UNEP

European Bank
for Reconstruction and Development

REINVENTING BRETTON WOODS COMMITTEE

Financing for Green Infrastructure Investment

Associated Event at the EBRD Annual Meeting 2016

Tuesday 10th May, 11:30 – 17:30, EBRD, London

G20 discussions last year identified infrastructure investments as a major potential global driver of sustainable economic growth. Global infrastructure investment needs, necessary to support growing world population of around 9 billion people by 2030, are estimated at around US$ 5 trillion per year.[1] Need for investment across developing and emerging markets over the next decade is estimated to be around $ 2 trillion a year, around US$ 1 trillion more than what is currently spent.[2] In EBRD region alone infrastructure needs are likely to be in the range of US$ 350-400 billion annually. Across developing and emerging markets, currently the greatest majority of funding for infrastructure comes from public sources. This is not sustainable, given the scale of global needs and the increasing pressure on government budgets. Around 80% of the estimated US$ 1 trillion a year of additional investment will probably need to come from private sources.[3]

Commitments made by countries in the context of the negotiations on a climate deal at the last COP meeting in Paris will have profound implications on the nature of infrastructure investment in the coming decades. Given the lock-in effects of large infrastructure and the implication it has on the emission intensity of economic growth, in order to meet their commitments, countries will need to steer infrastructure investment in the direction of sustainability – both in terms of climate mitigation and adaptation.

Green infrastructure addresses both of the above challenges, offering the EBRD region the foundations for economic growth while promoting resource, energy, and carbon efficiency and lessening environmental degradation. Green infrastructure includes investments in environmental and climate change mitigation and adaptation in a variety of sectors – renewable energy and energy efficiency (including smart grids), water treatment and efficiency, wastewater treatment, waste minimization and recycling, and transport.

While private finance has already provided support to infrastructure investment through privately owned infrastructure and PPPs, scaling up significantly investment in green infrastructure would require access to portfolio investors (such as sovereign wealth funds and pension and insurance industry) and the introduction of financing instruments suitable for a broader class on investors, e.g. green infrastructure bonds. It would also require improvements in the regulatory framework to

[1] World Economic Forum (2013), The Green Investment Report

[2] Bhattacharya, Romani and Stern (2012), 'Infrastructure for development: meeting the challenge', London School of Economics Policy Paper

[3] Parry et al. (2009), 'Assessing the Costs of Adaptation to Climate Change: A Review of the UNFCCC and Other Recent Estimates', International Institute for Environment and Development

address full cost of externalities, establish adequate reporting, and avoid planning objections, as well as reduce other risks, like those stemming from a lack of capacity to conduct a technically more costly project preparation for green infrastructure. This agenda of work has been advanced significantly by the recent United Nations Environment Programme (UNEP) Inquiry on Aligning the Financial System with Sustainable Development.[4]

A half-day event organized by the EBRD, UNEP, and the Reinventing Bretton Woods Committee will take place on 10th May 2016 focusing on how to increase private sector involvement in the financing and delivery of green infrastructure investments in the EBRD region. The event is organised in the context of G20 efforts to further the green finance agenda and intended to provoke input into their process. The meeting will commence with a keynote speech (outlining past good experiences with bringing environmental issues into the financial industry), and a dedicated response to the keynote speech by a national authority (providing a practical example of such an achievement). Two consequent dedicated panel sessions will discuss:

- the innovative financing instruments and structures for green infrastructure investments, with participation of: investors, who created such instruments in the past; as well as regulators, CEOs and IFIs, who successfully built capacity for innovative financing instruments to be issued and efficiently developed pipeline of green infrastructure projects;
- building adequate, country-specific roadmaps for sustainable financing in a country, with participation of the governments and professional institutions that built such frameworks in the past.

The event will be a chance to hear the views of practitioners in the field, from investors and experts to government and policy makers, providing a financial, regulatory, and technical viewpoint of the topic.

[4] See more at: http://unepinquiry.org/#sthash.2bv2x7hg.dpuf

Event Agenda

Tuesday 10 May 2016, 11:30–17:30
EBRD building, Room 1, Level 2, 1 Exchange Square, London EC2A 2JN

11:30 – 12:30 Registration and Event Networking Buffet Lunch, Mozart Restaurant, Ground floor, EBRD building.

12.30–12.40 Introductory remarks by EBRD President Sir Suma Chakrabarti

12.40–13.15 Keynote speech: Simon Zadek (UNEP, confirmed): **Bringing Environmental Standards into Financial Industry**

13.15–14.45 Session I: Building Up Supply and Demand: Frameworks for Innovative Financial Instruments and Pipelines of Green Infrastructure Projects

Financial sector in the EBRD region has so far had limited focus on accelerating green infrastructure, mostly because of maturity mismatch in banks' balance sheets. Innovative financial products, including green bonds, may be necessary to overcome financing bottleneck. Their efficient issue, however, requires adequate capacity and reporting capability in the financial industry. The panel will discuss the experience of investors, banks, regulators, and IFIs, who succeeded in creating innovative financial instruments for green infrastructure, and in building up financial sectors' capacity to issue green bonds.

Key questions:

- Are green bonds a way forward in attracting new financing to green infrastructure projects?
- How can banks build sufficient capacity to issue green bonds?
- Which regulatory improvements or industry standards are conducive to sustainable development of green bonds and other innovative instruments? Could emerging IFI standards for *greening* infrastructure investments provide the critical mass needed to tip the balance in favour of green infrastructure?
- What could be the role of IFIs in developing green infrastructure financing?

Panel

Moderator **Thomas Maier**, Managing Director for Infrastructure, EBRD (confirmed)

Panellists **Jeremy Oppenheim**, Managing Partner, SystemiQ (confirmed)
Isabelle Mateos y Lago, Senior Advisor, Blackrock (confirmed)
Sherard Cowper-Coles, Head of Government Affairs, HSBC (confirmed)
Sean Kidney, CEO and Co-Founder of Climate Bonds Initiative (confirmed)
Frédéric Samama, Deputy Global Head of Institutional and Sovereign Clients, Amundi (confirmed)

14.45–15.00 Coffee break

15.00–16.30 Session II: Building Roadmap for Sustainable Financing in a Country

Switching to economic growth that promotes resource, energy, and carbon efficiency and lessens environmental degradation, would require adequate pricing of all risks, including environmental and climate, and their incorporation into the financial sector. This is a comprehensive task that depends on existing capacity, financial industry standards, and regulatory frameworks in each of the EBRD countries. While the roadmap cannot be one-size-fits-all, a comprehensive country-specific solution can benefit from experience of other countries. The panel will provide an overview of the experience in building country-specific roadmaps for sustainable financing in both developed and developing countries with participation of governments and institutions, who built such frameworks in the past.

Key questions:

- Why do countries need a roadmap for sustainable financing and what should it entail?
- Do's and don'ts in using experience of others in defining the roadmap?
- Country roadmaps vs financial industry charters in incorporating and pricing environmental and climate risks? At which level to define standards and who should lead the process?
- Can IFIs help?

Panel Moderator	**Christoph Avenarius**, Director, Reinventing Bretton Woods Committee (confirmed)
Panellists	**Marie-Gabrielle Ineichen-Fleisch**, State Secretary for Economic Affairs Switzerland (confirmed)
	Senior Official, Ministry of Environment, Morocco (TBC)
	Michael Sheren, Senior Bank Advisor, Bank of England, United Kingdom (confirmed)
	Nick Robins, Co-Director, UNEP Inquiry (confirmed)

16:30-17:15 Concluding panel

Panel Moderator	**Mattia Romani**, Managing Director for Economics, Policy and Governance, EBRD (confirmed)
Panellists	**Rolf Wenzel**, Governor of the Council of Europe Development Bank (CEB) (confirmed)
	Werner Hoyer, President of the European Investment Bank (EIB) - (TBC)
	Cyril Muller, Vice President for Europe and Central Asia, World Bank (TBC)

17.15-17.30 Closing remarks: Dr. Hakima El Haite, Minister of Environment – Morocco (TBC)