You are cordially invited to join us in

A Discussion of Finance and Clean Energy in the Context of the UNFCCC Negotiations

Bonn
Thursday June 4th at 7:30pm
In Ministry of Transport, Room RAIL

Refreshments will be served

Moderator:

Morgan Bazilian

Special Advisor on Energy and Climate Change, Ireland Department of Communications, Energy and Natural Resources

Panelists:

Martin Berkenkamp

GE Energy, Policy Leader Renewables Europe

James Davey

Head of Technology Negotiations, UK Department of Energy and Climate Change

Mark Helmke

Senior Professional Staffer, U.S. Senate Foreign Relations Committee

Steve Sawyer

Secretary General, Global Wind Energy Council

Kunihiko Shimada

Principal International Negotiator, Japanese Ministry of the Environment; Principal International Policy Coordinator, Ministry of Foreign Affairs

Side event summary

A Discussion of Finance and Clean Energy In The Context of the UNFCCC Negotiations Bonn, June 4, 2009

The Renewable Energy and International Law Project (REIL), a core initiative of the Renewable Energy and Energy Efficiency Partnership (REEEP) convened a side event in the margins of the UNFCCC SBSTA meetings in Bonn, June 2009, to consider issues of financing and clean energy technology in relation to the ongoing UN discussions and negotiations on the future of the international climate regime.

The session was moderated by Morgan Bazilian, who asked panellists to consider how the public sector (e.g. governments and the UNFCCC) can catalyse the private sector to increase the development and deployment of clean energy technology.

Panellists:
Steve Sawyer, Secretary General, Global Wind Energy Council
Mark Helmke, Senior Professional Staffer, U.S. Senate Foreign Relations Committee
Martin Berkenkamp, GE Energy, Policy Leader Renewables, Europe
James Davey, Head of UNFCCC Technology Negotiation Team, UK Department of Energy and Climate Change
Kunihiko Shimada, Principal International Negotiator, Japanese Ministry of the Environment; Principal International Policy Coordinator, Ministry of Foreign Affairs, Japan

Summary:

Efforts to date to catalyse private investment in clean energy technology have had some success, in particular in India and China. The challenge now faced, if we are to move towards climate stabilisation, is to significantly scale up this flow of private finance.

The scale of investment required is beyond the capacity of the public sector, especially given the recent global economic downturn, so limited public funds must be directed in a way that facilitates much greater quantities of private sector investment, including in energy efficiency. Carbon markets, driven by tough national targets, can play a key role here in increasing the return on clean energy investments, but a critical factor is that of risk.

China and India have seen inward investment flow because of their relatively low levels of political and economic (i.e. currency) risk. The challenge now is to expand investment into smaller emerging and developing economies where the private sector faces higher risk, of a kind it is not equipped to mitigate. Mitigation of the political and economic risk of investing in clean energy technology on a global scale is therefore a key role for governments and the UNFCCC.

A range of financial and risk mitigation tools are likely to be required, and this also reflects the political reality that there is no consensus that the UNFCCC should be the sole vehicle for facilitating private sector investment. The development of these tools requires the involvement of the private sector, and examples of joint public and private sector initiatives are beginning to emerge, such as the Japanese Government's new technology corporation.

Intellectual Property (IP) continues to be perceived as a barrier by those not investing in technology transfer to developing countries, but experience of those who have invested suggests that this perception is mistaken, or at the least over played. Clear demonstration of investment success, and a transparent framework for IP protection will help to overcome this problem.

Key points made by panellists:

Steve Sawyer:

- CDM has been successful in catalysing investment in wind energy. 27 Gigawatts of capacity in the pipeline – equivalent of 25% current capacity.
- To date this investment has centred on China and India, and a key challenge for the future is to ensure that the CDM can drive deployment in other emerging and developing economies. The potential in these countries is huge, and moves such as the introduction of a feed-in tariff in South Africa will help to realise that. Equally JI also has potential to drive investment in wind, in particular in the former soviet states.
- A critical success factor for the carbon markets will be the strength of targets adopted by governments, and sectoral approaches are being explored as one way to encourage governments to take on targets sufficient to drive the market. Only with sufficiently tough targets set by governments will the carbon market be able generate the flows of finance, estimated to be tens of billions of dollars in China alone, needed for widespread clean energy deployment.
- In the context of the IPCC guidance that global emissions must peak and decline by 2020, fuel switching from coal to gas, wind and hydro represent the most likely significant contributors to reducing emissions form energy supply.
- Energy efficiency still represents a huge quantity of unrealised energy and emissions saving, but the right incentives are not yet in place to realise this potential.

Mark Helmke:

- The change of government in the US has allowed America to take a more proactive role, however any funds for international agreements or initiatives through the UN must still pass congress and a major hurdle remains here given Congress's scepticism over the transparency of UN finances.
- US action will therefore likely focus on an range of measures, including support for US companies developing and deploying clean energy technology, support to the World Bank technology funds and support for adaptation as part of overseas development assistance.
- The UNFCCC can play a key role in feeding back on what is working and what areas need further attention.

Martin Berkenkamp:

- The key hurdle facing private sector investment in clean technologies in many developing countries is political and economic risk, and governments and international bodies can play a vital role here in mitigating these risks that the private sector does not accommodate. These risks are more prominent in smaller countries where political and economic uncertainty is greater.
- For companies such as GE, intellectual property (IP) is also a concern, and uncertainty over the security of IP in developing countries is a strong disincentive to investment. The public sector can play a facilitative role here in ensuring a strong framework for the protection of IP.

James Davey:

- The current UNFCCC framework does not address the key challenges set out by the private sector and this is one of the main issues to be faced in Copenhagen – to develop a system that adequately incentivises private sector investment, without trying to dictate specific technology choices.
- Underlying any risk mitigation measure, the key driver will be the strength of targets adopted by national governments, but it is anticipated that the level of ambition will not be sufficient for targets alone to drive investment at the scale needed to achieve stabilisation at 450ppm as the EU would like to see.
- Investment decisions are made on the basis of risk and reward. Whilst the public sector does not have the scale of finance available to significantly alter the potential reward from investment, it can address the risk and thereby maximise the flow of private investment. This is likely to require a range of different instruments, including those such as the World Bank's technology funds.
- The current economic downturn further compounds the problem by restricting the amount of capital governments are willing to invest themselves – which makes targeted use of public resources to address political and economic risk all the more important as a way to catalyse as much private sector investment as possible from a limited amount of public finance.

Kunihiko Shimada:

- The role of the private sector in realising investment in clean technology is critical, but their involvement in the process to design the framework to catalyse their action is often not as deep as it could be.
- In particular when considering sector approaches, the private sector will be a key contributor and this approach is being taken forward in Japan with the creation of a technology corporation where the private and public sectors are equal partners.
- IP continues to be perceived as a central barrier to technology transfer to the developing world. But experience in the real world of actual investments often reveals that IP has not been a significant blockage to investment, comprising only a small portion of the overall investment cost.
- It is increasingly important to demonstrate that investments can be made in developing countries without putting IP at risk to the extent that current perceptions would suggest.