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International Forum on Sustainable Infrastructure

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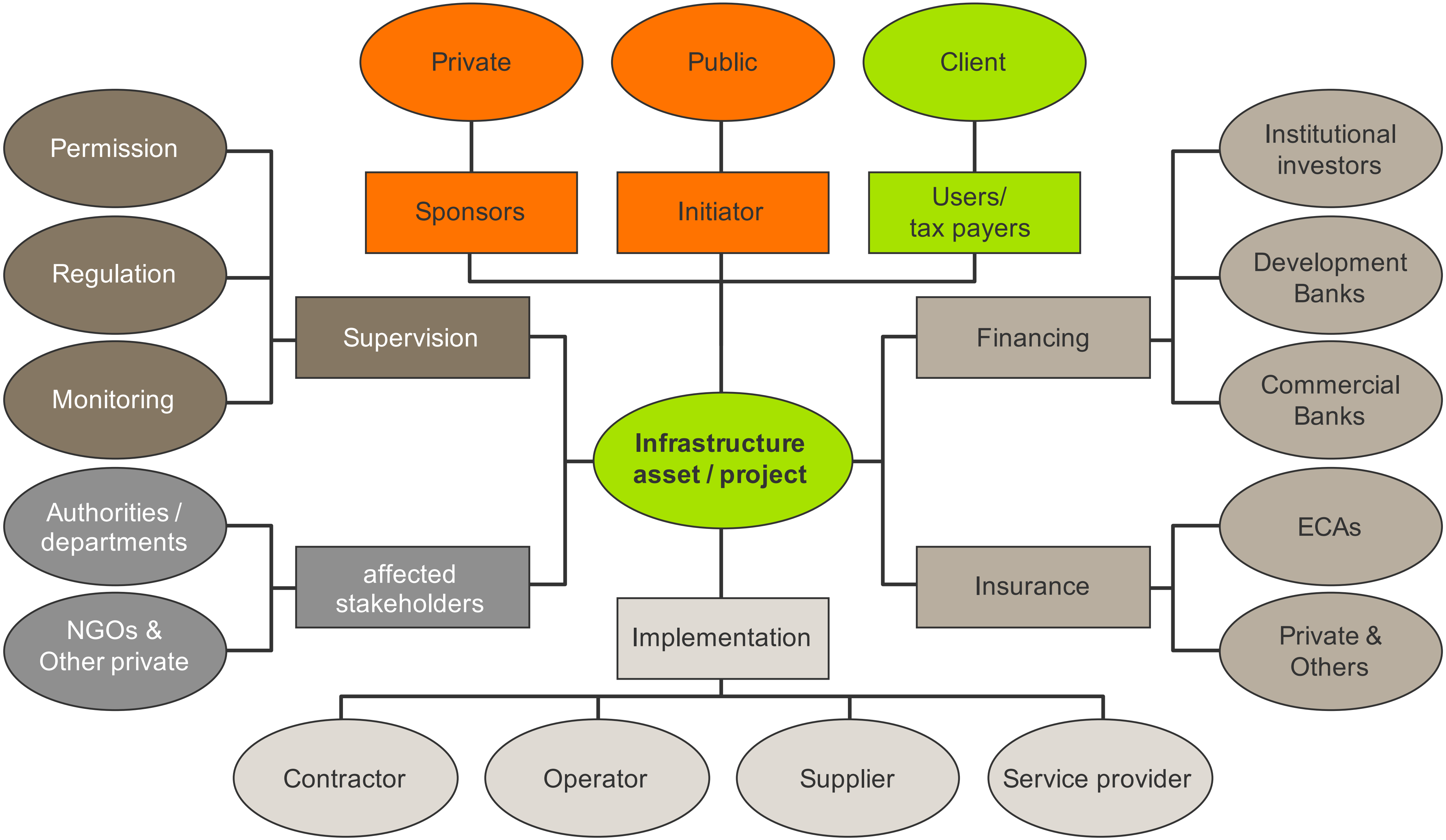
B CAPITAL PARTNERS is an independent investment advisor with highest standards focusing on infrastructure, public private partnerships and clean energy.

Multiple stakeholders in infrastructure assets/projects



Quelle: Weber/Alfen “Infrastructure as an asset class” (Wiley)

Investor perspective on ESG integration in infrastructure

The main benefit of considering ESG risks as part of evaluating infrastructure assets is risk reduction and in turn, higher long-term, risk-adjusted returns

- Incorporating ESG factors/risks in the overall infrastructure investment assessment increases the chances of providing long-term, stable returns to investors;
- ESG risks take into account non-financial factors;
- ESG risks in the context of infrastructure result either:
  - *From* the infrastructure asset *affecting the environment/society, e.g.*
    - Physical damage and regulatory risks introduced due to climate change;
    - Resource scarcity/natural resource constraints (water, clean air);
    - Pollution;
    - Population growth;
    - Ageing societies

or:

  - *From the environment/society on the asset, e.g.*
    - Environmental degradation and pollution;
    - Human rights issues (labour law issues);
    - Health and safety risks for workers and/or local communities;
    - Unethical management practices (mainly corruption)

ESG assessment & benchmarking tools

Awareness of ESG factors and their risks are of little use unless investors have the means to effectively evaluate, measure & possibly mitigate them

- Internationally coordinated ESG (risk) assessment and benchmarking approach is in the long-term interest of all stakeholders in infrastructure because
  - It could support more informed investment decisions by making investments comparable along both, financial and sustainability/ESG attractiveness
  - Changes are: more of the sustainble infrastructure investments would be financed

- A variety of assessment tools exist which support investors in their sustainability assessment
  - CDC Toolkit for Fund Managers (UK)
  - Envision Sustainability Infrastructure Rating System (North America)
  - Global Infrastructure Basel (GIB) – SuRe (Switzerland)
  - GRESB Infrastructure (Netherlands)
  - Infrastructure Sustainability Rating System (Australia)

- Only few provide some sort of benchmarking tool – most don't have the ambition

- By definition, benchmarking requires a standard along which assets can be compared
  - Lack of standardised performance data – financial and sustainable performance
  - Sustainability performance data are multifactorial and only partially quantifiable

A lot of ground has been covered but ESG assessment & benchmarking are still in their infancy

Barriers to investment unique to sustainable assets

Despite the potential triple-win situation, some investors shy away from sustainable, low-carbon investments

Example of renewable energy investments

- Lack of strong, stable, predictable environmental, energy & climate policies regarding
  - carbon pricing
  - renewable energy support schemes of governments
  - fossil fuel subsidies

- Unintended policy impacts
  - E.g. domestic tax credits for clean energy investments that do not benefit tax exempt or foreign investors

- Lack of suitable financial vehicles for sustainable investments
  - E.g. green bond market has only few issuances that meet size and investment grade requirements of institutional investors.

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For further questions / informations

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