

# Green Infrastructure Investment Coalition

Investors + Public Sector + Development Banks

## Multi-trillion dollar investor coalition backs green investment platform

At the UN Climate Conference last year, investors representing some \$43 trillion of assets under management signed statements about the importance of acting quickly on climate change. They also said they stand ready to invest in climate solutions, with insurers specifically aiming to multiply by 10 their climate related investments by 2020<sup>1</sup>.

Investors representing \$2.6 trillion AUM specifically undertook to work with the Climate Bonds Initiative to grow a vibrant green bonds market<sup>2</sup>.

Clearly, capital is available to invest.

From the institutional investor perspective, what's missing are available investible propositions suitable to their needs.

Many governments are well advanced in developing domestic green investment plans. Now they need investment.

### Objectives

The aim of the Coalition is to bring together investors, governments and development banks to help increase the flow of institutional investor capital to green infrastructure investments around the world.

Participants want to:

- Better understand the forward pipeline of green infrastructure investments.
- Examine barriers to capital flows and propose solutions
- Shape the capital market instruments needed to ensure capital flows.

The Coalition will also support investors to review asset allocation strategies to make sure they will be able to take advantage of the huge deal flow on the horizon.

### Participation

Coalition members are investors, government and development banks. Investment banks will participate as observers and facilitators.

### Activities

The primary activity of the Coalition will be to hold roundtables to find out about and discuss government green investment plans, including specific pipelines being developed by individual agencies such as State energy and rail companies.

## Coalition Organisers



→ **The Climate Bonds Initiative** is an investor focused NGO working to mobilize debt capital markets for green investments.



→ **The Principles for Responsible Investment** represent investors with assets under management of US\$60 trillion.



→ **The International Cooperative and Mutual Insurance Federation** represents insurers around the world with assets under management of US\$9 trillion.



→ **The UNEP Inquiry** brings together regulators, central banks, governments and institutional investors to examine how to align the financial system with sustainable development.

## Coalition Members

The following organizations have confirmed participation:

**The Institutional Investor Group on Climate Change** is a network of +110 pension funds & asset managers in Europe, representing EUR11 trillion.



**The European Investment Bank** is the European Union's nonprofit long-term lending institution and the world's largest international financing institution.



**Legal & General Investment Management** is one of Europe's largest asset managers, with total assets of USD 1.1 trillion.



**IDBI** (formerly Industrial Development Bank of India) is a government-owned bank with a balance sheet of USD53bn.



**AB** is a global investment-manager with USD464 billion under management.



**FICCI** is the largest business organisation in India, representing over 2,50,000 companies.



**India's Export Import Bank** supports green projects across Southern Asia and Africa.



**Pax World Management** is a US fund manager with an Environmental, Social and Governance focus.



**The Regions20 Coalition** works to help sub-national governments to develop low-carbon and climate resilient economic development projects.



**The National Institute of Public Finance & Policy** is a leading Indian think-tank for governments.



**Mirova** is a French based asset management firm dedicated to responsible investment.



**This brochure is an open invitation to organisations working to deliver green investment plans, and to investors, to join this Coalition.**

### Sectors to be represented:

- Government agencies responsible for green infrastructure development
- Renewable energy and rail agencies

- National development banks
- Commercial banks working to deliver national policy objectives
- National Green Bond Market Development Committees, for example in Brazil, Mexico, India, California
- Institutional investors around the world.

## Coalition activities

A key task for them will be to look for ways to bridge risk gaps to ensure investment profiles can meet the needs of institutional investors.

Meetings will be held in a neutral location.

Test fora were held in October in Lima, at the IMF/World Bank October meeting, and at the London Stock Exchange for prospective Chinese issuers of green bonds. Roundtables are now being planned for India, Mexico and Indonesia.

The intention is for the Coalition to provide an ongoing platform for close interaction between governments, development banks and the world's largest investors.

Roundtables will be supported with:

### 1. Information

- Mapping DFI offerings around green investment.
- Directories of recent and available deals.
- Profiles of investment managers & intermediaries managing investments.
- Review of infrastructure deals by governments to identify deal attributes and participating investors.

Help will be provided to countries to develop green investment plans needed to meet their Intended Nationally Determined Contributions (INDCs).

### 2. Climate Finance Aggregation Platform

In collaboration with UNDP and the Inter-American Development Bank, a project to support green securitization efforts in emerging markets will be announced at the Paris COP.

The aim will be to tap low-cost capital from bond markets for green lending to villages, local communities, home owners and small business.

### 3. Green Bond Market Development

In some countries and regions Green Bond Market Development Committees are being set up to bring together investors, development banks, government finance officials, commercial banks and potential issuers. They serve as local education platforms, vehicles to promote best practice and forums to provide policy advice to governments. Committees have been set-up, or are in the process of being set up, in India, Mexico, Turkey, Canada, California and Brazil. The Committees will be represented in the Coalition, and serve as local venues for Coalition work.



### 4. Launch of Guide for Governments

A *Guide for Scaling-up Green Bond Markets for Sustainable Development* will be released for the Coalition's launch.

The Guide will be published jointly by the Climate Bonds Initiative and the UNEP, with input from the OECD.

The Guide will offer a range of options for building green bond markets, which will help policymakers, regulators and public financial institutions meet their investment targets for climate action and environmental protection.

The Guide comes with a special supplement on *Key Building Blocks of Bond Market Development*, prepared by the World Bank.

#### For more information:

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## A Multi-Trillion Dollar Challenge

According to the *New Climate Economy*, the global economy will require about US\$90 trillion in infrastructure investments by 2030.

Low-carbon and climate resilient infrastructure includes clean energy; low-carbon transport, such as railways, urban metros and electric vehicles; low-emission buildings, both new and retrofitted; and water infrastructure<sup>3</sup>.

Despite the urgent need to build this infrastructure, investment needs are not being met. Funding for infrastructure globally is around US\$5 trillion each year: only 7-13% of those projects are estimated to be low-carbon and designed to deal with the extra impacts of a changing climate<sup>4</sup>.

Shifting infrastructure to being *low-carbon* and *climate-resilient* will require more investment upfront, but lower ongoing investment requirements.

The higher capital nature of low-carbon investments means that, in high interest rate emergent markets, the cost of capital has a significant impact on the economic viability of low-carbon projects<sup>5</sup>. Because of the vast scale of their growth plans, they are the very markets that most urgently need to be able to choose green.

The investment challenge of building green infrastructure cannot be met with public sector funds and bank finance alone.

Even in China, the government recognizes that public funds will only cover 10-15% of

green investments required over the next years: they need to tap both international capital and domestic savings<sup>6</sup>.

New sources of capital need to be tapped. Tapping bond markets will be an important strategy of raising lower cost capital.

Institutional investors, including pension funds and insurance companies, who have US\$93 trillion of assets under management in OECD countries alone<sup>7</sup>, have a role to play to provide the necessary capital<sup>8</sup>.

Green bonds offer one way to leverage their capital for investment in assets in the real economy.

1. Insurance sector announcement at UN Climate Summit 2014. <https://www.icmf.org/news/insurance-industry-double-its-climate-smart-investment-end-2015>.

2. <http://www.climatebonds.net/get-involved/investor-statement>

3. The Global Commission on the Economy and Climate.

(2015) *Seizing the Global Opportunity*. Available at <http://2015.newclimateeconomy.report>

4. In constant 2010 dollars The Global Commission on the Economy

and Climate. (2014) *Better Growth, Better Climate: The New Climate Economy Report*. [www.newclimateeconomy.report](http://www.newclimateeconomy.report).

5. For example, reducing the cost of capital in India to the levels available in US or Europe could reduce project costs for renewable energy projects by as much as 32%. Source: Nelson, D. and G. Shrimali (2014). *Finance Mechanisms for Lowering the Cost of Renewable Energy in Rapidly Developing Countries*. Climate Policy Initiative

6. The People's Bank of China and UNEP Inquiry into the Design

of a Sustainable Financial System (2015): *Establishing China's green financial system. Final Report of the Green Finance Task Force*. April 2015.

7. Data on assets under management in 2013. *Mapping channels to mobilize institutional investment in sustainable energy*. OECD (2015)

8. Canfin and Grandjean (2015): *Mobilizing climate finance: a roadmap to finance a low-carbon economy*. Final report of the French Presidential Commission on Innovative Climate Finance chaired by Pascal Canfin and Alain Grandjean.