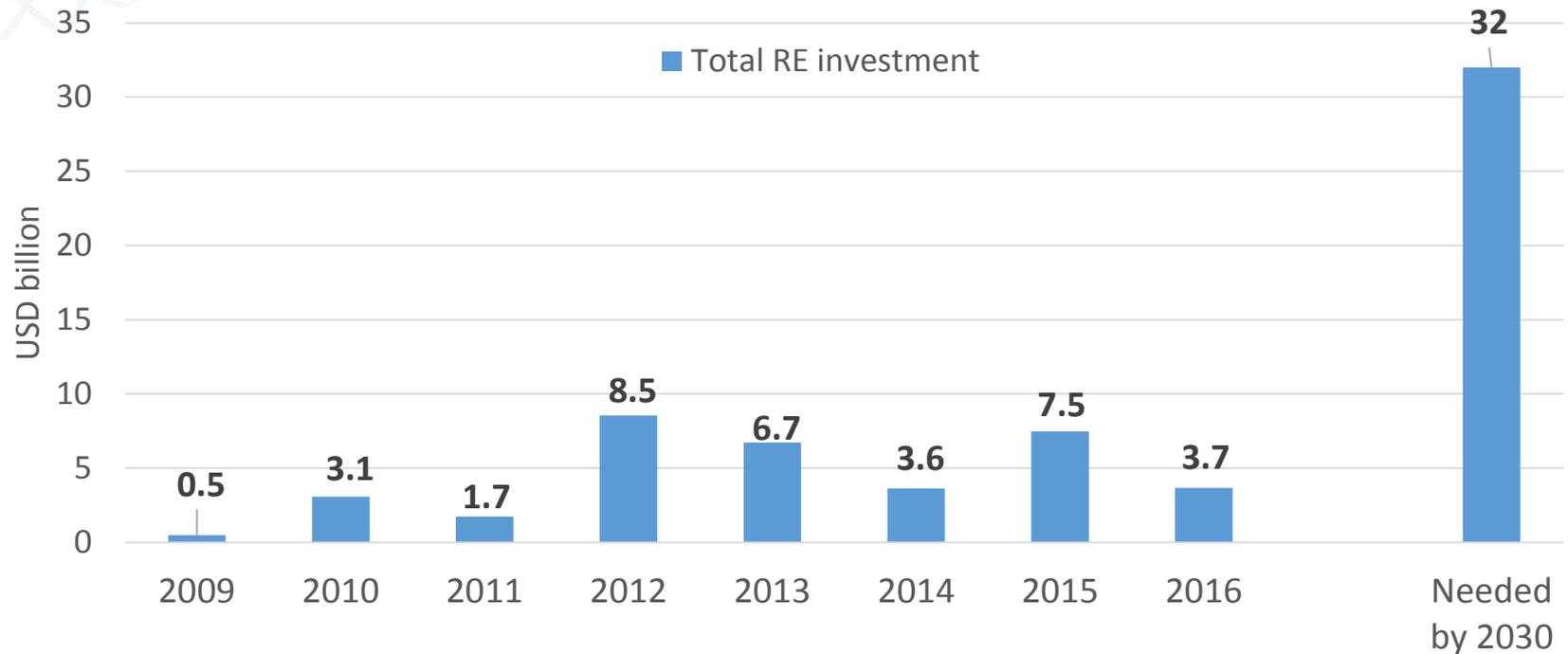
**Henning Wuester**

Director – Knowledge, Policy and Finance Centre, IRENA

**Nairobi, Kenya**

**29 January 2018**

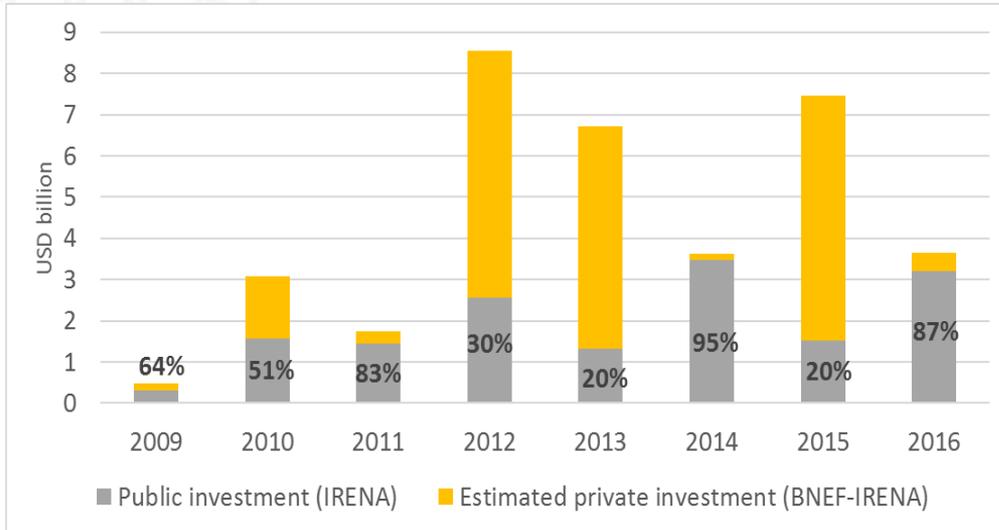
# Renewable Energy Investment Trend in Africa – Investment Needs



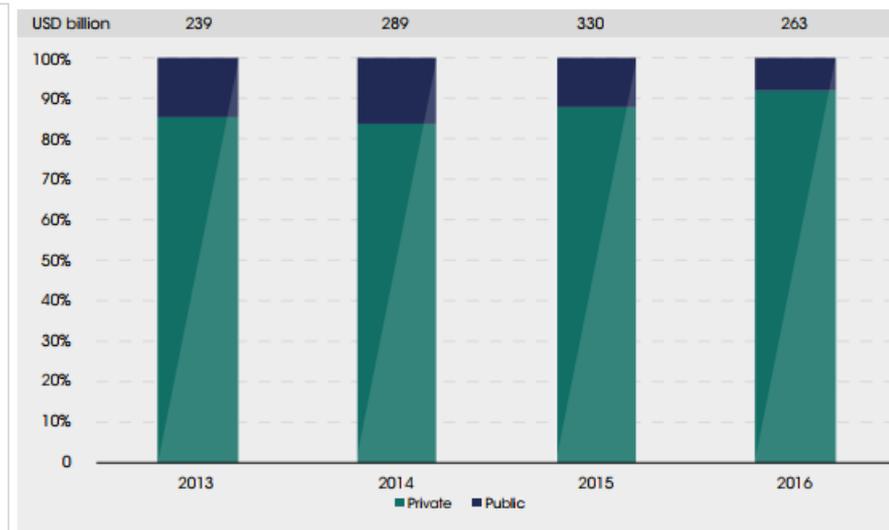
Source: IRENA and BNEF (2017)

The investment need to reach the cost-effective RE potential of 310 GW by 2030 in Africa is **USD 32 billion** a year.

# Renewable Energy Investment Trend in Africa – Share of Public Investment



Share of public and private investment in renewable energy finance, Africa, 2009-2016 (BNEF-IRENA, 2017)

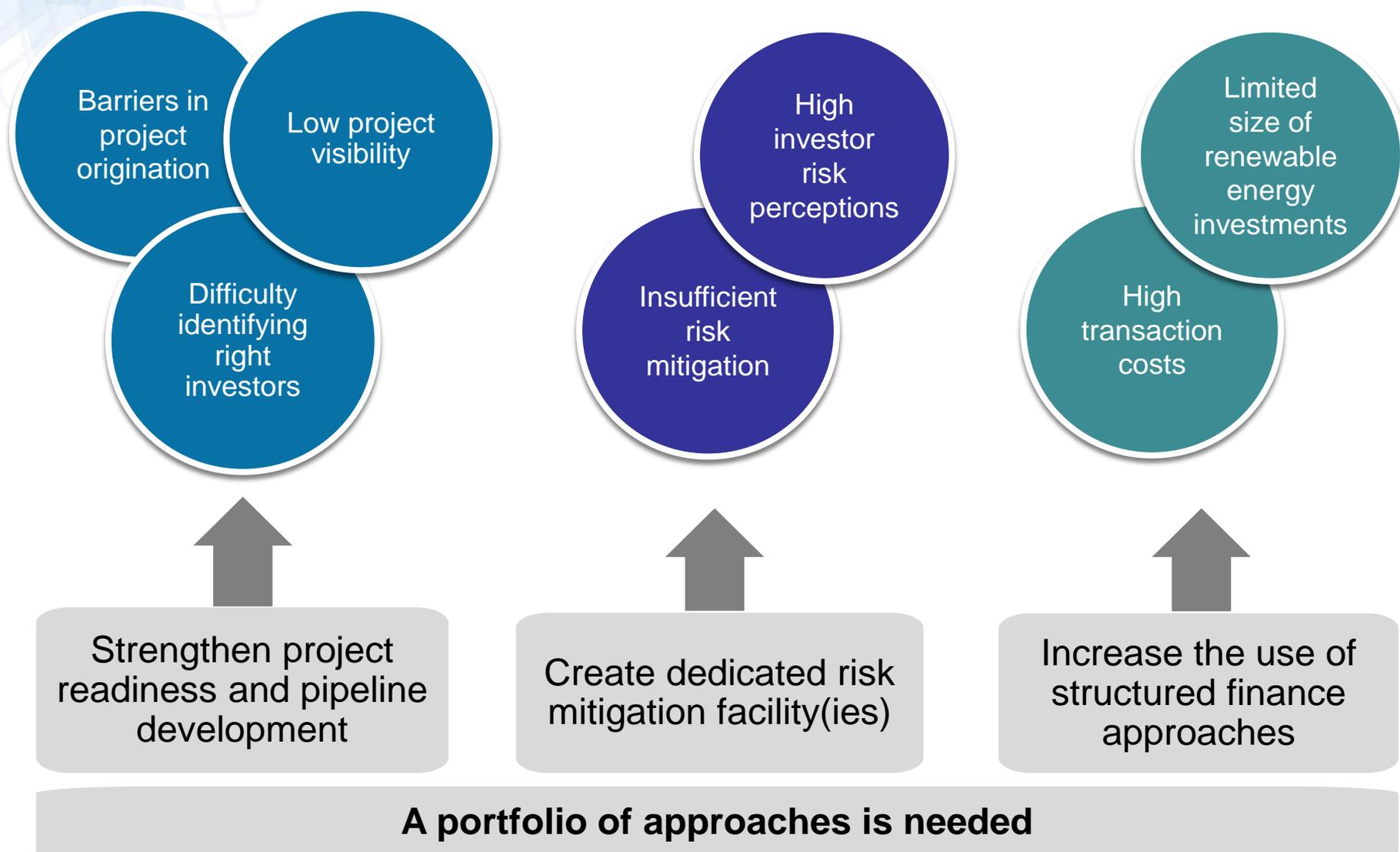


Share of public and private investment in global renewable energy finance, 2013-2016 (IRENA and CPI, 2018)

The average share of public investment during 2009-2016 in Africa was 56%, much higher than the global average (12-16%)

**Public investment has a critical role in leveraging private capital.**

# Key challenges and recommendations to attract private investment in renewables



# How to scale up private investment in renewable energy

Five action areas:

1. Early project facilitation
2. Local financial institution engagement
- 3. Risk mitigation**
4. Capital market mobilisation
- 5. Dedicated risk mitigation facilities**

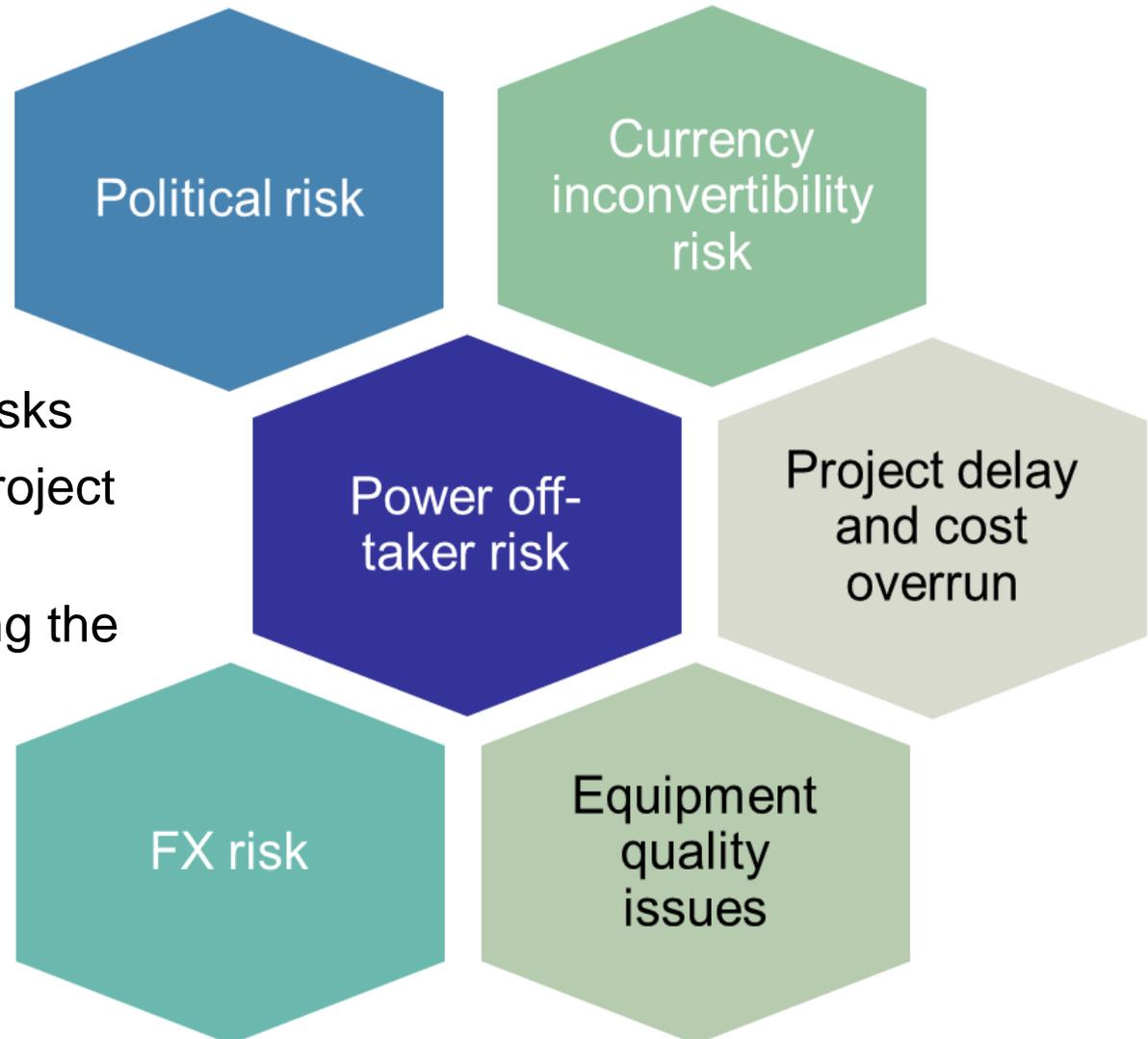
## UNLOCKING RENEWABLE ENERGY INVESTMENT:

THE ROLE OF RISK MITIGATION AND STRUCTURED FINANCE



# A range of real and perceived risks

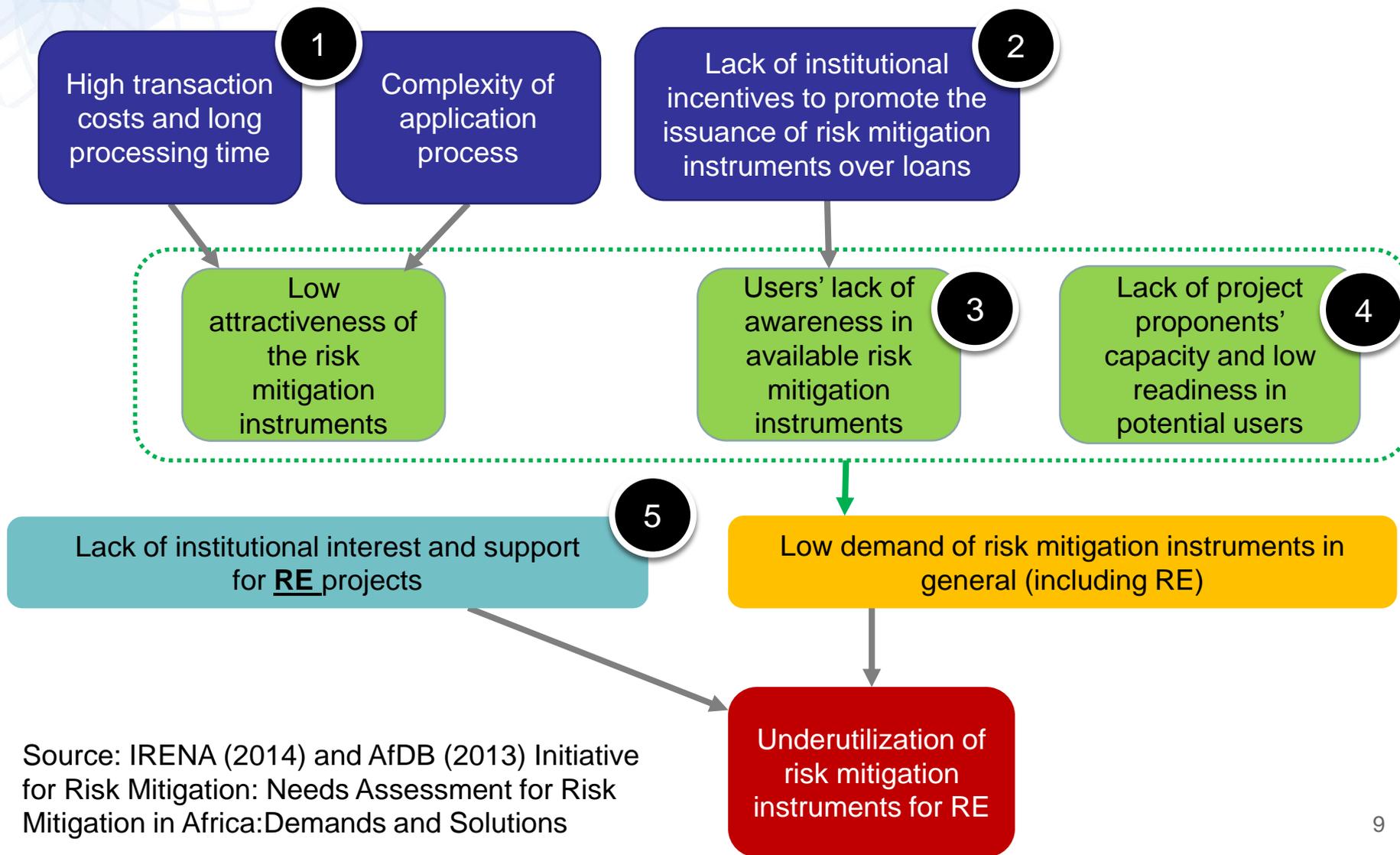
- Real and perceived risks
- Barriers to manage project schedule and costs
- Challenge of mitigating the risks in developing economies



# Utilization of guarantees in RE projects

- **Until 2014, most existing risk mitigation instruments were not actively utilized for RE projects**
- 16 target orgs have dedicated only about 4% of their total infrastructure risk mitigation issuance value to renewable energy
- This rate ranges from 0% to 13% amongst the institutions that provided data.
- 4 out of the 16 institutions had not supported a single RE project with their risk mitigation instruments.

# Reasons for the underutilization of risk mitigation instruments for RE



Source: IRENA (2014) and AfDB (2013) Initiative for Risk Mitigation: Needs Assessment for Risk Mitigation in Africa: Demands and Solutions

# What is needed to scale up the use of risk mitigation instruments in RE investments

## Coverage

Risk

Countries/regions

RE technology

## Accessibility and Scalability

Standardised process of risk assessment

Lower risk premium

One stop solution

## RE hub

Mobilising governments and public FIs

RE Industry expertise

Attracting insurers and finance community

→ Creation of a dedicated risk mitigation facility



**Thank you!**