

SESSION NOTE

Green finance and investment in cities

25 October 2017 – 14:00 – 15:20

Delivery of the Paris Agreement and the Nationally Determined Contributions (NDCs) requires investment in green, low-carbon and climate-resilient (LCR) infrastructure at volumes well above current levels, estimated at around USD 3.4–4.4 trillion globally per year. The latest figures from the OECD Investing in Climate, Investing in Growth report (OECD, 2017a) suggest that global annual investment of around USD 6.9 trillion over the period 2016 to 2030 may be necessary to put emissions on a pathway in line with a 2°C scenario. The significant investment volumes required to deliver these national low-carbon NDCs means urgent progress is needed to design, develop and deliver effective pipelines of green infrastructure projects. Indeed, project pipelines are often recommended as a way forward, particularly pipelines of bankable projects, but little work has been done to investigate how governments could/should design such pipelines and what good practices exist.

This panel highlights initial findings from a new OECD report on the topic, notably: what pipelines mean to the various actors involved, what characteristics can be used to evaluate them, what emerging good practices can be taken from existing approaches, and what needs to happen now to build pipelines in support of the NDCs. The panel discussion brings together experts from public and private spheres and to inform on the potential need to move away from project-by-project approaches to infrastructure investment towards a broader more holistic view that utilises policy tools like prioritisation of important projects, preparation facilities to help bring projects to a ‘bankable’ status, infrastructure hubs or champions, and catalytic funding.

Initial analysis from the OECD (introduced in opening remarks) suggests that the following may be important: having a clear leader/champion to centralise coordination and manage the process (e.g. an infrastructure hub), strong enabling environment (e.g. policies aligned across the economy including financial support where necessary), encouraging private sector buy-in and the effective use of catalytic funds, transparency of the process, prioritisation mechanisms to fast track projects of the ‘highest value’ (e.g. determined in an unbiased way), and/or an initiative (e.g. if a valued project requires additional technical expertise or other support). It is important to better understand what needs to happen now in order for these pipelines to support the NDCs, allowing for increased ambitions but avoiding unsustainable infrastructure lock-in and stranded assets.

Useful links

- Godfrey, N and Zhao, X. (2016), Financing the Urban Transition for Sustainable Development: Better Finance for Better Cities, Contributing paper for The Sustainable Infrastructure Imperative: Financing for Better Growth and Development. New Climate Economy, London and Washington, DC.
<http://newclimateeconomy.report/workingpapers/wp-content/uploads/sites/5/2016/12/NCE-Urban-finance.pdf>.

- New Climate Economy (2016), the Sustainable Infrastructure Imperative – Financing for Better Growth and Development, Global Commission on the Economy and Climate.
- OECD Centre on Green Finance and Investment: www.oecd.org/cgfi/.
- OECD (2017), *Investing in Climate, Investing in Growth*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264273528-en>.
- OECD (2017), *Green Growth in Cebu, Philippines*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264277991-en>.
- OECD (2016), *Urban Green Growth in Dynamic Asia*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264266360-en>.
- OECD (2014), Recommendation of the OECD Council on Effective Public Investment across Levels of Government, www.oecd.org/effective-public-investment-toolkit/recommendation-effective-public-investment-across-levels-of-government.htm.
- OECD/IEA and IRENA (International Renewable Energy Agency) (2017), *Perspectives for the Energy Transition: Investment Needs for a Low-Carbon Energy System*, OECD/IEA and IRENA, www.energiewende2017.com/wpcontent/uploads/2017/03/Perspectives-for-the-Energy-Transition_WEB.pdf.