Finance to Accelerate the Sustainable Transition: Infrastructure FAST-Infra Global Calls

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Introductory speakers

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Finance to Accelerate the Sustainable Transition: ‘FAST-Infra’

Goals
- Develop sustainable infrastructure into a deep and liquid asset class
- Scale-up private investment in sustainable infrastructure in emerging and developing countries

Two key components
- Develop a sustainable infrastructure label
- Develop platforms for targeted financial interventions

Broad participation
- Founding partners: CPI, GIF, HSBC, IFC, OECD
- Finance industry-led, private-public partnership – broad-based, open and inclusive
## FAST-Infra: Why, What and How?

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Creating climate compatible infrastructure – four stepping stones

- Key role of national development banks (NDBs)
- Policy and capacity building
- Blended finance
- Sustainable infrastructure label
Introducing a sustainable infrastructure labelling system

Label will:

- Incentivise high environmental, social and resiliency standards at pre-construction stage
- Allow institutional investors easily to identify sustainable assets to finance or refinance
Sustainable infrastructure label may attract new financings

Impose high environmental, social and resiliency standards

**Infrastructure Life Cycle**

- Pre-construction
- Construction
- Operation
- Decommissioning

**Sustainable labelled assets**

- **Equity investors, lenders**
- **Institutional investors**
Detailed standards must underpin the sustainable infrastructure label

- Identity environmental, social and resiliency standards
- …at each stage of the asset life
- …for three types of infrastructure
Four steps that allowed the green bond market to grow

Four steps to success in the green bond market:

1. Green Bond Principles (GBPs) set out four steps required to issue a green bond

2. Declared ten project types that it deemed to be green, stating this list to be in-exhaustive

3. ‘Cottage industry’ of verifiers sprang up, to verify greenness of green bonds

4. Climate Bonds and now EU begin work on green taxonomies
FAST-Infra: Distinctive focus on EM sustainable infrastructure label

**GLOBAL**

- **Principles**
  - Equator Principles
  - Green Bond Principles
  - Green Loan Principles
  - G20 Quality Infrastructure Investment

- **Standards**
  - Blue Dot Network
  - Sustainable Infra Indicators
  - Aligned Set of Sustainability Indicators (ASSI)

- **Taxonomy**
  - EU Taxonomy

**REGIONAL**

- **Standards & Benchmarking**
  - Institute for Sustainable Infrastructure (ISI) / Envision
  - BRE Global/Ceequal (BREEAM sustainability rating scheme)
  - Global Infrastructure Basel (GIB) / SuRe
  - Infrastructure Sustainability Council of Australia (ISCA) / Infrastructure Sustainability Rating Scheme
  - GRESB
Innovative criteria that show the way

Standards:

- Standard-setters / infrastructure asset raters
- ‘Performance standards on environmental and social sustainability’, 2012, IFC
- ‘Investment Principles and Eligibility Criteria; an ASEAN Infrastructure Fund Initiative’, 2020 Asian Development Bank (ADB)
- ‘Sustainable Infrastructure Framework’, 2018, Inter-American Development Bank (IDB)
- ‘Aligned Set of Sustainability Indicators (ASSI)’, 2020 Public-Private Infrastructure Advisory Facility (PPIAF), Global Infrastructure Facility (GIF) and others
Develop platforms for targeted financial interventions

- Project Preparation Funds (PPFs)
  - PPF technical assistance helps originate and structure bankable sustainable infrastructure projects.
  - PPFs can provide development-stage financing and capital to cover short-term technology risks.

- Sustainable Financing Facilities (SFFs)
  - Vehicles or platforms that raise capital in global and domestic financial markets.
  - They provide blended finance to eligible NDBs and local FIs for on-lending for project construction.

- Sustainable Infrastructure Funds (SIFs)
  - Purchase or refinance loans for operating assets that were originally financed by NDBs and local institutions, so freeing up local capital for new and additional investment.

*Climate Investor One, 2017*
*Integrated fund incubated by CPI-managed Climate Finance Lab, anchored by FMO*
Example: Target finance to National Development Banks (NDBs) via SFFs

1. FAST-Infra participants lend to Sustainable Financing Facilities (SFFs), that on-lend to NDBs with pipelines of sustainable infrastructure projects.

2. These loans allow NDBs to take on construction risk, while keeping focus on governance and sustainability.

3. Post construction, the NDB loans are refinanced by Sustainable Infrastructure Funds (SIFs).

Replicable and Scalable
Proposed working groups

Questions to address

A. Environmental, social and resiliency standards

- Which environmental, social and resiliency standards to consider at each stage of the asset life?
- Into which project documents to embed these standards?
- Trade-offs between performance at different stages?
- Definition and measurement method for each indicator

B. Mechanics of a labelling system

- Award label at asset or security level?
- For how long is the label awarded?
- Reporting
- Governance

C. Scaling financial support

- How to upsize, copy good sustainable infra projects?
- Where to fill market gaps, launch pilot projects?
- Identify solutions at each stage of project life cycle
- Revenue mechanisms to recoup indirect user benefits

D. Targeted financial interventions

- Identify NDBs with pipeline of sustainable financings
- Successful use of blended financings
- Case studies of successful, innovative financings
- Design pilot phase projects
FAST-Infra timeline to November

- Each group meets once a month
- Five meetings from June to October
- Interim report 1 September; Final report and recommendations 1 November
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