How are we to unlock private investment in support of green growth?

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1. Stimulate private investment in general

Investment (and real interest rates) low

Uncertainty high

2. Increase credibility of green policies

- Policies need to be ‘long, loud and legal’
- UK example:
  - Good:
    - Climate Change Act 2008
    - Independent Committee on Climate Change
    - Long-term targets
  - Not so good:
    - Electricity market reform uncertainty
    - Small-scale FITs
    - Overlapping policies
3. Get (carbon) prices right

Prices very uneven across sectors

Figure 1.12: Carbon price in the EU ETS

EU ETS price too low

Figure E5.1: Implicit carbon prices (£/tCO₂e) by end-user and fuel type, 2013 and 2020

Sources: Committee on Climate Change; CCCEP/IFS
4. Promote low-carbon innovation

Top 15 inventors, with average % of total climate related inventions (1980-2007 and 2002-2007)

<table>
<thead>
<tr>
<th>Country Rank</th>
<th>Average % of world's inventions</th>
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<th>Average % of world's inventions</th>
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Total | 88.6% | 87.4%

Source: Dechezleprêtre and Martin (2010)

Need for both R&D and experience

Source: DECC
5. Improve financial intermediation

UK Green Investment Bank set up 2012 as PLC owned by government

Our proposition

- We have £3.8bn of capital to invest, provided by the UK Government
- We expect to commit this capital by March 2016
- We have the ability to structure products across the capital structure, from senior debt to equity
- We deal on commercial terms; GIB does not provide grants, ‘soft capital’, regional assistance or development capital
- Investment must be additional. Our involvement must be necessary for the project to go ahead. We aim to crowd-in other private sector capital

First year:
- GIB £635m
- Private £1600m

Source: GIB