



SETTING THE STAGE FOR DEPLOYING LOW-CARBON TECHNOLOGIES

IEA-EBRD Workshop on Policy Best Practices for
Accelerating the Deployment of Low-Carbon Energy and
Climate Technologies

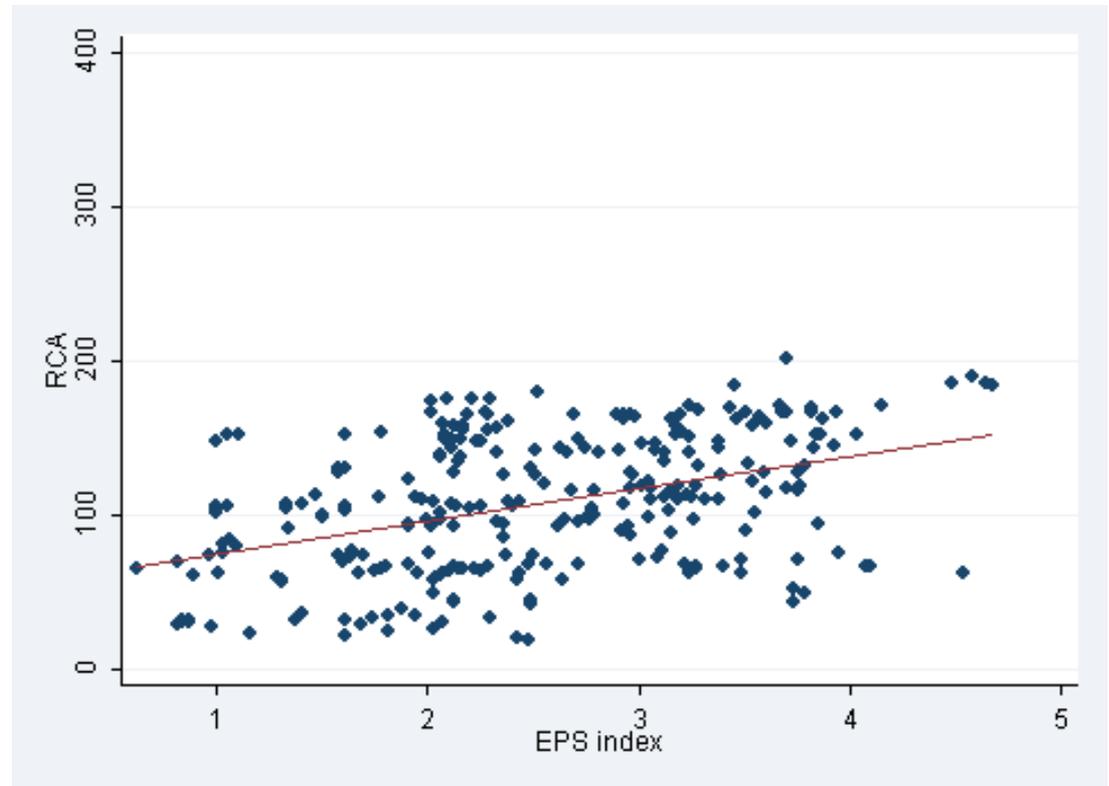
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Creating demand for low-carbon technologies (i)

- Firms and households will not adopt **low-carbon technologies** out of sheer altruism.
- There needs to be proper **incentives** in place, including a **broad and coherent set of regulatory instruments** putting a **price on carbon** and other pollutants (either implicitly or explicitly).





Creating demand for low-carbon technologies (ii)

- Mitigating **climate change** requires not only introducing **new policies** but also **adapting old ones**.
- **Fossil-fuel subsidies** are one case in point since they constitute a **strong impediment** to the adoption of low-carbon technologies
- Key to **reforming fossil-fuel subsidies** is **making information on support available** to decision makers and the broader public.



[Inventory of Estimated Budgetary Support and Tax Expenditures for Fossil Fuels 2013](#)

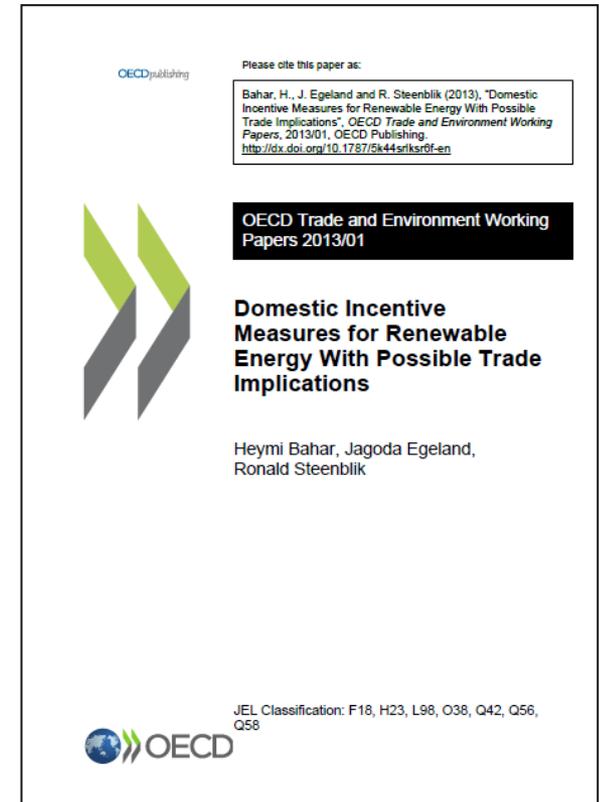
Support to fossil-fuel production and use in OECD countries was USD 55 – 90 billion annually during the 2005 – 2011 period, according to this inventory of over 550 mechanisms in the 34 OECD member countries. The *Inventory* furthers transparency and accountability, providing estimates that will help governments and stakeholders assess these policies as they look at ways to reform subsidies.

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Ensuring a stable and competitive environment for investors (i)

- **Import tariffs** and **non-tariff barriers** to EGS trade should be removed to **improve countries' access** to low-carbon technologies.
- Policies favouring domestic producers, such as **local-content requirements**, actually **slow the adoption of low-carbon options** by making them more expensive.
- Care should thus be taken to ensure that **government support measures** for low-carbon technologies **do not restrain trade**.





Ensuring a stable and competitive environment for investors (ii)

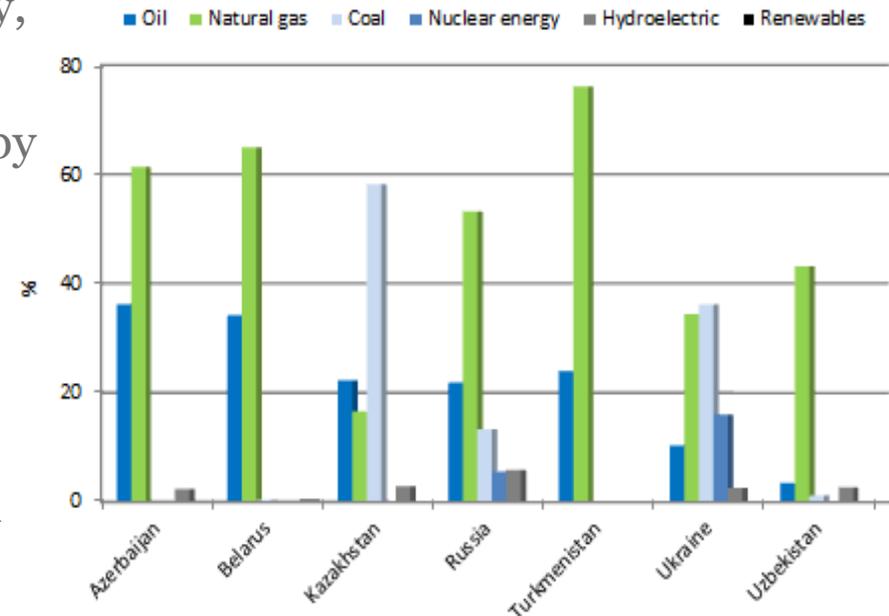
- Ensure that the **policy framework** for investing in low-carbon infrastructure is **predictable, transparent**, and that contracts are properly enforced.
- Level the playing field for **independent power producers** (IPPs) and **state-owned enterprises** (SOEs) in order to tackle market rigidities that favour **fossil-fuel incumbency** in the electricity sector.
- Facilitate **cross-border trade in electricity** as a way to address the **intermittency** of certain **renewable energy sources** (e.g., solar and wind).



Demand for and penetration rate of low-carbon technologies in EECCA is generally low

- Low-carbon transition in the countries of EECCA will most likely rely on **natural gas** in the short-term, as the use of renewable energy is still very low
- **Low levels of public and private green investment** - financial and capital markets expanding but insufficiently developed
- **Private equity/Venture capital firms** – very few (between 2 and 5 per country, 13 in Ukraine)
- **Environmental credit lines** provided by IFIs and disbursed through local commercial banks in EECCA – by large, the most significant source of long-term wholesale finance in the region – total by 2013: EUR 1.6 bln
- **70 EECCA banks** have benefited from such credit lines

Consumption of fuels as a share of total, 2013



Source: BP Statistical Review of World Energy (2014).



Renewable energy support policies in EECCA, 2011

- Experience of practical policy-making and implementation in support to low-carbon technologies is still limited in EECCA
- A number of policies have been developed in EECCA but their efficiency is somewhat undermined by inadequate pricing methods

	Regulatory policies			Fiscal incentives		Public financing
	Feed-in tariff	Electric utility quota obligation / Renewable portfolio standards	Tradable renewable energy credit	Capital subsidy, grant or rebate	Reductions in sales, energy, CO2, VAT, or other taxes	Public investment, loans, or grants
Armenia	✓					
Belarus					✓	✓
Kazakhstan	✓		✓			
Kyrgyz Republic		✓		✓	✓	
Moldova	✓				✓	✓
Russia			✓	✓		
Ukraine	✓					

Source: World Bank.



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