Public and Private Finance for Renewable Energy: Possible Pathways for China

On October 22, 2013, the International Institute for Sustainable Development (IISD) and the China National Renewable Energy Centre (CNREC) held the breakfast session, "Public and Private Finance for Renewable Energy: Possible Pathways for China" and announced the report *Green Revenues for Green Energy: Environmental Fiscal Reform for Renewable Energy Technology Deployment in China* at the Global Green Growth Forum (3GF) in Copenhagen, Demark.

For more details on the breakfast session, please refer to the session webpage and session note: http://3gf.dk/en/3gf-2013/breakfast/public-and-private-finance-for-renewable-energy/

For a bilingual summary and full report, please go to: http://www.iisd.org/publications/pub.aspx?pno=2848

Panellists:

- **Pasi Hellman**, managing director, Nordic Development Fund
- **Xu Wen**, research fellow, Research Institute for Fiscal Science, China Ministry of Finance
- **Richard Birdle**, project researcher, IISD
- **Zhao Yongqiang**, research fellow and assistant director, CNREC
- **Nelson Sam**, global managing director advisory services, Commodities and Energy, Thompson Reuters
- **Michael Liebreich**, CEO, Bloomberg New Energy Finance
- **Moderator: Mark Halle**, executive director, IISD-Europe

Strong economic growth has fuelled a 550 per cent rise in China's primary energy consumption since 1980. Although the dramatic increase in energy access, generation and distribution has been considered a success, most of China's energy has come from fossil fuels and has been accompanied by the negative consequences of growing greenhouse gas emissions and increased pollution. In response, the Chinese government has set a series of ambitious targets for renewable energy, including the goal of achieving 20 per cent renewable energy by 2020.

To realize these goals, China raised investment in renewable energy technologies. Delivering the necessary transition to the energy sector—where renewable energy plays a central role—will require transitions in policy, regulation and industry. Participants discussed international experiences in renewable energy relevant to China and how public-private partnerships can be developed to mobilize investment from various sources of finance.

Participants highlighted the following points:

- **Strong private sector engagement will be critical for meeting China's renewable energy goals:** China has one of the fastest-growing renewable energy portfolios in the world. However, moving from a system of predominantly publicly owned systems to one with a greater role for the private sector will help China to scale-up even further to meet demand.
- **Environmental fiscal reform can reduce risk and reassure investors:** IISD and CNREC launched a report, Green Revenues for *Green Energy: Environmental Fiscal Reform for Renewable Energy Technology Deployment in China,* featuring lessons on environmental fiscal reform from eight countries. It can serve as a starting point for identifying policy options. Partnerships can also play an important role in building renewable energy project pipelines, risk sharing and opportunities like challenge funding.
- **Innovative policies can offer a practical and stable entry point for investors:** China's main source of funding for renewable energy subsidies are surcharges on electricity. However, during the last three years, the surcharge has risen eight times and added pressure to consumers. Making limited public funds go as far as possible, such as by optimizing public finance in the value chain, while instituting other innovations, such as those that reduce the cost of capital, will attract investors. Feed-in tariffs have been a useful tool in China, but more could be done to offer stability for their payouts.
- **Strengthened financial markets can reduce risk and reassure investors:** Technology risks for renewable energy can be addressed through insurance schemes, but credit risks are more difficult. Strong financial markets and commercial banking sectors can reduce risk and provide a stable environment for investors. China has immense potential to increase demand for renewable energy and stable free markets will make it easier for the private sector to meet that demand.

Policy Partnership

IISD and CNREC have formed a partnership to tackle the barriers faced by renewable energy in China. As the world's largest emitter of greenhouse gases and a major manufacturer of renewable energy technologies, China's energy, environmental and industrial policies affect the rest of the world perhaps more than any other country. Our mission is to promote the development and deployment of the renewable energy technologies needed to secure the transition to sustainable energy in China and around the world through research, policy analysis, knowledge sharing and international collaboration.

About IISD

IISD is a Canadian-based, public policy research institute that has a long history of conducting cutting-edge research into sustainable development. IISD has been active in China since the late 1980s and in recent years has established a permanent research capability in China. IISD is committed to broadening and extending this capacity.

About CNREC

CNREC is the national institution for assisting China's energy authorities in renewable energy policy research, and industrial management and coordination. CNREC conducts research on renewable energy development strategies, planning, policy and regulation, industrial standardization, product testing and certification; implements, monitors and assesses national pilot projects; and manages and coordinates international and regional cooperation. The CNREC have built a reputation for expertise on renewable energy policy in China and are committed to expanding their capability to tackle domestic issues in addition to bringing experience gained through successful research into the international arena.

About 3GF

The Global Green Growth Forum (3GF) is a Danish government initiative in collaboration with the governments of the Republic of Korea, Mexico, China, Kenya and Qatar. The Global Green Growth Forum (3GF) is a process convening governments, businesses, investors and international organizations to create scalable public-private-partnerships in order to promote inclusive green growth. The 3GF process culminates in an annual summit in Copenhagen bringing high-level green growth leaders from governments, the business community and international organizations together to discuss the transition towards green growth.