GOVERNMENT INTERVENTIONS TO MOBILISE PRIVATE INVESTMENTS IN GREEN INFRASTRUCTURE

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Expert Meeting, EaP Green Programme

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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

1. Strategic goal setting and policy alignment
2. Enabling policies and incentives for LCR investment
3. Financial policies and instruments
4. Harness resources and build capacity for an LCR economy
5. Promote green business and consumer behaviour

Source: Corfee-Morlot et al., 2012.
Are governments sending the right signals?


- **$17 bn**
  Government R&D on renewables & energy efficiency

- **$82 bn**
  Renewables subsidies globally (in 2012)

- **$22 bn**
  Government R&D to fossil fuels

- **$55-90 bn**
  Fossil fuel support, developed countries

- **Over $30 bn**
  Company car & parking tax benefits, OECD countries

- **$544 bn**
  Fossil fuel consumption support, developing & emerging economies
## The OECD Policy Guidance for Investment in Clean Energy Infrastructure

<table>
<thead>
<tr>
<th>Policy areas</th>
<th>Questions/issues for policy makers consideration</th>
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</table>
| **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                                                                 |
Average effective carbon prices in the electricity sector, by instrument category, EUR_{2010} per tonne CO_{2}
PFIs: 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 (≠ North/South flows)

• Renewable energy, energy efficiency and sustainable transport
PFIs and low-carbon investments: Three principal roles

<table>
<thead>
<tr>
<th>Role</th>
<th>Functions</th>
<th>Tools and instruments</th>
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<tbody>
<tr>
<td>Facilitate access to capital</td>
<td>• Long-term capital provider</td>
<td>- Concessional and non-concessional lending</td>
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<tr>
<td></td>
<td>• Facilitate access to private capital</td>
<td>- Intermediated “on-lending”</td>
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<tr>
<td></td>
<td></td>
<td>- Equity investment</td>
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<td>- Regional &amp; international climate funds</td>
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<td></td>
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<td>- Public private partnerships</td>
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<td>Reduce risk</td>
<td>• Risk sharing</td>
<td>- Guarantees</td>
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<td></td>
<td>• Credit enhancement</td>
<td>- Junior debt / Mezzanine financing</td>
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<td>- Structured finance</td>
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<td>- Layered fund structures</td>
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<td>- Public private partnerships</td>
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<td>Fill the capacity gap</td>
<td>• Aid project development</td>
<td>- Technical assistance</td>
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<td></td>
<td>• Reducing project risks</td>
<td>- Capacity building</td>
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<td>- Data tools, information tracking</td>
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“Green investment banks”

– Several created since 2011 (UK GIB, Green Fund (Japan), Green Fund (South Africa), GreenTech Malaysia, NY Green Bank, Masdar (UAE))

– Public entity created to “crowd-in” domestic private investments in low-carbon, climate-resilient (LCR) infrastructure (esp. clean energy)

– Wide range of instruments and interventions

• Exchange information and lessons learned

• June 12-13 (invitation only)
Thank you!

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