EIA’s Clean Power Investment Workshop – Session 3: Project Financing, Access to Funds, Managing Risks in Electricity Projects

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Critical Issues

- Lessons from the first crisis of the Energy Transition, 2021:
  - Natural Gas Prices Hit Record levels because of (1) too rapid and thoughtless deregulation of power markets; and (2) Forgetting the 3 Rs, which are especially critical when it comes to clean (interruptible) energy: Reliability, Resilience and Redundancy: The Storage Conundrums and Who Pays

- 7 Major Issues for Securing Private Financing
  1. Building Bridges – Public Sector involvement
     a. Demand Uncertainty
     b. Supply Uncertainty
  2. Cost across the value chain – How to deal with changing costs
  3. Risks of Substitution – Unpredictability of costs, when thermal gets a lot cheaper
  4. Technology Risks (at Scale) – What if scale doesn’t pan out?
  5. Infrastructure Requirements – Who pays?; Hubs, Competition, Long Haul
  6. Regulatory Structure
  7. Dispute Settlement Arrangements

- Governments Play a Major Role
  - Supporting “Bridge Building” (hydrogen hubs being a recent example)
  - Indirect Initiatives (subsidies, regulatory, infrastructure support, facilitation of offtakers
  - Direct Support (guarantees, offtakes, feed-in tariffs; preferential taxation, transparency for end-users)

- Types of Financing (major obstacles in today’s environment with growth headwinds, Russia/Ukraine risks)
  - Equity Funding (private and public), Corporate Debt (sustainability bonds), Project Financing
Multilateral Banks, Fostering Natural Gas, Critical to Energy Transition

ADOPTING A CONSUMER STRATEGY TO POSITION NATURAL GAS

Co-developing supply, midstream, and demand projects could facilitate the use of gas as a transition fuel on the demand side, build infrastructure that could help with a future hydrogen economy, and make use of the gas resource. Gas producers pooling together via a ‘development bank’ structure could help solve the ‘chicken-and-egg’ problem between demand and infrastructure.

Many emerging market countries need funding to electrify, build infrastructure, and reduce existing polluting sources of energy generation.

A development bank structure could facilitate infrastructure build-out.

Source: See Citi Global Perspectives and Solutions, Natural Gas: Powering Up the Energy Transition, (July 2021)
Appendix A-1

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