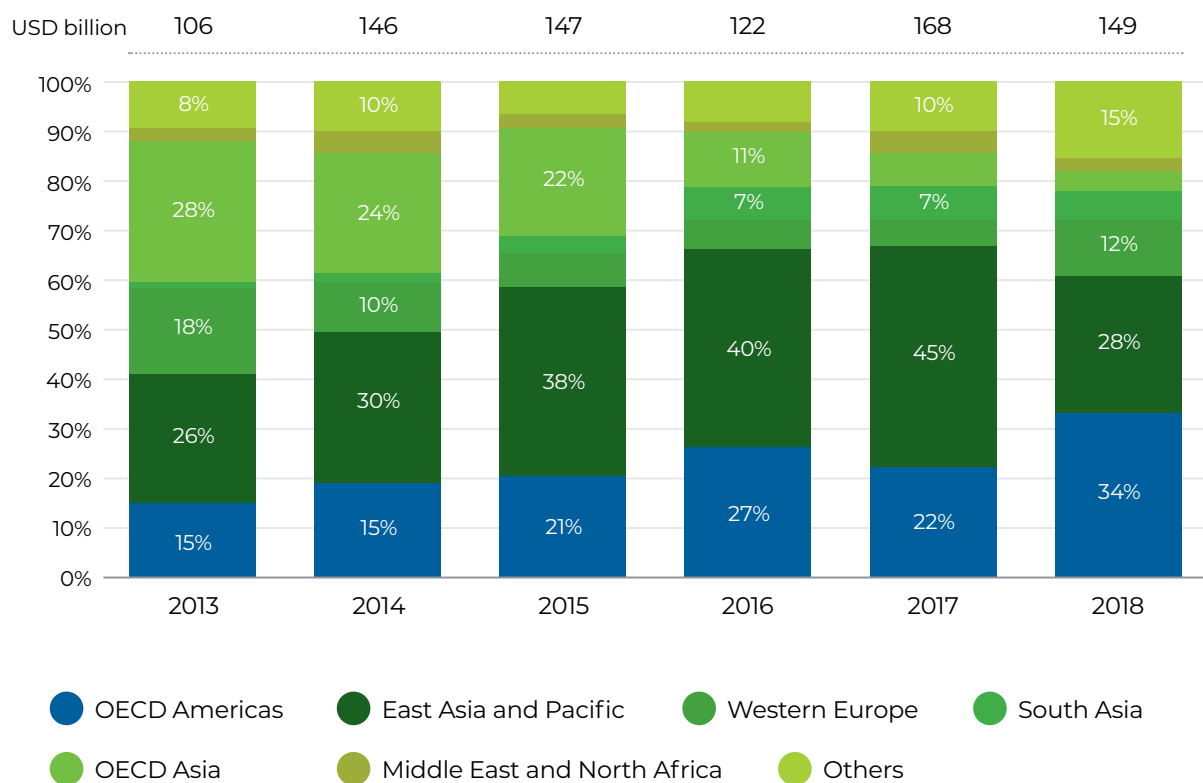


Renewable energy is financed largely by private financial institutions, which account for 86 percent of the financing provided in the same 2013-2018 period. Private financial institutions are profit-driven and tend to concentrate on mature technologies and regions to capture attractive returns. A Solar Finance Corporation can help in financing investments in new technologies and underdeveloped markets.

In the solar PV sector as well, majority of the financing favoured the OECD countries and the Pacific region (See Figure 2).

**Figure 2. Investments in Solar PV Sector
(By region, 2012-2018)**

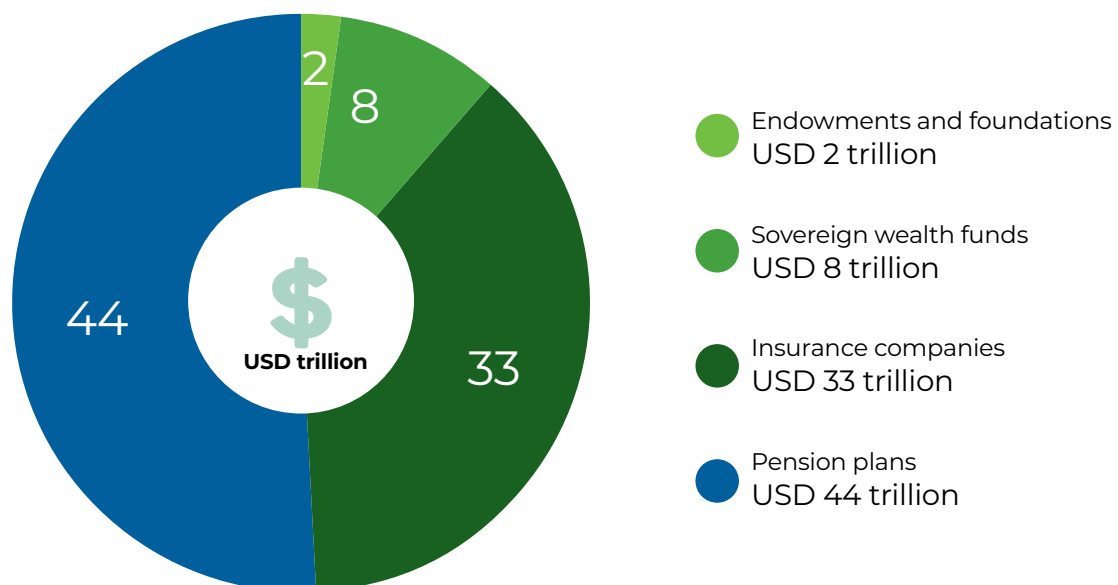


Source: IREDA report on Global Landscape of Renewable Energy Finance 2020⁵

Developing and emerging countries need access to financing at concessional rates (relative to typical commercial rates) to allow them to make investment choices that will replace brown energy sources with greener ones. It is noteworthy that 95 percent of financing for renewable energy between 2013 and 2018 was provided at commercial rates, and only 4 percent were financed at concessional rates. International public finance plays a significant role in investing in riskier countries, but even in this category only about 12 percent of the total went to the least developed countries.

Renewable energy projects require long-term funding. Institutional investors such as pension funds, sovereign wealth funds, and insurance companies hold vast financial resources that are conducive to this type of funding (See Figure 3). However, institutional investors accounted for only about 2 percent of direct investments made in the renewable sector. A Solar Finance Corporation can help tap into these important financing sources and incentivise institutional investors to give more attention to renewable energy projects. It will also help these investors diversify their portfolio and integrate sustainability parameters in their mandates, which is a growing regulatory requirement today.

Figure 3. Assets under management of institutional investors (2018-2019 average; USD trillion)



Source: IRENA report on Mobilising institutional capital for renewable energy⁶