Climate financing can provide solutions to GCC renewable energy

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THE GULF Cooperation Council (GCC) economies are looking forward to explore renewable energy. Dubai Clean Energy Strategy aims to provide seven per cent of Dubai's energy from clean energy sources by 2020. Shams Dubai initiative aims to encourage building owners to place solar panels on the roofs and link them to the main network of Dubai Electricity and Water Authority by 2030. Masdar plans to invest in renewable energy projects from the UAE to Morocco to double its power generation capacity from solar and wind plants.

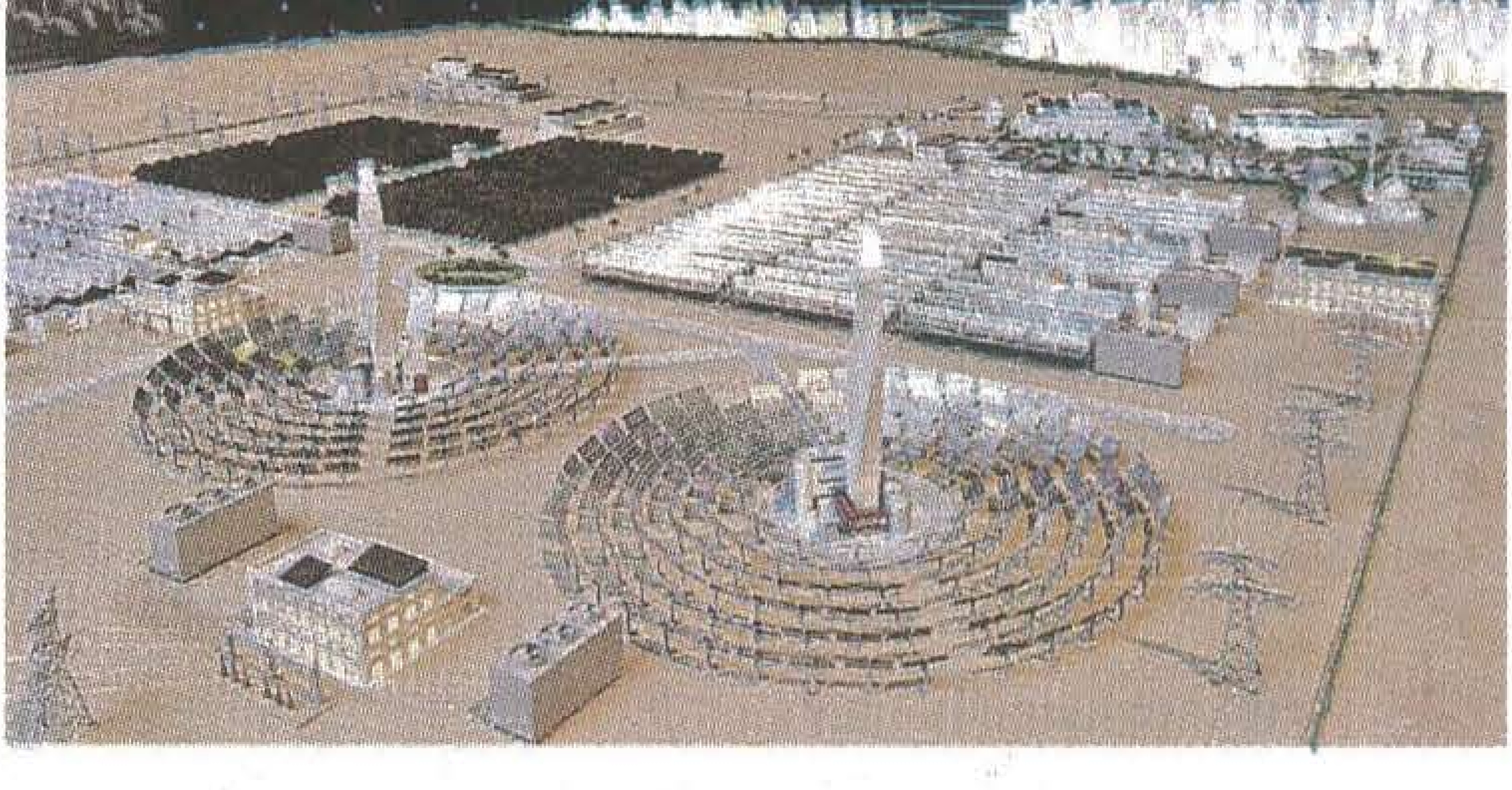
In the coming years, solar energy would be generated in the Saudi Arabia by employing both photovoltaic (PV) technology and concentrated solar power (CSP) technology.

In 2014 Qatar Foundation announced the launch of one of the Gulf region's first Energy Monitoring Centre (EMC) to manage its smart grid and monitor solar power generation across all sites within Education City. In December 2015 Qatar has planned to build around 1,000 megawatts of solar power in a bid to diversify its energy mix away from hydrocarbons through joint venture between Qatar Electricity and Water Company and Qatar Petroleum. It will set up a $500 million JV company with the purpose of investing in renewable energy projects. Qatar Solar Technologies (QSTec)'s polysilicon plant, will be rolled out later this year at Ras Laffan Industrial City. Oman's Rural Areas Electricity Company (Raeco) plans to develop seven small-scale power projects based on solar and wind energy resources. Kuwait is beginning to develop its renewable energy programme, with the stated aim of achieving five per cent electricity generation from renewable energy by 2020.

There is a need to find ways of engaging the GCC private investors, particularly institutional investors in renewable energy as part of climate change financing. To engage the private sector, expected returns on climate-related investment should be commensurate with the perceived level of risk. This is however often not the case and the private sector continue to face challenges in investing in the low carbon sector. Carbon Finance, Global Environmental Facility, Clean Technology Fund, Feed-In Tariff and Infrastructure Investments are some of the financing models for climate change financing in the GCC. Carbon Finance provides a means of leveraging new private and public investment into projects that reduce greenhouse gas emissions, thereby mitigating climate change while contributing to sustainable development. The Global Environment Facility is today the largest funder of projects to improve the global environment which is supported by various United Nations bodies and World Bank.

Clean Technology Fund is one of the climate investment funds which provide developing economies with positive incentives to scale up the demonstration, deployment, and transfer of technologies with a high potential for long-term greenhouse gas emissions savings. Clean Technology Fund's concessional financing focuses on large-scale, country-initiated projects in power sector, transport sector and energy efficiency. In particular, public-private partnership are emerging as a successful business model within the clean technology to create scale and mobilise necessary funding. Feed-In Tariffs are payments to ordinary energy users for the renewable energy they generate. The tariffs give three financial benefits such as generation tariff, export tariff and energy bill savings. World Bank Group also does infrastructure financing along with public and private investors in renewable energy segment. The GCC governments and sponsors should look for innovative ways to finance this emerging clean energy sector. Various barriers for large scale low-carbon investments are small secondary debt market, absence of liquid and investment grade asset-backed securities. Bond financing can also play an important role in clean energy financing. Debt instruments issued to raise capital to fund specific clean power projects or projects aimed at reducing climate change risk. Investors range from pension funds with environmental mandates to socially responsible investment-focused retail investors. As the GCC economies look forward to harness renewable energy climate change financing could provide solutions for bringing various investors in this segment.

The writer is the group CEO of Doha Bank. Views expressed by him are his own and do not reflect the newspaper's policy.



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