GREEN VS. BROWN: SHIFTING THE FINANCE FLOWS

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Closing the investment gap to 2030

Global infrastructure investments - current

Global infrastructure investments needs - BAU

Global infrastructure investments needs - 2°C scenario


Note: Infrastructure sectors including roads, rail, ports, airports, power, water and telecoms

1: Annual average based on global investments over the period 1996-2012

2. Annual average needs for the period 2012-2030
• ODA to climate-relevant sectors (eg emitting ones) comprises 42% of total ODA from DAC donors in 2010-11.

• Of the total ODA to climate-relevant sectors, 36% of this is to support climate action (i.e. mitigation and/or adaptation is a principal or significant objective).

*Illustrative chart: represents sectors considered most mitigation and/or adaptation relevant.
Climate-related ODA to key climate-relevant sector clusters, annual average 2010-2011

USD billion, constant 2011 prices

- Water Supply & Sanitation
- Transport & Storage
- Energy
- Public Buildings
- Communications
- Agriculture & Forestry
- Industry, Mining and Minerals
- General
- Environment-specific

Legend:
- not climate
- adaptation + mitigation
- mitigation
- adaptation

- Infrastructure
- Production sectors
- Enabling environment, policies and capacity-building
Tentative scaling of global green FDI vs. FDI to emitting sectors (USD billion)

* Source: OECD (2012) / FDI outflows from 34 countries in highly GHG emitting industrial sectors (agriculture, mining, manufacturing, energy, construction and transport)

** Source: UNCTAD (2010) / FDI flows in three low-carbon business areas (renewables, recycling and low-carbon manufacturing technology)

*** Source: BNEF (2012) / Noth-North, South-South, South-North and North-South cross-border investments in new build asset finance for renewable energy projects only
Are governments sending the right signals?

**INCENTIVES FOR CLEANER GROWTH**
- USD 17 bn of government R&D to renewables & energy efficiency
- USD 88 bn p.a. in 2011 for renewables subsidies globally

**INCENTIVES THAT LOCK-IN CARBON-INTENSIVE GROWTH**
- USD over 30 bn pa in company car & parking tax benefits in OECD countries
- USD 22 bn of government R&D to fossil fuels
- USD 55-90 bn p.a. in fossil fuel support in developed countries
- USD 523 bn in support to fossil fuel consumption in developing & emerging economies

Pricing works! Shifts investment to efficient & clean energy

Average tax rates on CO2 and carbon efficiency in OECD countries

Implicit tax rate per tonne of CO2

Source: OECD (2013) Taxing Energy Use - A Graphical Analysis
Policy developments that may shift financing towards the green….

• World Bank, OPIC, Ex-Im Bank, DFIs & NDBs (Frankfurt) – limit financing for coal-fired plants or projects that lead to significant GHG emissions.

• OECD “Sector Understanding on Export Credits for Renewable Energy, Climate Change Mitigation and Water Projects”(Sept. 2012)

• G20 work on Long-Term Financing and focus on infrastructure finance → green infrastructure finance
OECD work

• **Green Policy Framework**: applied to energy & transport, links to Investment Policy Reviews, Institutional Investors

• **Tracking & transparency**:
  – Research Collaborative on Tracking Private Climate Finance (OECD, CPI, WRI, BNEF, etc...)
  – Developments under the OECD Working Party on FDI Statistics
  – New export credits data in 2014
  – DAC – broadening to non-concessional, export credits, load guarantees; focus on finance effectiveness (Busan)

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EXTRA SLIDES
Investment financing sources for green infrastructure in OECD countries (illustrative example, varies by country)

Virtuous circles of infrastructure for low carbon growth

- **POWER GENERATION**
  - Low carbon electricity enables greening of buildings & vehicles
  - Lower investment in oil & nat. gas infra. frees up capital for green energy generation

- **BUILDINGS & VEHICLES**
  - Decreased demand for oil & natural gas, and their infrastructure

- **OIL & NAT. GAS INFRASTRUCTURE**

Policies to promote energy efficiency and low carbon technologies for buildings & vehicles

Low carbon electricity enables greening of buildings & vehicles

Lower investment in oil & nat. gas infra. frees up capital for green energy generation

Decreased demand for oil & natural gas, and their infrastructure

Decreased demand for coal & oil frees up rail and port capacity

Policies to promote energy efficiency and low carbon technologies for buildings & vehicles

Virtuous circles of infrastructure for low carbon growth

Growing use of port capacity for global trade in components of green buildings, vehicles and energy supply systems

**POWER GENERATION**
- Low carbon electricity enables greening of buildings & vehicles
- Lower investment in oil & nat. gas infra. frees up capital for green energy generation

**BUILDINGS & VEHICLES**
- Decreased demand for oil & natural gas, and their infrastructure

**PORTS**
- Decreased demand for coal & oil frees up rail and port capacity

**OIL & NAT. GAS INFRASTRUCTURE**
- Switching of freight from road to rail to replace transport of coal

**ROAD**
- Demand management & switching of freight to rail decreases demand for road infra. freeing up capital for low carbon vehicles

**AIRPORTS**
- Policies to promote energy efficiency and low carbon technologies for buildings & vehicles

**RAIL**
- Policies to restrict growth in air freight, and maintain freight transport by rail and marine transport