



OPENING REMARKS & INTRODUCTION: RINTARO TAMAKI

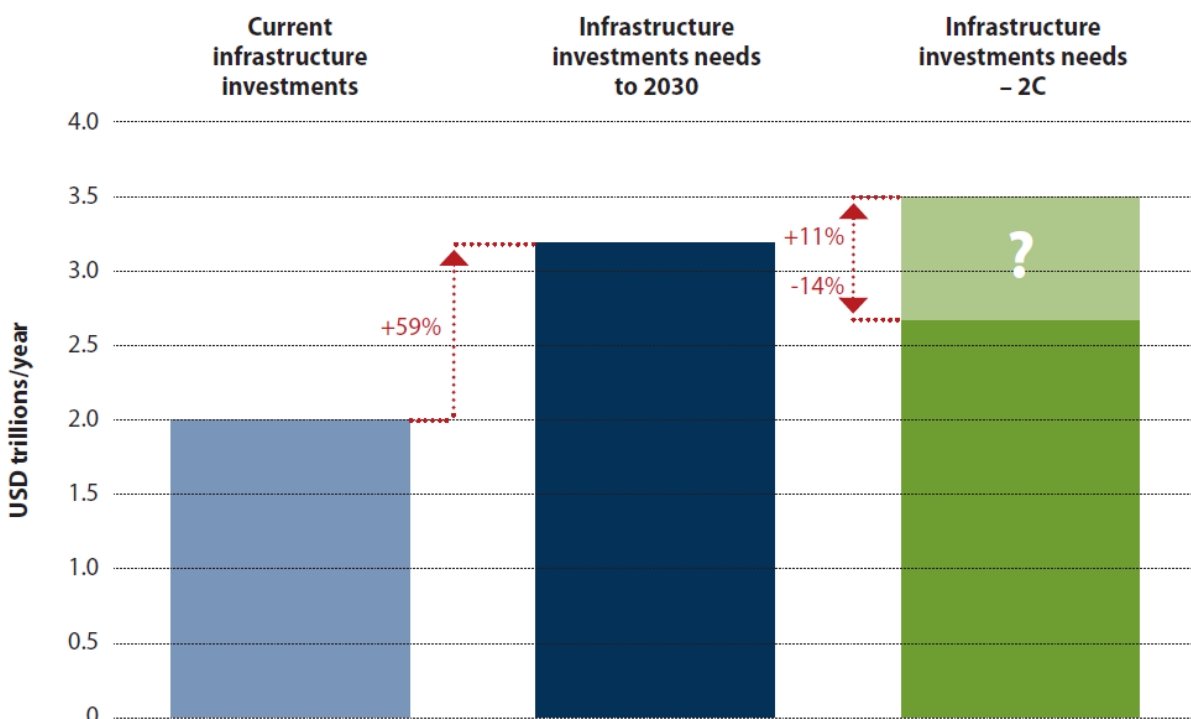
10:00-10:15AM, Thursday 5 December

Ladies and gentlemen, Ambassadors, distinguished delegates,

It is my great pleasure to welcome you to the OECD's second Green Growth and Sustainable Development Forum.

This year, the Forum's focus is on unlocking investment in support of green growth. Scaling-up green investment is an issue that lies at the heart of greening growth. This is because an economy-wide transition will require substantial investment across green infrastructure sectors such as renewable energy, energy efficiency, sustainable transport, water supply and sanitation, and buildings. And current levels of *green* investment – as opposed to traditional investment - are simply not enough. Current emissions pathways in both developed and developing countries demonstrate this quite clearly.

[SLIDE –Green infrastructure investment: gap or dividend?]





Approximately USD 2 trillion is currently invested annually in infrastructure, including transport, energy and water. This figure, which excludes transportation vehicles and buildings, represents about 4% of global GDP, and is based on average annual expenditure over the past 18 years.

An additional USD 1.2 trillion is required annually to meet global infrastructure needs in these sectors to 2030. This is the amount that is needed to support development and growth while maintaining current levels of infrastructure capacity and service relative to GDP, irrespective of environmental constraints.

What happens to these figures if we “green” investment in infrastructure sectors such as transport, water and energy? The shift could require additional spending – an upper-end estimate puts this in the order of a further 11%, or around USD 350 billion per year¹.

It is, however, possible that greening infrastructure investment in these sectors result in net savings. Another study estimates annual savings of USD 450 billion, or around 14%². Such potential savings could stem from better utilisation of electrical systems through full deployment of smart grids and a shift to increased use of rail and port infrastructure for passenger and goods transport, once capacity is freed up through decreased fossil fuel trade. Interestingly, these numbers do not include fuel savings. One study by IEA estimates that every additional dollar invested today in clean energy can generate 3 dollars in future fuel savings by 2050³.

So the challenge may be less about unlocking enormous amounts of *additional* capital in the coming decades, but rather ensuring that the right policies are put in place today to shift infrastructure investment toward “smarter” choices, i.e. investments in the *right kind* of infrastructure.

In a time of fiscal restraint, ramping-up green infrastructure investment largely means finding ways to mobilise and leverage private sector finance and investment in favour of “clean”, rather than the traditional polluting and resource-intensive infrastructure. That means we have to improve on the policy signals we are sending to the private sector, and become more conscious of how government policy and regulation impact on the ability or willingness of private actors to engage in green infrastructure investment. Government cannot assume that capital will simply flow in the quantities needed and in the timeframe required to achieve the green transition. The policy environment matters.

How, then, can governments ensure a policy framework that will effectively leverage private investment in support of green growth? That is the key question I invite you to examine over the next two days.

¹ WEF (2012), “The Green Investment Report: The ways and means to unlock private finance for green growth”.

² Kennedy, C. and J. Corfee-Morlot (2013), “Past performance and future needs for low carbon climate resilient infrastructure – An investment perspective”, Energy Policy 59.

³ IEA (2012), Energy Technology Perspectives 2012: Pathways to a Clean Energy System, OECD Publishing, Paris.
http://dx.doi.org/10.1787/energy_tech-2012-en



A fundamental part of the challenge is to make sure policy signals are aligned and clearly demonstrate that governments are serious about green growth. That means addressing at least three substantial barriers to investment.

First, a lack of strong, consistent carbon pricing signals. Carbon pricing – whether through an emissions trading system or a carbon tax – is the cornerstone of “investment-grade” green policy making. The absence of robust, coherent carbon pricing mechanisms in most regions today and political uncertainty over the future development or stringency of such prices hampers long-term, strategic investments in green infrastructure.

Second, inefficient fossil fuel subsidies. In OECD countries, our latest estimates show that support for exploration, production and consumption of fossil fuels is currently in the range of USD 55-90 billion annually.⁴ For developing and emerging economies, our colleagues at the IEA estimate fossil fuel consumption subsidies totaled an estimated USD 544 billion in 2012.⁵ Fossil fuel subsidies and tax exemptions actually *encourage* carbon emissions, and thus send signals that conflict with carbon pricing. They can significantly undermine the effectiveness of green growth policies.

Third, a lack of adequate sustained and targeted policies. Building a business case for investment in new green technologies and infrastructure requires smart, targeted policies to complement pricing, such as support for basic R&D to harness green innovation and information campaigns to help consumer make greener choices. This is due both to today’s low or non-existent carbon prices, and because such support can help address market and information barriers, and foster innovation. To attract investors, policy signals must be practicable and stable, and sufficiently long-term to match the long-term characteristics of new infrastructure. Mixed messages, “stop-and-go” policy making and retroactively changing policy making can seriously undermine investor confidence, as we have recently seen in the renewables sector.

Why is it so important that we get investment policy right today? One of the key reasons is that the choices we make now on new infrastructure investment are likely to have lasting impacts at both a local and global level. The estimated lifetime of a coal-fired power plant built today, for example, is 40-60 years.

And as we know, timely scale-up of green investment is critical from an environmental perspective. Current growth pathways globally are unsustainable. Global carbon dioxide emissions from the energy sector, for example, reached 31.6 gigatonnes in 2012, a historic high.⁶ This sort of trajectory is fundamentally off pace with international climate targets, and is likely to imply costly change and adaptation, including to manage and respond to extreme weather events. Hurricane Sandy in 2012 cost around USD 75 billion in physical capital, or 0.5% of 2012 US GDP⁷.

⁴ OECD (2013), *Inventory of Estimated Budgetary Support and Tax Expenditures for Fossil Fuels*.

⁵ IEA (2013), *World Energy Outlook*.

⁶ IEA (2013), *Redrawing the Energy-Climate Map*.

⁷ CoreLogic Analytics.



Beyond climate benefits, there are also substantial co-benefits to green infrastructure investments. Reducing local impacts of fossil fuels on human health is one. Under current policies, premature deaths from outdoor air pollution are expected to rise from around 1.8 million today to 4.4 million annually in 2050.⁸ Reducing reliance on fossil fuels and enhancing energy security, and new growth and potential employment opportunities are other examples.

Today's plenary sessions will introduce key challenges and opportunities to unlock private investment in green infrastructure; explore policy options and innovative financial mechanisms to support green infrastructure investment; and examine the specific case of green investment in the transport sector.

All three sessions are geared towards trying to get to the bottom of exactly what we mean when we speak of a policy framework that will reduce risk and attract long-term financing in support of green growth, as well as how governments can get there.

Three parallel sessions tomorrow will look at aspects of these challenges in greater detail, to try to draw out knowledge gaps and priorities for future work.

By providing a dedicated space for multi-disciplinary dialogues on green growth in the Forum, we hope to facilitate the exchange of knowledge and ease the exploitation of potential synergies across policy fields and disciplines. We cannot deliver on green growth unless we co-ordinate across Ministries, disciplines and OECD Committees. I urge you to make the most of this unique platform as a valuable supplement to the work undertaken in your individual countries and organisations, and as a means of shaping OECD Committee work priorities through identification of policy outcomes, best practices and knowledge gaps.

Green growth policies will necessarily differ among countries, given their different stages of economic development and national circumstances. But common to all is the need for a coherent and consistent set of domestic policies that are credible in meeting the scale of the transformation needed.

Before turning the floor over to Mr. Manfred Schekulin, Chair of the OECD Investment Committee, who will chair Plenary Session 1, I would like to thank Korea and the French Group BPCE for their sponsorship for this year's Forum.

⁸ OECD (2012), *Environmental Outlook to 2050*.