



# MOBILISING PRIVATE INVESTMENT IN SUSTAINABLE TRANSPORT:

*The case of land-based passenger transport infrastructure*

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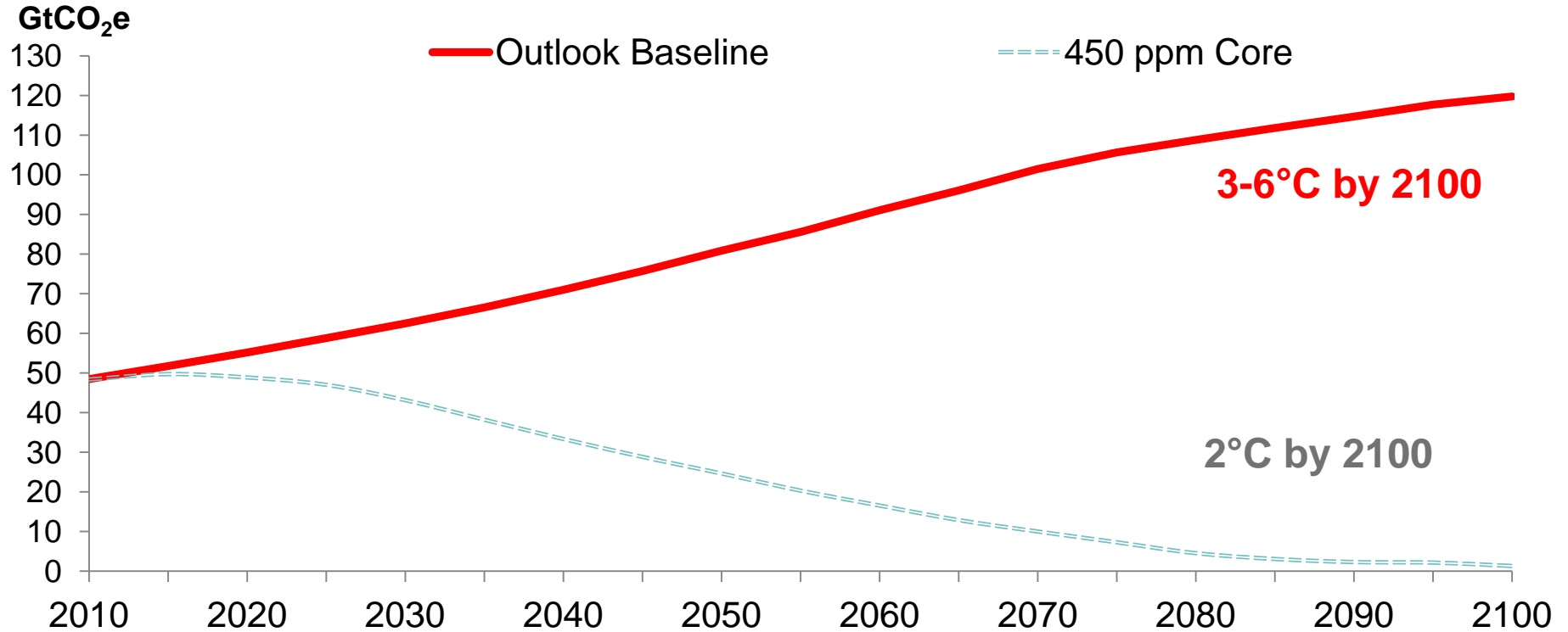
Roundtable Discussion on “Mobilising Private Investment  
in Low-Carbon, Climate-Resilient Infrastructure”  
OECD Conference Centre, Paris

25 September, 2012



# Why transport? Closing the emission gap

## GHG emissions projection – 2010-2050



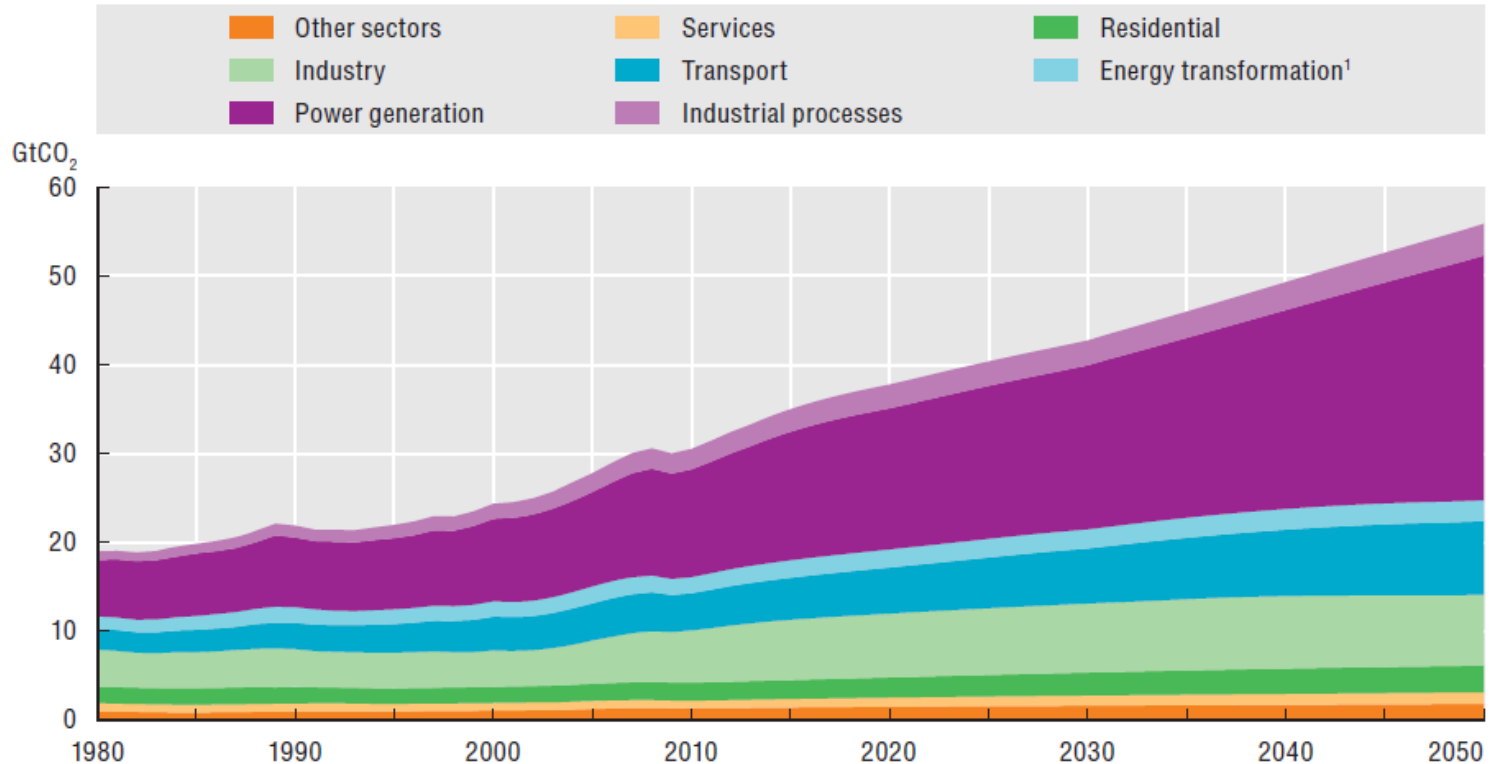
Source: OECD Environment Outlook to 2050

Risk of lock-in of future emissions  
Delay is expensive. Need to act now!



# Why transport? The emission gap

## CO<sub>2</sub> emissions from energy and industry to 2050, baseline



1. The category “energy transformation” includes emissions from oil refineries, coal and gas liquefaction.

Source: OECD Environment Outlook to 2050

Emissions from transport will double between now and 2050 in the absence of additional policy action



# Why transport? The specific challenge of cities



Jakarta



Los Angeles



Tokyo



Lagos

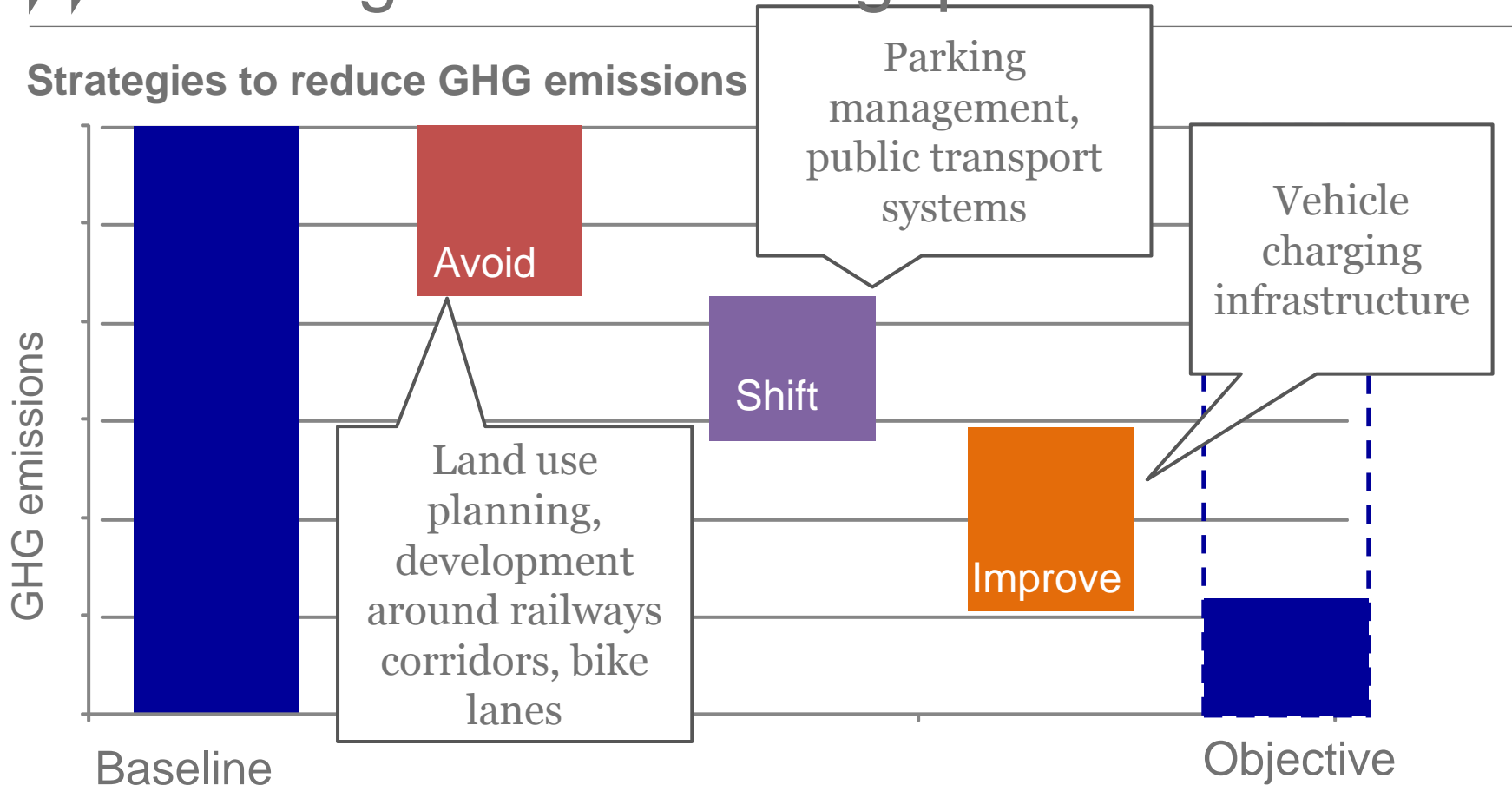
Shift investments to avoid urban sprawl



# Why transport?

## Closing the emission gap

### Strategies to reduce GHG emissions



Mainstream resilience

Scale-up and shift investments in supporting infrastructure to induce behavioural change



# Barriers to private sector engagement

- **Lack of project opportunities**

- Climate agenda is rarely the driver of transport projects

- **Insufficient returns**

- High capital upfront, relatively low returns
- Less profitable than fossil fuel based alternatives (low price on externalities)
- Public good
- Non monetized benefits not captured by private investors

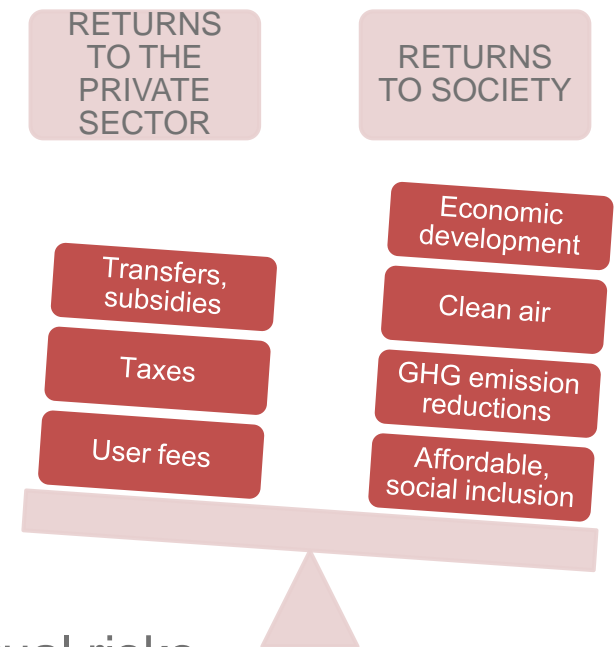
- **Higher risks**

- Multiple partners, complex projects, contractual risks
- Long development timelines, exposure to policy risk

- **Availability of finance**

- New financial regulations restrain the availability for long term capital

## Need to distribute costs and benefits across actor groups

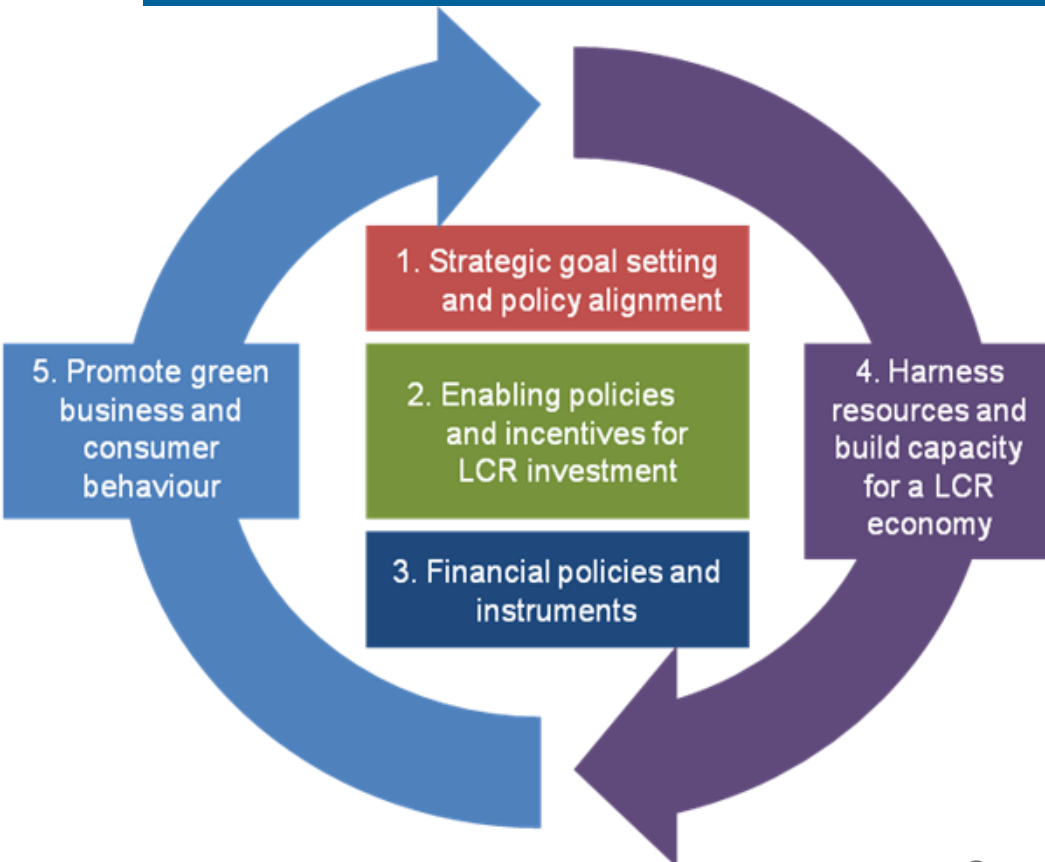






# Applying the five-point policy checklist to land-based passenger transport infrastructure

**What role for governments?** Achieving social, economic and environmental goals while improving the risk-return profile of projects for the private sector

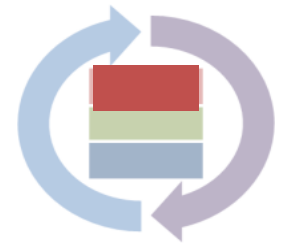


1. Reform policies to improve the risk-return value proposition
2. Leverage public sources of finance to mobilise the private sector
3. Redistribute costs and benefits across actor groups

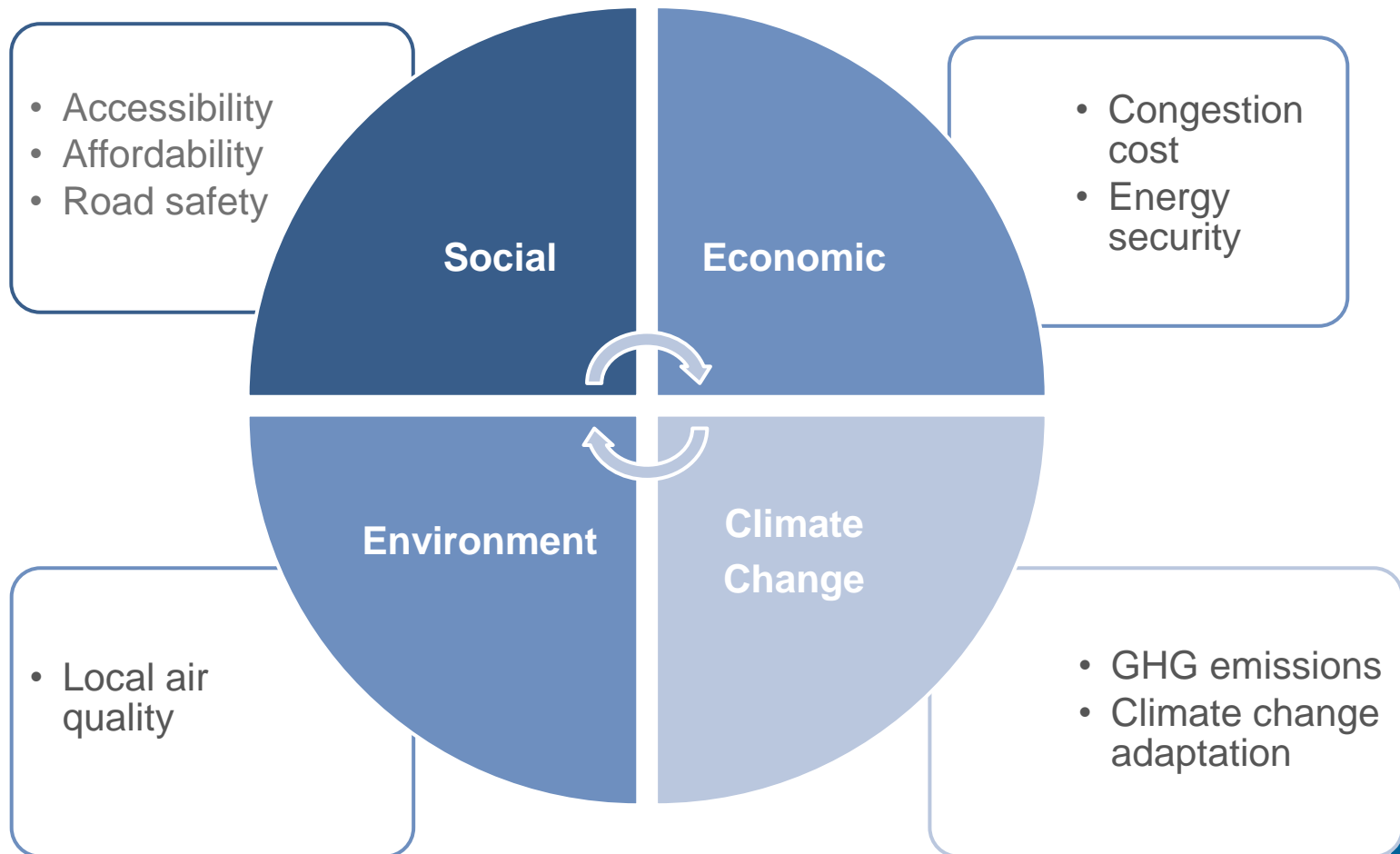


# What are the priorities for...

## 1. Strategic goal setting



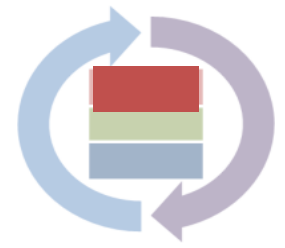
➔ Integrate co-benefits in transport infrastructure planning







# 1. Policy alignment

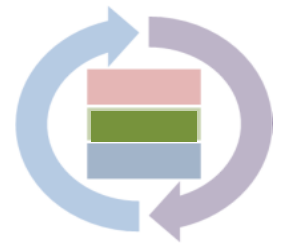


- ➔ Integrate land-use and transport planning
- ➔ Coordinate multiple stakeholders





## 2. Enabling policies and incentives



➔ Carbon pricing strategies  
(important though not sufficient)

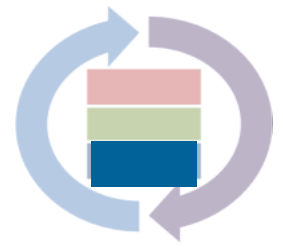
➔ Need other policy instruments:

- Reform of fossil fuel subsidies
- Congestion charges  
(e.g. Singapore's Electronic Road Pricing;  
London's Congestion Charging; Stockholm)
- Regulatory instruments  
(e.g. fuel economy standards)





## 3. Financial policies and instruments



### ➔ Innovative financial instruments

- Public-private partnerships (PPPs)  
(e.g. Arlanda Express, Stockholm)
- Land value capture tools  
(e.g. Copenhagen Ørestad metro)
- Grants, loans and loan guarantees
- Green bonds and credit enhancement  
(e.g. EU 2020 Project Bond Initiative for TEN-T)



### ➔ Transitional support:

- Infrastructure funds or banks (e.g. urban transport funds, India)
- Short-run subsidies (e.g. For EV charging infrastructure)



## Other priorities



### ➔ Harness resources and build capacity

- Foster innovation with R&D  
(e.g. for EV charging infrastructure)
- Training and human capacity:  
(e.g. building institutional investors' capacity; regulatory experience with PPPs)
- Building capacity for assessment, M&E and enforcement
- Climate risk and vulnerability assessment  
(e.g. Climate risk screening tools)

### ➔ Promote green business and consumer behaviour

- Information, education and public awareness policies



# Conclusion: Integrate instruments within a coherent strategy and policy mix

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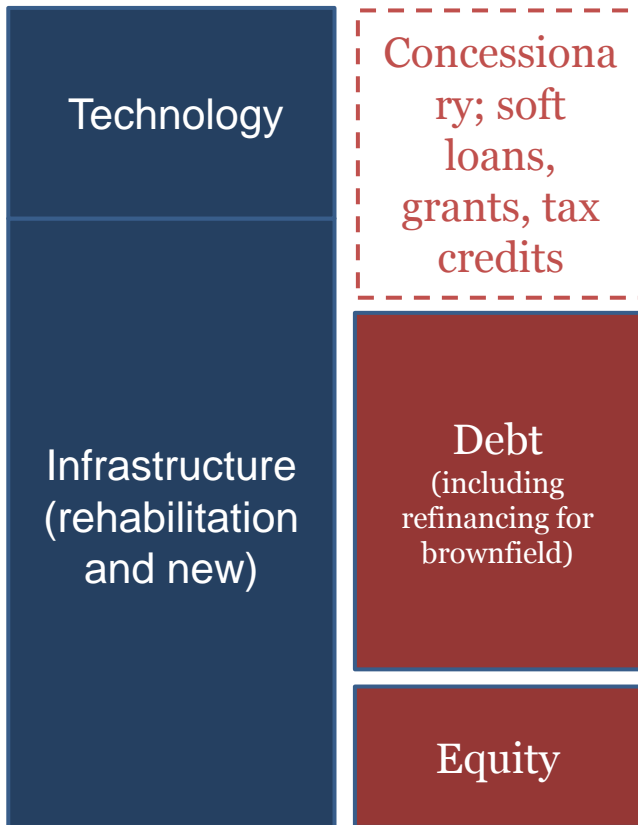
## Examples:

- Pricing instruments + public awareness campaigns  
(to increase political acceptance)
- Pricing instruments + land-use planning  
(to increase effectiveness; need to ensure sustainable transport alternatives are available for users to respond to price signal change)
- PPPs + regulatory framework + capacity building  
(to increase effectiveness)
- Concessional finance + strategic goals setting for sustainable transport

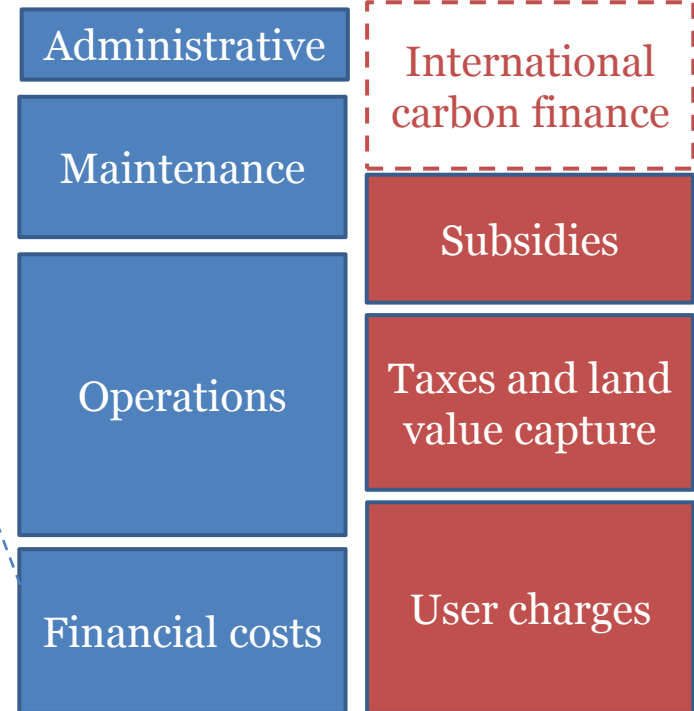


# Conclusion: Integrating financing strategies upfront

## CAPITAL EXPENDITURES (CAPEX)



## OPERATING EXPENDITURES (OPEX)





## Questions

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- How to tailor and prioritise the elements of the policy framework for a specific country context?
- What are the key enablers and success factors?
- What can be scaled-up and replicated in other contexts?





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Thank you!

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