

CLEAN ENERGY FINANCE AND INVESTMENT ROADMAP

Background document

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Overview

The Covid-19 pandemic and consequent recession in India have brought forward the critical need to align clean energy ambitions with economic recovery, quickly putting people back to work while enhancing India’s capacity to achieve its sustainable development goals. Aligning recovery efforts with the clean energy transition is an enormous opportunity to spur green growth, not only realising positive impacts on climate but also enabling economic multiplier effects through clean energy infrastructure development and skilled labour creation.

Enabling the prospects for sustainable recovery will require a paradigm shift in current investments, channelling commercial capital to clean energy projects and attracting overseas investors. This will require more targeted application of public finance, international climate and development finance, and related support mechanisms to increase the pipeline of bankable clean energy projects in India, redouble investor opportunities and crowd-in private sector finance.

Development of a *Clean Energy Finance and Investment Roadmap* can help India to meet this challenge. The Roadmap will bring government and private sector stakeholders together to agree upon a clear action plan that identifies and addresses bottlenecks complicating or constraining finance and investment in India’s clean energy sector. The Roadmap will outline opportunities to tailor market and policy interventions to unlock further private finance, taking into account current market conditions with COVID-19 as well as emerging trends and investor expectations as financial markets look for more climate-aligned investments. In this respect, the Roadmap will evaluate investment vehicles able to attract institutional capital at suitable scale and take advantage of opportunities with international investor networks like the Climate Investment Coalition, the Institutional Investors Group on Climate Change (IIGCC) and the Asia Investor Group on Climate Change (AIGCC).



The Roadmap will be developed by the OECD Clean Energy Finance and Investment Mobilisation (CEFIM) team in partnership with the Natural Resources Defense Council (NRDC), under the guidance of the Government of India and its Steering Committee (MNRE, IREDA, MoP, BEE, MEA, MoF/DEA and Niti Aayog). It

will build upon and help support the implementation of India’s economic recovery plans and Aatma Nirabhar Bharat (Self-reliant India) ambitions. It will also complement financial sector priorities to promote sustainable practices through corporate social responsibility reporting.

The Roadmap will identify innovative financing solutions and effective investment vehicles that can help deepen local capital markets, bring in new investors and attract international capital for energy efficiency and renewable electricity. As needed, it will highlight policy and other issues that may be hindering the flow of finance, providing recommendations on potential ways to overcome these barriers and agreement on action points to implement solutions. The roadmap will work with stakeholders to develop an investment lists comprised of investment vehicles and projects suitable for institutional investors. These projects covering both energy efficiency and renewable electricity can include both primary and secondary clean energy finance transactions aimed at both domestic and foreign investors.

Roadmap Process and Stakeholder Engagement

The Roadmap will be a strategic plan that describes the steps needed to meet India’s clean energy finance and investment objectives. The process for developing the Roadmap is as important as the plan itself, as it aligns diverse stakeholders in a common course of action.

The Roadmap will be developed by OECD and NRDC, working closely with the Steering Committee and bringing together stakeholders through a series of three workshops:

1. To assess critical barriers and opportunities to prioritise action that improve clean energy finance and investment
2. To identify and assess innovative solutions and effective investment vehicles that can deepen capital markets and mobilise stakeholders/investors
3. To deliberate recommended actions and build consensus on the steps forward that implement and operationalise financing tools able to attract capital at suitable scale.

Stakeholder engagement

To identify needs / challenges, highlight opportunities and build consensus on steps forward

Actionable recommendations

To implement innovative financing solutions and effective investment vehicles

Operationalisation

Of financial instruments, tools or projects to engage investors and attract capital at suitable scales

Through this process, the Roadmap will endeavour to set forth a clear action plan, built on consensus, to help unlock further finance and private capital for clean energy projects. Emphasis will be on the development of clean energy projects over the next five years. The Steering Committee, alongside Roadmap stakeholders, will ultimately be responsible for ensuring implementation of the Roadmap’s recommended actions and in applying indicators to track progress in its implementation.

Stakeholder Consultations & Roadmap Focus

To prepare the Roadmap and gather stakeholder inputs, the OECD and NRDC held a number of early consultations in 2021. These consultations sought to improve understanding of the needs and

expectations of key actors engaged in clean energy project development, finance and investment. Notably, the early stakeholder consultations helped to assess priority areas for clean energy development in India. This information helped to narrow the focus of the Roadmap, in close collaboration with the Steering Committee and its two working groups (energy efficiency & renewable energy).

The Roadmap focus was thus narrowed to three topical priorities leading into the planned workshops: increasing energy efficiency finance for micro, small and medium enterprises (MSMEs); unlocking capital for offshore wind in India; and enabling investment in green hydrogen.

The OECD and NRDC have subsequently carried out further stakeholder consultations to gather input and feedback for the first Roadmap workshop, looking to assess critical needs, barriers and challenges to be addressed, as well as potential opportunities, support and financing solutions that can address these points. A summary of these consultations will be presented at the first workshop and will serve as background to discuss potential solutions and actions moving forward to improve finance flows and attract investors for the three clean energy areas.

Timeline (indicative)

- July-Aug 2021: Steering Committee and working group meetings; initial consultations to gather stakeholder inputs on priority areas
- Sept-Dec 2021: scoping of Roadmap focus and targeted consultations
- Jan-Feb 2022: finalisation of Roadmap scope and consultations on market barriers
- Mar 2022: first workshop (online event)
- Mar-Apr 2022: working group deliberations & consultations on financing vehicles
- Apr/May 2022: second workshop (in person, tbc)
- Jun-Jul 2022: roadmap drafting & review
- Aug/Sep 2022: workshop to deliberate recommended actions / steps forward
- Oct/Nov 2022: release of roadmap in India (event tbd) and investor dialogue as part of OECD Forum on Green Finance and Investment (Paris)