



**United
Nations**



HIGH-LEVEL DIALOGUE ON
ENERGY
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Ministerial Thematic Forums

21 – 25 June 2021

Event name:

Financing solar at the last mile: perceived challenges, risks and opportunities

Event date and time:

21 June 2021, 11.30 - 12.45 NY Time

Organizers:

United Nations Development Programme (UNDP) and International Renewable Energy Agency (IRENA)

Number of participants:

310 registrants and 140 attendees

Main speakers and brief summary [max 300 words]:

Speakers:

- Luisa Bernal, Policy Specialist, Finance Sector Hub, UNDP
- Mr. Amjad Abdulla, Head of Partnerships at IRENA
- Loïc de Fontaubert, Investment Director, ENGIE corporate impact fund
- Jose Ordoñez, CEO, Kingo Energy
- Roan Borst, GOGLA Project Manager Access to Finance
- Sunfunder, Surabhi Visser, Head of Investments, SunFunder
- Paul Needham, Co-Founder, Positive Capital Partners, D-REC Initiative Secretariat

Moderator: Eduardo Appleyard, Project Coordinator, Climate Aggregation Platform, UNDP

Bridging the energy access gap by 2030 will require strong policy frameworks and innovative business models, but also meaningful financing efforts: it is estimated that US\$41 billion of annual investment will be needed to close the energy gap by 2030. The current established financing channels fail to address the financing needs of the business models of Decentralized Renewable Energy (DRE) companies. Despite the demand and viability, investments in DRE projects for access are hindered by the perception of higher financial risk, lower profitability and higher operational costs.

UNDP and IRENA have been building a long-lasting collaboration to mobilize capital towards developing countries to accelerate the scale of RE technologies through initiatives as the Climate Investment Platform (CIP), which facilitates the financing matchmaking between registered financing institutions and registered RE projects' proponents. To further expand this discussion, this webinar discussed trends in equity and debt financing for last-mile access to electricity and possible ways to accelerate the transition of finance to bring decentralized solutions to scale where it matters the most.

The event brought together the views of actors at the different levels of the value chain, including an impact investor (ENGIE Corporate Impact fund), a DRE enterprise at the fundraising stage (Kingo Energy, finalist of the UNDP Growth Stage Impact Ventures selection), the industry association of the off-grid sector (GOGLA), a financial intermediary (SunFunder) and a not-for-profit, multi-stakeholder initiative (D-REC initiative). By bringing together different perspectives, some major takeaways emerged:

- *Blended finance and capital from DFIs will be essential to crowd in new investors and larger investment tickets in the sector.* Private finance in the DRE sector has been mostly driven by impact investors, which usually fund up to series-C with an average duration of investment of 7 years;
- *DRE companies should find a balance between disciplined growth and capital needs, in order to ensure profitability, performance and long lasting impact.* Expanding from B2C to B2B and B2G business models can in addition expand the debt capacity of the business;
- *There is in general low awareness and understanding of the sector from private investors, calling for the development and application of standardized performance indicators.* Such instruments, as the PAYGo PERFORM, are instrumental to increase transparency, benchmarking company performance and supporting investors in understanding the off-grid space - therefore enhancing its attractiveness and unlocking further capital;
- *To further contribute to the mobilization of finance, financial intermediaries are playing a key role in mitigating the perceived mismatch in the investor-market risk-return by identifying "bankable" pipeline through the aggregation of projects at the local level, and promoting blended finance.* Political risk insurance and portfolio guarantees, which help investors to invest more confidently into the market, are some of the risk mitigation tools which have been successfully adopted;
- *Demand is rising for innovative tools to crowd in additional sources of revenue from global corporations and investors.* D-RECs, a third-party certified, verifiable, tradeable market instrument that represents 1 MWh of distributed renewable electricity, is one of the latest innovative examples of these innovative tools.

Key outcomes [max 100 words]:

- Increased awareness about UNDP and IRENA work related to the facilitation of investments in energy access solutions;
- Advanced knowledge and understanding among the development, corporate and finance communities about barriers to equity and debt financing in off-grid solutions for last mile energy access and ongoing initiatives in this area;
- Enhanced understanding among the financial community of the existing tools designed to overcome barriers in DRE financing in developing countries, crowd in new capital and allow projects to scale also at the last mile.

Links to livestream recording/website/social media:

YouTube recording: https://youtu.be/1wy_kWqU1il

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