



Economic Commission for Europe

**ECE experience on
barriers and challenges
facing scaling up the use
of Renewable Energy**

**Workshop on «Scaling up the use of Renewable Energy in rural
areas in ESCWA Member Countries»**

Beirut – February 2012

Rationale for Renewable Energy

- Multiple advantages :
 - climate change mitigation
 - energy security
 - energy poverty mitigation
 - local economic development,
 - transmission problem mitigation
 - solution to waste problem

Renewable Energy Market in CIS

Key RE Market Drivers:

- Rising costs of energy imports
- Decreasing costs of renewable technology
- Technology performance
- Energy security
- Greenhouse Gas Reductions

Renewable Energy Barriers in CIS

- Absence of national strategy & policy
- Lack of political & regulatory support
- Existing policies not enforced
- Low energy prices & tariff changes
- Strong competition conventional sources
- Lack of economic incentives
- Electric power grid access not guaranteed
- Political risks
- Unfavourable project risk profile
- Inadequate returns for project finance
- Detrimental impact of global economic downturn

Renewable Energy Barriers in CIS

- **Absence of national strategy & policy**
 - lack of coordination at the national level
 - lack of institutional and human capacity
- **Lack of political support (continued favoritism to subsidised fossil fuels)**
- **Lack of regulatory support**
 - lack of secondary law and regulations

Renewable Energy Barriers in CIS

- **Lack of economic incentives**
 - funds,
 - energy finance facilities,
 - feed-in tariffs
 - fiscal incentives
- **Electric power grid access not guaranteed**
 - main grid obsolete, high cost to extend
 - TPA not existing or difficult

Renewable Energy Barriers in CIS

- Existing policies not enforced
- Tariff changes
- Unfavourable project risk profile
- Inadequate returns for project finance

Rural and peri-urban RE not attractive for investors

Renewable Energy Barriers in CIS

- Strong competition conventional sources coal, oil, gas
- Low energy prices due to subsidies
- EE and RE technology not competitive
- Budget constrains to support EE&RE projects
- Benefits stopping subsidizing fossil fuels production and consumption:
 - removing economic distortions,
 - improving fiscal health,
 - contribution to climate change mitigation

Renewable Energy Barriers in CIS

- **Political risk considerations:**
 - **unfavourable investment climate
(both for domestic and FDI)**
 - **obstacles for the regional cooperation
(joint investments, infrastructure
development, energy trading)**

Global Financial Crisis – Implications on Energy Sector

- **Global drop in energy demand**
- **Significant price volatility**
- **Reduced and delayed energy infrastructure investment**
- **Jeopardized energy security**

Global Financial Crisis – Implications on Energy Sector

Energy infrastructure investment :

- detrimental impact on energy companies business strategies and investment plans
- equity markets collapsed
- limited new capital investments development
- delays in energy infrastructure investments :
 - tendency to foreclose investment
 - tendency to favor short term returns

Consequences well beyond present business cycle

Renewable Energy Barriers in CIS

- **Obstacles to PPPs in RE:**
 - **policy and regulatory gaps**
 - **inadequate availability long term finance (both equity and debt)**
 - **inadequate capacity to manage PPP processes**
 - **inadequate acceptance of PPPs by the public**
 - **inadequate capacity of private sector (developer/investor/technical manpower)**

Measures to overcome the barriers

- Increased national capacity to identify and adopt measures to overcome barriers to renewable energy
- Enhanced investment climate for the development of renewable energy sources
- Regional cooperation on the development of renewable energy sources



Thank You for your attention!