Promoting Investment for Energy Access in Least Developed Countries

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Context

Percentage of People with Access to Electricity

Source: 2017 Global Tracking Framework data
Types of Investments in Energy Access

- Electricity infrastructure
- LP Gas Infrastructure
- Other clean stoves and fuel supply
- Distributed solar
- Energy efficiency
  - Buildings
  - Transport
  - Industry

Source: Sustainable Development Goals Center for Africa (2017)
2015 Investments in Sustainable Energy

USD 312B total global sustainable energy project investments
USD 1.6B total LDC sustainable energy project investments (0.5% of global total)

Stylized Facts

- Less than 1/3 of LDCs received DFI support for sustainable energy access (2011-2015)
- Estimated annual sustainable energy investment in LDCs <USD 1 per resident
- Sustainable energy investment in LDCs exhibits more diversity across sectors than global trends
- <10% of DFI global energy investment directed to sustainable energy and/or energy access in LDCs

Sources: Estimated based on 2016 Bloomberg New Energy Finance Data; 2016 OCI/Sierra Club
What is holding back investments in LDCs?
Bangladesh: Infrastructure Development Co., Ltd

About
❖ Government-owned
❖ Privately managed
❖ Non-banking financial institution

Role in energy development
❖ Single conduit (one-stop shop) directing multiple streams of development finance and grants into the country, ($600 M and $96 M, respectively, for small scale solar since 2003)
❖ Refinancing private sector operators, permitting them to sell on credit
❖ Channel for output based capital subsidies
❖ “Rules of the road,” quality control, and standards enforcement
❖ Technical assistance and business development support to private sector

Results
❖ 4 million solar home systems financed, 18 million individuals receiving energy services (>10% of population)
❖ >1000 MW of large scale power generation financed
❖ Other technologies and scales of intervention (biogas, mini-grids, solar irrigation)
IDCOL faces a maturing market

**The second act**
- Rural Electrification Board quintuples grid connection pace
- IDCOL will only finance pay-as-you-go solar home systems that target the most rural segments or have productive applications going forward
Remote pre-paid metering

**Barriers addressed**
- User affordability/finance
- Geography, transaction costs
- Information asymmetries
- Lack of credit rating systems
- Seasonality of energy use
- Vehicles for aggregation
- Utility collections, MIS

**Realization of off-balance sheet financing**
Practical ideas for attracting energy access investments in LDCs

❖ No/low cost improvements to utility financial and technical performance (e.g. Nepal, Comoros)

❖ Bring women into the energy sector

❖ Consider breaking large energy projects into smaller stand alone phases

❖ Be strategic and opportunistic whenever possible, ideas include:
  ❖ Link energy to other development sectors (agriculture, health, education)
  ❖ Pool resources and efforts regionally (power pools, regional markets)
  ❖ Take advantage of South-South cooperation
  ❖ Use commodity-linked industries as a stepping stone for sustainable energy development
  ❖ Redirect high, per unit local energy expenditures to better solutions
Resources

• This initiative of the Clean Energy Ministerial connects governments seeking policy information and advice with a policy expert who can provide reliable and unbiased quick-response advice and information.

• Their no-cost “ask an expert” service has already fielded more than 250 requests.
Thank You!

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