

OECD GREEN INVESTMENT FINANCING FORUM (GIFF)

Lessons from established and emerging green investment bank models

12-13 June 2014 | OECD Headquarters, Paris, France | Conference Centre Room 12

Agenda

This forum organised by the OECD aims to promote dialogue and enhance understanding between a wide range of countries and institutions interested in mobilising private investment financing for low carbon and climate-resilient (LCR) infrastructure. Choices made today about the types, features and location of long-lived infrastructure will determine the extent and impact of climate change and the vulnerability or resilience of societies to it.

The focus of this forum will be on “green investment banks” (GIBs). In recent years, at least a dozen special-purpose GIBs have been established. These are domestically-focused public institutions that use limited public capital to leverage or “crowd-in” private capital, including from institutional investors, for LCR infrastructure investment. Green investment banks are making their place within a broader ecosystem of domestic and international institutions engaged in catalysing private and institutional investment in LCR infrastructure. Such institutions include broader-scoped international financial institutions (including multilateral development banks and bilateral development banks), climate investment funds, national development banks and other public finance institutions, as well as investment and commercial banks which traditionally play a key role in providing asset finance for LCR infrastructure.

The forum will take stock of green investment banks, and examine what they do, the reasons for their establishment, what they have in common, and how they vary. Each session will commence with a moderated discussion among panellists and then discussion will be opened to the floor to allow all participants to ask questions and exchange views. The forum will also examine how GIBs are working to mobilise capital specifically from institutional investors (a deep pool of global capital that is in theory available for long term investment but is in practice only flowing in small amounts to LCR infrastructure). GIBs can be a useful tool for governments to mobilise domestic private capital, including from institutional investors. As they are being used in different ways in different country settings, their varying operational models and focuses suggest a potential for their adaptation and replication at the national and sub-national level.

To structure the forum and benefit from the wisdom of previous research efforts, the OECD¹ is partnering with the UK Green Investment Bank (which has ongoing plans to convene GIBs to share information), both universities that have been actively researching GIBs (Oxford University & Yale University) and the Coalition for Green Capital. A background note for the forum will be provided.

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Academic Partners



Yale Center for Business and the Environment

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¹ The Secretariat would like to thank Japan for their financial support for the activities of the Environment Directorate on “Public Policies for Facilitating Green Long-Term Infrastructure Investment”.

AGENDA

12 June, Thursday

12:00-12:30 Registration

12:30-13:15 Lunch and welcoming remarks [*Room Roger Ockrent, Château de la Muette*]

- The Rt. Hon. Simon Upton, Director, OECD Environment Directorate

13:30-13:45 Introductory remarks and scene setting [*Room CC12*]

- Mr. Rintaro Tamaki, Deputy Secretary General and Chief Economist *ad interim*, OECD
- Mr. Reed Hundt, Chairman, Coalition for Green Capital

13:45-14:30 Session 1: The rationale for green investment banks [*Room CC12*]

- Moderator: The Rt. Hon Simon Upton, Director, OECD Environment Directorate
- Panellists: H.E. Mr. Nick Bridge, UK Ambassador to the OECD; Mr. Alfred Griffin, President, NY Green Bank (via teleconference); Mr. Ahmad Hadri Haris, CEO, Malaysian Green Technology Corporation; Dr. Kazuhiro Okuma, Director, Environment and Economy Division, Ministry of the Environment, Japan

This introductory session will discuss different rationales that have been used by governments for establishing GIBs. There is no “one-size-fits-all” model for a GIB. They can be replicated in and adapted to different countries, at the national and sub-national level, and with a range of objectives. Governments’ motivations for creating GIBs vary, and include governments’ views on the obstacles to and need for scaled-up private finance and investment in LCR infrastructure. In some cases, policymakers have also emphasised factors such as local and regional development, global competitiveness, energy security, infrastructural resilience, and job creation as important rationales for establishing a GIB.

Proposed Discussion Question:

- *How do governments view the mission of GIBs and their role in the low-carbon transition?*

14:30-16:00 Session 2: The business models of green investment banks [*Room CC12*]

GIBs themselves have their own perspectives on their mission, rationale and business models. The stated goals of GIBs include substantially increasing the amount of private capital leveraged by public investment, promoting greater market self-sufficiency for green investment, and lowering the costs of capital for green investment. While some institutions focus on providing concessional financing, others emphasise the need to maintain financial sustainability and profitability. In terms of sectoral coverage, there are some institutions which target a broad range of sectors beyond clean energy and energy efficiency. Within their target sectors, GIBs vary in the way they approach technological risk and types of technologies they target.

- Presentation: Mr. Rob Cormie, Chief Operating Officer, UK Green Investment Bank
- Moderator: Mr. Kenneth Berlin, President and CEO, The Climate Reality Project
- Panellists: Mr. Alfred Griffin, President, NY Green Bank (via teleconference); Mr. Ahmad Hadri Haris, CEO, Malaysian Green Technology Corporation (GreenTech Malaysia); Mr. Bert Hunter, Chief Investment Officer, Connecticut Green Bank; Ms. HyunJung IM, Director, Environmental Economy Office, Korea Environmental Industry and Technology Institute (KEITI); Mr. Douglass Sims, Director of Strategy and Finance, Center for Market Innovation, Natural Resources Defense Council *on behalf of the California Green Bank Initiative* (via teleconference); Mr. Takejiro Sueyoshi, CEO, Green Finance Organisation, Japan

Proposed Discussion Questions:

- *What are the different business models of GIBs?*
- *What sectors, technologies and investors do GIBs target?*

16:00-16:30 Coffee Break

16:30-18:00 Session 3: Setting up and operating a green investment bank

- Moderator: Prof. Gordon L. Clark, FBA, Professor and Director, Smith School of Enterprise and the Environment, University of Oxford
- Panellists: Mr. Rob Cormie, Chief Operating Officer, UK Green Investment Bank; Mr. Alfred Griffin, President, NY Green Bank (via teleconference); Mr. Ahmad Hadri Haris, CEO, Malaysian Green Technology Corporation (GreenTech Malaysia); Mr. Bert Hunter, Chief Investment Officer, Connecticut Green Bank; Ms. HyunJung IM, Director, Environmental Economy Office, Korea Environmental Industry and Technology Institute (KEITI); Mr. Douglass Sims, Director of Strategy and Finance, Center for Market Innovation, Natural Resources Defense Council *on behalf of the California Green Bank Initiative* (via teleconference); Mr. Takejiro Sueyoshi, CEO, Green Finance Organisation, Japan

GIBs have distinct models and organisational histories, but a number of GIBs have emerged as part of a consolidation of existing clean energy or green investment programs. Green investment banks can be capitalised directly by governments. However, many other alternative sources of government funding have been used, or have been proposed as sources of GIB funding. Some GIBs are also interested in using debt capital markets as a source for continued fundraising as national and multilateral development banks do through a treasury function. Most GIBs are led by a CEO or president who typically has significant financial market experience. Traditional elements of corporate governance such as a governing board of directors and board sub-committees are common among GIBs. Although many GIBs grew out of existing funds or programs, new boards have been created to reflect the mission of these new institutions. Operational GIBs tend to publish annual reports and reviews that are publically available online. Some institutions, such as Connecticut's green bank, also commission independent outside reviews and audits of their operations.

Proposed Discussion Questions:

- *What are the options and challenges in establishing and capitalising a GIB?*
- *How have they handled such operational aspects as administrative configuration, leadership, governance and reporting, and independence from government decision-making?*

18:00-20:00 Reception [*Room Roger Ockrent, Château de la Muette*]

9:30-10:15 Presentation to OECD Ambassadors and staff by the Honorable Al Gore [Room CC1]

- Former U.S. Vice President Al Gore will deliver a presentation on a climate change-related topic to OECD Ambassadors and staff. GIFF participants are very welcome to attend. Registered GIFF participants will be able to use their GIFF badge to attend Mr. Gore's speech. Please show your badge at Door 5 of Room CC1 and you will be guided to a designated seating area for GIFF participants.

10:15-10:30 Coffee break [Room CC12]

- Please return to your seat in Room CC12 quickly, as Mr. Gore's opening address will begin promptly at 10:30.

10:30-10:45 Opening address for the second day of the Green Investment Financing Forum by the Honorable Al Gore [Room CC12]

- Mr. Gore will provide opening remarks to the GIFF on green investment banks in the context of the need to finance the transition to a low-carbon economy.

10:45-12:00 Session 4: Activities of green investment banks and perspectives from other institutions [Room CC12]

- Moderator: Dr. Juan Yermo, Senior Advisor to the OECD Secretary-General
- Panellists: Mr. Rob Cormie, Chief Operating Officer, UK Green Investment Bank; Ms. Hela Cheikhrouhou, Executive Director, Green Climate Fund (via teleconference); Mr. Thierry de Longuemar, Vice President, Finance and Risk Management, Asian Development Bank; Mr. Pierre Ducret, Chairman and CEO, CDC Climat; Mr. Michael Eckhart, Managing Director, Global Head of Environmental Finance, Citi Corporate and Investment Banking; Mr. Terry McCallion, Director for Energy Efficiency and Climate Change, EBRD; Mr. Christopher Knowles, Head of Division, European Investment Bank; Mr. Takejiro Sueyoshi, CEO, Green Finance Organisation, Japan

Depending on the types of private investment that they seek to mobilise and their operational philosophy, green investment banks can use diverse methods to mobilise financing for LCR infrastructure. For example, there are several practical financing tools available that can be used to leverage private investment, such as debt, equity, mezzanine capital, and grants. GIBs have considered in varying degrees issuing fixed income instruments (e.g. green bonds) on the capital markets and undertaking or supporting securitisation (i.e., the process of transforming illiquid or small scale financial assets into tradable products). GIBs have considered aggregation techniques to bundle small-scale projects, and also have made use of on-bill financing, financing through tax payments, leasing, credit enhancements, loan-loss reserve funds, and guarantees. Such instruments have also been used by other institutions -- including multilateral development banks, bilateral development banks, climate investment funds, national development banks, and investment and commercial banks -- which have a wealth of experience and perspectives to share with GIBs.

Proposed Discussion Questions:

- *What instruments, vehicles, structuring and product design techniques, tools and interventions could be used and how successful have they been?*
- *What perspectives on mobilising private climate finance and investment can established public institutions and commercial and investment banks provide to GIBs?*

12:00-13:15 Lunch

13:15-14:30 Session 5: Mobilising capital from institutional investors: opportunities and challenges for green investment banks [Room CC12]

- Moderator: Mr. André Laboul, Head, OECD Financial Affairs Division
- Presentation: Mr. Tom Murley, Director, Head of the Renewable Energy Investments, HgCapital
- Panellists: Mr. Matt Christensen, Global Head of Responsible Investment, AXA IM Paris; Mr. Rob Cormie, Chief Operating Officer, UK Green Investment Bank; Mr. Michael Eckhart, Managing Director, Global Head of Environmental Finance, Citi Corporate and Investment Banking; Mr. Christopher Knowles, Head of Division, European Investment Bank; Ms. Simone Ruiz, Head of Climate Advisory and Policy, Allianz Climate Solutions GmbH; Mr. Jeffrey Schub, Vice President, Coalition for Green Capital

Institutional investors are a potential source of alternative capital for domestic LCR investment. In OECD countries alone, these investors manage USD 83 trillion of assets and often seek long-term and low risk investments. Institutional investors also allocate significant amounts of capital domestically. Creating attractive opportunities for institutional investors to collaborate with the public sector to finance LCR infrastructure is therefore essential. GIBs are looking to engage these investors as the deepest and most accessible pool of global capital for capital-intensive projects in varying degrees. Their interest in engaging institutional investors is sometimes explicitly referenced and other times implied. GIBs have engaged with institutional investors through taking cornerstone stakes in funds or vehicles that attract pension and insurance capital, providing debt financing, and issuing green bonds or designing products that have stable long-term cash flows that will be attractive to long-term institutional investors.

Proposed Discussion Questions:

- *What are the options and considerations for GIBs to engage with and mobilise capital from institutional investors?*
- *What specific interventions have been successful and what policy underpinnings and interactions are needed to build confidence from long term investors?*

14:30-14:45 Coffee break

14:45-16:00 Session 6: GIBs and domestic policy frameworks for green investment: future prospects [Room CC12]

- Moderator: Mr. Anthony Cox, Deputy Director, OECD Environment Directorate
- Panellists: Dr. Irfa Ampri, Director of Centre for Climate Change Financing and Multilateral Policy, Ministry of Finance, Indonesia; Mr. Giles Dickson, VP Environmental Policies & Global Advocacy, Alstom; Ms. Susanne Dorasil, Head, Division “Sustainable Economic Policy; Financial Sector”, German Federal Ministry for Economic Cooperation and Development (BMZ); Mr. Reed Hundt, Chairman, Coalition for Green Capital; Mr. Nikolaus Schultze, Assistant Director-General, Public-Private Cooperation, Global Green Growth Institute (GGGI); Mr. Enrique Angel Nieto Ituarte, Director of Sustainable Projects, NAFINSA, Mexico; Ms. Stacy Swann, Senior Advisor, Climate Finance, U.S. Department of the Treasury

Green investment banks have the potential to be an effective tool to facilitate a transition to a low-carbon and climate resilient economy, but cannot achieve their expected policy objectives in the absence of policies and policy frameworks to facilitate low-carbon, climate-resilient infrastructure investment and shift to and scale-up such investment. Policy makers play a vital role in building the institutional framework to promote green infrastructure investments, as enabling conditions necessary for mobilising private climate finance and investment. This session will discuss how domestic policy frameworks and GIBs inter-relate, how GIBs can serve as a means to leverage and enhance the power of domestic policy frameworks to unlock private capital for investments in LCR infrastructure, and what factors (including policy frameworks) could make a GIB model appropriate for a particular country.

Proposed Discussion Questions:

- *How do GIBs' activities reflect and enhance domestic policy frameworks to mobilise private climate finance and investment?*
- *What are the factors that will determine whether a particular GIB model is a good potential fit for a particular country?*
- *What are the prospects for future developments for GIBs globally?*

16:00-16:10 Summary and closing remarks

- Mr. Robert Youngman, Principal Policy Analyst, Climate Finance & Investment, OECD

16:10 Meeting adjourns