News Release

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Renewable Energy Requires Increased Flexibility for Sustainable Growth

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Desirée Mohindra, Senior Media Manager, Tel.: +41 (0)22 869 14 62, desiree.mohindra@weforum.org

- New report: Key to growth in renewables market is not more capital
- Renewable energy labelled as crucial for the clean energy economy
- Examples drawn from South Africa, Indonesia, Jordan, Mexico and Morocco
- Read the new report: Developing Renewable Energy Capacity
- Read the Executive Summary of the report

Cape Town, South Africa – A new World Economic Forum report will be launched today ahead of the upcoming World Economic Forum on Africa in Cape Town on 4-6 May. Produced in collaboration with PwC, the report, Developing Renewable Energy Capacity, argues that scaling up renewables requires much more than public and private finance. A more flexible regulatory framework and improvements in electricity grid infrastructure are the keys to building a sustainable, energy-secure future.

Renewable power capacity has grown rapidly over the past decade. Driven by economic development and associated increasing demand for energy, 2009 saw over US$ 150 billion invested in renewables (1). This amount increased to over US$ 240 billion in 2010 (2) with the US and Europe adding more renewable than conventional power capacity.

" Simply spending more government and multilateral money will not transform renewable energy from a niche player to a dominant market technology in a particular country unless early regulatory and infrastructure challenges are addressed first, " remarked Busba Wongnapapisan, Head of Renewable Energy Industry at the World Economic Forum and co-author of the report.

Institutional and regulatory frameworks must facilitate private renewable energy activity. Yet they often hinder it – particularly in emerging markets. The grid infrastructure needs appropriate capacity and resilience to cope with the intermittent nature of renewable energy sources. The Developing Renewable Energy Capacity report aims to move the debate forward and draws on the study of five countries: South Africa, Indonesia, Jordan, Mexico and Morocco; the study aims to provide key lessons and increase understanding of regulatory and infrastructure issues in emerging markets.

For example, in South Africa, businesses have organized themselves into the National Energy Association and Alternative Energy Association, conducting workshops and working closely with the government and stakeholders to support the design and development of renewable energy feed-in tariff programmes. Jordan is highlighted for an electricity law that requires its state-owned utility to purchase electricity from independent power producers at full retail price.

" The removal of regulatory and infrastructure barriers is pivotal to support the further development of renewables in many of these emerging countries, " said Gus Schellekens, Director, Sustainability and Climate Change, PwC, United Kingdom, and adviser to the project. " Unless governments are able to address these barriers, there is the risk that market development will be fundamentally constrained. The five countries highlighted by the report have the opportunity to make substantial progress in years to come, supported by international interest in the ' green economy ' and their abundance of renewable resources, " he added.

The report identifies five key factors that impede deployment of renewables in emerging markets:

- The absence of long-term planning, with specific implementation plans for renewable energy capacity targets, creates uncertainty and undermines government credibility
- Government and regulatory bodies do not always communicate effectively with each other, causing confusion among developers and delays in project approval
- Many government bodies and regulators face shortages of experienced staff familiar with the renewable energy industry; this has led to a high level of risk aversion and slow processing of permit applications
- The structure of electricity markets: one dominant player prevents private developers from conducting business on a level playing field
- Limited grid infrastructure in the areas where renewable resources are most abundant presents a current and future barrier to increased generation

A common feature is that all of these factors impact the early phases of the project life cycle – i.e. before construction even starts. The report recommends actions and partnership required by stakeholder groups to overcome the challenges. Successful best practices to address the challenges are also featured in the report, including examples from India, Morocco, Portugal and the European Union.

(1) REN21 Renewables 2010 Global Status Report

(2) Bloomberg New Energy Finance (2011)

Notes to Editors

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WORLD ECONOMIC FORUM
World Economic Forum, 91-93 route de la Capite, CH-1223 Cologny/Geneva
Tel. +41 (0)22 869 1212, Fax +41 (0)22 786 2744, http://www.weforum.org