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# Financing Green Economy: Private Sector Perspective

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# A Green Economy or a Greener Economy?

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- The economy is the arena... where goods and services are produced and consumed... wealth is created and deployed
- Progress must involve the entire economy including all sectors and across supply and value chains
- Greening is a process, not an outcome, challenges evolve over time:  
... BaU implies continuous change
- Greening requires economic growth; widespread skepticism that greening inevitably induces growth
- Business will be the primary source of innovation and global deployment of advanced technology, finance, and know-how to address challenges
- Green economy policies to mobilize sustained business effort require sound enabling frameworks that promote investment and innovation and account for “green” externalities

# Vocabulary: Finance, Invest, Investment?

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- Finance

(noun) the way in which large amounts of money are used and handled by governments and companies

(verb) to provide money for (something or someone)

- Invest

(verb) to commit (money) in order to earn a financial return, e.g. by putting it into financial schemes, shares or property, or by using it to develop a commercial venture

- Investment

(noun) the outlay of money usually for income or profit: a capital outlay, a thing invested in, e.g. a business or a major capital project

For operating companies, as opposed to financial firms, investments typically refer to major capital projects

# Private Sector's Role

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- Create goods and services that meet demand: Business to Consumer, Business to Business, Business to Government
- Grow shareholder and societal wealth, create jobs, innovate
- **Investment Drivers:** growth, productivity, turn over of capital stock, Health, Safety and Environmental improvements, risk management, strategic change through innovation ...
- **Green Drivers:** efficiency (energy, resource, waste), consumer demand and preference, reputation, policy and regulation ...
- **Investment Inhibitors:** Policy and regulatory uncertainty; missing infrastructure, capacity and skills; permitting delays ...

Private sector functions best in a market-based economy... in which companies bear the risks and benefit from rewards

# Government's Role

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- Establish stable policy/regulatory environment
- Build societal capacity
  - Education/training especially in science and engineering
  - Fundamental Research
  - Infrastructure
- Create enabling frameworks
  - Governance and rule of law
  - Intellectual Property Rights
  - Investment
  - Technology deployment
  - Access to markets
  - Technology transfer
  - Efficient and predictable regulatory and permit processes

A proper enabling framework is an essential precondition for most private investment, but not enough... projects must also generate economic returns

# Investment Decisions and Green Growth Policy

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- Decisions on major capital expenditures by private firms are based on a risk-adjusted expectation of adequate returns
- Many of the innovative technology systems that show promise for green growth face high costs, limited or no commercial experience and political controversy
- Higher costs, potential for permitting or regulatory delays, public acceptance, and policy and legislative uncertainty add to perceived risks and raise costs
- Inadequate returns force firms to seek alternate approaches, defer decisions, or reject projects
- Effective policies will need to work with mainstream project investment and finance processes, and with local and national approval processes
- Business seeks sufficient clarity to plan, propose and implement projects with confidence that they will be commercially viable and proceed in a timely fashion

The key issue in Financing the Green Economy is not so much raising funds, as confidence in returns from successful projects

# Thank You

