REPORT LAUNCH

THE ROLE OF CONCESSIONAL CLIMATE FINANCE IN ACCELERATING THE DEPLOYMENT OF OFFSHORE WIND IN EMERGING MARKETS
The Role of Concessional Finance in Accelerating the Deployment of Offshore Wind in Emerging Markets

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September 6th 2023
Key Takeaways

• Without concessional finance, offshore wind will not grow quickly in emerging markets.

• To achieve scale, need US$ 15 billion (loans and grants) to support 10 GW in 5+ countries.

• Opportunity for a “Grand Bargain” – win-win for emerging markets and donor countries alike.
ESMAP-IFC Offshore Wind Development Program

Objective:
• Accelerate deployment of offshore wind in emerging markets and provide support to build pipeline of bankable projects

Our work to date:
• Supported 24 country governments since the Program started in 2019
• Global reports: Key Factors, Going Global
• Three study tours with decision makers from +16 countries
• Roadmaps released in Azerbaijan, Vietnam, Philippines, Colombia, Sri Lanka (India, Türkiye, Romania, Brazil, South Africa under development)
• Ongoing regulatory, commercial, technical assistance
Why Offshore Wind?

- Large scale and competitive price
- Often higher, more consistent output
- Avoids land constraints
- Creates skilled jobs and economic benefits
Huge Offshore Wind Potential in Developing Countries

Across all WB countries:
- 5.6 TW fixed foundation
- + 10.7 TW floating foundation
= 16.3 TW Total Technical Potential
How is Offshore Wind different from Onshore Wind?

More Complex
- Longer timelines
- Much higher development cost

Larger Scale
- 1 GW+ projects
- US$ 3bn+ Capex
- Small projects challenging

Associated Infra
- Requires grid and port upgrades
- Requires specialized vessels

Supply Chain
- Dedicated supply chain
- US$3.9bn in OW manufacturing needed

E&S Impacts
- Can impact both avian and marine species
- Impacts on fishing
What does this mean for Emerging Markets?

- First offshore wind projects in any new market are more expensive
- Needs to be ‘affordable’ for a developing economy

Source: Lazard, 2023
What do we mean by “Concessional Finance”? 

**Concessional finance**: finance extended on terms that are more favorable than those usually available in a market 

Can include debt or grants, e.g. in the form of carbon credits
What will it take to overcome this price gap?
Impacts of concessional finance on a single project

Typical CapEx breakdown for a 1GW offshore wind farm

Offshore wind farm

Electrical export system

US$2,450m
private

US$480m
private

US$480m
concessional

US$827m
concessional (blend)

US$1,378m
private

US$245m
grant

Developer responsible for all financing

Concessional financing of electrical export system

Blended concessional finance and 10% grant

LCOE (US$/MWh)
Potential impacts of concessional finance on a global scale

Global Program to Deliver 10 GW and Catalyze +5 New Markets

- US$4.8 bn of concessional public debt
- US$2.5 bn of grants
- US$8.3 bn of concessional private debt
- 416 Mt CO₂ reduction
- US$5.90 per metric ton CO₂e
Why do this?

• Offshore wind has a major role in global decarbonization
• Need to commence deployment in emerging markets and start the journey of cost and risk reduction
• Will lead to faster cost reductions for subsequent projects and reduce need for public support as the market matures
• Both public and private support will be required; close partnership between government and industry needed
**Key Takeaways**

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- To achieve scale, need US$ 15 billion (loans and grants) to support 10 GW in 5+ countries.
Thank You!

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Download the report now

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