Achieving sustainable energy for all by 2030 (universal energy access, doubling the share of renewable energy in the global energy mix, and doubling the rate of improvement in energy efficiency) will require innovation, deployment of technologies and increased investments. In LDCs, official development assistance and concessional financing are cornerstones of achieving the SDG on sustainable energy. The global need, however, far outstrips what public resources can provide. Therefore, public funds must be used to attract private sector funding and investments of all kinds. Ultimately, the private sector will be a critical factor in achieving sustainable energy for all. To achieve the three goals, global clean energy investments need to nearly triple from the current $400 billion a year, to more than $1 trillion a year.

Least Developed Countries rarely benefit from larger financing schemes to the same extent that developing countries do because of the scale, lack of substantial local investment and institutional capacity constraints.

The main obstacles regarding sustainable energy financing in LDCs include the high costs inherent to the energy sector (starting from project preparation to high initial investment costs), limited access to funding due to poor or non-existent credit ratings and lack of domestic and foreign private sector partners understanding the business case in the LDC energy sector. These factors, combined with challenges in the regulatory framework and capacity restrictions, make it difficult for the LDCs to tackle their energy challenges.

Financing initiatives and business plans that work

This session will explore what are the financing initiatives and business plans that have been successful in bringing transformation in the energy sector of LDCs or other developing countries. How can these initiatives be scaled up to achieve rapid energy transition will be also discussed.
Further formidable barriers remain and need attention including enhancing local and regional capital markets, developing policy frameworks and strengthening human capacity to develop the necessary deal pipeline. In addition, aggregation of investments and financing for small-sized base-of-pyramid investments is critical for scaling up off-grid and micro-grid solutions. Public resources will be needed initially to crowd-in private finance or to help credit enhancement of governments, municipalities or other developers for large grid-connected access investments and (possibly) energy efficiency investments. For smaller investments, a wider variety of approaches and financing models will be required, for example, aggregation vehicles or business models that reach the “last mile” where consumers often engage in more informal transactions.

In ensuring the energy access, all stakeholders need to join their efforts to make sure that the most vulnerable countries will enter the path of transition to sustainable energy.

The international community must provide the necessary support to leverage financial resources and help LDCs’ actions to build capacity in order to seize the opportunity for transformative change that will scale up poverty eradication and sustainable development in these countries. Public-private partnerships are an important way to overcome practical challenges and meet financing gaps, also leveraging the impact of ODA and MDBs investment, which play a key role for achieving the energy goals.

Financing must be available for various types of projects, as the energy targets will not be met only by expanding the electricity grid. There cannot be a “one size fits all” approach. Rural areas, small island LDCs and harnessing various renewable sources or combining them to hybrid solutions, all call for innovative and flexible financing solutions.
Much of this is already happening and many success-stories and best-practices of rapid energy transformation are readily available. However, the finance gap for achieving the energy goals and accessing financing to scale-up successful initiatives remains a challenge, therefore this session will explore what the financing initiatives are and business plans that have been successful in bringing transformation in the energy sector of LDCs.

Key questions to address include:

- How can the current initiatives that have worked well be scaled up and replicated?

- What innovative financing mechanisms have been successful in LDCs? What are the best practices from blended finance projects?

- Based on your country’s experience, what is needed for enhancing local and regional capital markets?

- What are the challenges and barriers for enhancing the role of private sector partnerships in promoting sustainable energy initiatives in LDCs?
Public-private partnerships are an important way to overcome practical challenges and meet financing gaps.