

EU Industry Workshop 6 March 2012

Promotion of Investment in the INOGATE countries

Summary conclusions

Summary

Legislative barriers

1. The general consensus of the meeting was that the EU Acquis forms a best practice guide, which should be promoted to the Partner Countries. This validates the work that has been done under previous INOGATE projects and therefore, points to the strong recommendation that we should continue in this direction. The feeling of the meeting was that there was a clear delineation of roles in the investment process. It is clear that the IFIs are fully capable of offering project financing and in many cases, the associated Technical Assistance (TA) to stakeholders involved in implementing the specific projects. Industry is able to mobilise investment but needs a stable and predictable regulatory framework, which in-turn is conducive to a favourable market environment. Furthermore, industry has its own information sources and industry contacts in the partner countries. Therefore, the value-added for INOGATE is to intensify the policy dialogue working both from top-down and bottom-up to improve the remaining legislative and regulatory constraints and by so doing, create a more favourable investment climate in the Partner Countries. Providing support to legislative reforms based on the EU Acquis has always been at the core of INOGATE programme. INOGATE will continue assisting Partner Countries in this field by providing TA that may include transposing EU directives, drafting of EE/RES laws and national action plans or support to preparations for the Energy Community. These actions will also unpin both the IFI and industry efforts as they are not within their scope of activities but are complementary to investment facilitation.
2. Low end-user tariff is still one of the main barriers towards RE/EE development and should be targeted under the project.

Administrative barriers

1. General consensus that administrative barriers hamper RE investments. Situation differs strongly from country to country. Need for:

- a. simplification of procedures (e.g. one stop shop)
 - b. better understanding in the national administrations/ relevant permitting bodies on RE investment.
 - c. General guidelines for national administrations on simplification of permitting procedures for RES investments (examples in EU exist and can be used as a basis)
2. Need for development of civil society structures in support of RES/EE.
 3. INOGATE should not organise trade fairs or business-to-business contacts as the industry already has their contacts.
 4. INOGATE should not undertake RES potential studies – the information already exists and companies keep close contacts with developments in countries of interest.

Financial barriers

1. Feed-in tariffs constitute an important driver for investment by industry, provided that the Feed-in tariff
 - a. is temporary (phase out when tariffs become market based)
 - b. is sufficient to allow a reasonable pay-back period on the investment
 - c. is non-discriminatory towards foreign investors.
 - d. is based on a transparent procedure and limited red-tape
2. Promotion of off-grid RE investments creates opportunities when no RES support exists.
3. Financial barriers in the banking sector manifold:
 - a. Skills of bankers to assess RE/EE investment proposals/ read energy audits
 - b. Capacity of investors to develop bankable projects.
 - c. Lack of ability to assess risks
 - d. Structural limitations in financial markets for EE/RE financing due to high interest rates and absence of long-term funding resources which translate into absence of long term loans.
 - e. Making bankers and investors speak the same language and finding each other.
4. Development of alternative financing schemes (e.g. leasing) is an opportunity.

If a tariff is too low and/or not stable over a given period, the investment would simply

not take place. INOGATE should make clear to the countries the philosophy of feed-in tariffs as being a transitional stage towards market competitiveness. Dissemination of best practice structures for feed-in tariffs and their regulation and implementation.

Others

1. Need to raise awareness among public about the benefits of EE.

Next steps agreed:

1. Sustainable Energy Investment targets were considered a good idea and should be linked to financial instruments for RES/EE by the EU. Moreover, the development of a template Power Purchase Agreement should be worked out and promoted alongside this target. The agreement would allow for the investment return to be realized given that no political change could influence it.
2. INOGATE will provide technical assistance to EU acquis implementation, including RES/EE laws and national action plans (eg, support implementation of the Energy Community Treaty in contracting parties).
3. Develop matrix of barriers to investment in Sustainable Energy which maps barriers by stakeholder group and partner country. This matrix will be filled-in during the inception visits and will provide an up-to-date picture of what is already in-place and what are considered to be the main obstacles towards investment. The project will use this matrix to define its activities.
4. Incorporate training for local bankers and project developers on how to prepare and assess bankable projects in RES & EE.
5. Incorporate training for project developers (by industry sector – more targeted) and include networking that invites bankers to meet up with the project developers.
6. Many managers of manufacturing enterprises who wish to use EE/RES technologies as well as local project developers and bankers face a lack of experience in implementation of such projects. For overcoming this constraint the following subjects of training and/or methodological materials would be very useful:
 - Typical case studies for different types of industries with relatively detailed descriptions and calculations of the effect of EE/RES technologies introduction;
 - Classification of proven EE equipment in key parameters, such as industry application, cost, payback period, etc.
7. ITS could provide useful information to industry on any regulatory or legislative

developments such as feed-in tariffs and any changes to these.

8. Need to raise awareness of decision-makers to understand the purpose of feed-in tariffs and how to get them to work efficiently (i.e. transparent, easy and non-discriminatory procedure) without overtaxing the state budget. Possibly this could be a focal point of country specific events.
9. Networking of European agencies such as the European RES Associations with networks of relevant associations or NGOs in the Partner Countries. In fact, more use of such associations by INOGATE would be a good idea. This is important for the breaking down of investment barriers (lobbying), sharing of information and experience.
10. New financial intermediaries to be considered for stimulating growth in EE/RES markets for example, leasing companies introduce energy efficient equipment. EBRD is currently carrying out an analysis of alternative financial instruments including preferential guarantees. Cooperation in this direction will be sought.