

Twelfth session of the Assembly  
Abu Dhabi, 15-16 January 2022

## Background Note

### Ministerial Meeting on Accelerating the Energy Transition Investments and Finance: The Role of Local Financial Institutions

1. As part of its support to its Members in facilitating investments in renewable energy (RE) projects, IRENA launched two flagship initiatives to help channel funds to RE projects. The first is the Climate Investment Platform (CIP), a joint initiative led by IRENA, the United Nations Development Programme (UNDP), Sustainable Energy for All (SEforALL), and in cooperation with the Green Climate Fund (GCF) which aims to mobilise capital towards developing countries to accelerate the scale-up of RE deployment. The second initiative is the Energy Transition Accelerator Financing (ETAf) Platform, which offers an inclusive, multi-stakeholder climate finance solution facilitated by IRENA to advance the energy transition across the Agency's 166-strong Membership.
2. Despite these concerted efforts to promote the flow of capital to finance RE projects, recent studies, including IRENA's Global Landscape of Renewable Energy Finance 2020, have highlighted several challenges, such as insufficient financing in developing countries as a persistent barrier to increased investments, amongst others.
3. For smaller projects, which represent approximately 40% of projects registered on the CIP, access to capital is severely constrained due to their low-ticket size, high real or perceived risk profiles, and remote geographical locations. Local financial institutions are well positioned and equipped to assess the local economy, gauge the local investment climate, and understand countries' enabling environments with regards to their legal, political, and regulatory landscapes. Yet, participation of local financial institutions in the finance of RE projects has been limited, which presents a significant challenge as they play a critical role in shaping the trajectory of sustainable development aligned with climate goals.

#### Objectives of the session

4. This Ministerial Plenary Meeting will provide a platform for exchange on the global investment and finance landscape for promoting energy transition while exploring ways to crowd in finance from local financial institutions.
5. Discussions will centre on sharing ideas, recommended best practices and lessons learned to address the local financing gap and chart a clear path to crowd-in local finance specifically purposed for funding RE projects. This will be done with the aim to facilitate project developers' access to local capital, which will consequently boost local economies and allow community stakeholders to benefit directly from the deployment of renewables and the energy transition at-large.

### Guiding questions

- What is the role of local banks in supporting energy transition investments on the ground?
- How can Development Financial Institutions (DFIs) support local banks in funding renewable energy investments given their lower administrative costs, higher capacity and propensity for risk-sharing, and generally cheaper access to capital?
- What are the barriers of project developers' access to local finance and lenders' risk perception of renewable energy projects?
- What are effective risk mitigation mechanisms that could be provided by local banks to address project risks, thus scaling up the energy transition?
- What are local banks' lending approaches and how/whether on-lending facilities can/should ease credit criteria, reduce the cost of borrowing, or support projects in hurdling loan conditions (i.e. high interest rates and collateral requirements)?
- What are the regulatory frameworks that would be conducive to facilitating local lending?

### Associated Publications

1. [Global Landscape of Renewable Energy Finance 2020](#) (2020)