

OECD – GH2 High-level Roundtable on “Finance for a just renewable energy and green hydrogen economy”

Organised at OECD - La Murette
Thursday, 22 June 2023, 18:00-19:00 CEST

SUMMARY



Speakers

- Mr. **Jonas Moberg**, CEO of GH2 (Moderator)
- Dr. **Mohamed Salem Ould Merzoug**, Minister of Foreign Affairs, Cooperation, and Mauritians Abroad, Mauritania
- Mr. **Charles Haworth**, Chief Operating and Financial Officer (hydrogen business), CWP Global
- Dr. **Frannie Leautier**, Expert Chair of the Independent Review of MDBs' Capital Adequacy Frameworks
- Mr. **Harry Boyd-Carpenter**, Managing Director, Climate Strategy, EBRD
- Ms. **Mathilde Mesnard**, Deputy Director of the Environment Directorate, OECD
- Dr. **Mahmoud Mohieldin**, UN Climate Change High-Level Champion for Egypt and Executive Director at the International Monetary Fund
- Mr. **Vivek Pathak**, Director and Global Head for Climate Business, IFC

Context

The global demand for hydrogen is set to increase from about 100 million tonnes (Mt) per year today to 500-600 Mt by 2050. While almost all hydrogen is currently produced from fossil fuels, at least two thirds of all production in 2050 is estimated to rely on renewable energy. This growth will require capital-intensive investments across the value chain, from renewable electricity generation to infrastructure and storage. Indeed, supporting the expected annual production of green hydrogen would require several hundred billion dollars of investment each year, with a significant share of that in emerging and developing economies.

This event is built upon the importance of closing the financing gap through building capital allocation strategies and offering co-financing and risk-mitigation measures, and providing policy and regulatory support. In the framework of the Paris Summit for a Global Financial Pact, the OECD and Green Hydrogen Organisation have organised a high-level roundtable to discuss some of the most innovative solutions to upscale finance for green hydrogen and renewable energy projects.

Discussion

- *What are the essential components of investment frameworks and regulatory environments necessary to facilitate the growth of renewables and green hydrogen production?*
 - *What strategies should be implemented to shape the public sector's role in governance, enabling conditions, de-risking, and financing of green projects? Is financing the sole factor to consider, or are there additional measures that need to be taken?*
 - *In what ways can governments collaborate with other stakeholders, such as international organizations, private sector entities, and local communities, to foster a supportive environment for green hydrogen projects in emerging and developing economies?*
 - *In order to decrease the cost of capital, what specific market-level conditions should be established? Furthermore, what role can the public sector play in facilitating these conditions?*
 - *What are some exemplary practices that can be employed for the development of green hydrogen projects in emerging and developing economies?*
- Renewable energy and green hydrogen hold great potential to support low-carbon projects and accelerate Net Zero transitions, but they require large-scale investments. Existing green hydrogen announced projects require around USD 5 to 10 billion to be implemented.
 - **Current capital flows for green hydrogen projects are insufficient** to complete their full implementation, due to technological, financial and regulatory barriers. While these challenges affect the development of the hydrogen market at a global scale, **emerging and developing countries (EMDEs) are the most impacted.**
 - Many **EMDEs hold a unique position for the development of a green hydrogen market.** African countries, more specifically, Egypt, Kenya, Mauritania and South Africa, are expected to produce between 30-70 Mt of hydrogen by 2050. In addition, they hold a large share of metal and mineral resources and high storage and transport infrastructure and capacity, which make them suitable for hydrogen market development.
 - Actionable recommendations and instruments need to be put forward to upscale financing. Typical instruments provided by Multilateral Development Banks (MDBs) to unlock capital flows include **de-risking mechanisms, equity and guarantees, philanthropy funds and bilateral aid.**
 - To date, international finance has been mainly channelled through commercial capital whereas concessional finance only accounts for USD 200 billion (i.e. Official Development Aid (ODA)). An **exponential demand for non-commercial finance** in emerging and developing countries requires **increasing the revenue stream of low-carbon projects, reducing the cost of capital, maximising competitiveness, and supporting institutional capacity building.**
 - **Blended finance** can also play a critical role in filling the financing gap for low-carbon hydrogen development. For example, creating a global facility where donors, multilateral banks and development financial institutions convene and pool their capital can help accelerate financing and decrease the cost of capital of low-carbon projects.
 - Innovative financing instruments need to be paired with **catalytic policy support and sustainable governance change.** Countries like Egypt and Morocco are investing in Research and Development, developing capacity-building programmes and assessing the social and economic impacts of low-carbon projects with the aim to ensure a sustainable and long-term green hydrogen market growth.

Concluding remarks and wrap-up

- There are many new low-carbon projects being developed in emerging and developing countries. However, financing remains one of the key challenges to implement them.
- Bridging the financing gap requires the combination of two solutions: mobilising finance and reducing the cost of capital, and creating the enabling conditions for a sustainable market growth.
- Multilateral development banks play a key role in upscaling finance by providing guarantees, de-risking mechanisms and mobilising the private sector. However, there is an increasing need to mobilise concessional finance for green hydrogen projects in emerging and developing economies.
- Governance, disclosure and socioeconomic assessments need to be part of the design of innovative solutions to develop a sustainable green hydrogen market and meet the Paris Agreement goals.