

The Role of Public-Private Partnership in Financing Renewable Energy and Improving Energy Access to Rural Poor

**Workshop on Scaling up the Use of Renewable Energy
in Rural Areas in ESCWA Member Countries**

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Outline

- Sustainable Energy Development
- Financing Sustainable Energy
- PPPs & ESCAP's Focus Area: 5P Model





Sustainable Energy Development

- 800 million remain deprived of electricity
- 2 billion use traditional bio-mass for cooking
- 1.5 million pre-mature deaths per year in 2030 (due to traditional bio-mass + poor ventilation)
- At enhanced risk: Rural Women & Children

- Other Key MDGs





Sustainable Energy Development

- The UN General Assembly has designated 2012 as the *International Year of Sustainable Energy for All*
- **Additionally, SG's initiative suggests that (by 2030)**
 - Ensure universal access to modern energy services
 - Halve energy intensity
 - Double renewable energy usage
- Calls for private sector and national commitments and attract global attention to the importance of energy for development and poverty alleviation



Universal Access: What it means?

- IEA: 100 kWh of electricity and 100 kgoe of modern fuels (equivalent to roughly 1200 kWh) per person per year
- Capital of US\$35-40 billion will be required on average per year (represents only around 5% of the total global energy investment expected during this period)
- Basic universal electricity access adds 1.3 per cent of total global emissions in 2030



Key Challenge: Financing Energy Access

- Grid extensions for rural electrification and, provisioning modern cooking fuels prove expensive / time consuming
- Government subsidies and grants constrained by budget
- The flow of foreign grants and DA are prone to disruptions during economic crises
- traditional banking & structured finance sector is inhibited to make commercial loans to “social” projects



Role of private sector for widening access to energy services

- Traditional Public-Private-Partnerships (PPPs) remain focused on urban, large-scale projects
- Private sector investments lack profit motive in rural areas in general
- despite having both the technical expertise and financial resources, the private sector is not usually motivated to take upon itself the responsibility of supplying basic energy services to the poor, as it normally does not make a good business sense

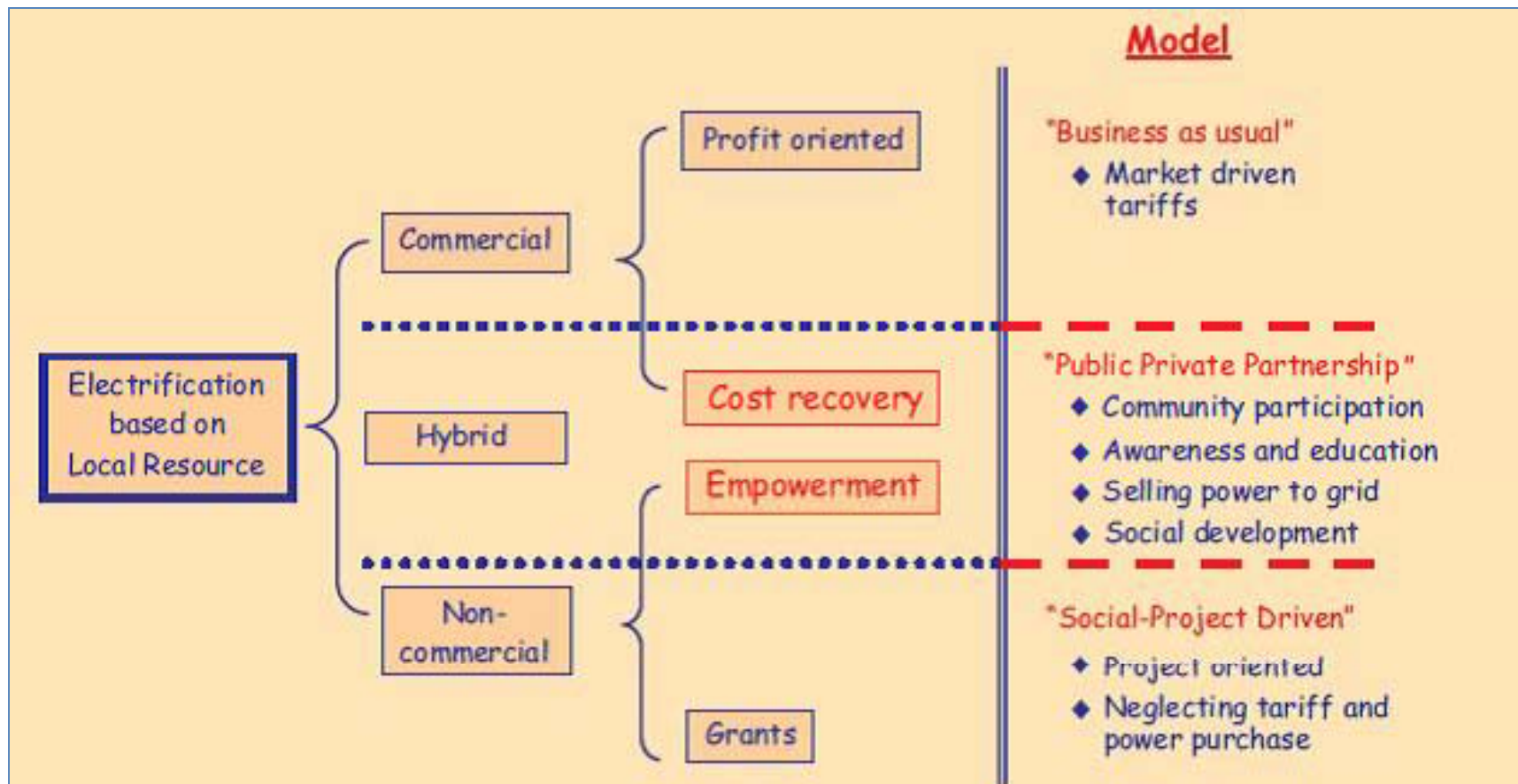


Key Features for Different Forms of Public-Private Partnerships

	Service Contracts	Management contracts	Lease Contracts	Concessions	Build-Operate-Transfer	Pro-Poor PPPs (5P)
Scope	Multiple contracts for a variety of support services	Management of entire project or a major component	Responsibility for management, operations, or specific project components	Responsibility for all operations and for financing and execution of specific investments	Investment in & operation of a specific component, such as a power plant or coal mine	An emphasis in community ownership and utilizing PPPs to reduce poverty and generate income
Asset ownership	Public	Public	Public	Public/Private	Public/Private	Public/Private
Duration	1-3 years	2-5 years	10-15 years	25-30 years	Varies	Varies
Operat. & maint.	Public	Private	Private	Private	Private	Varies
Capital investment	Public	Public	Public	Private	Private	Public/Private
Commercial risk	Public	Public	Shared	Private	Private	Shared
Private sector risk	Minimal	Minimal to moderate	Moderate	High	High	High



ESCAP's Focus: Pro-Poor PPPs (5P Model)

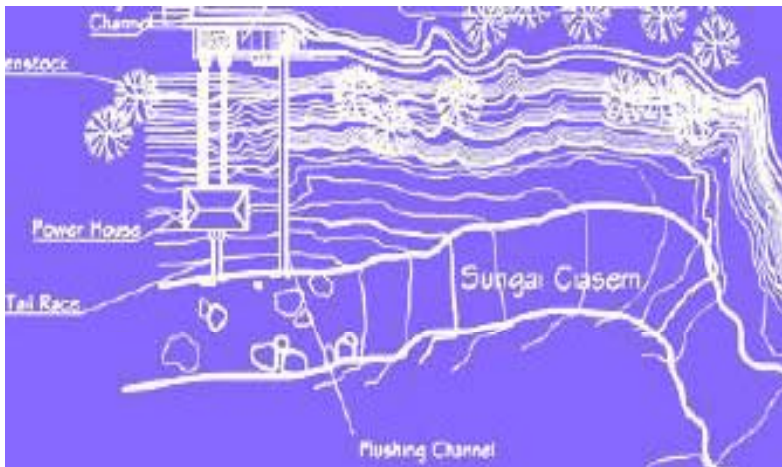


Focus on communities requesting energy for productive uses



ESCAP's Experience with 5P

Case: Cinta Mekar, Indonesia



Hydro power plant
Operational Since 2004

Case Details

- Implementation Agency (Partnership): Private Sector, NGO, **Community**
- Generates about 72,000 kWh of electricity per month and uses a PPA
- Revenue used for social development (education, health etc.)



ESCAP's Focus: Pro-Poor PPPs Ongoing Activities



Enabling poor rural people
to overcome poverty



- **Collaboration Seeks to Improve Energy Access**



Project Objectives

- Improve access to modern energy services for rural communities (daily life and productivity)
- Enhance policy-makers' awareness and capacity to develop policy options
- Create an environment conducive to the private sector / entrepreneurs for value creation
- Increase the use of locally available renewable energy resources
- Utilize international carbon markets

Project Stakeholders

- **Project Sponsor/s: IFAD & UNDA Supplement**
- **Executing Agency: ESCAP and**
 - National Governments responsible for Energy, Agriculture, Rural Development, PPPs, Carbon Finance, etc.
 - Organizations: UN agencies, Private Sector, NGOs and, CBOs
- **Project Beneficiaries**
 - Rural populations at community level
 - Entrepreneurs, the private sector and NGOs; and
 - Policy & decision-makers at the local and national levels



Project Components & Expected Outcomes

- **Regional activities:**
 - Policy studies, policy dialogue and capacity building through organizing expert group meetings and seminars, as well as South-South cooperation
- **National and local level:**
 - Specific training programs and demonstration projects

Project Countries

- Bangladesh, China, Indonesia, Lao PDR and Nepal
- **China and Indonesia:** Share Experience and Good Practices on Carbon Finance and 5Ps
- **Bangladesh, Lao PDR and, Nepal:** Undertake National activities



Partnerships diversify risks and are key to financing rural energy



Thank you