

Green Corridor

Potential funding mechanisms



Ingoing take: Potential funding mechanisms for closing the residual cost gap

Why support



Potential state aid instruments



CAPEX subsidies

Funding support to make the **business case viable** and to provide incentive to start a large CAPEX-project

- Generally upfront grants (often CAPEX subsidies)
- Yearly compensation, such as fiscal benefits & contract for difference

OPEX subsidies

Compensation for (short-term) **increased OPEX** of technology to create incentives to operate decarbonization technology

- Generally yearly compensation:
 - Contract for difference
 - Maximum feedstock prices
 - Fiscal benefits (e.g., IRA)
- Upfront grants

Financing subsidies

Risk and capital support for decarbonization, utilizing mechanisms to lower project financing costs and ensure liquidity













- Loans
- Guarantees, e.g., for commercial loans
- Repayable advances
- Equity
- Funding
- Compensation



Ingoing take: Idea catalogue for potential funding mechanisms (1/2)

Examples have not yet been used for green corridors

 Wind  CCS  Renewables

Category	Examples			Description		Total annualized subsidy, EURb	Avg. project subsidy, EURm
	Type	Country	Industry	Timeline	Implementation		
Financing subsidies	Guarantees		Wind 	1998-2025	ECA provides guarantees for commercial loans dedicated to wind farm projects that involve contributions from domestic companies	5.4 ¹	45 ³
	Tax equity		Renewables 	1980-2025	Tax equity structures are widely used for renewable energy projects to allocate tax credits to a sponsor whereas the developer only receives the cash generated from the project. This structure enables a lower cost of capital for the project	19.6 ²	N/A
	Direct Financing		Renewables 	2022-2025	EU, EIB and KfW are providing financing to kickstart the green hydrogen transition in Chile	0.2	N/A
	Equity participation		Renewables 	2023	ALSF's support in Namibia highlights how MDBs can aid governments through legal capacity building, securing national interests and a 24% equity stake in the Hyphen project	N/A	N/A
	Policy-based loans		Renewables 	2023-2025	The World Bank Group is providing policy-based loans to accelerate low-carbon energy development in India, of which green hydrogen is one out of three pillars	2.7 ⁴	N/A
CAPEX subsidies	Direct CAPEX subsidy		Wind 	1976-1989	CAPEX subsidy for wind farms, covering up to 40% of the investments to kickstart the wind industry from 1976, and it was gradually reduced until it was phased out in 1989	N/A	N/A

Government participated with 24% equity in green hydrogen project



1. Based on CAPEX support between 2011-2020
2. Based on estimated market size for tax equity
3. Based on ~120 projects
4. Based on ~3bn USD allocated from the World Bank (unknown timeline)

Ingoing take: Idea catalogue for potential funding mechanisms (2/2)

Examples have not yet been used for green corridors



Wind



CCS



Renewables

Category	Examples			Description		Total annualized subsidy, EURb	Avg. project subsidy, EURm
	Type	Country	Industry	Timeline	Implementation		
OPEX subsidies	Energy production subsidy		Wind 	1984-2025	Subsidizing electricity production, a key factor in commercializing wind energy	N/A	N/A
	Tax credit		CCS 	2008-2025	The IRA 45Q tax credit provides a tax credit for every ton of CO2 captured and permanently stored in geological formations	1.2 ¹	N/A
	Contract for difference		Wind 	2014-2025	CfD enables a steady cash flow for renewable energy projects. The difference payment is the gap between the strike price and market reference price	N/A	N/A
	SDE++		Renewables and CCS 	2020-2025	Reimbursement of the delta between the decarbonization price and the ETS price (a one-sided CfD). If the ETS price is above the decarbonization price, then no subsidy will be provided	6.0 ²	N/A
	Energy production subsidy		CCS 	2023-2025	Targeted funding to support carbon capture, transport, and storage, offering subsidies per ton of CO2 to offset high costs and incentivize adoption	0.3 ³	1,074 ⁴
	Tax incentives		Renewables 	2024-2025	Incentivising green hydrogen projects through tax incentives, incl. exemption from VAT and export tax for Green Hydrogen projects	0.0	0

1. Based on 2022-2032 average estimates

3. Based on a 38 DKKb pool that will fund projects lasting for up to 20 years

2. Based on 30 EURb pool running from 2020-2025

4. Based on the CCUS-pool which Ørsted won (8DKKb), which will last for 20 years