

2020 Global Energy Interconnection (Asia)

ESCWA Side Event 4th November 2020

The Islamic Development Bank (IsDB) would like to express its appreciation to UNESCWA and GEIDCO for the organization of this important side event. The Global Energy Interconnection (GIE) is recognized by the Multilaterals given its importance in promoting clean low-carbon energy and helping to meet power demand while facilitating the access to finance.

The IsDB, as Multilateral Development Bank (MDB), focused since its inception in 1975 on the development of the energy sector in its member countries. The IsDB has provided total of USD 140 billion to facilitate the development in its member countries in the Transport, Agriculture, Education, and Health sectors. Meanwhile, IsDB financed total of USD 60 billion in the Energy sector alone recognizing its important as an engine which stimulate economic activities in the economy.

Meanwhile, all the financing provided by the MDBs, governments and the private sector is a drop in the ocean given the expected amount needed for the development of the energy sector. The *NEW ENERGY OUTLOOK 2020* report (issued in October) by Bloomberg expects that USD 15 trillion is needed for the power capacity development worldwide till 2050. Hence, international cooperation is mandatory in order to prioritize the investment in the energy sector.

When discussing access to finance, it is important to understand the fundamentals that support the investment decisions. The key principle is investment decision making is “Sustainability” which is determined by the following:

- Complementarity between Technologies: The development of renewable energy technologies over the last decade was amazing in terms of cost reduction and increased capacity. However, the protentional could be even higher if the same rate of development can be achieved in complementary technologies such as energy storage, smart grids, electric vehicles and long-distance interconnections (DC lines). Such technologies will allow the efficient, reliable and affordable access to energy in many developing countries. Hence, any financier will consider the status of the full chain and impact of its investment before providing finance to new investments.
- Financial Viability: In order to ensure sustainability, the financial viability of new investment is critical. However, financial viability does not mean pure profitability as much it means the final economic impact. Any new technology will require years of R&D before it become commercially viable. As you may recall that many programs for Feed-in Tariff (FIT) were supporting the solar and wind technologies till they reach the current low cost. Therefore, the role of such support schemes will be critical in the decision for new investments.

- Job Creation: The life cycle of an asset indicates the length for which it can operate and generate profits. However, it cannot be achieved without the proper Operations & Maintenance by trained staff. Hence, this brings to light the importance of creating local job opportunities and the required training programs. In many countries, special programs for vocational training were created to support the introduction of training labor which provides the local market skill needs while creating excellent local job opportunities.
- Institutional Capacity: The basic principle for private sector investments is the existence of a proper legal framework and a strong institutional setup that can resolve disputes and protect the investments. This would require a politically stable environment in which governance and institutional capacity is providing a framework for development.

Finally, following the COVID-19 impact on the world's global economies, we have to be ready to adopt and change our development plans based on the progress in returning back to normality.