CENTRE ON GREEN FINANCE AND INVESTMENT FORUM 2017

SESSION NOTE

Developing an investment-grade domestic policy framework to mobilise green infrastructure investment

24 October 2017 – 11:10 – 13:00

This plenary session will be designed to be interactive, with short interventions from high-level panellists. It will discuss key priorities for national governments and domestic policy makers to strengthen domestic enabling conditions and work with sector leaders to mobilise private investment in green infrastructure. The session will in particular consider how policy and market misalignments constrain financing and investment in renewable energy. It will also discuss opportunities for alignment of enabling conditions and policy frameworks with climate and other green policies.

Investing in green infrastructure is critical in the next decade in order to address the risks of climate change and achieve the Sustainable Development Goals. This is particularly important as infrastructure has typically suffered from chronic underinvestment since before the 2008 financial crisis. The new OECD G20 report *Investing in Climate, Investing in Growth* estimates that USD 6.3 trillion of infrastructure investment is required annually on average between 2016 and 2030 to meet development needs globally, regardless of climate concerns. An additional USD 0.6 trillion a year over the same period will make these investments climate compatible.

Renewable energy for instance can help achieve Sustainable Development Goal number 7 (SDG7), in addition to addressing climate change objectives. There is already some progress, with declining costs of renewables technologies. Yet to meet the Paris Agreement's goal of limiting temperature rise to well below 2 degrees, annual investment in renewable energy needs to increase by 150% between now and 2050.

The good news is that there is no shortage of capital available globally to finance green infrastructure projects. The financial sector encompasses more than EUR 100 trillion of assets. So why is investment in green infrastructure projects not flowing faster? The trillion-dollar question is how can we shift incentives, align policies and strengthen the right conditions to make green infrastructure projects such as renewable energy more attractive to investors?

Taking the case of renewable energy, new OECD empirical research shows that misalignments in policies and electricity markets, and cumbersome and risky investment conditions, are among the main factors holding back investment and innovation in renewable energy in advanced and emerging countries.

The OECD has developed several tools and instruments to help governments from advanced, emerging and developing countries strengthen their domestic enabling conditions for green infrastructure investment, including the OECD *Policy Framework for Investment* and the OECD *Policy Guidance for Investment in Clean Energy Infrastructure*. The OECD Centre on Green Finance and Investment stands

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ready to support countries in developing investment-grade domestic policy framework to mobilise green infrastructure investment.

Useful links

- Ang, G., D. Röttgers and P. Burli (2017), "The empirics of enabling investment and innovation in renewable energy", *OECD Environment Working Papers*, No. 123, OECD Publishing, Paris, http://dx.doi.org/10.1787/67d221b8-en.
- IEA (2017), *World Energy Investment 2017*, IEA Paris, http://dx.doi.org/10.1787/9789264277854-en.
- IEA/IRENA (2017), Perspective for the Energy Transition, www.irena.org/DocumentDownloads/Publications/Perspectives_for_the_Energy_Transition_2017.pdf.
- OECD Centre on Green Finance and Investment: www.oecd.org/cgfi/
- OECD (2017), *Investing in Climate, Investing in Growth*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264273528-en.
- OECD (2016), *OECD Clean Energy Investment Policy Review of Jordan*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264266551-en.
- OECD/IEA/NEA/ITF (2015), *Aligning Policies for a Low-carbon Economy*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264233294-en.
- OECD (2015), *Policy Guidance for Investment in Clean Energy Infrastructure: Expanding Access to Clean Energy for Green Growth and Development*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264212664-en.
- OECD (2015), *Policy Framework for Investment, 2015 Edition*, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264208667-en.
- OECD Investment Policy Reviews with a green investment chapter: Colombia (2012); Costa Rica (2013); Jordan (2013); Malaysia (2013); Tunisia (2012); Lao PDR (2017); Viet Nam (2017 forthcoming); and Cambodia (forthcoming).