

Private finance in transmission development



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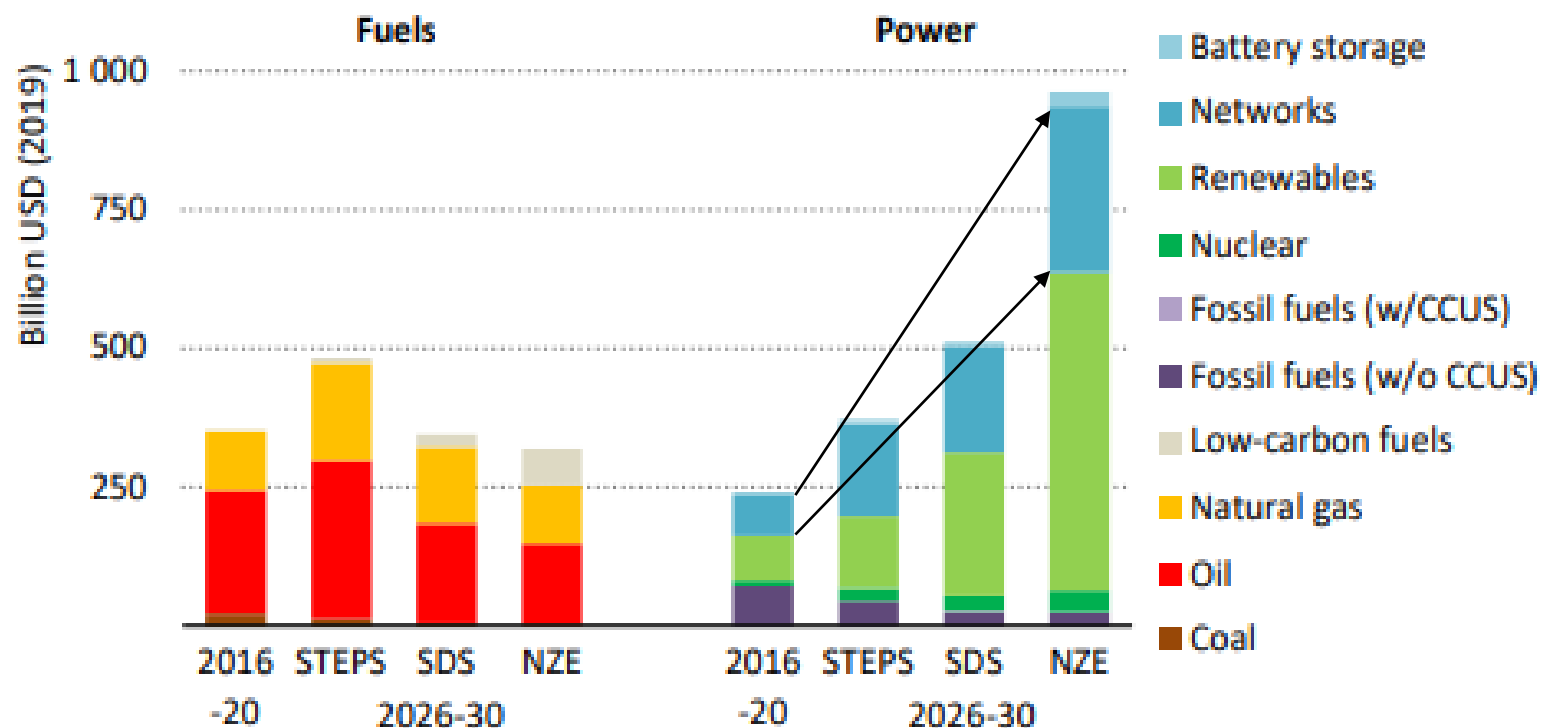
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The need for more grid investments



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In order to reach sustainability targets and long-term Net Zero targets investments needs to be scaled up massively

The Asia-Pacific context

- **UN connectivity roadmap endorsed by member states**
- **Strategy 7 – Mobilizing finance**
- **In Asia-Pacific most grids are financed by governments**
- **In order to reach needed investment levels all sources of finance must be unlocked**
- **Some examples of private finance in grids in the region but more attention must be brought to barriers and solutions**

Models for financing grids

	Requires government funds	Timeframe for ownership / concession	Single line or whole grid	Applicability to cross-border investment	International examples
Public ownership	Yes	Unlimited	Whole grid	Yes	Most common model
Private ownership	No	Unlimited	Whole grid	Yes	Germany, India, UK, USA
Whole of grid concessions	No	20 to 30 years	Whole grid	No	Philippines, Senegal, Mali
Independent Power Transmission	No	25 to 45 years	Single line	Yes	India, Brazil, Colombia, USA, Australia
Merchant Power Transmission	No, but de-risking can involve government financing	Asset lifetime	Single line	Yes	Australia, UK, USA
Financial ownership	Potentially, but reduces the amount	Asset lifetime	Single line	Yes	Denmark, Germany

Independent power transmission

- **IPT is similar to the concept of IPPs**
- **Large benefit is that this model can be piloted – less need for large scale reforms**
- **Projects need to be large enough to justify transaction costs**
- **Possibility of late or early-stage tenders**
- **Has proven successful in India – shows applicability even when utilities are financially distressed**
- **The capacity of the government to run tenders is key – transparency in the process will affect costs**

Merchant line

- Fully the initiative of the private sector
- Requires a market setup that allows the investor to collect revenue from price differences
- Not applicable within countries that don't have price differences
- UK is the obvious example for the application of this model
- Floor and Caps can help incentivize investments, which is a means of support by the government
- Typically, relevant for more mature power markets

Considerations for governments

- **Need for appropriate legislation**
- **State of government finances**
- **Types of investment needed**
Institutional setup
- **Institutional capacity**
- **Stability of power sector**
- **Ensuring investments are aligned with sustainable development**



What next?

- **We need private sector investment in all areas of the energy system and grids are no exception**
- **Policy brief to be released on 15 June at Asia Clean Energy Forum. Will be made available on UN ESCAP website (www.unescap.org/our-work/energy)**
- **ESCAP leads the Asia-Pacific working group of the GGI-OSOWOG, launched at COP 26, which aims at accelerating grid development linked to RE deployment and sustainable development**
- **ESCAP is keen to partner with stakeholders that want to advance the participation of private investment in grids**

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