

Position paper: The role of solar in the Green Deal Diplomacy, the EU Strategy with Africa and the global green recovery

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The Green Deal Diplomacy and new EU Strategy with Africa open new opportunities for EU governments and businesses to drive global cooperation on climate change, as well as to lead a global green recovery after COVID-19. Leveraging instruments such as international sectoral partnerships, trade policy, development cooperation, development finance and crisis management can drive the energy transition in partner countries, contribute to the achievement of Sustainable Development Goals 7 “Ensuring access to affordable, reliable, sustainable and modern energy for all” and 13 “Take urgent action to combat climate change and its impacts”, and at the same time support the growth of the European renewable industry by opening new market opportunities and by reducing risk of direct investment. **The untapped potential for solar generation in emerging markets is huge.** According to SolarPower Europe market intelligence¹, emerging markets (excluding China) will add 119 GW of solar between 2019 and 2023 following business as usual. With robust policies in place and successful international cooperation however, more than two times this much solar could be added in the same period, an impressive 251 GW. This is a massive economic opportunity for both partner countries and European businesses that European policymakers can help to achieve. **We call on the European Commission to propose ambitious policies and initiatives to help emerging markets to unlock this 132 GW gap between business-as-usual and the high scenario**, supporting access to clean energy at scale and pursuing sustainable economic and human development in developing countries, while making sure that European companies also benefit from this opportunity.

1. Solar in the Green Deal Diplomacy

The new European Commission’s Green Deal² ambition is to establish the European Union as the first climate neutral region by 2050. In this context, the European Commission will develop an external dimension of the Green Deal, the Green Deal Diplomacy, with tailor-made geographic approaches to support partner countries developing further renewable energies and accelerating their energy transition. The Green Deal Diplomacy will be “*focused on convincing and supporting others to take on their share of promoting more sustainable development [utilising] trade policy, development support and other external policies [through] all diplomatic channels both bilateral and multilateral.*” In this light, SolarPower Europe has identified three areas that should be prioritised in the context of the Green Deal Diplomacy.

- a. **Renewable Energy Partnerships** with key partner countries and regions, enabling the participation of the private sector and development banks in the high-level political dialogue driven by the EU.
- b. **Access to financing, support to de-risking and bankability for renewable energy** projects should be a priority in the next Multiannual Financial Framework’s external chapter, in line with the Green Deal.
- c. **International trade and investment agreements and instruments should be used to promote the objectives of the Green Deal Diplomacy and the Paris Agreement**, support European investments

¹ SolarPower Europe (2019), “Global Market Outlook for Solar PV 2019-2023”, Brussels, <https://www.solarpowereurope.org/global-market-outlook-2019-2023/>

²European Commission (2019), “The European Green Deal”, Brussels, https://ec.europa.eu/info/sites/info/files/european-green-deal-communication_en.pdf

in renewable energy and seek reciprocal access for European companies to markets outside of Europe.³

a. Renewable Energy Partnerships with key countries and regions

The EU's Energy Partnerships and dialogues around the world should be strengthened and further institutionalised as platforms to boost sustainable energy investments and be embedded in economic and climate diplomacy. EU Delegations should play a key role in the implementation of the Energy Partnerships. The EU-Africa Energy Partnership should be considered a good practice: Energy Partnerships should have permanent secretariats to implement cooperation programmes and promote the joint definition of standards and dissemination of best practices.

The European industry and European development finance institutions (DFIs) should be structurally involved in the energy partnerships and political dialogues via annual meetings and specific working groups, to support the EU in creating a compelling case for renewables in key partner countries and regions by:

- facilitating cooperation and exchange at technical level and **supporting the dissemination of European industry best practices and the joint definition of quality standards based on the European experience** for example on Engineering, Procurement and Construction (EPC), asset management, Operation & Maintenance (O&M), digitalisation, recycling and sustainability of solar and renewable energy;⁴
- advising partner countries in the **design and implementation of bankable tender schemes and power purchase agreements (PPAs)** as a minimum acceptable to EU-based DFIs and private banks;
- **further strengthening the EU economic diplomacy mandate and promoting business-to-business and business-to-government exchanges**, as part of the relations between the EU and its partner countries and regions;
- **supporting the creation of sound renewable energy associations** in partner countries and regions for the industry to have a constructive and transparent role in shaping the regulatory environment for renewables. GET.invest's association support is a good practice, however we call for a facility with a more flexible geographical coverage that could be used to provide support to national associations in countries such as Brazil, India, Jordan and Mexico and regional associations in Central Asia, MENA and African regions.

b. Access to financing, support to de-risking and bankability

While we understand that the approach put forward by the Neighbourhood, Development and International Cooperation Instrument (NDICI) puts the stress on geographic priorities and has a horizontal spending target on climate change action, **the priorities of the Green Deal should be specifically reflected in the next Multiannual Financial Framework's (MFF) external chapter**, specifically tackling access to clean energy and support to renewables. SolarPower Europe also emphasises the **importance of de-risking direct investment** in emerging markets and thereby lowering cost of capital or eliminating prohibitive high costs to invest. Therefore, we call on the Commission to:

- in addition to a dedicated global facility as part of the NDICI thematic pillar, also **prioritise support to renewables across all geographic programmes**, especially in countries facing fast

³ This is without prejudice to the application and continuous modernisation of the preferential tariff scheme between the EU and developing countries, as well as other trade instruments to improve access to global markets for least developed countries (LDCs), low and middle-low income countries.

⁴ For example, see SolarPower Europe's O&M Best Practice Guidelines (<https://www.solarpowereurope.org/om-best-practice-guidelines-version-4-0/>) and Asset Management Best Practice Guidelines (<https://www.solarpowereurope.org/solar-asset-management-best-practices-guidelines-version-1-0/>)

industrialisation and where emissions may rise as a result of carbon leakage from other regions such as the EU;

- While we welcome established EU-backed programmes dedicated to renewables such as ElectriFI, we encourage the European Commission to **explore and make available viable alternatives when state guarantees are not possible**, as guarantee requirements are a major hurdle in project financing. Where state guarantees are not an option (such as in least developed countries), European DFIs such as the European Investment Bank (EIB) should be enabled and encouraged to provide the necessary securities.
- **advocate for the use of the Open Solar Contracts** (www.opensolarcontracts.org) developed by the International Renewable Energy Agency and the Terrawatt Initiative with SPE support, to be considered a best practice for a bankable contractual documentation for solar projects' development.

c. Trade & Direct Investment

International trade and investment agreements have the potential to accelerate the global energy transition, as reinforced by the European Green Deal, as well as the EC Communication on a "New Industrial Strategy for Europe",⁵ according to which the EU "will need a more strategic approach to renewable energy industries" and "continue efforts to uphold, update and upgrade the world trading system so it is fit to address today's challenges and tomorrow's realities". We welcome the recently launched Trade Policy Review and call on the Commission to **use international trade as a tool to promote the objectives of the Green Deal and a green recovery from the COVID-19 crisis** globally by:

- addressing trade and investment distortions affecting renewable energy investments in third countries linked to public procurement, grid access, local content requirements, discriminatory tariffs and market rules, lack of an independent regulatory authority etc. For example, in terms of procurement, **reciprocal access** for European companies to markets outside of Europe could be ensured via the proposed **International Procurement Instrument**;
- **making sure that international trade and investment agreements cater for protection for renewable energy investments** and are in line with the Paris Agreement and the objectives of the European Green Deal;
- **supporting the modernisation of the Energy Charter Treaty** in order to promote sustainable investments and renewable energy in line with the European Green Deal.
- **streamline the criteria applied by export credit agencies (ECA) for solar PV and assess the potential to integrate the single market concept in ECA's content requirements**, transitioning from the current practice where local content is assessed on a national basis by each national ECA. This approach would boost European investment in solar energy abroad, while strengthening exports. We encourage further collaboration between the solar industry and the relevant services of the European Commission to identify a joint approach.

2. Solar in the new EU Strategy with Africa

We welcome the actions proposed by the European Commission and the High Representative of the Union for Foreign Affairs and Security Policy in their Joint Communication to the European Parliament and the Council "Towards a comprehensive Strategy with Africa".⁶ **As an agile and versatile energy source, solar will be central for the proposed partnership for green transition**

⁵European Commission (2020), "A New Industrial Strategy for Europe", Brussels, https://ec.europa.eu/info/sites/info/files/communication-eu-industrial-strategy-march-2020_en.pdf

⁶ European Commission (2020), "Towards a comprehensive Strategy with Africa", Brussels, https://ec.europa.eu/international-partnerships/system/files/communication-eu-africa-strategy-join-2020-4-final_en.pdf

and energy access. At the same time, solar has the potential to strongly contribute to all the objectives foreseen in the Strategy by creating sustainable local jobs, via the digitalisation of energy sectors and ultimately supporting economic, social and political stability.

The Communication makes reference to building “*a strong partnership on sustainable energy for both rural and urban populations*” and more specifically to a **Green Energy Initiative**. In line with the recommendations of the High-Level Platform for Sustainable Energy Investment in Africa (SEI Platform), we believe that the following key actions should be featured in the initiative. Nonetheless, we invite the European Commission to involve the solar industry in the preparation of the Green Energy Initiative and the EU-Africa Business Forum.

- a. **A strong proposal to African countries for the development of electricity infrastructure, in particular transport networks and interconnectors**, both in terms of funding and in terms of technical assistance, to optimise utility scale power generation from renewables and create larger markets, which are instrumental to building the African Continental Free Trade Area (AfCFTA).
- b. A sound **capacity building programme focused on renewable energy, comprising two components**:
 - **Policy and regulation for renewable energy promotion**, including tender and tariff design, wholesale market operations as well as contractual elements, including for the development of a corporate PPA market, considering the Open Solar Contracts.
 - **Technical training** focusing on best practices for Engineering, Procurement and Construction (EPC) quality standards, asset management, Operation and Maintenance (O&M), sustainability as well as grid management.
- c. **Supporting local renewable industry associations by means of a dedicated EU pan-African programme** that would provide support to the establishment of regional and national renewables industry association by means of twinning and secondment schemes with European and national associations. GET.invest’s association support is a good practice.
- d. With regards to funding, **the guarantee-based approach inaugurated by the External Investment Plan’s (EIP) European Guarantee for Renewable Energy (EGRE) scheme should be streamlined and optimized, focusing on improving the creditworthiness of off-takers** and ensuring additionality in terms of risk coverage in comparison to the offering available on the market. The guarantee proposition should be systematically complemented by grants and loans for project preparation and technical assistance (see bullet point *b*).
- e. **Digital innovation, decentralised and off-grid solar should also be supported along with utility-scale solar.** Digital innovation will continue to be a major driver of off-grid solar market growth. With around 1 billion people without electricity access, there is space and a need for more companies, innovation and investment to bring the benefits of off-grid solar to those who need them the most, and reach universal energy access by 2030 (Sustainable Development Goal 7 “*Ensuring access to affordable, reliable, sustainable and modern energy for all*”).

Along these lines, the industry-backed renewAfrica initiative (www.renew-africa.org) proposes the creation of a comprehensive approach to facilitate renewable energy investments in Africa.

3. Leading a global green recovery post-COVID-19

COVID-19 has serious consequences for the global economy and renewable energy sector. Most economies are entering a recession and face unseen drops in their workforce. The pace of renewable power capacity additions might decline in 2020 as supply chain disruptions and labour restrictions delay construction. Short term impacts also include financing, with concerned institutions delaying project financing deals and retracting previously established conditions.

Leading the global green recovery post-COVID-19 should be part of the Green Deal Diplomacy. Renewable energy technologies, and solar in particular, offer solutions not only on the long term, but also on the short term, during the current crisis. Governments can turn to the renewable energy industry to help revive the economy. According to IRENA, employment in the renewable energy sector could quadruple by 2050. In particular, decentralised solutions like solar technologies tend to be comparatively labour intensive, representing almost 20 million jobs by 2050 globally. In regions like Africa and South Asia, where there are thousands of health facilities lacking stable access to electricity, the deployment of hybrid renewable energy solutions is a solution to ensure energy access, including in rural and remotes locations.⁷

Therefore, in line with the **Joint Call of the IRENA Coalition for Action from 28 April 2020**,⁸ we call on the European Commission to join the effort to urge governments at all levels to leverage the progress achieved with renewable energy and not lose sight of the efforts needed to reach global climate and sustainability objectives. Measures designed to respond to the COVID 19 crisis should include:

1. revisiting deadlines for renewable energy projects,
2. designating the renewable energy industry and related infrastructure as a critical and essential sector,
3. affirming and extending policies promoting renewable energy solutions, both centralized and decentralised,
4. prioritising renewable energy in any stimulus measures and commit to phasing out support for fossil fuels,
5. providing public financial support to safeguard the industry and mobilising private investment in renewable energy,
6. enhancing the role of renewable energy in industrial policies,
7. revising labour and education policies to foster a just transition and helping workers make the shift into renewable energy jobs,
8. strengthening international co-operation and action to accelerate renewable energy deployment in line with global climate and sustainability objectives.

⁷ IRENA (2020), Global Renewables Outlook 2020, International Renewable Energy Agency, Abu Dhabi, https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2020/Apr/IRENA_Global_Renewables_Outlook_2020.pdf

⁸ IRENA Coalition for Action (2020), Call to Action in Response to COVID-19: Renewable Energy is a Key Part of the Solution, https://coalition.irena.org/-/media/Files/IRENA/Coalition-for-Action/Publication/IRENA_Coalition_COVID-19_response.pdf?la=en&hash=BD7A182A347015C49AF624F1200FEE3667EBF396