



OECD SIDE EVENT AT COP22 ON

**Enabling Policies for Green Investment
and Development: Lessons Learned
from Jordan and Viet Nam**

Wednesday 9 November 2016

1-2:30pm

Japan Pavilion, COP22

Marrakech



**I. ENABLING POLICIES FOR GREEN
INVESTMENT AND DEVELOPMENT:
Lessons learned from Viet Nam**

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OECD Investment Policy Reviews using the *Policy Framework for Investment*



Forthcoming 2016

- **Cambodia**
- **Lao PDR**
- **Viet Nam**

OECD Investment Policy Reviews Southeast Asia

Reviews are undertaken jointly by the OECD and the government in partnership with the ASEAN Secretariat and based on the *Policy Framework for Investment*



Areas covered in the *OECD Policy Framework for Investment*

- ✓ Investment policy
- ✓ Investment promotion & facilitation
- ✓ Competition policy
- ✓ Tax policy
- ✓ Corporate governance
- ✓ Policies for enabling responsible business conduct
- ✓ Infrastructure investment
- ✓ **Investment framework for green growth**



Defining green investment

- Usually includes private investment in:

Low carbon and climate resilient infrastructure

- Clean and renewable energy, energy efficiency
- Sustainable transport
- Water sanitation and distribution systems
- Waste management

Sustainable management of natural resources

- Sustainable agriculture and fisheries
- Sustainable forest management
- Eco-tourism, wildlife and nature-based tourism

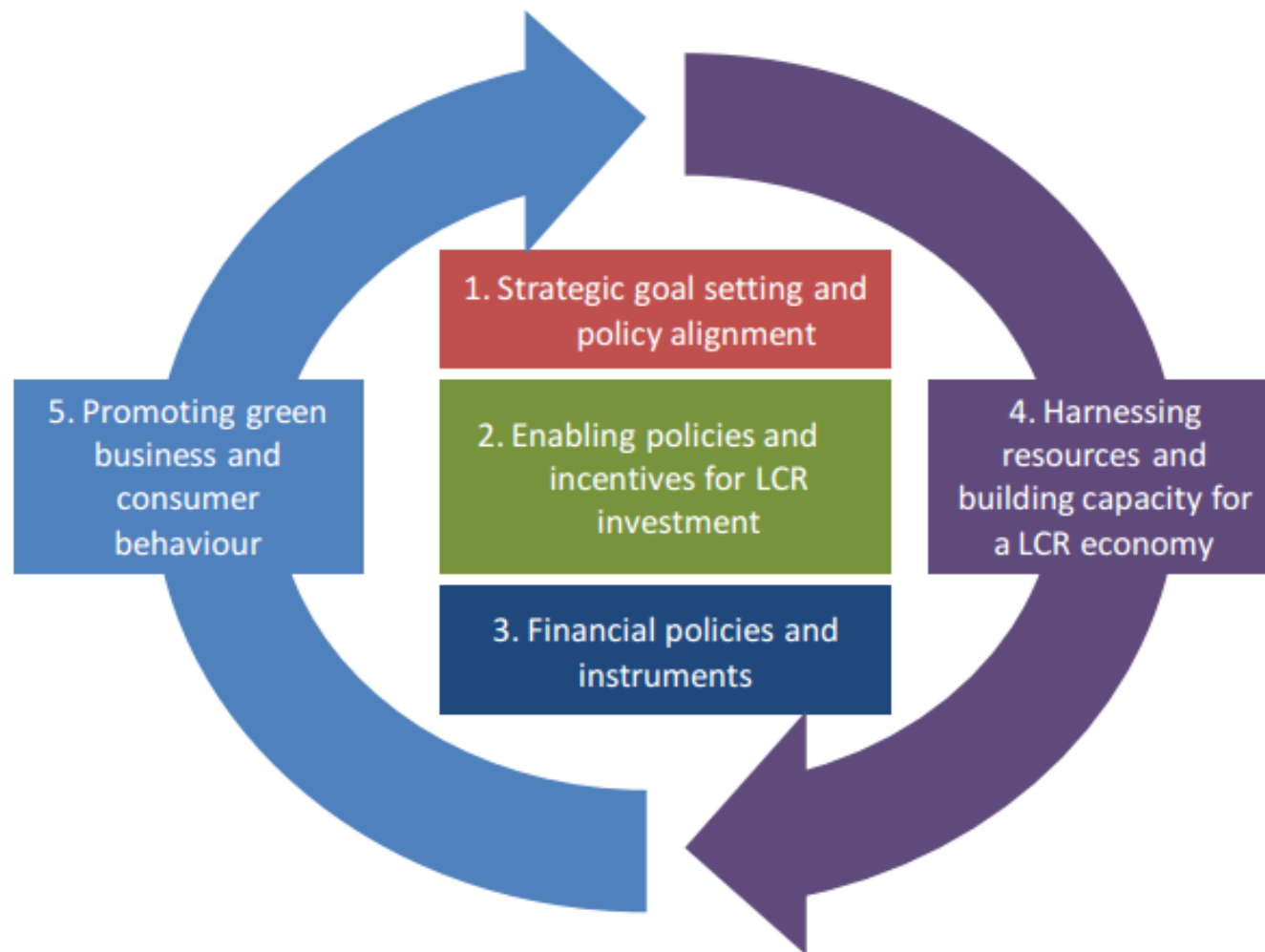
Environmental goods and services sectors

- Value chain for green technologies





What is a 'Green Investment' policy framework?



Source: Corfee-Morlot et al., 2012





What is a 'Green Investment' policy framework?

- Many similarities with investment framework in general, but with a few important additions:
 - Clear, consistent, coherent government commitment to green growth / climate change
 - Coherence across investment policy and incentives
 - Public support for access to finance to facilitate investment in green technologies and solutions, including use of development finance
 - Strong institutional framework, including coordination, among environment and sector institutions
 - Strong environmental safeguards to mainstream environment throughout all investment





Potential for green investment in Viet Nam

Future challenges for Viet Nam

- Economic growth dependant on natural resources
- Increasing demand for energy
- Increasing vulnerability to climate change

Opportunities for green investment

- Need for investment in climate change
- Potential for renewables





Some examples of activities to promote green investment in Viet Nam

- **Collective signal from Viet Nam Green Growth Strategy (VGGs), National Climate Change Strategy and Intended Nationally Determined Contribution**
- **Incentives for environmentally friendly sectors in Investment Law and sub-decrees**
- **Policies and incentives to promote renewable energy in Viet Nam**
 - Scaling up targets for renewable energy for power generation
 - Incentives such as feed-in tariffs, avoided cost tariffs





Lessons learned

- **Importance of consistent signalling**
- **Policy coherence – climate policy and sector policy**
- **Invest in institutions**
- **Remove fossil fuel subsidies**
- **Need to diversify funding sources for climate change, and engage the private sector**





II. ENABLING POLICIES FOR RENEWABLE ENERGY INVESTMENT AND DEVELOPMENT:

Lessons learned from Jordan

Geraldine Ang, OECD



The OECD Policy Guidance for Investment in Clean Energy Infrastructure



**Policy Guidance
for Investment in Clean
Energy Infrastructure**
EXPANDING ACCESS TO CLEAN ENERGY
FOR GREEN GROWTH AND DEVELOPMENT



Source: OECD, 2015.

- A non-prescriptive tool to help governments identify ways to mobilise private investment in clean energy infrastructure
- Builds on the OECD *Policy Framework for Investment*
- Benefited from inputs by the World Bank and UNDP
- Endorsed by G20 Finance Ministers
- Now being applied to Jordan





Policy areas from the *Policy Guidance*

Policy area	Key issues
Investment policy	Foreign ownership, non-discrimination, land access, transparency and contract enforcement
Investment promotion and facilitation	Investment incentives, licensing procedures, support to fossil-fuel consumption
Competition policy	Electricity market structure, grid connection costs and grid access
Financial market policy	Access to donors' financial support through blended or structured finance, participation of local banks
Public governance	planning for grid extension, donor's co-ordination, independence of energy regulator
Other issues	Public-private partnerships, WTO rules



OECD *Clean Energy Investment Policy Review of Jordan*

Green Finance and Investment

OECD Clean Energy
Investment Policy
Review of Jordan



PRELIMINARY VERSION

- Country-specific application of the *Policy Guidance*
- Project: *Jordan Investment and Competitiveness*, implemented by the OECD and World Bank Group
- Funding: MENA Transition Fund of the Deauville Partnership with Arab Countries in Transition
- Launch: 14 December in Amman
- Assess Jordan's existing framework for renewable power investment
- Include non-prescriptive suggestions

Source: OECD, Dec. 2016 forthcoming.





Why support investment in renewable electricity generation in Jordan?

- Sustain economic growth by securing energy supply and addressing regional instability
- Improve energy security by reducing fossil-fuel imports
- Reduce fiscal burden of fossil-fuel support
- Address climate change
- Create local jobs





Overview of Jordan's existing policy framework for renewable investment

Jordan has developed a very comprehensive set of laws, incentives, targets and regulations since 2010 to promote investment in renewable power

Investment promotion and facilitation

- *National Energy Master Strategy (2007)*
- Renewable target: 10% in total primary energy mix by 2020
- *Renewable Energy and Energy Efficiency Law (2012)*
 - Feed-in tariff, direct submission proposal, competitive tenders & EPC contracts for grid-scale solar and wind farms
 - Net metering and wheeling scheme for small-scale or distributed solar and wind energy
- Tax exemptions from customs duties and sales tax





Overview of Jordan's existing policy framework for renewable investment (cont.)

Investment policy

- Foreign ownership: few limitations, but statutory FDI restrictions
- General investment context: new *Investment Law* (2014)

Competition policy

- *General Electricity Law* (2003): full separation of power sector, and non-discriminatory access to transmission
- Guaranteed electricity purchase by NEPCO of renewable power through power purchase agreements

Financial market policy

- *Renewable Energy and Energy Efficiency Fund* (REEEF), 2013

Public governance

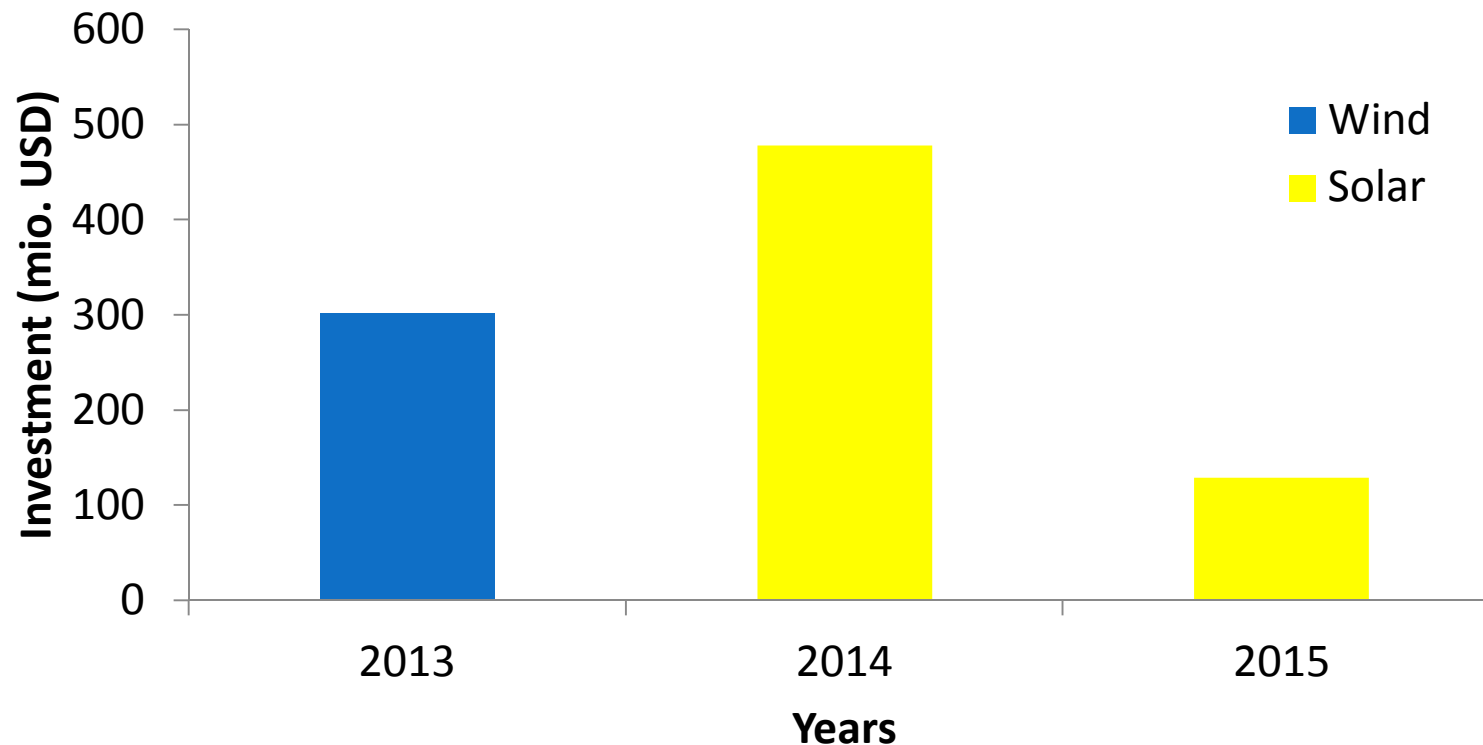
- *Grid Expansion and Reinforcement Plans*, ongoing





Increased investment in solar and wind energy in Jordan since 2013

Investment flows in renewable power in Jordan (USD million)



Source: Bloomberg New Energy Finance (2016).





Key recommendations

Investment policy

- Facilitating land acquisition and land lease process

Investment promotion and facilitation

- Improving transparency and enforceability of direct proposal submission scheme
- Facilitating net metering and wheeling procedures for commercial, residential and industrial users (e.g. wheeling)
- Further phasing down support measures for fossil fuel use
- Streamlining licensing and registration procedures.





Key recommendations (cont.)

Competition policy

- Reforming Jordan's single-buyer model

Financial market policy

- Increasing the participation from local Jordanian banks
- Accessing international climate finance for renewable projects
- Leveraging private finance using public/donors' funds (such as the *Jordan Renewable Energy and Energy Efficiency Fund*)

Public governance

- Improving planning for future grid extension
- Enhancing co-ordination between public authorities, donor agencies and project developers





THANK YOU!



Questions for discussion

1. Learning from Jordan and Viet Nam, what are the main incentives and enabling conditions to enable private investment in green infrastructure in developing countries, especially in renewable energy? What are key policy barriers to renewable energy investment?
2. How can development finance support green investment frameworks to help mobilise private investment in green infrastructure, especially in renewable energy?

