Prior to the Asia Pacific Energy and Infrastructure Finance Forum taking place on 20-21 March, IJGlobal spoke to industry leaders, including Isabel Chatterton, who have agreed to take the stage in Singapore. The interview reflects major trends, challenges and opportunities that investors, developers, lenders and other players are facing now in the growing Asian markets.

60 seconds with...

Isabel Chatterton, Asia Pacific Regional Manager for PPP Transaction Advisory Services, International Finance Corporation

What in your view hinders the investment opportunities in Asia?

Bankability of infrastructure projects is one of the primary bottlenecks in attracting private capital to meet the region’s huge infrastructure gaps. In addition to thorough project preparation, more and more ‘upstream’ work needs to be done to de-risk environments and to create a favourable investment climate to attract more private sector investors and to achieve the SDGs.

We need to crowd in more private sector financing and preserve scarce public finance for critical public investments. One avenue for doing this is PPPs, which brings much-needed private financing and expertise to help governments deliver the public infrastructure and public services needed for economic growth and social development.

At the World Bank Group (WBG), we have launched a group-wide approach that calls for closer collaboration among our colleagues to maximize finance for development. WBG staff, working with our clients, will first seek private sector solutions to address development challenges — where such solutions are advisable and can be effective — and reserve public financing for projects only when other options are suboptimal. It involves working with countries through sector reforms and de-risking instruments such as the IDA 18 Private Sector Window, to bring a larger share of the investment program into the commercially investible space.

What is the primary challenge that you are currently facing in the market, and how are you adapting to this?

Current estimates of the financing gap for emerging market infrastructure are more than a trillion dollars a year. A major chunk of this investment requires the provision of long-term financing, especially loans, and fewer banks are willing to provide long term loans. Therefore, unlocking capital flows to infrastructure from new sources, in particular, institutional investors, becomes a high priority. Institutional investors control
deep and rapidly growing pools of assets with enormous potential to transform the infrastructure financing landscape. This includes access to domestic capital as well. Our key challenge is how to smartly mobilize the required capital and financing.

New thinking and innovative financial structures are needed to tap this potential and mobilize more private capital to infrastructure investments. IFC is bringing on new mobilization platforms to improve the risk-return profile for private institutional investors to invest in emerging markets. Our new Managed Co-Lending Portfolio Program for Infrastructure provides an innovative model for mobilizing financing for infrastructure projects that combines financing from insurance companies, project origination and credit enhancement from IFC, and support from public sector partners.

**If you could give one piece of advice to governments across the region who are looking to grow their country’s renewable energy footprint, what would it be?**

Frequent volatility and major policy flip-flops by governments create tremendous uncertainty for long-term investors. To help boost investor confidence and increase private investment in infrastructure, governments should provide a stable, long-term policy and regulatory environment, and avoid any policy shifts between administrations.

In addition, governments should integrate climate considerations into key energy sector policies by removing inefficient subsidies and aligning tax and fiscal policies. Countries can use innovative approaches like renewable energy auctions – which are becoming an increasingly popular tool to attract competition and drive down the resulting electricity costs.

As renewable energy technology costs fall, this method helps to manage the challenge of determining market prices and mitigates budgetary risks associated with other policies such as feed-in tariffs. Auctions have been increasingly successful in advanced renewable markets like Germany and the United Kingdom, as well as in emerging economies like Brazil, Chile, India, Mexico, and South Africa.

According to IFC’s recent Creating Markets for Climate Business report, renewable power investments could climb to $11 trillion a year by 2040—if reforms such as renewable-energy auctions, land-title reforms, and supportive energy-storage policy frameworks are implemented.

**What is the most memorable project in Asia you have ever worked on, any why?**

I have been associated with Asia since 1996, so it is really difficult to pick one single project. From last year’s projects, I can say that the 750 MW Rewa Ultra Mega Solar project – which is proving to be a game-changer, showing that even in markets where solar has strong traction, innovative new models can achieve greater cost efficiency and deepen the ecosystem of developers and suppliers.

When India’s new Rewa Ultra Mega Solar Park becomes operational in December of 2018, about 24 percent of energy from the park will be sold directly to Delhi Metro, meeting roughly 80 percent of its daytime energy requirements. This was made possible through a unique power scheduling arrangement developed. IFC’s structuring, tailored to this market’s specific needs, led to Rewa achieving record low tariffs for a solar project in India, making solar costs cheaper than coal.
Rewa Ultra Mega Solar’s ground-breaking structure also includes innovations that have been adopted by the national government. In August of 2017, just months after the project was signed, the Ministry of Power introduced guidelines on tariff-based competitive bidding and the process for procuring power from grid-connected solar power projects. These were based on structuring introduced for the first time in the Rewa Ultra Mega Solar project.

The guidelines help assure that the project structure can be replicated as the Government of India develops related initiatives throughout the country. For example, IFC has been mandated by the state government of Odisha to develop a 1,000 MW worth of solar in the state, and to structure a second solar park in Madhya Pradesh. The World Bank and the Clean Technology Fund are also helping to de-risk and buy down the cost of the solar park infrastructure as part of a $100 million financing package to support solar parks in India. With support from both the World Bank and IFC, this project is projected to save 1 million tons per year in greenhouse gas emissions, which is equivalent to taking 215,000 cars off the road every year.

While the solar power market in India has been growing steadily, the Rewa Ultra Mega Solar project will likely trigger a massive change in this market—opening it up to international investors who had been waiting for policy changes that would reduce risks and build confidence in the market. This project is a great example of how the World Bank Group is supporting governments and maximizing finance for development, by crowding in private investment to help developmental goals.

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