



Friday 11 June 2012

*Clean Energy Finance Solutions:
Central & Eastern Europe*

**BALKAN POLICIES FOR GREEN ECONOMIC GROWTH
SOFIA, BULGARIA**

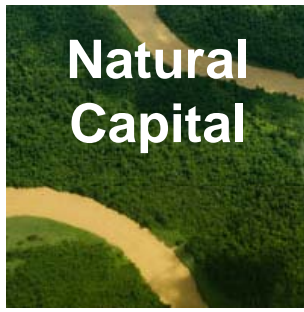


LEADERS GROUPS



Climate

Enabling the transition to a low carbon economy



Natural Capital

Staying within the limits of the Earth's natural systems



Finance

Designing a financial system that values the long term

Enabling business leaders to be heard

Setting new standards of responsible business practice

Demonstrating what is possible



❑ Central & Eastern European Context

- Issue of economic viability and carbon leakage key to Central/Eastern European countries
- Difficulty in moving to Green growth agenda when investment in emerging markets e.g. China, Brazil and India,
- Dependency of some countries on coal and poor energy infrastructure
- Lack of private/public cooperation

❑ Actions necessary to address regional challenges are:

- Create green growth vision
- Increase understanding of risks of continuing high carbon agenda
- Increase investment portfolios in low carbon technologies
- Work collaboratively on transitioning countries via economic proof
- Work with brave private and public sector leaders



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Solutions:
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April 2012

*CPSL in cooperation with the
REKK at Corvinus University,
Budapest, Hungary*

**Countries covered:
Bulgaria, Czech Republic,
Hungary, Romania**

Project Summary:

- *Builds on HRH The Prince of Wales's Business Leadership Roundtables 2010*
- *Builds on CPSL success of bringing together business leaders supportive of viable green and low carbon growth*
- *Builds on CPSL success in convening core parts of the finance value chain around sustainability challenges*
- *Builds on the successful UK-Hungary Finance Forum held in London on 24 October 2011.*
- *Builds on Advisory Committee expertise*
- *Phase II: Launch concrete initiatives to build on Report recommendations*



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Project Recommendations:

- *Building capacity*
- *Improving the connectivity and distribution of electricity generated by Renewable Energy Sources (RES) projects by investing in the up-grading and interconnection of transmission grids at national and regional levels*
- *Developing more intelligent incentive schemes to improve predictability and sustainability and reduce the cost of capital*
- *Developing a pan-regional view of energy investments*
- *Fostering a domestic RES industry by supporting entrepreneurship*
- *Supporting public-private risk sharing for RES-E*



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Key Finance Considerations:

- *Cost of capital for RES-E projects in CEE in RES high. This cannot be delinked from the general situation in the credit markets,*
- *Timing, unfortunate for the region as many opportunities driven by trends listed above are coming to the fore in the next few years.*
- *Lower credit ratings of governments and state-owned operators increase the cost to consumers, or lead to later investment.*
- *Investors comment that investment in the Central European region is often negatively perceived, combining “(low) OECD-level returns with (high) emerging market type risks”.*



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Key Finance Considerations:

- *Markets perceived as relatively “closed”, with small-scale (and unconnected) opportunities. As a result, investment in other emerging regions – perhaps even riskier, but with commensurate returns, is attracting more attention.*
- *Long development lead times, complex licensing procedures, and long life spans of the investments, even minor changes in tariff structures (or high uncertainty around them) can have a highly negative impact on the appetite to invest.*

EU 2020 Vision: “ make the EU the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion”



President Barroso , May 3 EUCLG meeting :“how do we move from an era of austerity to an age of prosperity if people do not believe in the benefits of green growth?” *Creating a viable and believable green growth story is the only way forward!*.” ”



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