

SESSION NOTE

Financing Green Projects in Regions and Cities

14 November 2018 | 14:15 - 15:30

Moderator

- Lamia Kamal-Chaoui (Director, OECD Centre for Entrepreneurship, SMEs, Regions and Cities)

Panellists

- Brooke Flanagan (Project Coordinator, Environment, EUROCITIES)
- Nick Godfrey (Director, Coalition For Urban Transitions, World Resources Institute)
- Sean Kidney (CEO, Climate Bonds Initiative)
- Monica Scatasta, (EIB, Head of Environment, Climate and Social Policy)
- Vikram Widge (Global Head, Climate Finance & Policy, International Finance Corporation, IFC)

Cities and regions are essential actors in the global effort to transition towards a low-carbon and climate-resilient society, and particularly to meet the ambitions of the Paris Agreement to limit overall global warming to 1.5 degree Celsius. Subnational governments are major contributors to spending and investment related to climate mitigation and adaptation. A recent study carried out by the [OECD Centre for Entrepreneurship, SMEs, Regions and Cities](#), as part of the [Financing Climate Futures](#) initiative, a joint effort of OECD-World Bank-UN Environment, finds that subnational governments were responsible for 55% of public spending and 64% of public investment in selected sectors that have a direct implication for climate change and the environment over the period 2000-2016 in 30 OECD countries for which data are available.

However, spending and investment in climate-relevant sectors is far from sufficient, given the scale of the climate change challenge. In fact, subnational climate-related *spending* represented just 1.3% of GDP on average over 2000-2016, while subnational climate-related *investment* represented around 0.4% of GDP on average over the same period. With more and more people projected to live in cities in the coming decades and the continuous increased global emissions of greenhouse gases, governments face additional pressures to make smart choices about how they spend (in terms of their purchasing of goods and services) and invest in urban infrastructure.

To address the financing and investment gap, there are a number of ways forward. First, subnational governments need more financial support from the international community and national governments, just as they need to be able to mobilise more of their own revenues to dedicate towards climate priorities, in particular tax revenues, user charges and property income.

At the same time, public funding from central and subnational governments will be insufficient. Private financing must be mobilised to close the infrastructure funding gap. To this end, banks and private institutional investors, such as pension funds and insurance companies, are fundamental actors in supporting the bulk of the transition to low-emission, resilient economies. But the challenges of attracting private investment are significant, in particular at the subnational level, given capacity constraints and lack of creditworthiness of subnational governments. There are, however, a number of potential instruments that could be activated to mobilise private finance in support of urban greening and to align private investment with policy priorities. These include, for example, green and climate

bonds, public private partnerships at subnational level, equity funds and other mechanisms to pool financing opportunities.

This panel will focus on the best use of public funds for mobilising private sector investments in key areas for green cities. It will explore the roles of relevant actors in urban infrastructure finance and possibilities for financing cross-sector project, among other topics.

Useful Links

- OECD (forthcoming), “Financing climate objectives in cities and regions to deliver sustainable and inclusive growth”, Key messages: www.oecd.org/cfe/Financing-Climate-Flyer.pdf
- OECD, UN Environment, World Bank (forthcoming), *Financing Climate Futures: Rethinking Infrastructure*, Key messages: www.oecd.org/environment/cc/climate-futures/key-messages-financing-climate-futures-flyer.pdf
- OECD (2018), *Subnational governments in OECD countries: Key data*. www.oecd.org/regional/regional-policy/Subnational-governments-in-OECD-Countries-Key-Data-2018.pdf.
- OECD (2017), *Investing in Climate, Investing in Growth*, OECD Publishing, Paris. <http://dx.doi.org/10.1787/9789264273528-en>
- OECD/IEA and IRENA (International Renewable Energy Agency) (2017), *Perspectives for the Energy Transition: Investment Needs for a Low-Carbon Energy System*, OECD/IEA and IRENA, www.energiawende2017.com/wpcontent/uploads/2017/03/Perspectives-for-the-Energy-Transition_WEB.pdf.
- OECD (2017), *Green Growth in Cebu, Philippines*
- OECD (2016), *Urban Green Growth in Dynamic Asia*
- OECD (2014), *Recommendation of the OECD Council on Effective Public Investment Across Levels of Government*, <http://www.oecd.org/effective-public-investment-toolkit/recommendation-effective-public-investment-across-levels-of-government.htm>
- OECD (2010), *Cities and Climate Change*, OECD Publishing. <http://dx.doi.org/10.1787/9789264091375-en>
- Bloomberg/OECD (2014), *Policy Highlights: Cities and Climate Change National Governments Enabling Local Action*, OECD & Bloomberg Philanthropies, Paris, <https://www.oecd.org/env/cc/Cities-and-climate-change-2014-Policy-Perspectives-Final-web.pdf>.
- Godfrey, N and Zhao, X. (2016), *Financing the Urban Transition for Sustainable Development: Better Finance for Better Cities*, Contributing paper for *The Sustainable Infrastructure Imperative: Financing for Better Growth and Development*. New Climate Economy, London and Washington, DC. <http://newclimateeconomy.report/workingpapers/wp-content/uploads/sites/5/2016/12/NCE-Urban-finance.pdf>
- IPCC (2018), *Global Warming of 1.5°C: Summary for Policymakers*, IPCC., <http://www.ipcc.ch/report/sr15/>
- New Climate Economy (2016), *The Sustainable Infrastructure Imperative – Financing for Better Growth and Development*, Global Commission on the Economy and Climate.