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Investment works 1948-2018

Financing the transition to net zero and resilient development

Amal-Lee Amin

2nd April

2015 Milestone Agreements: a new global agenda

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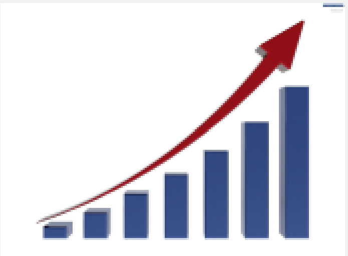

Boost global demand and activity in the short-term and lay foundations for sustained long-term **growth**.

Implement the **Sustainable Development Goals** through inclusive growth and access to basic services.

Cut **emissions** to achieve net zero by 2050, and increase **resilience & adaptation**.

Sustainable infrastructure is at the heart of solutions to all three.

Sustainable Infrastructure: opportunities & challenges

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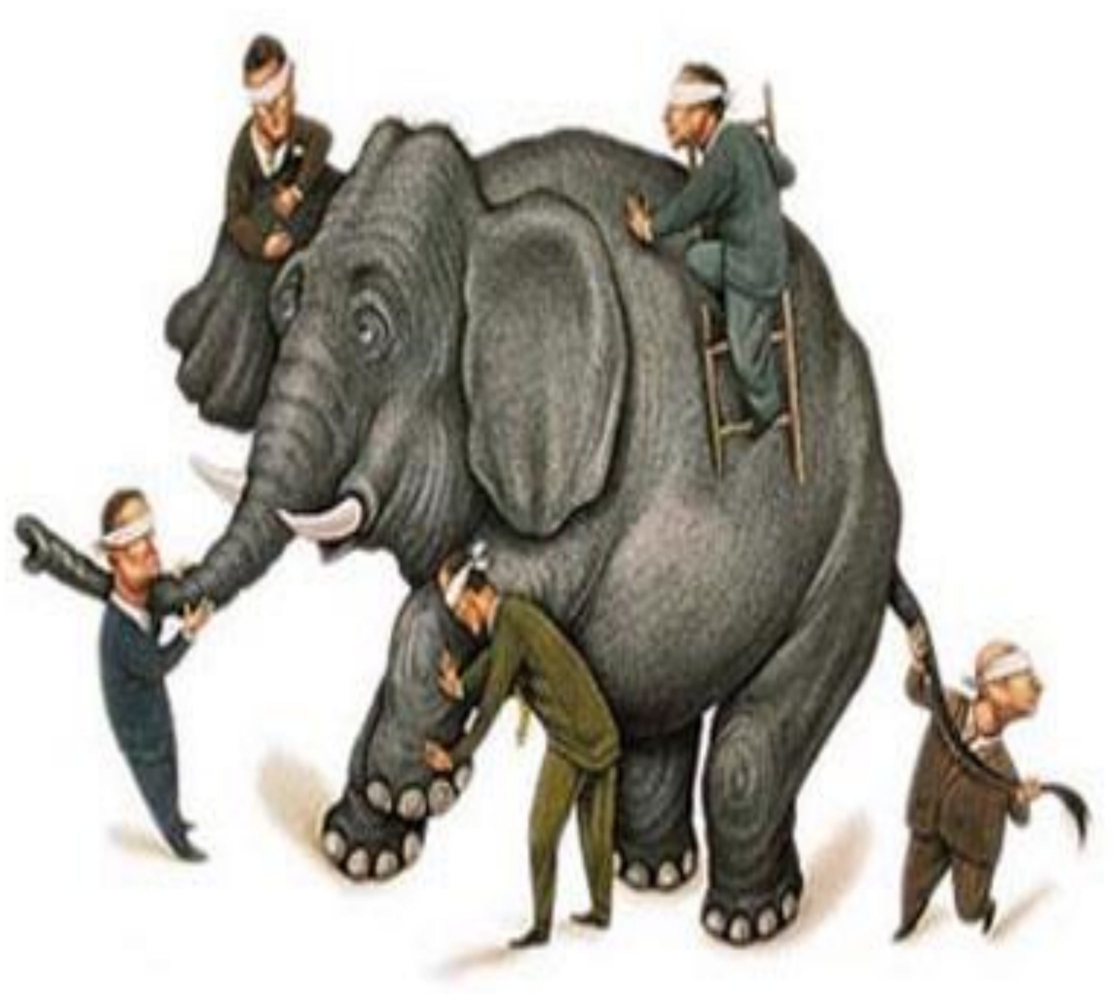
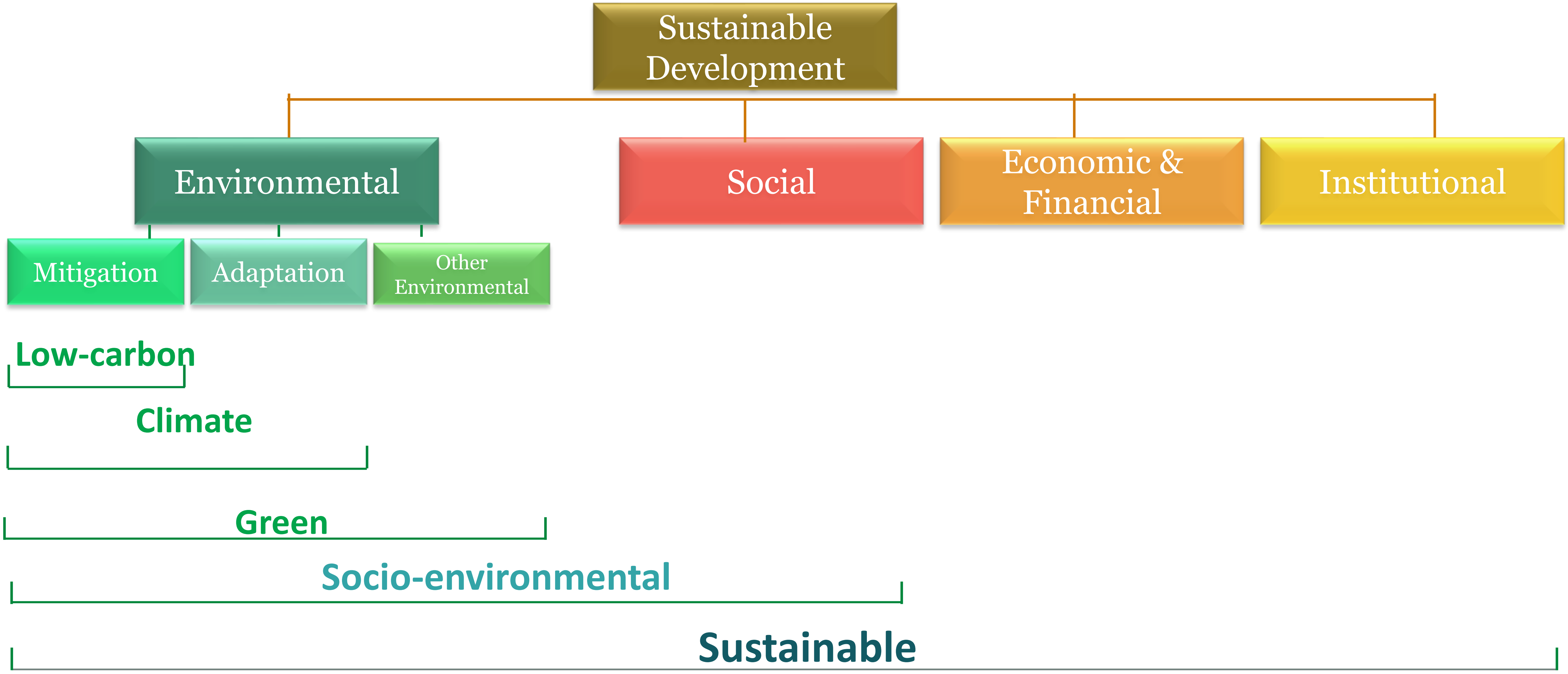
- Cumulative infrastructure investment requirements are significant (~$90T over the next 15 years)
- Incorporating sustainability considerations
  - Costs more now but long-term gain
  - Critical to delivering **both** the SDGs & Paris Agreement
- Government budgets are too constrained to fill this gap
- More private sector investment required, though barriers exist, including as relates to uncertainty

*One challenge is to understand what is meant by **Sustainable** Infrastructure*



Sustainable = Low Carbon + Climate + Green ++



Modified from: UNEP Inquiry, Definitions and Concepts: Background Note, 2016

Both public and private finance will be critical

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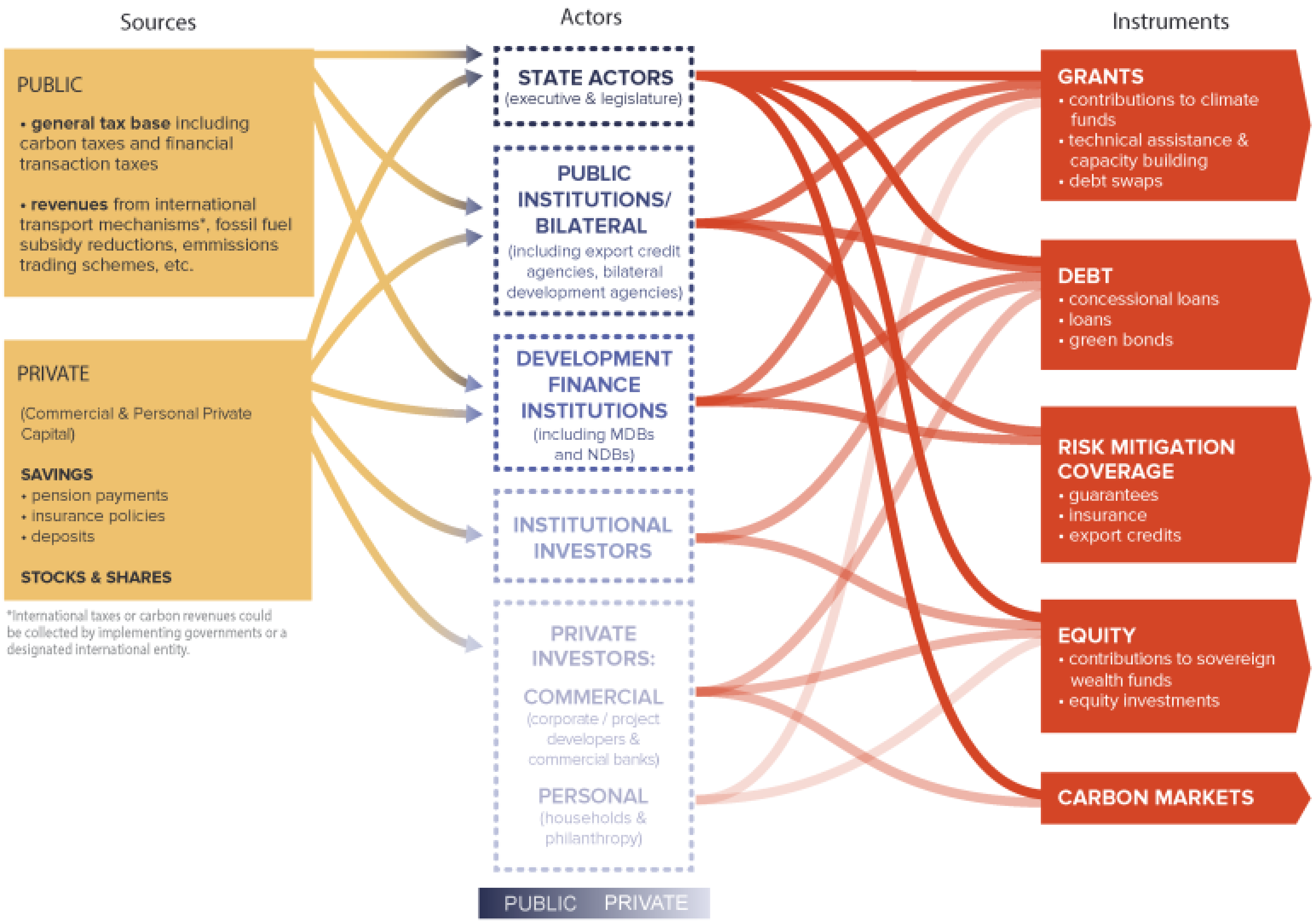

Source: Global Commission on the Economy and Climate, 2016, based on CPI and CICERO, 2015.

THE NEW CLIMATE ECONOMY
The Global Commission on the Economy and Climate

Barriers and solutions: mobilizing private capital

Barriers

		Blackrock	MIRA	Ashmore	AIMCo	Allianz	Bradesco	BlueEarth	OTPP	CPPIB	Average
1	**Unfavourable and uncertain regulations and policies**										**2.7**
2	Lack of transparent project pipelines.										2.2
3	Lack of viable funding models and inadequate risk adjusted returns										2.1
4	High development and transaction costs										1.9

Solutions (possible actions by development banks)

		Blackrock	MIRA	Ashmore	AIMCo	Allianz	Bradesco	BlueEarth	OTPP	CPPIB	Average
1	**Deliver better project preparation and pipeline development**										**2.7**
2	Greater use of use of guarantees or other credit enhancement tools										2.3
3	Use development capital to finance sustainability premiums										2.1
4	Increase syndication of loans that finance SI projects										1.7

Not relevant/useful (1) — Highly relevant/useful (3)

Impediments to sustainable infrastructure: a vicious cycle

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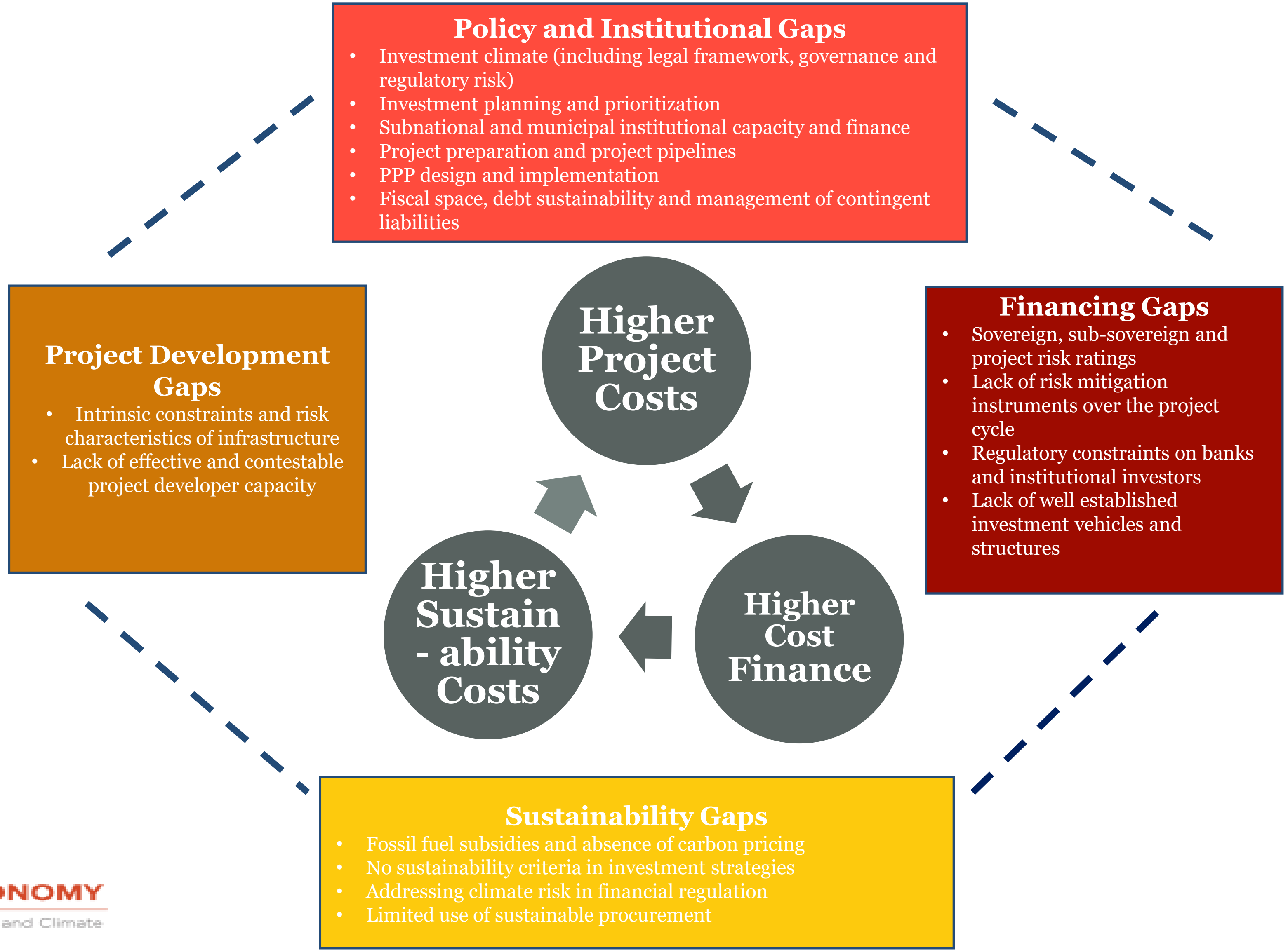

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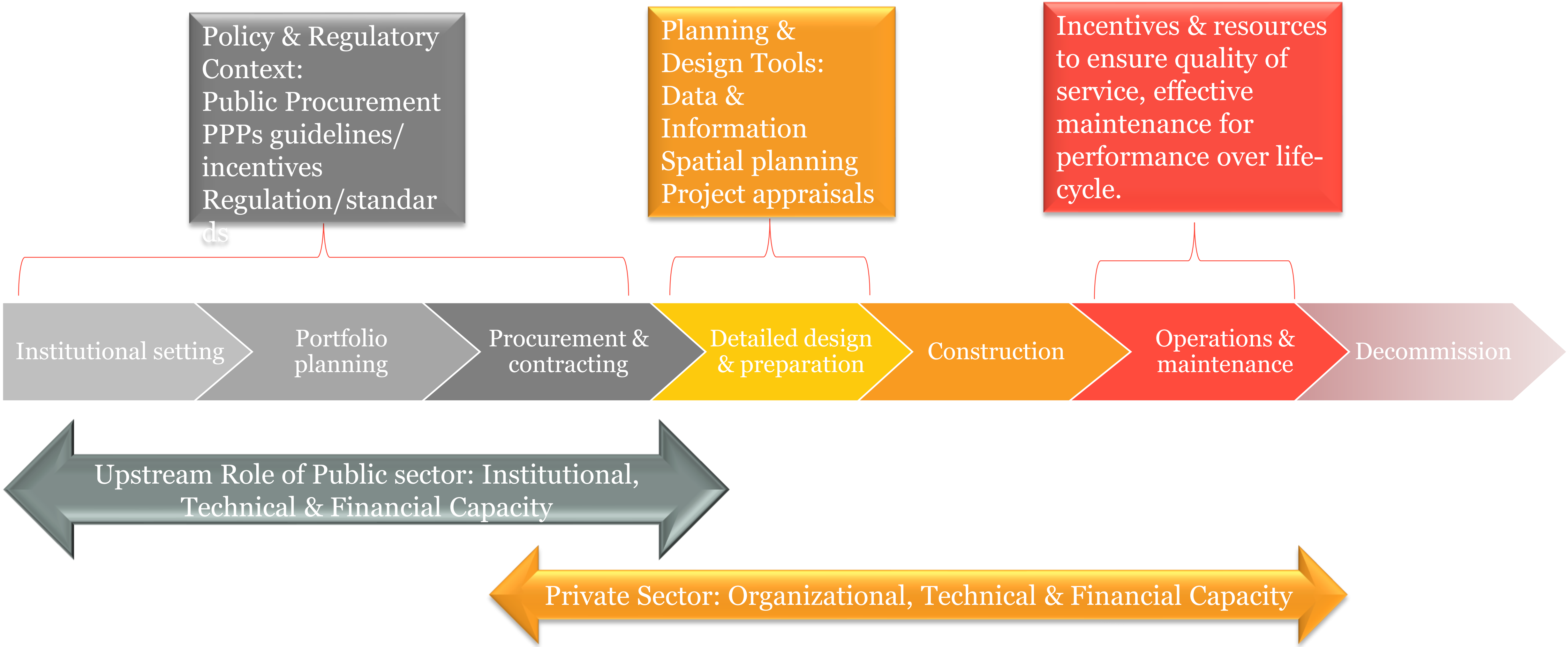
Applying Sustainability Across the Project Cycle



Summary of Key Messages

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- Critical role of **public finance**: in developing countries60-65% of infrastructure projects are financed by public resources; in advanced economies it is 40%
- Key to **address upstream barriers; create incentives and build capacity** to ensure policy, regulatory, including PPPs and other procurement, promote and support development of project pipelines
- As long-lived assets infrastructure being planned & designed now **must be consistent with Paris objective for net zero emissions by 2050**
- National infrastructure plans and strategies should be guided and integrated with **long-term strategies for net zero by 2050**
- Innovative use of **financial tools and blended finance** can help manage some of the risks in the absence of an effective upstream policy and regulatory context

Thank You

Amal-Lee Amin

Director Climate Change

aamin@cdcgroup.com

https://www.linkedin.com/in/amalamin

@AmaLeeAmin