Green Finance Policies in Asia, ADBi Deep Dive Workshop, ACEF 2020

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We have just over a decade to drastically reduce emissions

6.9T USD/year is needed to support climate and development objectives until 2030; of which...

...2.7T USD/year for low-carbon energy investments

...Resulting in +Δ 4.7% GDP by 2050
Rapid scale up and reorientation of investments required to reach decarbonisation goals

Annual power generation investments in 2019 compared to annual investment needs SDS 2025-2030

Note: SDS = annual average investment from 2025-30 in the IEA Sustainable Development Scenario.
Six transformative areas to align financial flows with low-emission, resilient infrastructure

This presentation focuses on clean energy

- **BUDGET**: Disentangle public budgets from fossil fuel revenues
- **RESET**: Reset the financial system in line with long-term climate risks and opportunities
- **INNOVATE**: Unleash innovation in technologies, institutions and business models
- **RETHINK**: Rethink development finance for climate
- **PLAN**: Plan infrastructure for a low-emission and resilient future
- **EMPOWER**: Build low-emission and resilient urban societies

PHOTO: NASA
There is increasing momentum for change in the financial system, with a growing number of initiatives that harness the financial system to drive the low-emission transition.
RETHINK
Rethink development finance for climate

Action area:
Strengthen development banks’ mandates and incentives by aligning portfolios with climate goals

DEVELOPMENT BANKS

$35bn committed in 2017 in climate finance by development banks

a 28% increase from 2016

Source: IDB et al. (2017)

MDB COMMITMENTS TO INFRASTRUCTURE SECTORS

31% was climate-related in 2015-16. Of the 31%:

- 48% energy
- 25% transport
- 17% water
- 10% other
Improved financing conditions helping to drive down the cost of solar and wind

Impact on LCOE for newly commissioned renewable power capacity, by level of financing costs

Notes: Figures are indicative estimates (expressed in real terms). Upper limits of the columns show the levelized cost of electricity (LCOE) level using a standard weighted average cost of capital (WACC) representing average market risk (8% in advanced economies and 7% in developing economies). The length of the column illustrates how much the LCOE of the technology in the specific region has dropped as a result of reduced financing costs. Capital costs are based on commissioning dates and the terms of the WACC are based on financial close.

Source: IEA analysis based on technology capital costs from IRENA (2020).
Ensure supportive policies to develop pipelines of bankable clean energy projects

Stages of policy, market & financing for renewable investment, selected countries in 2017

Notes: VRE = variable renewable energy. The size of each bubble is equivalent to 2017 renewable investment levels. Adapted from IEA(2018), World Energy Investment 2018
Clean Energy Finance and Investment Mobilisation (CEFIM) is an OECD programme funded by Denmark

**Aim:** to accelerate clean energy finance and investment by strengthening domestic enabling conditions

**Technology scope:** grid-scale renewable generation and energy efficiency in buildings and industry

**Activities:**

i) Clean energy finance and investment review

ii) Policy technical assistance
   - CEFI Database

iii) In-country investor dialogues

iv) Regional peer learning
An integrated approach to unlocking investment for sustainable growth

Enhanced capacity via targeted policy support

Holistic analysis of policies

Robust clean energy finance and investment environment

Accelerated investments

Highlighting best practices
THANK YOU

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