Supporting Investment in Clean Energy Infrastructure

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Resources for the Future
Global Primary Energy: Reference

Scenario without climate/carbon policy
MIT 450 Stabilization Scenario

Scenario with economists’ “ideal” climate policy
Investment Decisions and Green Growth Policy

- Decisions on major capital expenditures by private firms are based on a risk-adjusted expectation of adequate returns.

- Many of the technology systems that show promise for green growth face high costs, limited or no commercial experience and political controversy.

- Higher costs, potential for permitting or regulatory delays, public acceptance, and policy and legislative uncertainty add to perceived risks and raise costs.

- Inadequate returns force firms to seek alternate approaches, defer decisions, or reject projects.

- Effective policies will need to work with mainstream project investment and finance processes, and with local and national approval processes.

- Business seeks sufficient clarity to plan, propose and implement projects with confidence that they will be commercially viable and proceed in a timely fashion.

The key issue for investment is building confidence in returns from successful projects.
Government Role

• Establish stable policy/regulatory environment

• Build societal capacity
  - Education/training especially in science and engineering
  - Fundamental Research
  - Infrastructure

• Create enabling frameworks
  - Governance and rule of law
  - Intellectual Property Rights
  - Investment
  - Technology deployment
  - Technology transfer
  - Efficient and predictable regulatory and permit processes
Take Away Messages

• Large-scale investments that diffuse and transfer technology occur continuously using a variety of existing processes

• Green growth policies need to leverage mainstream business activities, not create a separate playing field for “green investments”

• In consulting business on finance, engage with operating companies as well as financial firms (and be aware that many firms self-finance their investments)

• Regulatory and permitting delays add costs and can tie up projects for years, try to expedite the investment process rather than add new complexity

• Private firms make investment decisions based on risk adjusted expectation of returns; without adequate returns they will not invest
Orientation points for discussion

- What makes clean energy investment different from fossil-fuel based traditional investment? Should green growth considerations be systematically integrated into energy investment projects?
- How do specific policies and regulations – such as carbon pricing schemes and other investment incentives and disincentives – influence the viability of clean energy investments?
- To what extent does the promotion of investment policy principles (such as non-discrimination, investor protection and transparency) encourage private investment in clean energy infrastructure? How do other business climate-related policies influence clean energy investment?
- Do international investors face specific barriers to clean energy investment?
- When does a clean energy investment contribute to economic growth?
- Do clean energy investments distort international competition?
Thank You