

Innovative Financing for Renewable Energy



**Workshop on
SDG7 Implementation in Asia and the Pacific**

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Innovation 1:

Public Private Partnership (PPP) for electrifying remote area & small islands using renewables



Problems:

- Estimated 12,000 villages do not have sustainable access to electricity.
- State budget is limited. Subsidy can only be provided to state utility company.
- Electricity investment in remote areas & small islands is costly, not financially viable. Scale matters, but business area is monopolized.

Innovative Policy:

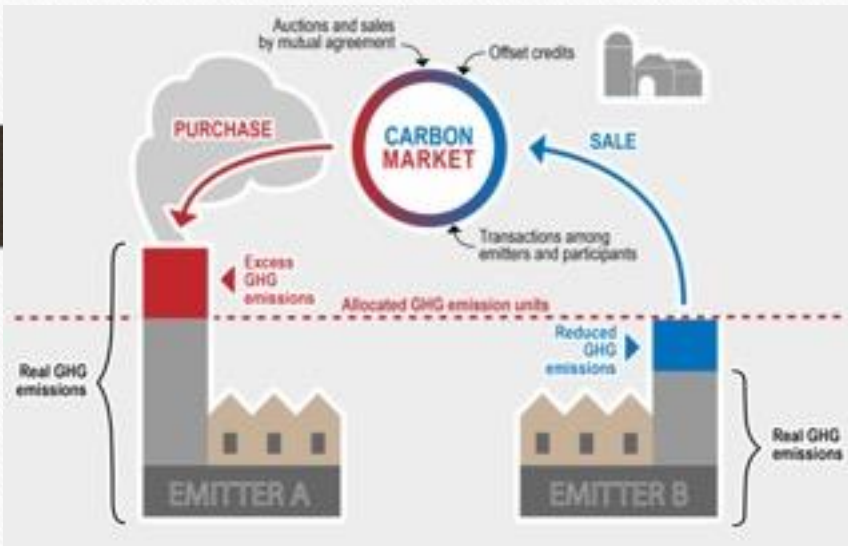
PPP for electrification of remote areas & small islands.

- ✓ Allowing government participation to make investment viable.
- ✓ Agreement in business area for private investment that makes investment protected and at economic of scale.
- ✓ Communities will pay the same tariff as other places in Indonesia.

Innovation 2: Blend financing for small-medium size of renewable energy projects



Innovation 3: Use market-based instrument to incentivize renewable energy investment



Pic source: <https://www.faisonslepoureux.gouv.qc.ca/wp-content/uploads/2015/11/carbon-market.jpg>

Problems:

- Tariff regime for renewable energy is unattractive.
- Environmental cost is not internalized in price of fossil-fuel electricity.
- Incentives are mainly fiscal instruments, not proven sufficient to stimulate investment.

Innovative Policy:

Cap and Trade policy for power generation sector

- ✓ Capping emission level from fossil-fuel power generation installation. Penalty will be applied.
- ✓ Trigger carbon market.
- ✓ Provide additional financial support for renewable investment.



Thank You
