MOBILISING PRIVATE INVESTMENT IN SUSTAINABLE TRANSPORT:

The case of land-based passenger transport infrastructure

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Why transport?
Closing the emission gap

GHG emissions projection – 2010-2050

- Outlook Baseline
- 450 ppm Core

3-6°C by 2100
2°C by 2100

Source: OECD Environment Outlook to 2050

Risk of lock-in of future emissions
Delay is expensive. Need to act now!
Why transport?
The emission gap

**CO₂ emissions from energy and industry to 2050, baseline**

Emissions from transport will double between now and 2050 in the absence of additional policy action.

Source: OECD Environment Outlook to 2050
Why transport?
The specific challenge of cities

Shift investments to avoid urban sprawl
Strategies to reduce GHG emissions from transport

**Baseline**

- **Avoid**
  - Land use planning, development around railways corridors, bike lanes

- **Shift**
  - Parking management, public transport systems

- **Improve**
  - Vehicle charging infrastructure

**Objective**

Mainstream resilience

Scale-up and shift investments in supporting infrastructure to induce behavioural change
Barriers to private sector engagement

• Lack of project opportunities
  • Climate agenda is rarely the driver of transport projects

• Insufficient returns
  • High capital upfront, relatively low returns
  • Less profitable than fossil fuel based alternatives (low price on externalities)
  • Public good
  • Non monetized benefits not captured by private investors

• Higher risks
  • Multiple partners, complex projects, contractual risks
  • Long development timelines, exposure to policy risk

• Availability of finance
  • New financial regulations restrain the availability for long term capital
Applying the five-point policy checklist to land-based passenger transport infrastructure

**What role for governments?** Achieving social, economic and environmental goals while improving the risk-return profile of projects for the private sector

1. Reform policies to improve the risk-return value proposition
2. Leverage public sources of finance to mobilise the private sector
3. Redistribute costs and benefits across actor groups

Source: Corfee-Morlot et al. 2012 forthcoming
Integrate co-benefits in transport infrastructure planning

1. Strategic goal setting

- Accessibility
- Affordability
- Road safety

- Congestion cost
- Energy security

- Local air quality

- GHG emissions
- Climate change adaptation
1. Policy alignment

- Integrate land-use and transport planning
- Coordinate multiple stakeholders
Carbon pricing strategies
(important though not sufficient)

Need other policy instruments:

- Reform of fossil fuel subsidies
- Congestion charges
  (e.g. Singapore’s Electronic Road Pricing; London’s Congestion Charging; Stockholm)
- Regulatory instruments
  (e.g. fuel economy standards)
Innovative financial instruments

- Public-private partnerships (PPPs)  
  \textit{(e.g.} Arlanda Express, Stockholm\textit{)}
- Land value capture tools  
  \textit{(e.g.} Copenhagen Ørestad metro\textit{)}
- Grants, loans and loan guarantees
- Green bonds and credit enhancement  
  \textit{(e.g.} EU 2020 Project Bond Initiative for TEN-T\textit{)}

Transitional support:

- Infrastructure funds or banks  
  \textit{(e.g.} urban transport funds, India\textit{)}
- Short-run subsidies  
  \textit{(e.g.} For EV charging infrastructure\textit{)}
Harness resources and build capacity

- Foster innovation with R&D
  (e.g. for EV charging infrastructure)
- Training and human capacity:
  (e.g. building institutional investors’ capacity; regulatory experience with PPPs)
- Building capacity for assessment, M&E and enforcement
- Climate risk and vulnerability assessment
  (e.g. Climate risk screening tools)

Promote green business and consumer behaviour

- Information, education and public awareness policies
Conclusion: Integrate instruments within a coherent strategy and policy mix

Examples:

- Pricing instruments + public awareness campaigns (to increase political acceptance)
- Pricing instruments + land-use planning (to increase effectiveness; need to ensure sustainable transport alternatives are available for users to respond to price signal change)
- PPPs + regulatory framework + capacity building (to increase effectiveness)
- Concessional finance + strategic goals setting for sustainable transport
Conclusion: Integrating financing strategies upfront

**CAPITAL EXPENDITURES (CAPEX)**

- Technology
  - Concessionary; soft loans, grants, tax credits
- Infrastructure (rehabilitation and new)
  - Debt (including refinancing for brownfield)
  - Equity

**OPERATING EXPENDITURES (OPEX)**

- Administrative
- Maintenance
- Operations
- Financial costs
- Subsidies
- Taxes and land value capture
- User charges
- International carbon finance
Questions

• How to tailor and prioritise the elements of the policy framework for a specific country context?

• What are the key enablers and success factors?

• What can be scaled-up and replicated in other contexts?
Thank you!

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