Seminar Agenda
28-29 June 2018

OECD Boulogne
46 Quai Alphonse le Gallo
92100 Boulogne-Billancourt
The Financing Climate Futures Project

The Paris Agreement on climate commits the international community to “holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change”. In meeting this commitment, there is a recognition of the need to make “finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development” (article 2.1c). Many countries are implementing ambitious climate strategies, but the incomplete data that we have available indicates that infrastructure investment, and financial flows more broadly, remains both insufficient and poorly aligned with climate goals.

The OECD, World Bank and UN Environment are joining forces on the “Financing Climate Futures: Rethinking Infrastructure” initiative in order to better understanding how financial flows can be made consistent with the goals of the Paris Agreement and what steps can be to progress towards this objective.

The initiative has been launched with the support of the German government in response to the mandate under the 2017 Hamburg Action Plan of the German G20 presidency that “…invit(ed) the OECD, UNEP and the World Bank to compile ongoing public and private activities within the G20 for making financial flows consistent with the Paris goals and, building on this, to analyze potential opportunities for strengthening these efforts and present this analysis in 2018.”

This cross-cutting analysis will identify the recommendations that have the potential to help the different financial actors move beyond an incremental approach to the low-carbon transition towards the transformational agenda needed for decisive action. The final report is to be launched in the margins of the UN General Assembly meeting in September 2018 in New York.

The 28-29 June Seminar

Held under the Chatham House Rule¹, the seminar will provide a forum to discuss important policy reforms needed to align financial flows with low-emissions, climate-resilient pathways, based on preliminary findings from the Financing Climate Futures project.

The seminar, by invitation only, will bring together financial experts from public and private institutions, including long-term investors, policy makers (from finance and environment ministries), climate negotiators and development finance institutions.

¹ Participants are free to use the information received, but neither the identity nor the affiliation of the speakers, nor that of any other participant, may be revealed.
The seminar aims to:

- Increase awareness of the role, opportunities and challenges faced by different actors within the finance community – public and private;
- Discuss barriers to the alignment of financial flows identified by the project to date, as well as opportunities and challenges created by innovative technologies, business models and financing tools;
- Identify major priority policy options to resolve misalignment issues and facilitate a coherent approach to aligning financial flows with climate goals;
- Identify any areas that may require further inquiry.

The seminar will feature moderated panels with interactive discussions framed around the following questions:

- What are the most important policy recommendations that could help us deliver on Article 2.1c in the short term? In the longer term?
- What are the main barriers for implementation? What are the main drivers of success?
- Where and by whom is this being discussed or taken forward? Which fora could benefit from enhanced co-operation?
## AGENDA OVERVIEW

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Contact: [ClimateFutures@oecd.org](mailto:ClimateFutures@oecd.org) | Twitter: @OECD_ENV
Financing Climate Futures
RETHINKING INFRASTRUCTURE

ANNOTATED AGENDA
Thursday, 28 June 2018

09:00 – 09:30 Registration

09:30 – 09:45 Introductory remarks
Virginie Marchal (Project Coordinator, Financing Climate Futures, OECD)

09:45 – 10:45 Financing climate futures: Where are we?
Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development (Article 2.1c of the Paris Agreement) is essential to deliver on climate objectives, and future global well-being. Governments are now facing an urgent, fundamental choice: the type of infrastructure investment decision they make today will either further lock economies and behaviours into greenhouse-gas-intensive systems for decades to come, or avoid the worst of climate risks.

Many countries are already implementing strong climate policies to adjust the risk and return of investment opportunities in green infrastructure projects. However, infrastructure investment and financial flows more broadly are insufficient and remain poorly aligned with climate goals. Countries are only making incremental progress towards greening financial flows.

This session will take stock of progress to date, on-going initiatives and remaining barriers towards scaling-up and shifting investment to low-emission, resilient infrastructure. It will also discuss the challenge of getting the measure of success right in the absence of clear definitions, scarce data and unclear targets towards which measuring progress.

Questions for discussion include:

• How to track and measure the alignment of financial flows with the Paris Agreement?
• What is the progress to date towards the scale-up and shift of financial flows towards low-emission, resilient infrastructure?
• What are the emerging innovative initiatives, approaches or financial tools that enable investment in low-emission infrastructure?
• What are the remaining barriers to date that are hampering a radical reallocation of capital toward low-emission, resilient infrastructure?

Presenter and moderator
• Simon Buckle (Head, Climate Change, Biodiversity and Water Division, Environment Directorate, OECD)
Speakers

- Steve Hammer (Advisor, Global Partnerships and Strategy, Climate Change, World Bank)
- Iain Henderson (Head of International Cooperation, UN Inquiry, UN Environment)
- André Laboul (Senior Counsellor, Directorate for Financial and Enterprise Affairs, OECD)

10:45 – 11:00
Coffee break

11:00 – 12:15
Scenarios for climate futures: Where do we want to go?

Rapid technological, economic and societal change are generating high uncertainty around a number of variables that could impact climate change mitigation and adaptation efforts in coming decades. These potential changes and disruptions could create new opportunities and challenges for achieving climate goals and must be taken into account in making infrastructure investment decisions today. While climate models are the best available tools today to inform low-emission futures, they are sometimes poorly equipped to account for unexpected shocks. Foresight methodology provides a complementary perspective by constructing multiple plausible futures to inform decision-making under uncertainty.

The purpose of the session is to explore how we can best grapple with uncertainty about the future in the context of making policy decisions about infrastructure investment in order to better achieve global climate goals.

The panel will explore the following questions:

- Identifying key uncertainties and implications
  - What key uncertainties or potential disruptions do you see that could impact the demand or supply of infrastructure in coming years?
  - What new opportunities or challenges could these changes create for making infrastructure investments decisions today that advance global climate goals?

- Accommodating uncertainty in policy-making
  - What barriers exist to anticipating and preparing for uncertainty to inform decision-making on climate and infrastructure investments?
  - What approaches could help decision-makers better understand uncertainty and take it into account?

Moderator

- Duncan Cass-Beggs (Strategic Foresight Counsellor, Office of the Secretary-General, OECD)
Discussants

- Laura Cozzi (Head, Energy Demand Outlook Division, IEA)
- Stephen Perkins (Head, Research & Policy Analysis Division, International Transport Forum)
- Shardul Agrawala (Head, Environment and Economy Integration Division, Environment Directorate, OECD)
- Michael Mullan (Economist & Policy Analyst, Climate Change Adaptation, Environment Directorate, OECD)

12:15 – 13:30 Lunch break

How do we get there?

13:30 – 15:00 Transform the financial system to mobilise private investment

Private capital is needed at a new scale and speed to finance the infrastructure systems for the low-carbon transition. Long-term investment, in particular, will be required and is essential for the scaling up of low-emission infrastructure. Yet, investors will not invest in a particular asset just because it is green, a proper balance between risk and return is essential.

Policy makers must address how to overcome the gap in supply of investable projects as well as how improve investor demand through de-risking, improved disclosure and new instruments. The lack of an infrastructure project pipeline is often identified as one of the biggest barriers for investors to better align their investment with the climate objectives of the Paris Agreement. Governments have a clear role to play to send clearer long-term signals regarding infrastructure planning.

A number of efforts are underway led by investors, governments and civil society to improve the data, benchmarks and metrics for infrastructure investment. Derisking offerings such as insurance, guarantees, and public co-investment are expanding. New instruments such as green bonds and funds are also creating new ways to invest. This session will discuss how we can enhance the ambition of existing efforts while also expanding the scope of action to support a transformational shift in the financial system.

Questions for discussion include:

- What should governments be doing to support a faster scale-up of private investment in infrastructure?
- How can we improve climate risk disclosure and valuation across investors?
- What are the key capacity gaps and how can governments and investors work together to overcome them?
- How can behavioural biases such as short-termism be addressed? How could we rethink performance measures to align with sustainability and the objectives of the Paris Agreement?
15:00 – 15:15 Coffee break

15:15 – 16:45 Reshape development finance and development finance institutions (DFIs)

While many different actors will need to be mobilised to help address the sustainable infrastructure challenge, development banks — multilateral, bilateral and national — will be critical. These institutions are already scaling up their green and climate finance activities, and are introducing approaches to mobilise private investment. But for these banks to be truly transformational, they need to play a much greater role in unlocking private capital, and need strong mandates, supported by institutional and incentive structures that enable the scaling up of support for climate-related investments. Concessional climate finance also remains a driver of climate action in development banks. This session will discuss the main actions that need to be taken at an international level to enable development banks to move from incremental to transformative climate action.

Questions for discussion include:

- What are some examples of how development banks’ climate action can help transform countries’ development pathways?
- What change is needed in mandates and incentive structures within development banks to enable greater mobilisation of commercial finance for climate investments?
- Are development banks’ approaches — financing tools, average ticket sizes, risk management approaches — fit for purpose in supporting a range of low-carbon and climate-resilient investments (e.g. energy efficiency, climate-proofing)? Where are the gaps?
- What are the main actions shareholder governments take to address some of the barriers development banks face in scaling up climate action?
Many cities are faced with managing complex fiscal realities, operating in a context of fiscal tension due to their financial and urban management expenditures which often outweigh their operating revenues and levels of revenue generating autonomy. Subnational governments, that is, cities and regions, account for an increasing share of public expenditures, carrying out 40% of total public spending and 60% of public investment in OECD countries; and globally, sub-national governments represent 24% of public spending and 39% of public investment. The anticipated USD 90 trillion to be invested in infrastructure in the next 15 years, combined with the necessity to respond to climate change, means that cities and regions must mobilise resources and respond to these looming global trends. Cities also have a lot to lose due to climate change. Climate-related events, such as storms, droughts, and heat waves, put residents, the local economy, and social cohesion at risk; they also has the ability to entrench and exacerbate existing inequalities. The right set of investments for a low-carbon transition are important to the success and fiscal health of any city.

Questions for discussion include:

- Why are cities essential when it comes to financing climate change response?
- What are innovative approaches that cities are taking that are making a difference to the global climate change action movement?
- What are barriers that cities are facing when it comes to financing their climate change related activities?
- What are the current opportunities cities are leveraging to address inclusive growth and climate change in tandem?
Governments have significant influence over carbon emissions through their budgetary and fiscal processes. Tax systems, including tax expenditures and subsidies, affect a host of economic choices with implications on energy and other GHG-related activities. For example, tax and tax expenditures on energy – such as carbon pricing initiatives and fossil fuel subsidies – can greatly influence energy-related CO₂ emissions. Beyond these direct effects, other tax provisions can direct expenditures and choices towards fossil-fuel-intensive activities. Very often, a combination of incentives and tax provisions can also lock-in energy-intensive practices, with negative impacts on the effectiveness of climate policies. Governments, with their significant public procurement expenditures, can also impact climate with their infrastructure decisions and through funding innovation.

The transition to a low-carbon economy generates also fiscal sustainability issues, as the carbon entanglement of government revenues will be a major political economy and macroeconomic constraint on the ability of governments to wean themselves off fossil fuel dependency.

“Green budgeting” – the use of budgetary and fiscal policy to further environmental objectives in a whole-of-government approach – is therefore central to meeting our climate goals. The objective of this session is to discuss new, innovative tools to assess and drive improvements in the alignment of national expenditure and revenue processes with climate and other environmental goals.

Questions for discussion include:

- Why greening revenues and expenditures is central to the low-carbon transition?
- What is the progress to date for approaches for green budgeting? What are the main remaining barriers (e.g. information gaps, capacity gaps, carbon entanglement)?
- What are some approaches to overcoming barriers to a holistic approach for green budgeting?

Keynote

- Isabell Koske (Deputy Director, Country Study Branch, Economic Department, OECD)

Moderator

- Simon Buckle (Head, Climate, Biodiversity and Water Division, Environment Directorate, OECD)

Speakers

- Juliane Jansen (Policy Analyst, Budgeting and Public Expenditures Division, Public Governance Directorate, OECD)
- Céline Ramstein (Climate Change Specialist, World Bank Group)
- Benoît Leguet (Managing Director, I4CE)
- Ron Steenblik (Senior Counsellor, National Resources Policy Division, Trade and Agriculture Directorate, OECD)
- Nathalie Girouard (Head of Division, Environmental Performance and Information, OECD)
10:45 - 12:00  The power of planning: Long-term strategies and Article 2.1c

Session in partnership with 2050 Pathways Platform

The Paris Agreement invites countries to “formulate and communicate long-term low greenhouse gas emission development strategies, mindful of Article 2(...)” (article 4.19). Long-term strategies can be formidable tools for governments and non-state actors to create consensus on the direction of travel of their economies, provide long-term signals to markets and to inform near-term policy and investment decisions. A small yet rapidly growing number of countries have published or launched work on their long-term strategy. As it is still early days in the elaboration of long-term strategies, this session provides an opportunity to exchange on how they can best serve the purpose of aligning finance with the Paris Agreement.

Questions for discussion include:

- How do development banks and private investors view the role of countries’ long-term strategies in guiding their engagement in countries?
- What information should be included in long-term strategies to provide a credible direction of travel to public and private investors?
- How are countries elaborating their long-term strategies and harnessing this process to align finance?

Moderator  
- Richard Baron (Executive Director, 2050 Pathways Platform)

Respondents  
- Helena Wright (Senior Policy Advisor, E3G)
- Lola Vallejo (Climate Programme Director, IDDRI)
- Damien Navizet (Head, Climate Division, AFD)

12:00 – 13:00  Towards a roadmap to deliver on Article 2.1c

The closing session will take stock of the main lessons learned during the workshop, and discuss the potential elements of a roadmap to align financial flows with a low-emission future.

Moderator  
- Anthony Cox (Acting Director, Environment Directorate, OECD)

Rapporteur  
- Virginie Marchal (Project Coordinator, Financing Climate Futures, OECD)

Discussants  
- Steve Hammer (Advisor, Global Partnerships and Strategy, Climate Change, World Bank)
- Iain Henderson (Head of International Cooperation, UN Inquiry, UN Environment)
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