



Grassroots funding boosts green energy projects in Japan

Local communities in Japan are taking sustainable energy into their own hands, with small investors backing wind and solar projects instead of waiting for the government to act.

Hometown investment trust funds are using the Internet to tap local investors for 100 dollars to 5,000 dollars to fund projects where they live.

Information on potential projects is available through a dedicated website featuring green energy projects in need of funding, and local banks have started to use the information provided by the trust funds. The banks monitor the progress of wind and solar projects and investor response, and, if the projects are successful, make loans available to push them forward.

Banks are reluctant to finance renewable energy projects, deeming them too risky.

Asia's finance sectors are still dominated by banks, and venture capital markets are underdeveloped. Innovative and alternative financing vehicles such as the hometown investment trust funds have helped solar and wind projects grow in Japan, a country still dominated by traditional financing.

Alternative financing vehicles are supporting growth in risky sectors in Asia.

Hometown investment trust funds have spread from Japan to Cambodia, Mongolia, Peru, and Viet Nam, and are also attracting attention from the government of Thailand and Malaysia's central bank.

The Hokkaido Green Fund began in 2000 to finance wind power projects in northern Japan, raising finance mainly from residents after encountering problems getting money from banks.

To date, some 80% of funding comes from individual investors and donors, with the rest provided by banks.

The community wind power corporation sells electricity to the power company, which supplies power to the region. Although wind power is still five percent more expensive than other forms of electricity, users are willing to pay that premium to protect the environment.

More than 19 wind power projects have been constructed along those financial lines. Solar power attracted funding from the local government after it examined the funding model.

This has been a summary of a blog post by ADBI dean Naoyuki Yoshino and Farhad Taghizadeh-Hesary, assistant economics professor at Keio University, Tokyo.