

SREP Enhanced Private Sector Program (EPSP) Proposal



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PLACE Washington, DC
VENUE SREP Sub-Committee Meeting





Background



Significant Private Sector Investment Opportunities for Energy Access and RE in Developing Countries

- Rapidly declining low carbon technology costs
- Economic growth
- Increasing power demand

Barriers to Investment Still Exist, Especially in Least Developed Countries

- High capital costs
- Lack of risk-appropriate financing resources
- Policy and regulatory barriers

Choices made now between using fossil fuels vs renewable energy solutions to provide energy access will have repercussions for decades over the life of the assets

1.1 Billion

people do not have access to electricity

\$45+ Trillion

of private sector investment will be needed in sustainable infrastructure investment by 2030



Background



MDBs Uniquely Positioned to Help the Private Sector Overcome these Barriers, but Require More Concessional Funds

- MDB expertise in working with governments and companies through technical advisory, policy support, and deployment of risk capital
- MDBs expecting to increase support for energy access and distributed RE, but face a shortage of risk-appropriate concessional funds

SREP can Help MDBs Overcome these Challenges, but Currently Lacks an Effective Private Sector Mechanism

- Private Sector Set Aside structure placed programming constraints on MDBs which considerably reduced the program's effectiveness
- Only 12% of indicative funding allocations under SREP investment plans is expected to go to private sector projects and programs

To increase the mobilization of private sector investments in SREP, the Sub-Committee has requested the CIF AU to explore modification to the SREP private sector mechanisms



The SREP Enhanced Private Sector Program



SREP Enhanced Private Sector Program (EPSP)

The **SREP EPSP** has been developed by the CIF AU and MDBs to drive a significant amount of private sector investment in energy access and distributed generation under SREP

- EPSP will aim to demonstrate **new business models** and **reduce risks** for investors
- The program is expected to **crowd in private investment** to support scalable energy access initiatives in the world's **most challenging markets**
- EPSP is modeled on the **successful CTF DPSP programs**, which have been demonstrated to provide MDBs with the **operational flexibility** to identify and **support innovative projects** in dynamic market conditions



IDB SREP Self-supply renewable energy guarantee program - Honduras

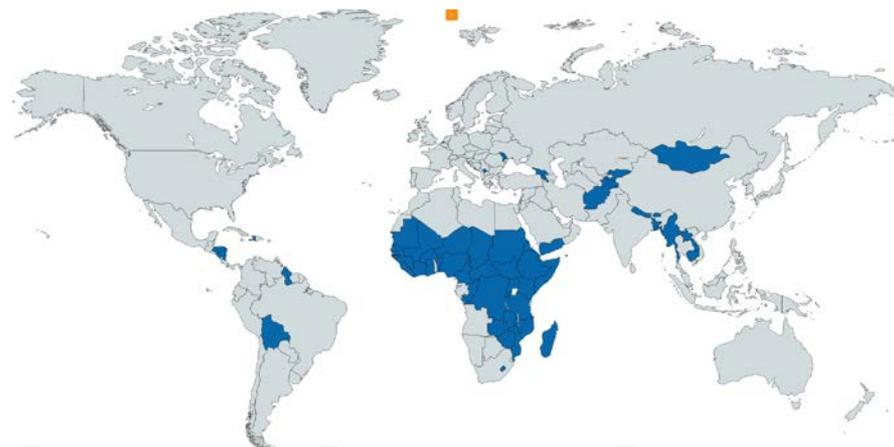


EPSP Key Components



Key Components of EPSP Include:

- **Flexible pipeline development and project submission** – based on the successful CTF DPSP model
- **Broad country eligibility** by expanding to 68 SREP-eligible countries
- **Focus on private sector investments** with grant support limited to advisory services
- **Maximize synergies** through sharing duties with other global, regional, and bilateral energy access initiatives



SREP-eligible countries



EPSP Investment Areas



Eligible Investment Areas under EPSP:

- **Off-grid renewable energy**

- Scale-up **off-grid solar home systems**, including new **storage and mobile payment technologies**
- Scale-up and deploy affordable, high-impact **off-grid appliances** for both household and productive uses
- Produce and disseminate **efficient lighting** and **clean cooking technologies**



- **Mini-grids**

- Support **innovative business models** and **technologies** that deliver power to local communities through **mini-grids**
- Increase capacity and provide concessional finance to local commercial banks for **on-lending to mini-grid projects**



- **Grid-connected renewable energy**

- Install **distributed generation rooftop solar systems** for residential, commercial, and industrial customers
- Remove financing barriers for distributed generation **energy service companies**
- Support innovative finance models for private sector **grid-connected renewable energy** power plants





Resource Requirements for EPSP



EPSP Funding Scenarios

- **Minimum Investment Scenario (approximately \$100 million)**
 - Would support five – eight private sector investment programs
 - Priority given to projects in an advanced stage of development and those that provide energy access to a significant number of beneficiaries
- **Enhanced Investment Scenario (\$200+ million)**
 - Would support 10 – 15 private sector investment programs
 - Will feature a more robust and diverse portfolio than above Scenario, and will increase SREP learning and knowledge opportunities
 - Will likely lead to a disproportionately higher amount of qualitative direct outcomes, such as improved technical capacity and lessons learned



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