



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

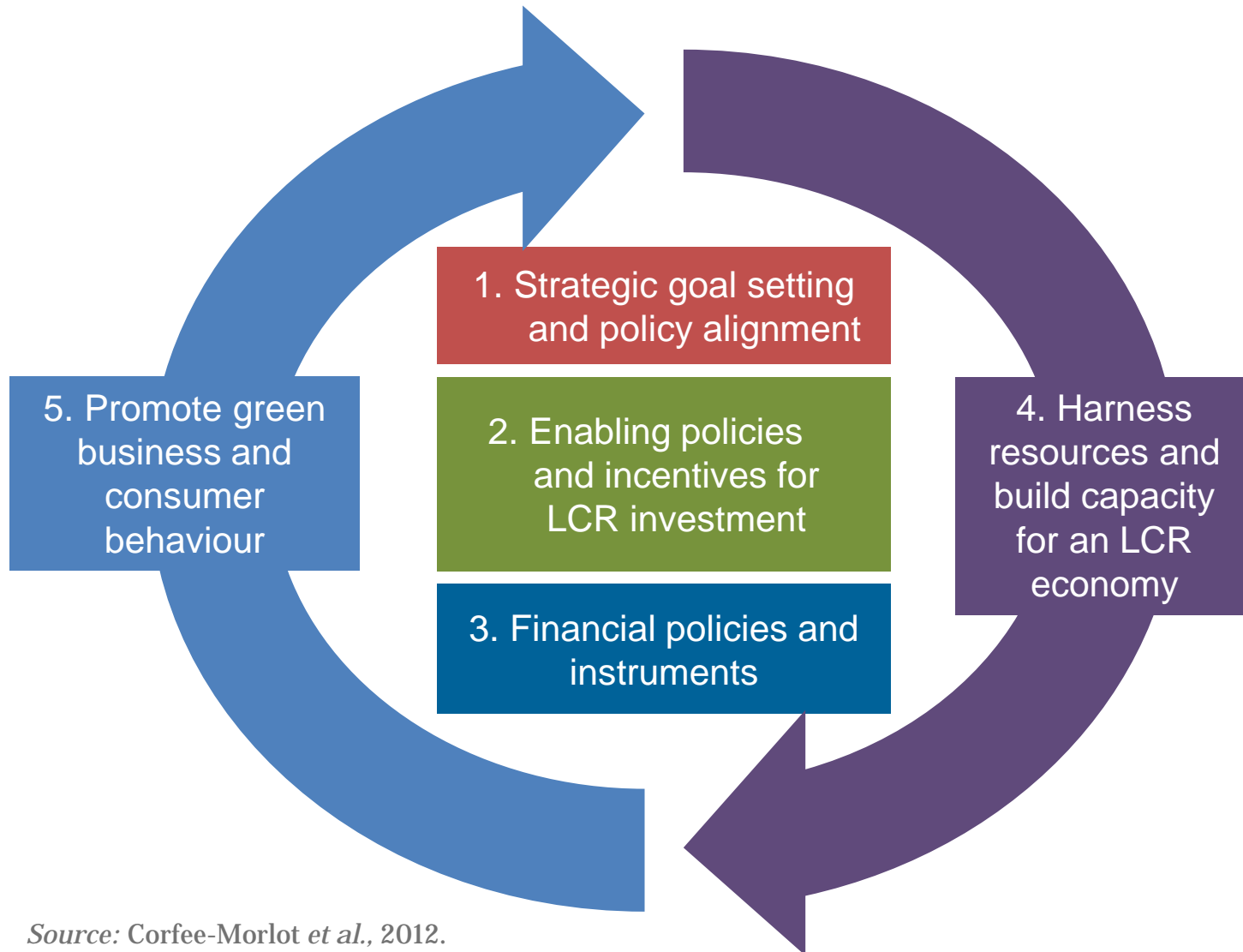


2. Institutional investors and green investment



What can governments do?

A Green Investment Policy Framework



Source: Corfee-Morlot *et al.*, 2012.



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

- *PFI*s: *Public financial institutions that have often been created to correct for the lack of market-based 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 | <ul style="list-style-type: none">• Long-term capital provider• Facilitate access to private capital | <ul style="list-style-type: none">- Concessional and non-concessional lending- Intermediated “on-lending”- Equity investment- Regional & international climate funds- Public private partnerships |
| Reduce risk | <ul style="list-style-type: none">• Risk sharing• Credit enhancement | <ul style="list-style-type: none">- Guarantees- Junior debt / Mezzanine financing- Structured finance- Layered fund structures- Public private partnerships |
| Fill the capacity gap | <ul style="list-style-type: none">• Aid project development• Reducing project risks | <ul style="list-style-type: none">- Technical assistance- Capacity building- Data 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 | <ul style="list-style-type: none">• Non-discrimination of foreign versus domestic investors• Intellectual property rights• Contract enforcement |
| 2. Investment promotion and facilitation | <ul style="list-style-type: none">• Removing fossil fuels subsidies and pricing carbon• Long term policy goals• Policy incentives for investment• Licensing• Policy coherence and coordination |
| 3. Competition policy | <ul style="list-style-type: none">• Electricity market structure• Non discrimination in access to finance• Competition authority |
| 4. Financial sector development | <ul style="list-style-type: none">• Facilitate access to finance• Specific financial tools and instruments• Strengthening domestic financial markets |
| 5. Public governance | <ul style="list-style-type: none">• Regulatory quality of the electricity market• Multi-level governance |





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

Upstream
production

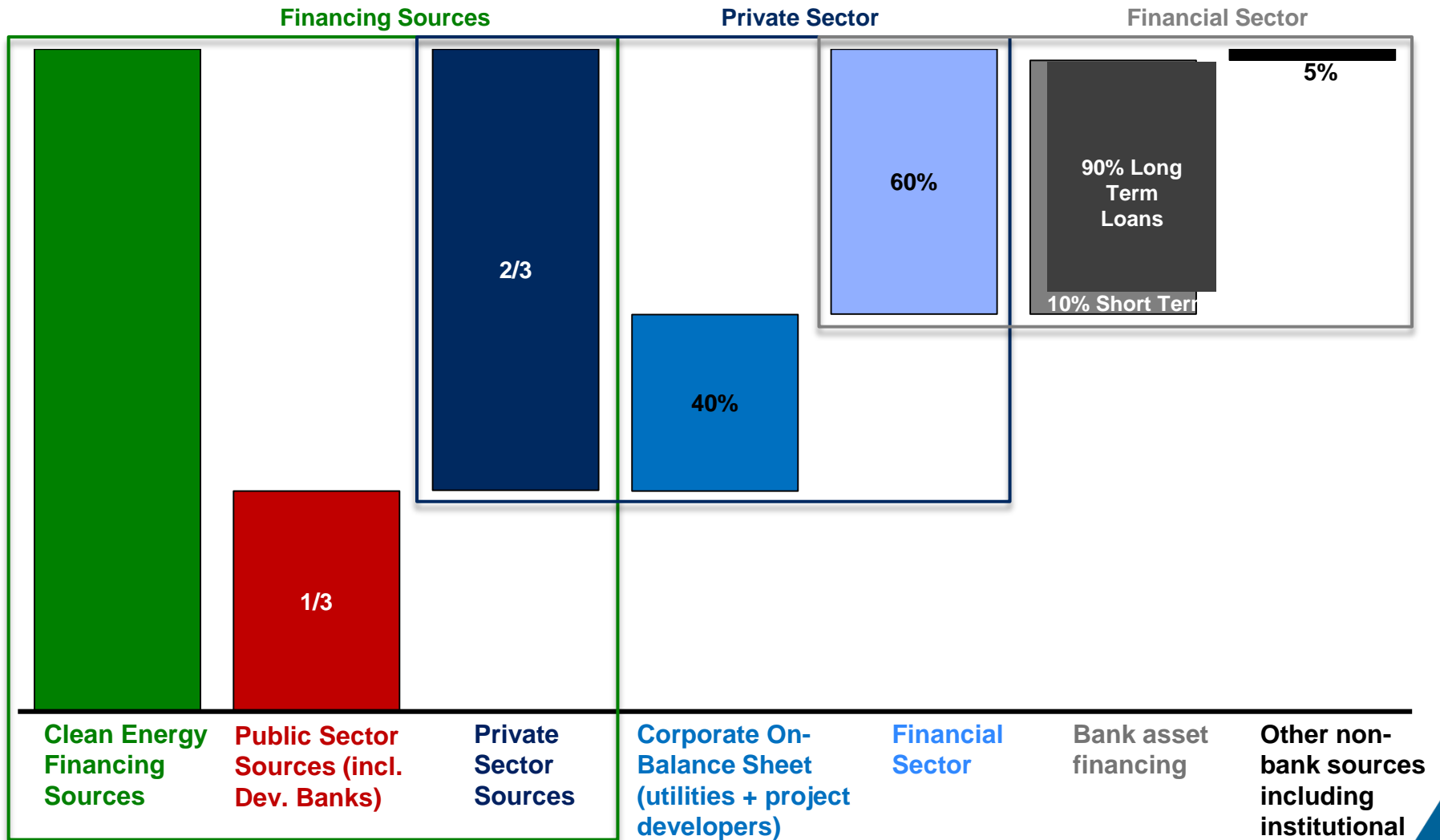
Midstream manufacturing

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



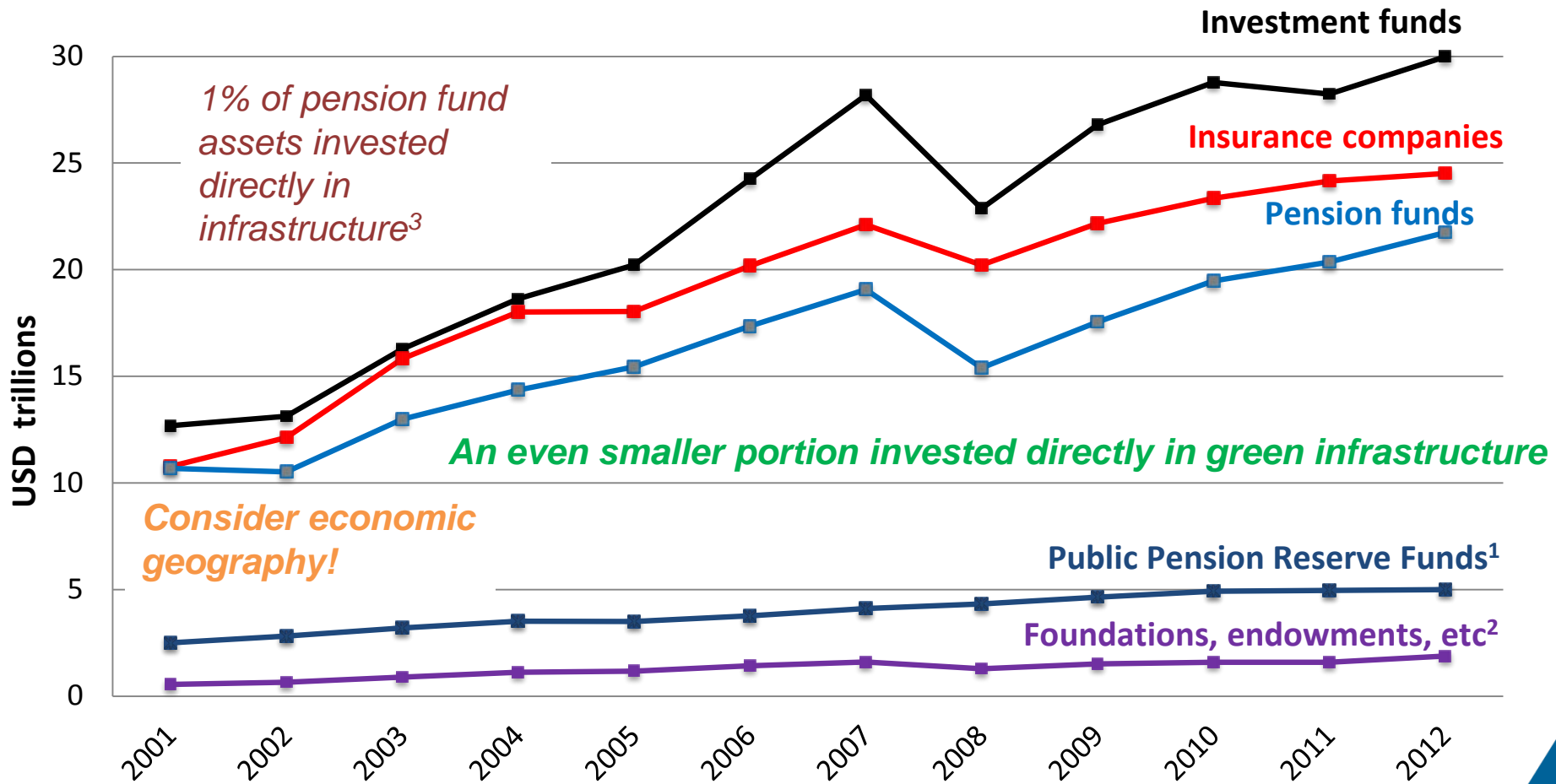
Landscape of investment financing sources for clean energy in the average OECD country 2004-2014 (illustrative example, varies by country). In non-OECD the public sector typically accounts for 2/3 and private sector 1/3.



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.

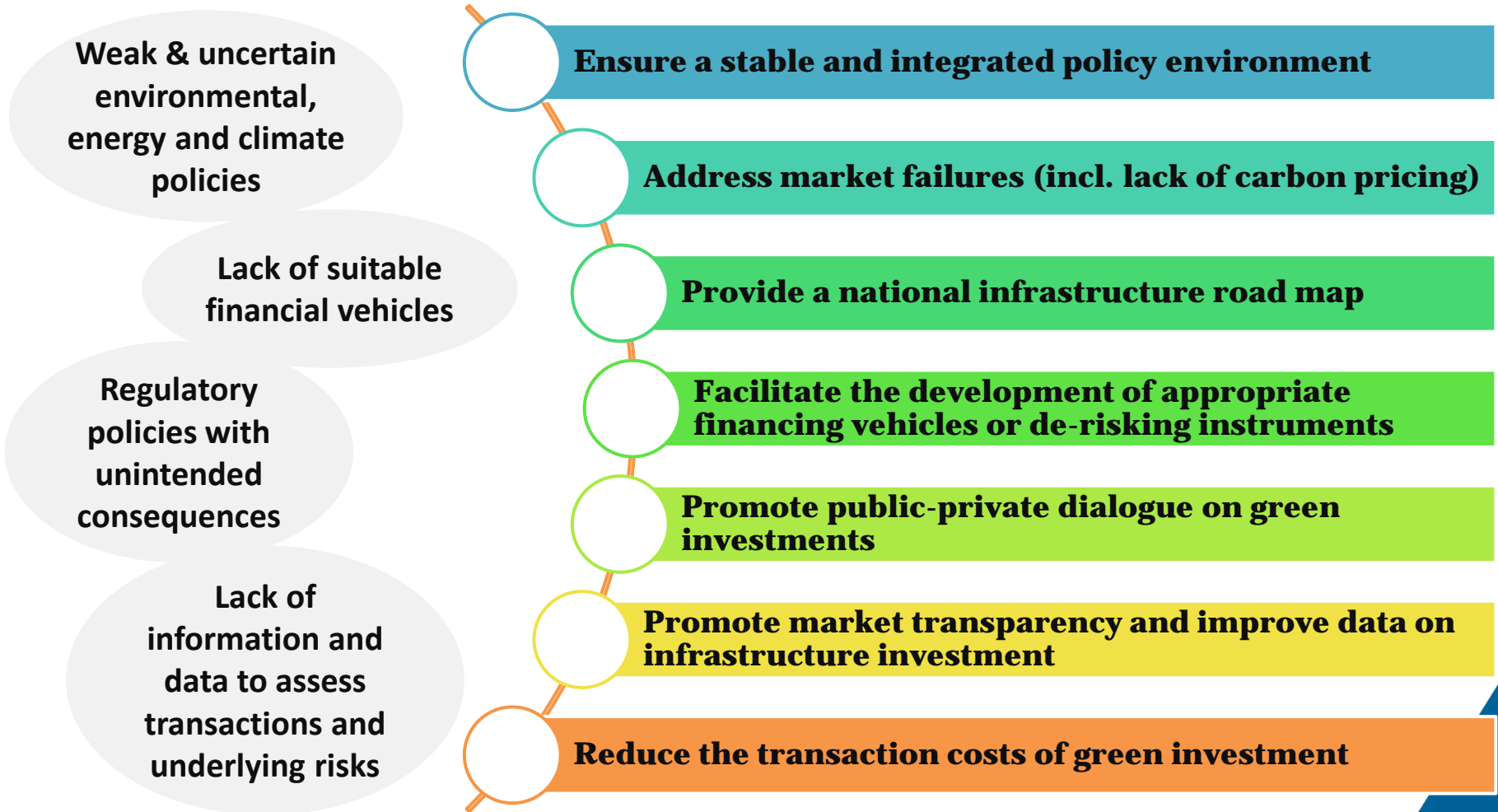
(2) Other forms of institutional savings include foundations and endowment funds, non-pension fund money managed by banks, private investment partnership and other forms of institutional investors.

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

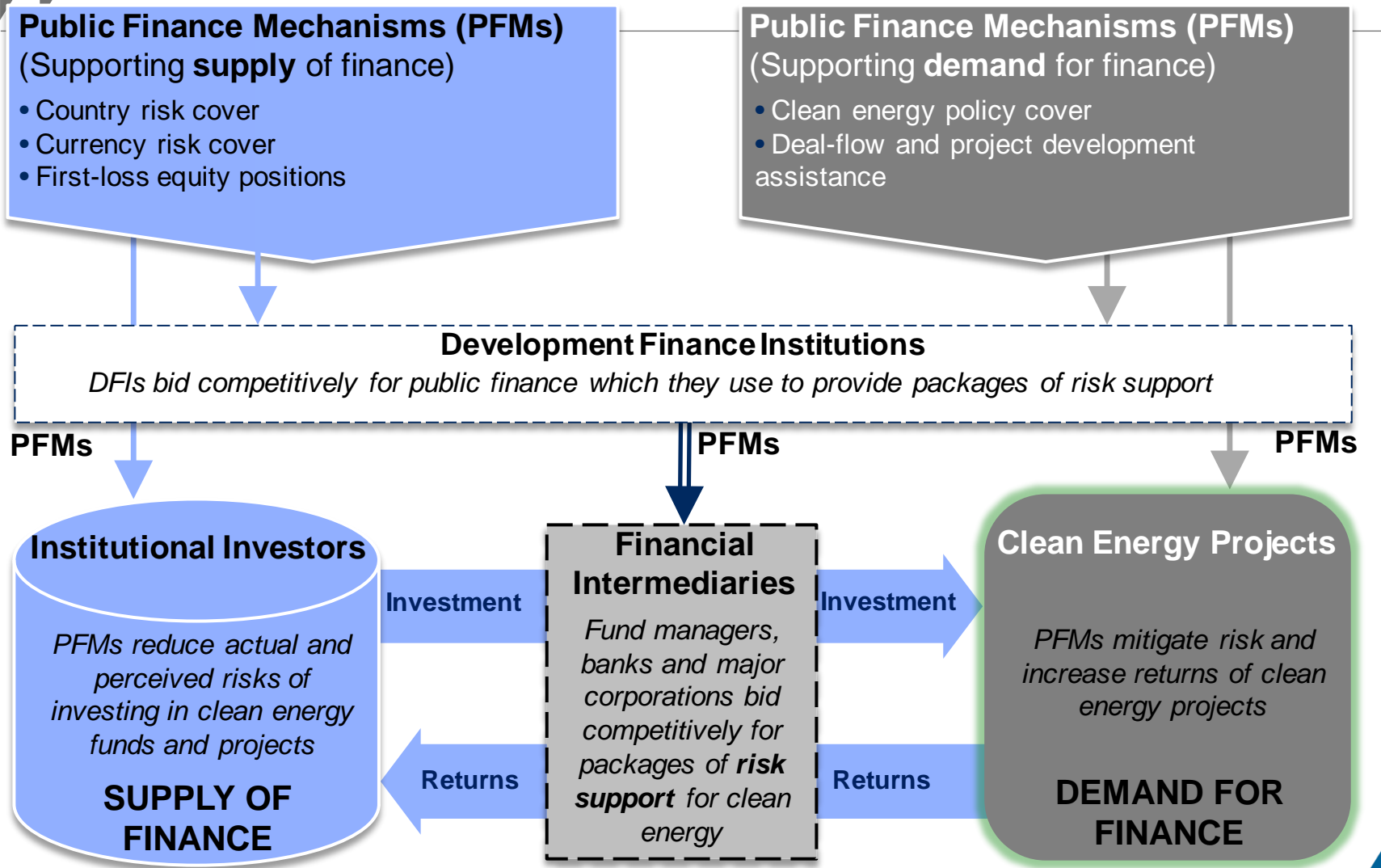
Source: OECD Global Pension Statistics, Global Insurance Statistics and Institutional Investors databases, and OECD estimates.



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

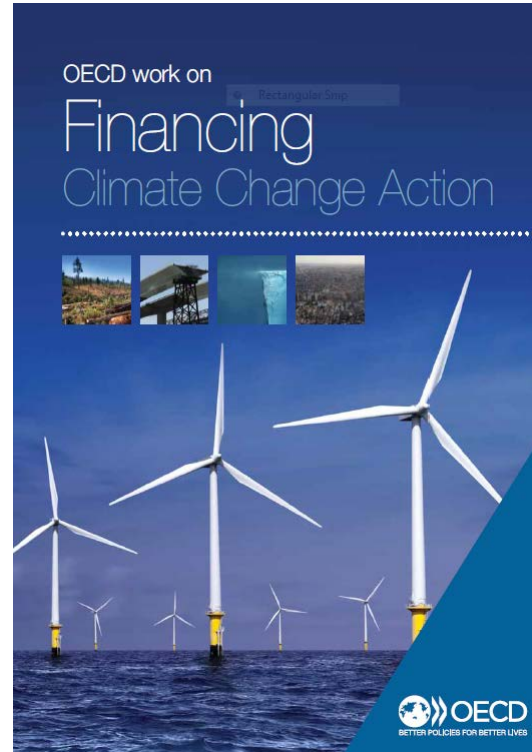
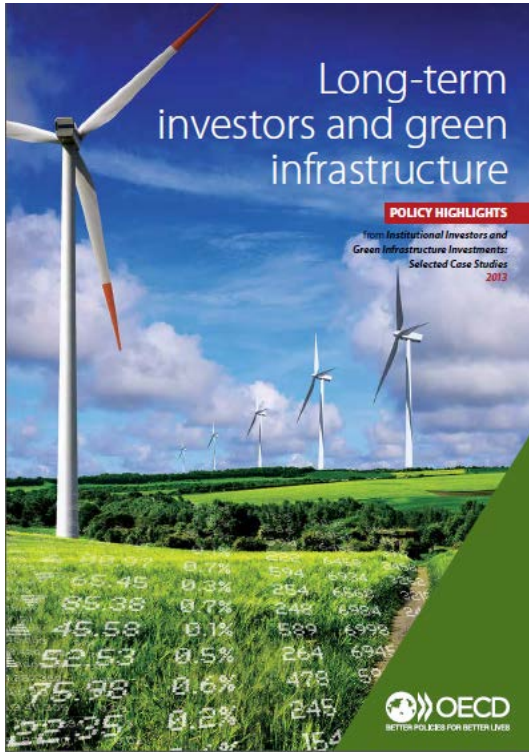


Risk mitigation and credit enhancement required





Thank you very much!



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