PRIVATE SECTOR RECOMMENDATIONS TO GOVERNMENTS, DONORS, AND DEVELOPMENT PARTNERS
TO ACCELERATE CLEAN ENERGY INVESTMENT AND DEVELOPMENT IN SOUTHEAST AND SOUTH ASIA

In action-oriented small-group discussions, private and public sector leaders identified country-specific challenges, solutions, and concrete actions to enhance the enabling environment for clean energy investment and development.

This brief highlights recommendations from the regional workshop on Enabling Private Sector Clean Energy Investment in Southeast and South Asia, held on March 27-28, 2017 in Bangkok, Thailand. The event brought together 87 executives from leading Asian, American, and European corporations; government officials from India, Indonesia, Philippines, Vietnam, and the U.S.; and donors and development partners. All stakeholder groups represented at the meeting committed to take action within their organization based on momentum from the workshop.

This workshop report will be made available on the USAID Development Experience Clearinghouse at https://dec.usaid.gov/dec/home/Default.aspx.

PRIVATE SECTOR RECOMMENDATIONS TO GOVERNMENTS

Private sector leaders identified priorities for government action to help accelerate clean energy investment and development. These recommendations are synthesized into three themes: improve the policy and regulatory environment, strengthen the ecosystem for clean energy financing, and increase government capacity and public-private collaboration.

Figure 1: Private Sector Principles for Accelerating Clean Energy Investment

THEME 1
IMPROVE THE POLICY AND REGULATORY ENVIRONMENT

THEME 2
STRENGTHEN THE CLEAN ENERGY FINANCING ENVIRONMENT

THEME 3
INCREASE GOVERNMENT CAPACITY AND PUBLIC-PRIVATE COOPERATION
SUPPLEMENT TO THE MEETING REPORT
for the Regional Meeting on Enabling Private Sector Clean Energy Investment in Southeast and South Asia

THEME I

IMPROVE THE POLICY AND REGULATORY ENVIRONMENT

Review and revise existing policies and regulations that conflict with renewable energy (RE) development goals or create market uncertainties. Participants identified needed adjustments to policies to increase RE investments and reduce risks for various stakeholders. This includes ensuring that there are clear legal structures for RE investments, clear sunset clauses in policies, and clear rules for retail energy suppliers and off takers on ownership of RE attributes (i.e., who can claim the benefit of the generation associated with a specific RE investment or power purchase agreement, or PPA).

Prepare actionable plans with clear targets. Although all participating countries had national RE targets, the private sector needs more information on the assumptions behind those targets and annually updated implementation plans that show how the targets will be met.

Improve electricity price forecasting and allow cost-reflective tariffs that reflect changing technology and enable RE to compete. In some countries, improvements are needed in short- and medium-term electricity price forecasting and rationalizing tariffs to reduce user subsidies and recover production costs, in order to demonstrate bankability of RE investments and help attract financing. Up-to-date information on the changing financial and economic costs of renewable and nonrenewable sources of electricity, including grid integration, external costs and co-benefits, and risks is also important. Opportunities for increasing information sharing and peer exchange across countries, especially between utilities, on win-win models for all stakeholders can support electricity sector reform and increase RE investment.

THEME 2

STRENGTHEN THE CLEAN ENERGY FINANCING ENVIRONMENT

Develop the capacity of domestic commercial banks to increase clean energy lending and obtain additional capital. Many domestic commercial banks must increase their understanding of RE technologies, business models, and the risks and returns from RE lending. Governments must prioritize capacity development of domestic banks in order to scale up clean energy investment. It may be helpful for some governments to classify RE as a priority lending sector.

Help clean energy developers access finance. Developers need more information on domestic and international sources of financing. Governments can provide or facilitate access to capacity development services and finance for early-stage investment preparation to fill an important market gap and help develop a robust clean energy investment pipeline. Governments can encourage bundling of small investments in order to make it more feasible for small investments to obtain financing. Mechanisms for reducing currency risks and engaging finance providers to align their standards with local context can also increase access to domestic and international financing. Participants noted that loan guarantee funds and other risk mitigants are also important.
REQUESTS FOR ADDITIONAL SUPPORT FROM DEVELOPMENT PARTNERS

Participants relayed country-specific and regional requests for support from international development partners, such as the U.S. Agency for International Development (USAID) and other donors and development finance institutions, to help accelerate clean energy investment.

INDIA: Development partners could provide capacity strengthening support to the Ministry of New and Renewable Energy to help drive the overall process of prioritizing RE as a lending sector. Partners could also facilitate dialogues with domestic banks and other lenders to help operationalize a new RE policy and strengthen institutional capacity for state level authorities.

INDONESIA: The Government of Indonesia could partner with the Overseas Private Investment Cooperation to pilot a large-scale solar photovoltaic demonstration project. Development partners could support facilitation and capacity development through identifying existing projects and support exchange of business experiences within Indonesia or with member countries of the Association of Southeast Asian Nations that can offer lessons for developing large-scale RE projects and attracting external finance. Development partners, such as the U.S. Department of Commerce or USAID, could support convening of the private sector to develop and prioritize needed actions related to policy incentives and removing barriers to scale RE deployment.

PHILIPPINES: Development partners, such as USAID and the National Renewable Energy Laboratory, could provide technical assistance and capacity strengthening to support the National Renewable Energy Board in advancing its top three priorities in the coming year: implementing renewable portfolio standards, pursuing a net metering program, and/or instituting a RE market and utility green energy option.

These recommendations from the private sector were strongly aligned with the actions prioritized by government officials to incentivize, enable, and accelerate private sector clean energy investment.
THAILAND: Development partners, such as USAID Clean Power Asia, could support analysis on the revenue impacts of the distributed photovoltaic pilot scheme to the ratepayer and to the utilities, and study grid capacity to benchmark the distributed photovoltaic feasibility and determine which areas would be eligible to participate. Findings can support the distributed photovoltaic working group within the Ministry of Energy, which is responsible for proposing a net metering policy through government channels.

VIETNAM: Development partners, such as the USAID Vietnam Low Emission Energy Program, could initiate work with the Government of Vietnam to develop and pilot a bankable direct PPA as proof-of-concept, to support larger efforts to establish and replicate such special mechanisms across municipalities and provinces.

REGIONAL: Development partners could:

- Convene country-specific public-private sector dialogues to synthesize business perspectives on clean energy policies and regulations needed to improve the enabling environment for private sector investment, helping businesses to provide recommendations to governments in a unified voice;
- Support governments in strengthening the capacity of domestic banks and financial institutions on assessing RE projects and other key needs, to help local financiers view RE as a lower risk investment;
- Facilitate dialogue between international companies and/or international finance institutions and domestic clean energy developers on standards for accessing international finance and on preparation of project technical and finance documents, to strengthen capacity of domestic developers to succeed in accessing international finance and/or to tailor international standards towards domestic capacities;
- Support governments and the private sector in identifying cases and exchanging experiences on effective practices, strategies, and pitfalls in high-interest topics such as: implementing tariff reform and PPAs (for utilities), accessing blended capital (for developers), and designing effective stakeholder information and education campaigns on clean energy participation; and
- Assist governments in integrating consideration and assessment of co-benefits associated with clean energy, compared to traditional energy sources, in the decision-making process for energy policy and private sector investment.