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Why low carbon energy and SE Asia?

Extreme vulnerability to climate change	Business-as-usual emission levels could cost SE Asia 7% of GDP a year by 2100 – twice the global average
Significant Low Carbon Infrastructure needs	Significant investment - £386bn by 2030 – is needed in order to deliver climate commitments
Untapped demand for Green Finance	An estimated £207bn of private capital is needed for clean energy projects and other environmental initiatives
Huge energy efficiency potential	EE measures could save up to 35% of energy consumption in SEA (UNESCAP)

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Indicative Programme Interventions

Green Finance

Technical assistance to strengthen policy and regulatory frameworks, including through greater alignment of Green Finance standards

Technical assistance to enable governments to realise the opportunities of Green Finance, including via Climate Investment Plans

Capacity building to governments, financial institutions and project developers to raise awareness and reduce risk perceptions

Activities that build institutional linkages and accelerate the matching of suitable green projects with suitable finance, including by leveraging UK strengths in Green Finance

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Sustainable Infrastructure Programme (SIP) Asia

- This is new programme currently in early design. It is the next phase of the SIP Latin America which is being delivered by the Inter American Development Bank, launched in December.
- The main objective will be to unlock **private sector investment** in sustainable infrastructure to support countries in Asia to deliver their NDC commitments.
- We will do this by addressing **market barriers** though supporting regulatory and policy reform, increasing the capacity of banks to invest in sustainable infrastructure; and use concessional finance to de-risk projects to leverage private sector investment.
- Sectoral focus most likely **Energy** (Renewables, Energy Efficiency), storage and **Clean Transport (perhaps EVs)**.
- Likely to target Indonesia, Vietnam, Malaysia, Thailand, Bangladesh, Pakistan and Philippines. Maybe others.
- Launch project target in early 2019. Still working on what delivery model to use.
- Recently finished scoping study to **identify market barriers** and possible **interventions** to address these.

Barriers to Renewable Energy Development

- Lack of quality and bankable project proposals.

- Approved RE projects badly implemented/non-profitable, therefore require government bail-outs.

- Land ownership rights make developing RE projects difficult. Conflict between land for food security vs land for large scale solar farms, for example.

- Complex and lengthy planning and licensing processes

- Subsidised energy prices make it difficult for RE to compete. Dependence on cheap fossil fuels.

- without a pricing for carbon as a key market tool, clean energy projects may not be viable.

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The UK Prosperity Fund's SE Asia Low Carbon Energy Programme

The four year aid programme is aimed to support South East Asia's shift towards low carbon energy. It will focus on two specific areas which match host government needs and areas of UK expertise: Green Finance and Energy Efficiency.
The programme will provide policy support, capacity building and technical assistance to facilitate green finance flows and improve the regulatory, policy and practical conditions for energy efficiency measures.

How much?	**Approx. £15m**
When?	From November 2018 to March 2022
What for?	To address barriers to low carbon transition which are hindering the region's economic progress, poverty reduction and hampering additional key livelihoods including health, climate change resilience, and gender equality
How?	Capacity building and technical assistance
What?	Green Finance and Energy Efficiency
Where?	The Programme will operate in the Philippines, Thailand, Burma, Malaysia, and Vietnam. Indonesia will only be involved in the Green Finance interventions as it will have its own programme on Energy Efficiency.

Barriers to Renewable Energy Development

- PPA terms are not bankable for international banks. Issue of liberalisation of the energy sector and local laws pertaining to foreign ownership of RE investments and plants in SEA.

- Lack of domestic funding for renewable energy and/or lack of government incentives to business to invest in RE.

- Limited capacity of domestic banks to evaluate renewable energy deals.

- Lack of grid infrastructure and information on impact of increased RE. Perceived issues with technologies.

- Externalities not costed for dirty energy projects – therefore distorting true environment and health impacts to societies.

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Barriers to Renewable Energy Development

- Issues around management of stranded assets e.g. for coal and nuclear power plants, when making long term informed decisions on the type of power generation plants.
- Lack of interest or approach by governments in the region to consider a holistic electricity market reform (EMR).
- Given energy is by large the biggest emitting sector in the region, there is still lack of cross sectoral cooperation that links country commitments to meet NDC targets with greater push for more ambitious clean energy/RE generation targets. The understanding is the most significant wins for reducing emissions in emerging economies should be driven by decarbonising the energy sector.