

Centre for
Climate Change
Economics and Policy



Grantham Research Institute on
Climate Change and
the Environment

How are we to unlock private investment in support of green growth?

Dr Alex Bowen

Grantham Research Institute on Climate Change and the Environment, LSE

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Munich RE



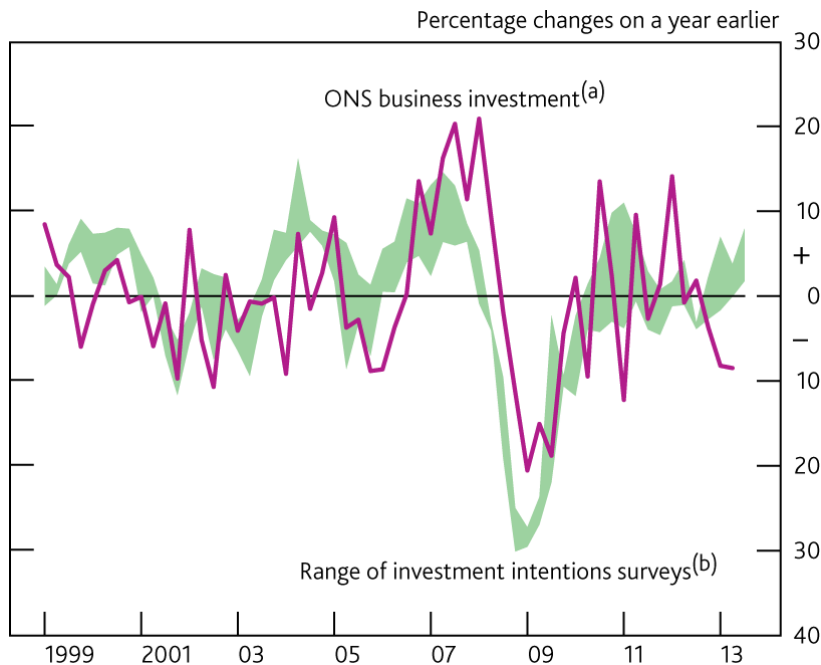
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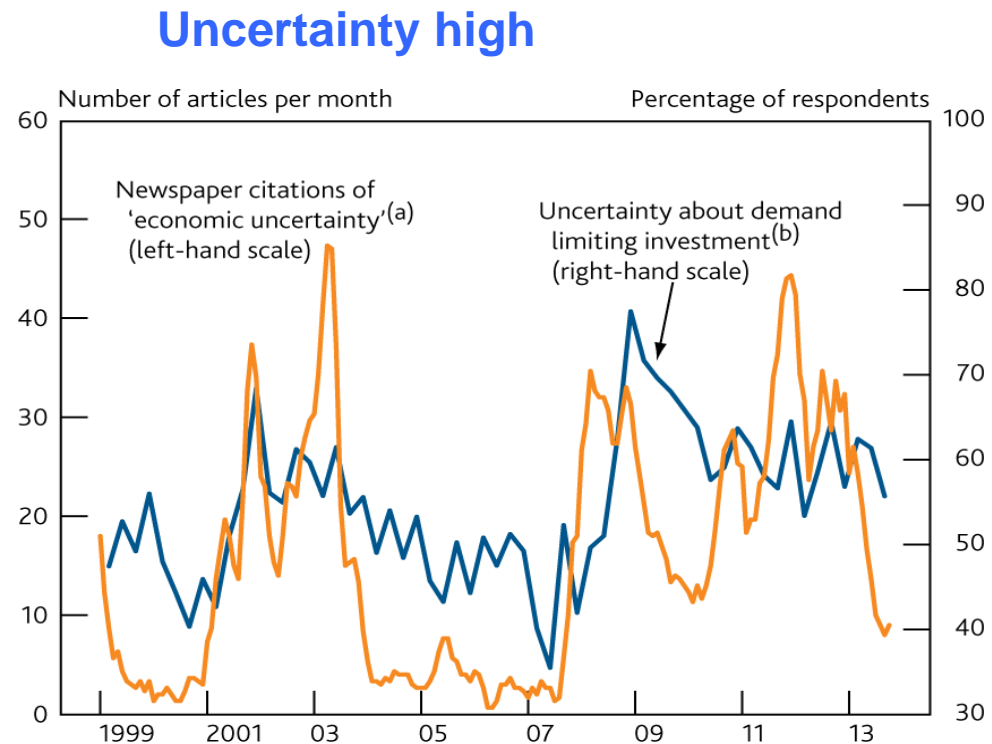
THE LONDON SCHOOL
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1. Stimulate private investment in general



Investment (and real interest rates) low





2. Increase credibility of green policies

- Policies need to be ‘long, loud and legal’
- UK example:
 - Good:
 - Climate Change Act 2008
 - Independent Committee on Climate Change
 - Long-term targets
 - Not so good:
 - Electricity market reform uncertainty
 - Small-scale FITs
 - Overlapping policies



3. Get (carbon) prices right

Figure 1.12: Carbon price in the EU ETS



Source: Point Carbon.

Prices very uneven across sectors

Figure ES.1: Implicit carbon prices (£/tCO₂e) by end-user and fuel type, 2013 and 2020

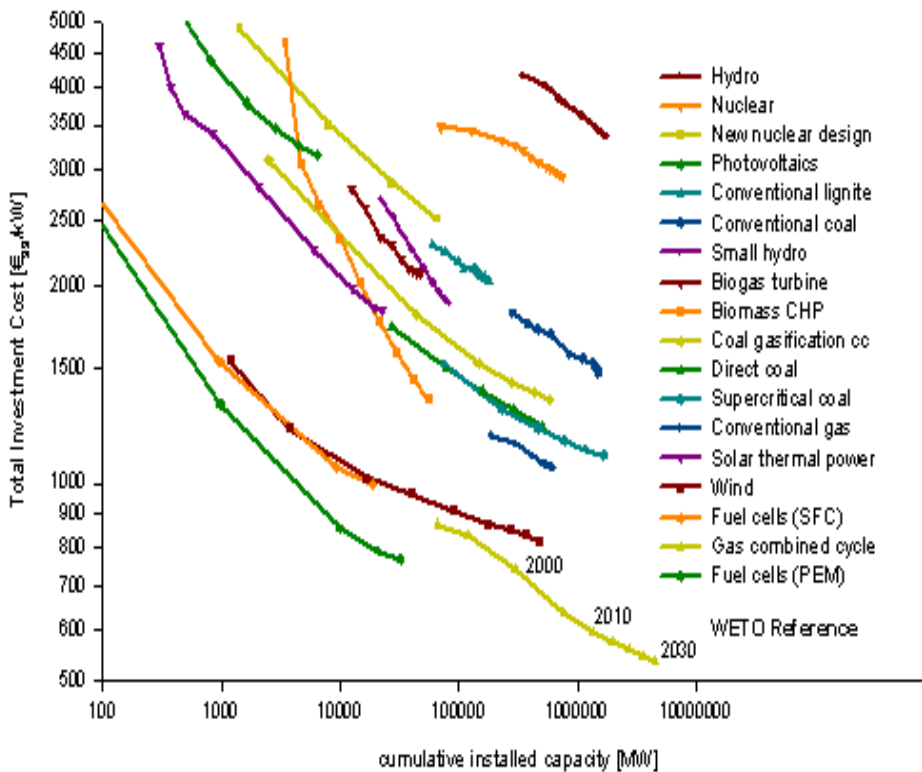
EU ETS price too low

tricity 2013

Sources: Committee on Climate Change; CCCEP/IFS



4. Promote low-carbon innovation



Source: DECC

Top 15 inventors, with average % of total climate related inventions (1980-2007 and 2002-2007)

Country Rank	1980-2007		2002-2007	
	Average % of world's inventions	Rank	Average % of world's inventions	Rank
Japan	20.2%	1	20.8%	1
Germany	19.8%	2	17.8%	2
USA	15.4%	3	14.1%	3
France	5.1%	4	4.4%	5
UK	4.5%	5	4.3%	6
Australia	3.8%	6	2.9%	9
Sweden	3.3%	7	1.7%	14
South Korea	3.1%	8	5.6%	4
Canada	2.2%	9	3.0%	8
Netherlands	2.1%	10	1.8%	13
Austria	2.0%	11	2.1%	11
Italy	1.9%	12	2.3%	10
Switzerland	1.9%	13	1.3%	16
China	1.9%	14	3.9%	7
Denmark	1.4%	15	1.4%	15
Total	88.6%		87.4%	

Source: Dechezleprêtre and Martin (2010)

Need for both R&D and experience



5. Improve financial intermediation

UK Green Investment Bank set up 2012 as PLC owned by government

Our proposition

- We have £3.8bn of capital to invest, provided by the UK Government
- We expect to commit this capital by March 2016
- We have the ability to structure products across the capital structure, from senior debt to equity
- We deal on commercial terms; GIB does not provide grants, 'soft capital', regional assistance or development capital
- Investment must be additional. Our involvement must be necessary for the project to go ahead. We aim to crowd-in other private sector capital

First year:

- **GIB £635m**
- **Private £1600m**

