

SEMINAR SERIES: MANAGING ENVIRONMENTAL AND ENERGY TRANSITIONS FOR REGIONS AND CITIES

SEMINAR 5: Financing environmental and energy transitions for regions and cities: creating local solutions for global challenges

18 October 2019; 9:30 - 17:00

OECD Headquarters, Chateau, Room E, 2 rue André Pascal, 75016 Paris

Background

Preparing regions and cities for the circular economy and for the goal of net zero carbon emissions will require large amounts of investment in innovation, the large-scale deployment of innovative solutions, infrastructure and the habitat alike. Regions and cities already play a particularly large role in this context: more than half of environmental and climate-related spending, and roughly two-thirds of environmental and climate-related investment comes from subnational governments (OECD, 2019). However, overall spending levels are still way below what will be required. Significant increases in public and private sector resources are needed for successful environmental and energy transitions, particularly as the share of environmental and climate-related spending and investment is very low relative to GDP in OECD countries (ibid). In addition to sufficient financing, the transition requires many new solutions that often go beyond technological innovation and include social innovation, new business models, behavioural changes and new governance approaches. At the same time, transition requires stakeholder engagement at all levels of government: we need local solutions to the global challenges. These are best generated with governance that engages all actors, including the private sector, empowers them and creates ownership.

Public finance, however, will not be sufficient to enable the climate and energy transitions; the private sector must also be fully involved. Sustainable finance represents currently a small part of the global private finance. The integration of non-financial indicators in investing practices is key to support the transitions. It also requires to shift from a short-term maximisation profit paradigm to a long-term value creation paradigm. The roles of the central and subnational governments are key to initiate, support and coordinate private investments with the right incentives.

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Main topics

The seminar will explore to which extent sustainable transitions can and should be financed in cities and regions. Themes that will be explored in the seminar include:

- Limitation of nowadays finance theory and models to encompass the subnational level.
- New valuation techniques and internalisation of societal and environmental externalities.
- Different types of sustainable finance, Environmental, Social and Governance (ESG) factors, impact investing and value creation.
- Initiating and coordinating role of the national government to set the regulations and to subsidise the early-stage technologies and sector with positive societal/environmental impacts.
- Adaptation of old financial instruments such as equities, bonds and bank loans but also public-private partnerships and regional development funds.
- Development of new instruments such as green bonds and green venture capital.
- Methodologies to measure subnational green finance to assess the progress of cities and regions towards the Paris Agreement.

Questions to address: Financing environmental and energy transitions for regions and cities

- What is the best way to ensure that sufficient resources are available for cities and regions to achieve a successful environmental and energy transition?
- Are there specific challenges to experimentation, its scale-up and deployment related to the environment and energy transition?
- To what degree should financing solutions be tailored to the specific characteristics of cities and regions?
- What is the role of innovative financing? How can the use of external finance, in particular borrowing, bonds and green bonds, be extended?
- How can better policy alignment and collaborative action between national and subnational governments be fostered for effective climate investment?
- How can we learn from experiments and how can such learning be shared?