

Public Financing as Transition Driver

Smart Prosperity Institute
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Conceptual & Theoretical Background

- Low carbon transition requires transformative and fast change



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- More dynamic (evolutionary) theory recognises that market environments have to be actively created
- Choices over which ones to create must be taken by non-market players (government)
- **Interest:** How do market and government financing hang together in the more “downstream” part of the innovation landscape – demonstration & deployment?



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Energy Policy

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Neither crowding in nor out: Public direct investment mobilising private investment into renewable electricity projects

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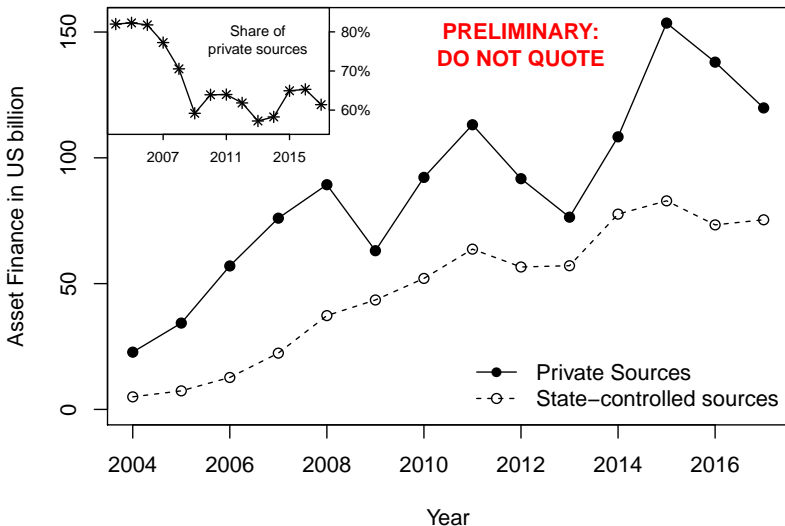
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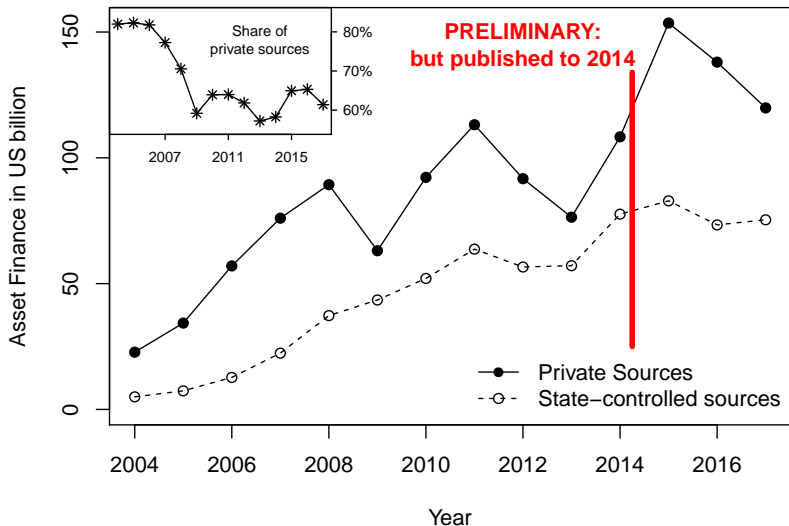
- Crowding out (and in) not applicable to sectoral financing
- Both (neoclassical) market failure and evolutionary market creation predict positive effect of public financing
- Direct state-controlled investments largest mobilization effect on private finance

Public financing downstream (here: renewable power)



Source: own analysis based on BNEF

Public financing downstream (here: renewable power)



See Mazzucato & Semieniuk, (2018) Technl. Forecast. Soc. Change

<https://tinyurl.com/y8sgtbyq>

Policy interplay for mobilisation

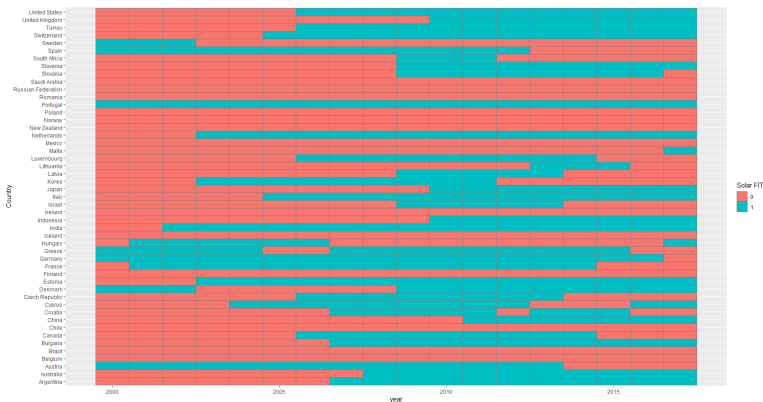
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Policy interplay for mobilisation

What policy combined with public financing have been successful?

Do public (development) banks deliver extra mobilisation?

Data example: FiT data for 69 countries



Own calculations based on OECD & IEA.

What can we learn for other sectors?

Other (project based) sectors.

Analysis harder when internal financing predominates.