Clean renewable sources of energy must

Renewable sources of energy can help countries mitigate climate change, build resilience to volatile prices, and lower energy costs. This is especially critical now as spiking fossil fuel costs, triggered by the war in Ukraine, are debilitating poor energy importing countries.

For decades, economic and scientific organizations have urged leaders to create policies to promote renewable energy as part of vital global efforts to fight climate change. In addition to reducing carbon emissions, large-scale renewable power projects also provide demonstrable economic benefits for investors, governments, and especially consumers who need reliable, low-cost electricity.

While developing countries may not have the public funds to build sufficient new infrastructure, well-crafted, larger-scale renewable power projects can, and do, attract the private investment needed to get plants up and running.

For years, fossil fuels were relatively inexpensive. So, investing upfront money in new clean energy infrastructure was difficult for countries, as well as for individuals.

Take, for instance, an individual investing in an electric car. While it may be more expensive to buy the new electric car, over the life of the vehicle, the savings from reduced costs for fuel and less servicing, will more than pay for the higher initial cost. Transforming the high up-front capital outlays to longer term benefits and dealing with the affordability question of higher initial costs, requires access to finance. In fact, the availability of credit and leasing options for vehicles in developed countries, is making possible a significant number of the sales of expensive electric cars.

But in developing countries, lack of access to finance under reasonable terms, makes the costly upfront investments in renewable energy unaffordable. In addition, macroeconomic and political uncertainties discourage private sector investors from supporting renewable energy. Breaking free from fossils fuels is even harder during the current crisis as countries scramble to ramp up short-term solutions for fuel shortages.

Renewables are the path we must choose

Fortunately, there has been increasing interest in building modern, large-scale infrastructure. In 2020 alone, the public and private sectors invested over $300 billion in renewable energy, although annual investments in clean energy need to more than triple by 2030 to reach net-zero emissions by 2050.

To attract vitally needed private financing, developing countries must deploy a pipeline of large-scale renewable infrastructure projects that ensure a return on investment, while also keeping costs affordable for consumers, even for the poorest.

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At the 2022 Spring Meetings of the International Monetary Fund (IMF) and the World Bank Group (WBG) we heard from some countries that are blazing new paths toward self-sufficiency and economic growth through renewable resources.

Morocco is moving ahead full steam towards a sustainable futureMorocco has developed renewable energy projects that now contribute almost 40 percent of its installed energy capacity, and it is targeted to exceed 50 percent by 2030. Dr. Leila Benali, Morocco"s Minister of Energy Transition and Sustainable Development shared that her country set out more than a decade ago to craft comprehensive policies in support of renewable infrastructure that has created 60 projects attracting more than $5 billion in investments. The pipeline of viable large-scale renewable infrastructure projects is supported by government policies, giving private investors confidence to supply needed capital.

"We are trying to ensure that the return on capital invested on projects, particularly those most competitive in wind, solar and now hydrogen, improves so that it is a sustainable strategy," Dr. Benali told us.

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