

Scaling Renewables: Dr. Emmanuel Pinto Moreira on Fiscal Policy and Institutional Capacity

April 14, 2023

*In the second of five expert interviews related to [CCSI's work on scaling renewable energy investment](#), we interviewed Dr. Emmanuel Pinto Moreira to understand the role of fiscal policy and institutional capacity in regard to renewable energy development. Dr. Emmanuel Pinto Moreira is the Director of the Country Economics Department of the African Development Bank (AfDB). He has about 30 years of experience in macro-fiscal, growth, debt, economic governance, and competitiveness related work in middle- and low-income countries. **



What are the main limitations of domestic regulatory frameworks for renewable electricity, and how should these best be addressed?

Africa is faced with various regulatory barriers that have a significant influence on the deployment of renewable electricity and can be categorized as market distortions as they also prevent investment from occurring in most African countries and put renewable energy at a disadvantage compared to conventional forms of energy. Prominent limitations in many African countries include:

- Limited financial and political independence of the regulatory institutions as they are primarily financed by the state budget or have their senior management appointed by the energy ministries. In practice, this weakens regulatory independence and increases political interference.
- Lack of legal frameworks for independent power producers (IPPs). Given the absence of legal frameworks for renewable energy and the fact that power utilities still control a monopoly on electricity production and distribution, IPPs find it difficult to invest in renewable energy facilities and sell power to the utility or to third parties, and project developers find it hard to plan and finance projects, as most renewable energy Power Purchase Agreements (PPAs) are negotiated on an ad hoc basis.
- Lack of standards, procedures, and policies, and unfamiliarity with renewable energy technologies (wind, biomass, solar installations, etc.), especially regarding on-site permitting, where competition can occur with other sectors (agriculture, tourism, etc.).

- Burdensome, inconsistent, or unclear utility interconnection requirements. The lack of uniform requirements can add to transaction costs.

These limitations can be addressed, among other measures, by:

- Allowing regulatory institutions to finance projects that are not directly dependent on finance ministry approvals.
- Liberalizing national power utilities to increase transparency in the value chain of deploying renewable energy technologies, including with respect to standards and pricing.
- Establishing regulators (in countries that do not have regulators) or promoting regulation in the renewable energy value chain. A renewable energy agency should be responsible for the formulation, development, and implementation of the renewable energy strategy.
- Developing new procedures and standards, and harmonizing requirements to help attract investments and reduce transaction costs.

What fiscal policy tools can developing countries use to drive investment in renewable energy generation?

Countries can deploy a number of tools, including tax exemptions for renewable energy undertakings (for example, exempting solar home systems from import duties or other taxes), subsidies for capital expenditures (for example, subsidies for last-mile connections), favorable fiscal frameworks for IPPs, technology-specific feed-in tariffs, and model contracts for different renewable energy technologies, among others.

How can developing countries build institutional capacity to develop a pipeline of bankable renewable energy generation projects?

- Developing conducive policies and regulations for renewable energy investment, such as feed-in tariffs or tax incentives.
- Building capacity among local institutions, such as utilities, regulators, and financial institutions, to support renewable energy project development. This can include training programs, technical assistance, and public-private partnerships (PPPs) to leverage private sector investment and expertise.
- Establish renewable energy agencies to guide regulations of renewable energy deployment at the country level; develop all the relevant templates, policies, standards, and frameworks to support the deployment of renewable energy; and provide training to national experts on developing and maintaining renewable energy projects with the help of the different specific tools in place.

What are some of the elements necessary to ensure renewable energy permitting processes address economic, social, and environmental concerns?

- Ministries in charge of related environmental and social matters need to be involved in the process.
- Local authorities and local civil society organizations need to be consulted and included right from the beginning.
- Environmental and social impact assessment (ESIA) studies need to be audited by independent and capable bodies, especially in the most sensitive projects.

How does the AfDB’s work contribute to scaling investment in renewable energy?

Renewable energy is a central piece of the AfDB’s Ten-Year Strategy, with the [“Light Up and Power Africa” and the New Deal on Energy for Africa](#). The bank has a variety of financing tools that address all aspects related to renewable energy and is a leading institution in:

- Providing a range of funding mechanisms, including loans, grants, and guarantees, whereby blended finance plays a key role (for example, [NOOR Morocco](#), [Nachtigal HPP](#), and [Kairouan Solar PV](#), among others).
- Providing technical assistance to governments and project developers to support renewable energy project planning, development, and implementation.
- Leveraging partnerships with other international organizations, public and private sector entities, and investors to mobilize additional resources.
- Deploying dedicated special initiatives to support deployment of renewable energy such as the [Desert to Power \(DtP\)](#) and the [Sustainable Energy Fund for Africa \(SEFA\)](#), and providing catalytic finance to unlock private sector investments in renewable energy.

For more information, read [CCSI’s work on scaling investment in renewable energy](#).

** CCSI wishes to reiterate its gratitude to the African Natural Resources Management and Investment Centre at the AfDB for commissioning the [CCSI Roadmap to Zero-Carbon Electrification of Africa by 2050](#), prepared by the CCSI team under the guidance of Columbia University Professor Jeffrey D. Sachs and published in November 2022. It was through this collaboration that CCSI and Dr. Pinto Moreira engaged in meaningful discussions on the topic of the interview. The views expressed by Dr. Emmanuel Pinto Moreira in the interview, which he gave in a personal capacity, do not necessarily reflect those of the AfDB.*