Preface

Following the successful climate change agreement reached in Paris at the 21st Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21), attention needs to shift quickly to how countries will achieve their Nationally Determined Contributions. Governments will need to take actions that will help accelerate a shift away from investments in carbon-intensive infrastructure and toward low-carbon, climate-resilient (LCR) infrastructure. Investment is growing in renewable energy and energy efficiency, but not quickly enough to get the world on track to achieve zero net greenhouse gas emissions globally by the end of this century. This "decarbonisation" of the global economy will be necessary if we are to hold the increase in the global average temperature to well below 2°C above preindustrial levels, as 195 countries agreed in Paris. To achieve these very ambitious goals, governments need to make full use of their capacity to leverage and unlock much larger flows of private investment in low-carbon infrastructure.

The OECD's work on green finance and investment aims to help governments overcome investment barriers, implement effective policies to drive low-carbon investment and innovation, understand and promote the development of investment channels, and consider the role of public interventions and institutions to mobilise private investment. This report focuses on a relatively new type of institution – publicly capitalised green investment banks (GIBs). Over a dozen national and sub-national governments have created GIBs and GIB-like entities, which are established specifically to facilitate private investment into domestic LCR infrastructure. Using innovative transaction structures, risk-reduction and transaction-enabling techniques, and local and market expertise, GIBs are channelling private investment into low-carbon projects. GIBs are facilitating investment in such areas as commercial and residential energy efficiency retrofits, rooftop solar photovoltaic systems and municipal-level, energy-efficient street lighting.

Although their common objective is to facilitate low-carbon investment, GIBs have been created in a variety of national and local contexts to achieve a range of goals, including meeting ambitious emissions targets, supporting local community development, lowering energy costs, developing green technology markets, creating jobs and lowering the cost of capital.

Green investment banks are not the only institutional option available to governments seeking to accelerate investment into domestic, low-carbon, climate-resilient infrastructure. Some national development banks have been providing financing for low-carbon projects for many years, as examined in previous OECD work on the role of public financial institutions in the low-carbon transition. Rather than offering prescriptions, this report offers a stock-taking on GIBs, their objectives, mandates, interventions and performance tracking.

Institutions like GIBs may best be understood as a tool to mobilise private investment which can complement climate policies but cannot substitute for them. Enabling policies for low-carbon investment – including a robust and credible carbon price, fossil fuel subsidy reform, well-designed renewable energy incentive policies and clear, long-term climate policy goals – are essential. But GIBs and other institutions can play a supportive role in overcoming remaining investment barriers. To mount a serious effort to mobilise low-carbon investment and get on a path toward zero net emissions by the end of this century, governments need to consider how institutions like green investment banks can help them pick up the pace.

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From:

Green Investment Banks

Scaling up Private Investment in Low-carbon, Climate-resilient Infrastructure

Access the complete publication at:

https://doi.org/10.1787/9789264245129-en

Please cite this chapter as:

OECD (2016), "Preface", in *Green Investment Banks: Scaling up Private Investment in Low-carbon, Climate-resilient Infrastructure*, OECD Publishing, Paris.

DOI: https://doi.org/10.1787/9789264245129-1-en

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