



Take action now to unlock commercial financing for clean energy

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SINGAPORE, October 31, 2013 - A low-carbon growth path is in the best interest of each country in East Asia, and governments should take action now to create an enabling environment to attract clean energy investments, coupled with public financing mechanisms to provide incentives to investors and unlock commercial financing, says a new World Bank report titled Unlocking Commercial Financing for Clean Energy in East Asia.
A low-carbon growth path is not only good for the climate, but also brings about domestic benefits in each country related to energy savings, improved local environments, enhanced energy security, and more jobs.
And as the lions share of climate financing is expected to come from the private sector, governments need to put in place policies conducive to private investment and use public funds to incentivize private investors in order to unlock commercial financing for clean energy. Delay in action will only increase the costs and difficulties of stabilizing the climate.
"Effective policies are the essential driver to catalyzing commercial investment in clean energy, says John Roome, World Bank Director for Sustainable Development in the East Asia
 Pacific Region. "Once the right policy regime has been put in place, public financing mechanisms designed to mitigate risks and close financing gaps proved to play a major catalytic role in kick-starting substantial investments in clean energy.
The report compares a range of policy options and public financing instruments for energy efficiency and renewable energy. It draws lessons from recent experience in an attempt to address when and under what circumstances to use public financing instruments; which instrument to select; and how to design and implement them most effectively.
The good news is that many countries - both developed and developing - are taking action now. In East Asia, all middle-income countries have national targets for energy efficiency and renewable energy, and some even have targets for carbon reduction.
"The selection of public financing instruments should be tailored to the market barriers, the targeted market segments, the regulatory environment, and the maturity of the financial market, says Xiaodong Wang, lead author of the report and senior energy specialist for the World Bank. "Engaging domestic banks through credit lines and partial risk guarantees has had the greatest impact in unlocking private financing. Dedicated funds and mezzanine and equity funds are effective at increasing access to financing for small and medium enterprises and clean energy start-ups. The impact of public financing instruments can be substantially increased if they are packaged with technical assistance.

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