



OECD WORK ON CLEAN ENERGY INVESTMENT

SESSION 2: HOW TO PROMOTE THE NECESSARY
INVESTMENT IN THE EUROPEAN ENERGY
TRANSITION?

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Energy Transition: A multifaceted Challenge for Europe
**2nd Symposium: How to finance the EU energy
transition towards a low-carbon economy?**

11 June 2014, Brussels



Outline

- Barriers to clean energy infrastructure investment
- Priorities to unlock private investment:
 1. Improving domestic frameworks for investment in clean energy infrastructure
 - OECD *Policy Guidance for Investment in Clean Energy Infrastructure*
 - OECD new horizontal project *Align Policies for a Low-Carbon Transition*
 2. Addressing outstanding barriers to international trade and investment in renewable energy to optimise value chains



Barriers to clean energy infrastructure investment

- Traditional barriers to infrastructure projects
- Specific investment barriers for clean energy:
 - Weak or non-existent carbon pricing
 - Lack of predictable policy environment
(e.g. retroactive changes to feed-in tariffs)
 - Regulatory and market rigidities that favour fossil fuel incumbency in the electricity sector
 - High financing costs
 - Outstanding policy restrictions to international trade and investment
(e.g. local content requirements in solar and wind energy)



I. IMPROVING DOMESTIC FRAMEWORKS FOR INVESTMENT IN CLEAN ENERGY INFRASTRUCTURE



OECD Policy Guidance for Investment in Clean Energy Infrastructure



**Policy Guidance
for Investment in Clean
Energy Infrastructure**
EXPANDING ACCESS TO CLEAN ENERGY
FOR GREEN GROWTH AND DEVELOPMENT



OECD, 2014 forthcoming

- It is a non-prescriptive tool to help governments identify ways to mobilise private investment in clean energy infrastructure
- **It benefited from substantial contributions by the World Bank and UNDP**
- **It was annexed to the Communiqué of G20 Finance Ministers at their meeting of 10-11 October 2013**
- It can also usefully contribute to the **UN Sustainable Energy for All Initiative**
- **It is now going to be applied to specific country contexts**





OECD Policy Guidance: Key issues for policy makers to consider

1. **Investment policy**: applying investment principles such as:
 - non-discriminatory treatment of international investment
 - intellectual property protection and
 - transparency
2. **Investment promotion and facilitation**: improving the coherence and the transparency of the broad system of investment incentives & disincentives :
 - Reforming inefficient fossil-fuel subsidies
 - Putting a price on carbon
(e.g. with the EU ETS)
 - Setting long-term goals and targets
(e.g. with the EU 20-20-20 targets or the proposed 2030 EU Framework for Climate and Energy Policies)
 - Providing predictable transitional support to green technologies
(e.g. well-targeted and time-limited feed-in tariffs, no retroactive changes)
 - Facilitating the licensing of renewable energy projects
(e.g. by reducing time to obtain permits for small-scale solar PV projects)



OECD Policy Guidance: Key issues for policy makers to consider

3. **Competition policy/ energy market design**: levelling the playing field between state-owned enterprises (SOEs) and independent power producers (IPPs) of renewable energy
4. **Public governance/ energy market institutions**: enhancing co-ordination and improving governance across and within government levels
5. **Financial market policy**: strengthening financial markets and facilitating access to long-term finance:
 - Setting innovative and targeted financing instruments
(e.g. through green bonds, EIB funding, or by extending the scope of Europe 2020 Project Bond Initiative to clean energy)
6. **Other policies and cross-cutting issues**:
 - Regional co-operation
 - Making and implementing the choice between public and private provision, including through public-private partnerships (PPPs)
 - Ensuring that clean energy policies are compatible with the WTO



Aligning Policies for a Low-Carbon Transition

- Need to move to zero net emissions from fossil fuel combustion in the second half of this century to meet the 2-degree goal
(OECD Secretary-General climate lecture, October 2013)
- Meeting the 2 degree goal will require policies that involve unprecedented economic, social and technological transformation
- A key barrier to such a transformation is a fragmented, silo approach to climate-related policies/need a multi-sector and multi-ministerial approach



At the **OECD Ministerial Council Meeting** (MCM) on 6-7 May 2014, Ministers have charged the OECD, together with the IEA and other sister organisations, to provide governments with advice on how to deliver effective packages of policy instruments to facilitate the transition to a low-carbon economy (new horizontal project on **“Aligning Policy for a Low-Carbon Transition”**)



II. ADDRESSING BARRIERS TO INTERNATIONAL TRADE AND INVESTMENT TO OPTIMISE GREEN VALUE CHAINS



OECD project “Achieving a level playing field for international investment in green energy”

Upstream
production

Midstream manufacturing

Downstream
activities

- **Aims to assess policy restrictions to international trade and investment in solar PV and wind energy**
- Since 2008, several governments, in a post-crisis recovery context, have **supported/protected domestic solar PV and wind turbine manufacturers**, including through the use of
 - local content requirements (e.g. for feed-in tariff /FiT bonus eligibility)
 - preferential access to financing and
 - domestic trade remedies
- Such measures **may hinder the optimisation of green value chains**, including in **solar PV and wind energy**, by raising the cost of inputs and reducing demand for downstream activities



THANK YOU

Any questions?

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