OECD Workshop
Blended finance guidance for clean energy
25 May 2022

Background, context and proposal

Meeting the Paris goals of limiting global warming to 1.5°C by the end of the century, while pursuing climate-resilient development, will require an unprecedented mobilisation of all sources of finance, public and private. The financing needs to meet these goals are particularly acute in emerging and developing economies. The scale and complexity of the challenge is compounded by Covid-19 recovery needs, as well as longer-term development needs under the 2030 Agenda for Sustainable Development. Meanwhile, there remain myriad long-standing barriers to infrastructure investment and the mobilisation of wider climate finance, and the use of scarce public finance to effectively mobilise commercial capital remains far below its potential.

The scale of the challenge is such that all sources of finance – public, private, domestic and international – need to be mobilised at scale. In particular, the huge stocks of global capital need to be mobilised at scale towards more productive uses. Blended finance – the strategic use of development finance for the mobilisation of additional finance towards sustainable development in developing countries – has a critical role to play in this endeavour. In light of these challenges, the OECD's Development Assistance Committee (DAC) has agreed a set of comprehensive principles to support development actors to most effectively leverage commercial capital through public development finance[1].

While finance will need to be mobilised to support climate mitigation and adaptation in all sectors, the energy sector – which accounts for around three-quarters of global greenhouse gas emissions[2] – will require the lion's share of investment towards climate mitigation: clean energy investment in emerging and developing economies will need to grow from USD 150bn in 2020 to over USD 1 trillion per annum by the end of the decade to keep the world on track to a 1.5°C pathway[3]. The sector also faces a set of additional constraints to investment, compounding long-standing risks to infrastructure investment that exist across traditional infrastructure assets.

Given the scale of the challenge, the urgency of the required mobilisation of finance, and the unique challenges of the sector, there is now a renewed need to develop bespoke guidance for the deployment and mobilisation of blended finance for clean energy. This guidance would build on the existing OECD DAC Blended Finance Guidance and Principles, in particular on Principle 2: designing blended finance to increase the mobilisation of commercial finance, whilst recognising the interdependencies of the wider principles.

This workshop will bring together stakeholders from beneficiary and donor governments, international financial and development finance institutions, and the private sector, to deepen our collective understanding of the use of blended finance for clean energy. It will build on an earlier workshop, held on 7 April 2022, which helped to identify gaps in understanding. In particular, this workshop will attempt to identify and deepen understanding of clean energy sub-sector specific risks and barriers to commercial investment, and the specific blended finance instruments that can be used to help address and overcome them.

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[1] The OECD DAC Blended Finance Guidance | Best Practices in Development Co-operation | OECD iLibrary (oecd-ilibrary.org)
[2] IEA, *Net Zero by 2050: A Roadmap for the Global Energy Sector*
[3] IEA, *Financing Clean Energy Transitions in Emerging and Developing Economies*

OECD Workshop Blended finance guidance for clean energy Agenda	
Room D, Château de la Muette and virtual 25 May 2022	
Time	
Session 1	**Introduction, context and update on proposal**
10.30 – 10.35 (5 mins)	**Welcome and opening remarks** Susanna Moorehead, Chair of the OECD Development Assistance Committee
10.35 – 10.45 (10 mins)	**Financing the energy transition in emerging and developing economies** Cecilia Tam, Clean Energy Finance and Investment Mobilisation programme (CEFIM), OECD • Clean energy financing needs in emerging and developing economies • Challenges in access to adequate and affordable capital • Role of blended finance **Update on proposal** Mohammed Saffar, Clean Energy Finance and Investment Mobilisation programme, OECD
Session 2	**Blended finance for clean energy in lower income countries**
10.45 – 12.00 (75 mins)	**Working session – deep dive into energy access and productive end use.** **Moderator: Mohammed Saffar** Discussion questions: • *What specific barriers to finance and risks facing energy need to be addressed?* • *Which blended finance instruments can best address these barriers/risks?* • *What indicators should be used to assess commercial sustainability?* **i) Distributed renewables** **ii) Productive end-use sectors**
12.00 – 12.30	**Discussion – Governance and coordination** **Moderator: Mohammed Saffar** Discussion questions: • *Who are the key stakeholders that need to be involved designing, delivering, and monitoring blended finance transactions?*

	• *How can in-country governance be designed to best facilitate the effective and efficient deployment of blended finance?*
Session 3	**Sector deep dives**
14.00 – 17.00 **(3 hours)** *15.30 – comfort break*	**Working session – tailoring blended finance instruments to clean energy investment barriers and risks** **Moderator: Cecilia Tam** Discussion questions: • *What specific barriers to finance and risks need to be addressed in each clean energy sector?* • *Which blended finance instruments can best address these barriers/risks?* • *What indicators should be used to assess commercial sustainability?* **i) Efficiency – buildings, industry and transport** **ii) Grid-scale renewables – solar, onshore wind, offshore wind, geothermal, hydroelectric, bioenergy** **iii) Alternative energy and networks – hydrogen, CCUS, storage**
Session 4	**Cross-cutting issues**
17.00 – 18.00	**Using blended finance to scale institutional investment towards clean energy** **Moderator: Mohammed Saffar** Discussion questions: • *How can blended finance be used to support the development of secondary markets?* • *What financial products and instruments can be used to attract larger scales of global institutional capital towards clean energy?* • *What support to EDEs need to facilitate pooling/aggregation of projects?*
18.00 – 18.05	**Close and next steps** Jens Sedemund, Financing for Sustainable Development Division, OECD Cecilia Tam