

HOW TO MOBILISE PRIVATE INVESTMENT FOR GREEN INFRASTRUCTURE

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OECD work on mobilising private investment in green infrastructure



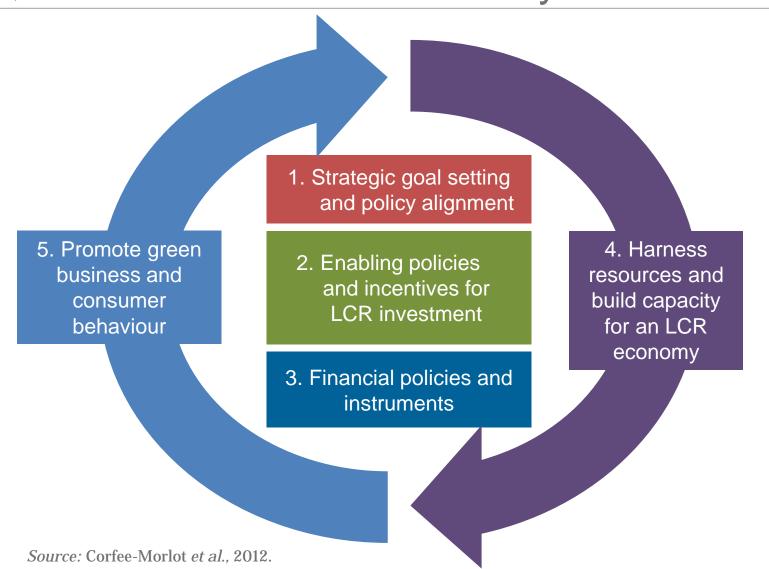
1. Domestic policy frameworks for green investment



2. Institutional investors and green investment



What can governments do? A Green Investment Policy Framework





Public Finance Institutions and the Low-Carbon Transition: Five Case Studies

- PFIs: Public financial institutions that have often been created to correct for the lack of marketbased finance through the provision of missing financial services (Ratnovski & Aditya 2007)
- Five public finance institutions:
 - CDC, EBRD, EIB, KfW, UKGIB
- "Domestic" infrastructure and energy-efficiency investments and financing
- Renewable energy, energy efficiency and sustainable transport

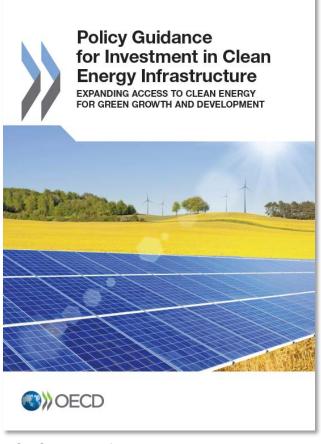


PFIs and low-carbon investments: Three principal roles

Role	Functions	Tools and instruments
Facilitate access to capital	 Long-term capital provider Facilitate access to private capital 	 Concessional and non-concessional lending Intermediated "on-lending" Equity investment Regional & international climate funds Public private partnerships
Reduce risk	Risk sharingCredit enhancement	 Guarantees Junior debt / Mezzanine financing Structured finance Layered fund structures Public private partnerships
Fill the capacity gap	Aid project developmentReducing project risks	Technical assistanceCapacity buildingData tools, information tracking



OECD Policy Guidance for Investment in Clean Energy Infrastructure



OECD, 2014 forthcoming

- It is a non-prescriptive tool to help governments identify ways to mobilise private investment in clean energy infrastructure
- It benefited from substantial contributions by the World Bank and UNDP
- It was annexed to the Communiqué of G20 Finance Ministers at their meeting of 10-11 October 2013
- It can also usefully contribute to the
 UN Sustainable Energy for All Initiative
- It is now going to be applied to specific country contexts



The OECD Policy Guidance for Investment in Clean Energy Infrastructure

Policy areas	Questions/issues for policy makers consideration
1. Investment policy	 Non-discrimination of foreign versus domestic investors Intellectual property rights Contract enforcement
2. Investment promotion and facilitation	 Removing fossil fuels subsidies and pricing carbon Long term policy goals Policy incentives for investment Licensing Policy coherence and coordination
3. Competition policy	 Electricity market structure Non discrimination in access to finance Competition authority
4. Financial sector development	 Facilitate access to finance Specific financial tools and instruments Strengthening domestic financial markets
5. Public governance	 Regulatory quality of the electricity market Multi-level governance







OECD project "Achieving a level playing field for international investment in green energy

Upstream production

Midstream manufacturing

Downstream activities

- Aims to assess policy restrictions to international trade and investment in solar PV and wind energy
- Since 2008, several governments, in a post-crisis recovery context, have supported/protected domestic solar PV and wind turbine manufacturers, including through the use of
 - local content requirements (e.g. for feed-in tariff /FiT bonus eligibility)
 - preferential access to financing and
 - domestic trade remedies
- Such measures may hinder the optimisation of green value chains, including in solar PV and wind energy, by raising the cost of inputs and reducing demand for downstream activities

Indext. G., C. Kaninker and F. Stewart (2012). 'Defining and Measuring Green investments: Implications for Institutional Investors' Asset Allocations', CECO Working Papers on Finance, Insurance and Private Pensions, No. 24, OCEO Publishino.



Defining and Measuring Green Investments

Georg Inderst, Christopher Kaminker, Fiona Stewart



JEL Classification: G15, G18, G23, G28, J26

www.oecd.org/finance/lti





THE ROLE OF PENSION **FUNDS IN FINANCING** GREEN GROWTH INITIATIVES

By Raffaele Della Croce, Christopher Kaminker and Flona Stewart







By Clara Severineon and Juan Yermo

OECD





INSTITUTIONAL INVESTORS AND GREEN INFRASTRUCTURE INVESTMENTS: SELECTED CASE STUDIES

October 2013

A previous version of this document was presented at the OECD EPOC Working Party on Climate, Investment and Development (WebCi) meeting on 11-12, Juni 2013, 18 the Control of the Control

A revised version has been circulated in September 2013 to WPCID, WPPP, IPPC and CMF.

The current version is transmitted to the G20 Finance Ministers and Central Bank Governors' Meeting to be held on 10-11 October 2013.

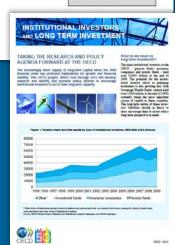
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G20/OECD Policy Note on Pension Fund Financing for Green Infrastructure and Initiatives



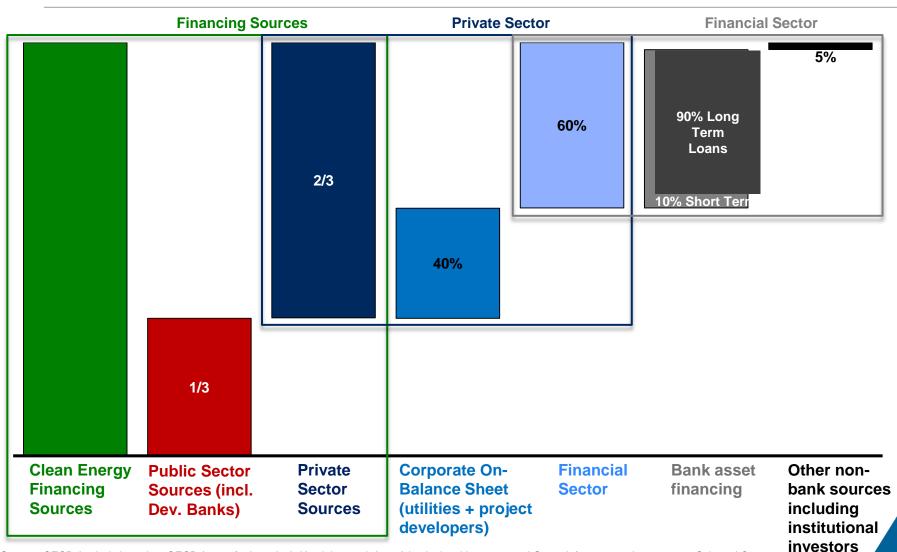




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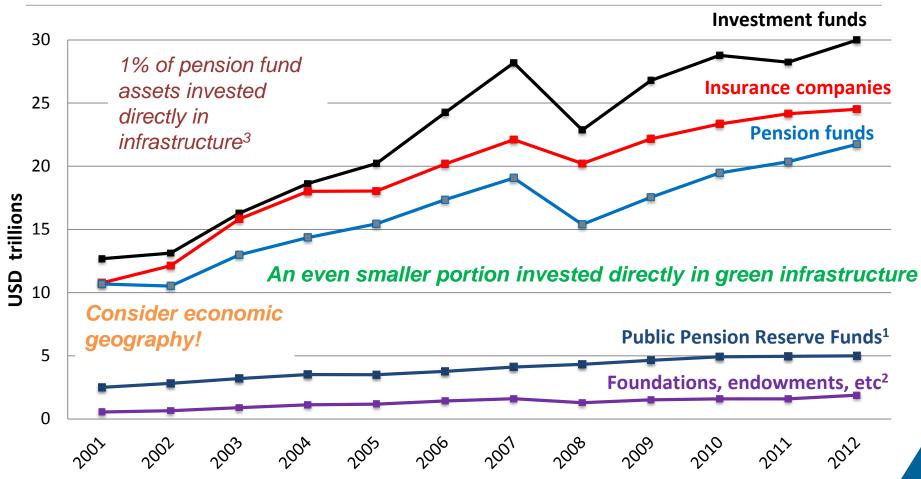
Landscape of investment financing sources for clean energy in the average OECD country 2004-2014 (illustrative example, varies by country). In non-OECD the public sector typically accounts for 2/3 and private sector 1/3.



Source: OECD Analysis based on OECD (2014, forthcoming); Kaminker et al. (2013) Institutional Investors and Green Infrastructure Investments: Selected Case Studies; OECD (2012) The Role of Institutional Investors in Financing Clean Energy; G20/WB/FSB/OECD (2012) European Bank Deleveraging and Global Credit Conditions; G20/OECD (2012) The Role of Banks, Equity Markets and Institutional Investors in Long-Term Financing for Growth and Development; BNEF database.



\$83 trillion in assets under management by institutional investors in the OECD (2012)



Note: Book reserves not included. Pension and insurance companies' assets include assets invested in mutual funds, which may be also counted in investment funds. (1) Public Pension Reserve Funds (PPRFs) e.g. Government Pension Fund – Norway or Unites States' Social Security Trust Fund.

⁽²⁾ Other forms of institutional savings include foundations and endowment funds, non-pension fund money managed by banks, private investment partnership and other forms of institutional investors.

⁽³⁾ Source: OECD Large Pension Fund Survey (2013)



7 policy options for addressing the investment challenges and mobilising institutional investment in green infrastructure

Weak & uncertain environmental, energy and climate policies

Lack of suitable financial vehicles

Regulatory policies with unintended consequences

Lack of information and data to assess transactions and underlying risks

Ensure a stable and integrated policy environment

Address market failures (incl. lack of carbon pricing)

Provide a national infrastructure road map

Facilitate the development of appropriate financing vehicles or de-risking instruments

Promote public-private dialogue on green investments

Promote market transparency and improve data on infrastructure investment

Reduce the transaction costs of green investment



Risk mitigation and credit enhancement required

Public Finance Mechanisms (PFMs) (Supporting **supply** of finance)

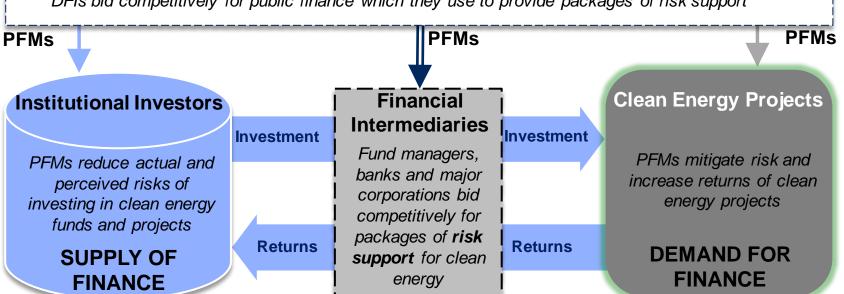
- Country risk cover
- Currency risk cover
- First-loss equity positions

Public Finance Mechanisms (PFMs) (Supporting demand for finance)

- Clean energy policy cover
- Deal-flow and project development assistance

Development Finance Institutions

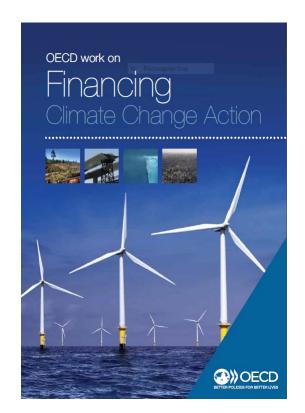
DFIs bid competitively for public finance which they use to provide packages of risk support

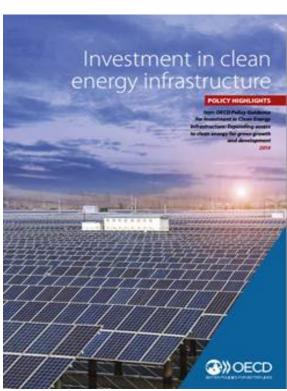




Thank you very much!







www.oecd.org/env/cc/financing.htm