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Global Energy Transition Congress and Exhibition

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IONICA PARTNERS

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Funding the energy transition:

Overcoming obstacles to Final Investment Decision

Economic headwinds and larger geostrategic trends have added further financial pressure on businesses seeking capital for lower carbon projects. With no clear methodology for demonstrating bankability, typically uneven risk profiles and uncertainty on regulatory compliance, a recurring roadblock on the road to net zero is restricted access to capital.

But, while IRENA estimates that US$35 trillion will be required for energy transition initiatives by 2030, the challenge isn't a lack of funds. Many trillions of dollars of institutional capital have already been earmarked for the energy transition, but investors bound by fiduciary responsibilities must undertake an increasingly difficult array of calculations around risk, timing and scope of capital deployments. Investment mandates are not always aligning with fast-evolving market needs, leading to investor hesitation and ultimately ensuring that abundant "dry powder" remains undeployed.

The picture is further complicated by the array of contexts in which capital can be injected. Different investment vehicles are more or less well adapted to different parts of the value chain. Equally, the relative maturity of climate technologies can be more or less appealing according to the profile of the prospective investors.

This complexity demands that we rethink project-by-project risk analysis, and reframe discussions around risk share mechanisms such as government guarantees, concessional capital, and strategic partnerships.

This GET Critical Agenda paper examines the multifaceted hurdles projects and businesses face in acquiring capital for low-carbon projects. Despite ample institutional capital availability, complex risk evaluations, regulatory uncertainties, and the lack of a standardized method for proving bankability impede access to funds. It will provide an overview of various investment vehicles, their associated risk/return profiles, and the range of investment durations. It will furthermore introduce the concept of rate compression throughout the energy transition value chain, and provide conceptual case study analysis of the green ammonia project value chain. Further insights will be shared on comparative market dynamics across the Middle East, Europe, and USA.

The ultimate aim of the paper is to cultivate a better understanding of the diverse range of investment vehicles within the energy transition sector. This will include the scope of operational methodologies and real-life experiences of surmounting barriers to large-scale capital deployment.

Ionica Partners is a boutique advisory firm specialising in infrastructure and the tangible aspects of the energy transition, environmental initiatives, and the circular economy, Ionica supports a broad spectrum of stakeholders.

From aiding entrepreneurs to advising corporates and funds, their seasoned guidance is instrumental in shaping decision-making processes, facilitating financing access, and fostering corporate venturing initiatives.

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The GET conference mission is to GET real action, GET real projects, GET real partnerships. To ensure the event's success in delivering concrete results, we are working with a number of knowledge partners who have identified key challenges to accelerating the energy transition and achieving net-zero objectives. The abstracts provided share an overview of these challenges.

If you're interested in actively contributing to the solution-finding process for any of these issues, we invite you to engage in our initial consultation phase by reaching out to John Ramshaw, Conference Director, no later than 12 January 2024. The consultation period will commence thereafter. In February, the outcomes of the consultation will be made public, and we will also be seeking feedback on the final research papers. These papers will subsequently be discussed during panel sessions with the Strategic Conference programme at GET.