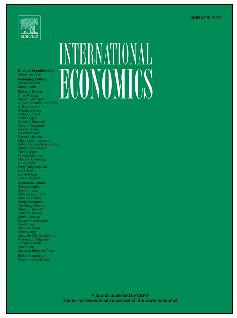
Accepted Manuscript



The role of financing cost and de-risking strategies for clean energy investment

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PII: S2110-7017(17)30212-3

DOI: 10.1016/j.inteco.2018.02.003

Reference: INTECO 163

To appear in: *International Economics*

Received Date: 6 September 2017

Revised Date: 21 December 2017

Accepted Date: 17 February 2018

Please cite this article as: Steckel, J.C., Jakob, M., The role of financing cost and de-risking strategies for clean energy investment, *International Economics* (2018), doi: 10.1016/j.inteco.2018.02.003.

The Role of Financing Cost and De-risking Strategies for Clean Energy Investment

December 2017

ABSTRACT

Even though costs for renewable energy sources keep falling, the initial investments required for their build-up can pose a substantial challenge in countries with high capital costs. In this paper, we start from the observation that when capital costs are high, carbon pricing alone is unlikely to be sufficient to achieve high shares of renewable energy sources in the power sector. Instead, complementary measures to decrease investors' capital costs are required. We then discuss how financing costs can be lowered by either addressing the underlying sources of investment risk (policy de-risking) or shifting risk away from private sector investors (financial de-risking) on the domestic and the international level.