

BUSINESSEUROPE



Some Personal Views from Business on Public and Private Financing

Mini-hearing

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Climate Change Working Group

Twin International Energy Challenges

- Meeting significant increase in energy demand and improving access to energy
- Responding to risks of climate change

Context (IEA):

2 Billion	People without access to commercial energy
\$22 Trillion	Investment (through 2030) energy supply and distribution
\$45 Trillion	Investment (through 2050) to manage climate risks

Accelerated development and deployment of existing and advanced efficient, low GHG emitting technologies will be essential to meet aspirations and manage risks at affordable costs



Finance: Some Key Considerations

- Scale and predictability
- Sources
- Institutions & Governance
 - Purpose
 - Eligibility
 - Information needs
 - Decision criteria
 - Decision making
- Sustainability
- Could grow to major size ~ 100s B\$/yr
- Public or private (markets, c-markets)
- Existing or new institutions
 - Transparent predictable rules
 - Open eligibility
 - Clear requirements
 - Objective criteria
 - Timely, efficient decision making
- Major wealth and investment flows
- **Public finance must promote and leverage private investment within and outside the UNFCCC**
- **Precedents set now could help or hinder future programmes and progress**
- **Early funding for capacity building will be vital to sustain future investments**
- **Public must accept and find value in significant wealth transfers**



Focus for Public Sector Financing

- Reducing political and technological risks to encourage private financing of otherwise non-viable projects
- Financing high risk technologies through their demonstration phase
- Closing the financial gap between business-as-usual projects and higher cost options based on advanced technology that lower emissions
- Overcoming difficulties in raising up front capital, which is a major barrier to execution of capital-intense energy projects
- Improving the predictability of awards by providing objective criteria for approvals, information required in filing applications and timelines and process for decision-making
- Establishing transparent and objective frameworks for approvals that may be required for permitting, e.g. site selection, operations and ultimately decommissioning
- Supporting the development of essential public infrastructure, including human and institutional capacity



Principles for Shaping New Public Funding

- Are technology neutral based on objective criteria, e.g. GHG emissions per unit of activity, without favouring one producer's technology
- Have transparent, predictable rules that allow timely and efficient access by the private sector
- Adopt equality of competitive opportunity for investment and finance regardless of firm or nationality and other norm
- Have sufficient levels of funding to close the gap in available private financing
- Embody a predictable, results-oriented approach that minimizes transaction costs, avoids constraints on utilization (such as price controls, ownership or state control percentages, etc.) and rewards performance



Some Successful Experiences for Public Involvement

- Tax Credits: easy to use and can specifically target each phase of technological maturity, whether R&D, demonstration, deployment or commercialization
- Loan guarantees: efficiently reduce risks highlighted as impediments to private sector investment
- Public concessionary loans or equity: provide long-term leverage at low costs; especially helpful to large infrastructure projects
- Grants: reduce high start-up costs and stimulate supply to underserved markets.
- Procurement: incentivize deployment and commercialization of cleaner tech by employing it in a variety of public projects, from road signs to energy efficient buildings to power plants



Finance: Some Key Private Sector Considerations

- Expectations, confidence and predictability
 - C-markets depend on evolution of government policy
 - Reform and simplification of CDM/JI is essential to improve confidence
 - Scope and of CDM and JI insufficient to materially alter future GHG emissions
- New mechanisms with wider scope (e.g. sector crediting, sector trading, programmatic CDM) raise key issues; designed should:
 - Assure environmental integrity; this will require reliable procedures to design objectives and to measure, report and verify actions
 - Require comparable economic effort among all sectors and nations—avoid creating favorable advantage for particular nations or firms
 - Provide equitable procedures and incentives to assure access for all firms, foreign or domestic, that wish to participate in eligible activities
 - Establish sound compliance procedures for participating nations and businesses to assure the integrity of domestic and international greenhouse and carbon markets
- **Private Sector will invest once governments establish appropriate frameworks**
- **The vast majority of transactions and investments that impact climate change continue to happen outside carbon markets**



Thank You

