CENTRE ON GREEN FINANCE AND INVESTMENT FORUM2017

SESSION NOTE

Institutions and interventions to create green markets

24 October 2017 – 15:00 – 16:20

To help deliver clean energy, accelerate transformational changes toward a low-carbon economy, and fill the investment gap for low-carbon, climate-resilient infrastructure, governments can employ Public Financial Institutions (PFIs), such as National Development Banks (NDBs) and Green Investment Banks (GIBs). These institutions can play a key role in supporting NDC implementation and mobilising private investment to this objective.

A GIB is a publicly capitalised entity established specifically to facilitate private investment into domestic low-carbon, climate-resilient (LCR) infrastructure and other green sectors such as water and waste management (OECD, 2016). These dedicated green investment entities have been established at national level (Australia, Japan, Malaysia, Switzerland, United Kingdom – the latter having recently been privatised), state level (California, Connecticut, Hawaii, New Jersey, New York and Rhode Island in the United States), county level (Montgomery County, Maryland, United States) and city level (Masdar, United Arab Emirates). New green banks or GIB-like entities are now being established in such locations as Washington, DC (at city level) and Ontario (at province level).

While GIBs differ in name, scope and approach, they generally share the following core characteristics: a mandate focusing mainly on mobilising private LCR investment using interventions to mitigate risks and enable transactions; innovative transaction structures and market expertise; independent authority and a degree of latitude to design and implement interventions; and a focus on cost-effectiveness and performance. "GIB-like entities" refers to organisations that have a mandate to leverage private finance for domestic LCR infrastructure investment but which may not possess all of the core characteristics of GIBs and may pursue other activities or focus more on other approaches (e.g. grants). Interventions and activities by GIBs include co-investing; risk mitigation and credit enhancement; aggregation and warehousing; innovative financing programmes and transaction structuring; and market education and capacity building.

Almost all countries host at least one PFI, and this is evident in emerging economies where there is often more than one according to sectoral needs and the country context. On the other hand, the GIB and GIB-like entities that have been established globally to date have been concentrated predominantly in developed countries. Nevertheless, there is increasing interest in and initiatives to create green investment banks or GIB-like entities in developing and emerging economies. This interest can be seen in the Green Climate Fund's support for creating a green bank in the Philippines and its discussions about with three other Asian countries, three Latin American countries, one African country and one Eastern European country (Park, 2017a,b). A number of institutions are considering elements of the "green bank model" and the potential for creating new green banks, as evidenced by discussions at recent conferences, including one in Mexico City co-organised by the OECD, IDB, the Green Bank

Network, ALIDE and Banobras in June 2017 as well as the Green Bank Congress, held in New York in September.

This session will explore how the green bank model could potentially be applied to emerging economies, taking into account the role of existing institutions and the need to scale up the mobilisation of finance for LCR infrastructure projects. It will also touch on questions being considered in current OECD work on green banks, such as what factors might be considered as proof of progress in efforts to foster markets, what examples can be found in the experience of PFIs, and the role of a robust domestic policy framework in PFIs' efforts to foster markets.

Useful links

- OECD (2017), "Green Investment Banks: Innovative Public Financial Institutions Scaling up Private, Low-carbon Investment", *OECD Environment Policy Papers*, No. 6, OECD Publishing, Paris, http://dx.doi.org/10.1787/e3c2526c-en.
- OECD (2016), Green Investment Banks: Scaling up Private Investment in Low-carbon, Climate-resilient Iinfrastructure, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264245129-en.
- Leo Park, GCF, 2017a. "GCF's Green Banking Interventions: State of Play and Challenges", presentation at the fifth annual Green Bank Congress, New York City, 18 September, http://greenbanknetwork.org/wp-content/uploads/2017/09/Leo-Park-Green-Climate-Fund-session-1.2.pdf.
- Leo Park, GCF, 2017b. "Creation of the Philippines Green Bank", presentation, 1 August, http://climate.gov.ph/images/Green-Finance/04_Park_Creation-of-Green-Banks.pdf.
- NRDC, 2016. Green & resilience banks: how the green investment bank model can play a role in scaling up climate finance in emerging markets, www.nrdc.org/sites/default/files/green-investment-bank-model-emerging-markets-report.pdf.