

Bridging the Execution Gap

James Hooton – Managing Director, GFI Europe

Green Finance Institute

Our Vision

We believe in a greener future made possible by finance.

Our Mission

We want to accelerate the transition to a clean, resilient and environmentally sustainable economy, by channelling private capital at pace towards real-economy outcomes that will create jobs and increase prosperity for all.

Offices

Copenhagen
London
Madrid

Operations

Brussels
Denmark
India
Indonesia
Madrid
Malaysia
Philippines
South Africa
UK

Channelling global capital to local markets

Global Capital

Investors, governments and corporates form multi-billion dollar sustainability coalitions

The Execution Gap

To maximise impact, these coalitions need the right institutions and operating model to create opportunities for lenders and investors that meet their return and impact requirements

The GFI Approach: a new kind of counterparty to bridge the gap

GFI combines new institutional capability with our sectoral transition model to close the execution gap



National

- Institution Design
- Policy and regulation
- Blended finance strategies
- Sectoral finance to support NDCs



Municipal

- Investment readiness and project preparation
- Municipal fund design
- Local pilots and programmes
- Consumer product development and rollout

Green Finance Institute

We test, demonstrate, and scale financial solutions across sectors and geographies, with a tenacious focus on practical outcomes. Often, this involves operationalizing pioneering concepts and breaking down barriers to action to enable capital to move between two counterparties. The GFI sits at the nexus of the public and private sectors, co-designing financial mechanisms, enabling frameworks, market guidance and policy ideas for delivery.



Our Proven Approach

GFI's methodology for channelling global capital towards local solutions



1. Identify Financing Needs by Sector

New approach to sectoral transition, bridging public and private sector market participants



2. Propose Solutions

Market leading investment guides, financial mechanisms and policy frameworks



3. Market Development

Blended finance pilots, development funds, supportive local partnerships



4. Deliver Impactful Outcomes

Building institutional capacity for blended finance, new models for local delivery



5. Replicate and Scale

Expanding and improving our work on Pillars 1 - 4 both nationally and internationally

Grant funding – government, impact and philanthropic

Blended finance – Public Private Partnerships and risk sharing

Shift to private finance and revenue generation model

Sectoral approach to Decarbonisation



Built Environment

The Built Environment Programme aims to develop the market for financing a net zero built environment. It focuses on retrofitting and improving the energy efficiency of privately owned homes. Launched in December 2019.



Transport

Financing low-carbon methods of transport, including the adoption of electric vehicles (cars and commercial vehicles), their requisite charging infrastructure, and improved battery technology. Launched in January 2021.



Green Taxonomies

GFI provides non-binding advice to Government on the design and implementation of a UK Green Taxonomy. We have focused on usability and interoperability with global taxonomies. Launched in June 2021.



Nature

We accelerate the supply of high-integrity investible nature-based projects, drive and support demand from corporates and financial institutions, and feed into enabling policy and market infrastructure. Launched in December 2021.



Systems Change

We also pursue a top-down 'systems change' approach, encouraging both governments and investors to think and operate differently. Examples include blended finance solutions, sovereign green bond issuance and building new institutional capability.

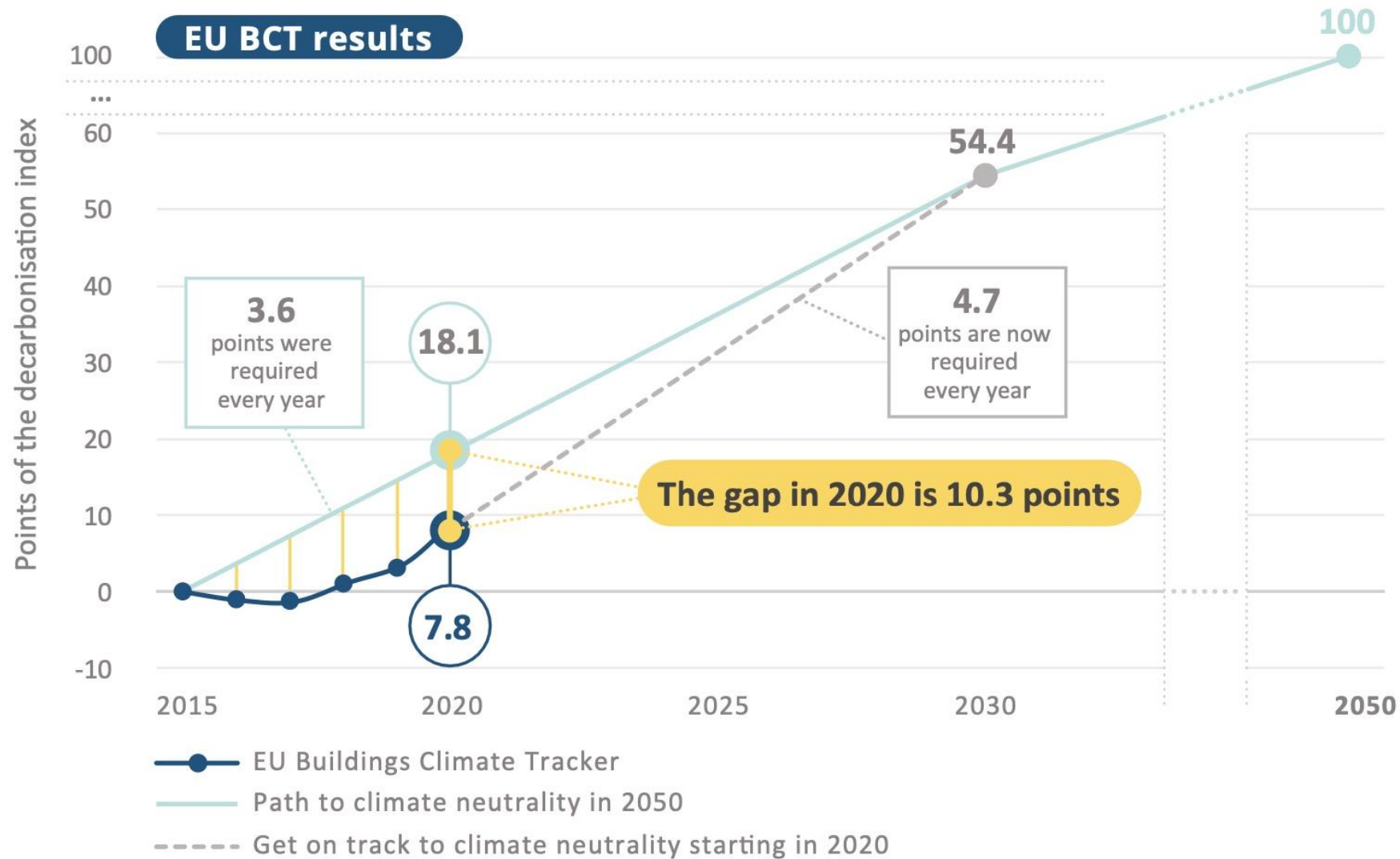


Emerging sectors

We are developing a pipeline of new sectoral transition approaches, including Carbon dioxide removals, Grid, Industrial decarbonisation and Maritime decarbonisation. We are also looking beyond decarbonisation to scaling Adaptation and resilience-focused investment.

Buildings are off-track

Figure 1: EU BCT results for the EU in 2015-2020 and the required development to be on track by 2030.



Scaling and mainstreaming green home finance solutions

GFI's Built Environment Programme

Market Creation

Property
Linked
Finance

Green
Mortgages

Demand
Aggregation

Green Rental
Agreements

Place-Based Solutions

Greater
Manchester
Combined
Authority

Local
Climate
Bonds

Data Enablers

Building
Renovation
Passports

Metered
Energy
Savings

Lender &
Broker
Handbooks

Green Mortgages

Challenges:

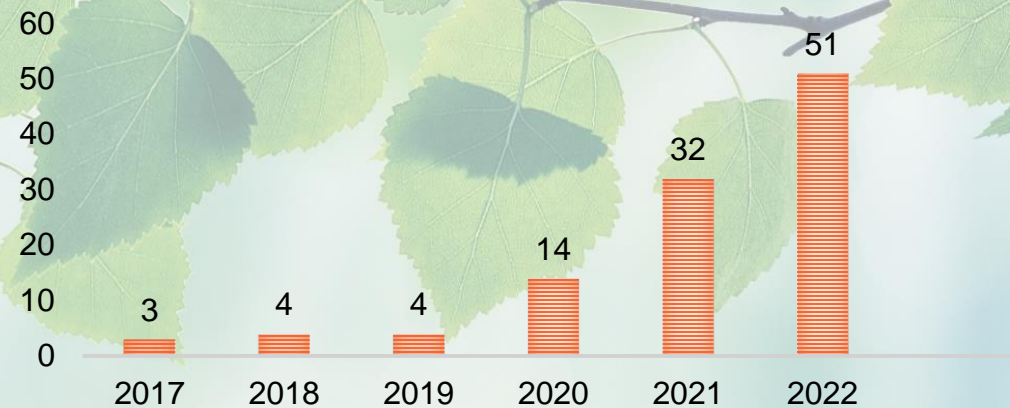
- Fears around accusations of greenwashing,
- a lack of awareness and understanding,
- and low visibility around the technology available,
- how to track upgrades.

After speaking with lenders, the GFI delivered the **Green Home Finance Principles** (GHFPs) with the Loan Markets Association, an open-sourced document to strengthen the green home finance market. We have since developed a **Green Technology Lender's Handbook**, created **Building Passports** and established the **Green Mortgage Hub** to help accelerate the expansion of the green mortgage market.

Expanding the green mortgage market

The development of green mortgage products was stagnating between 2017-2019. By working with the market and specifically mortgage lenders, the GFI has been able to develop the tools needed to accelerate product innovation in this space.

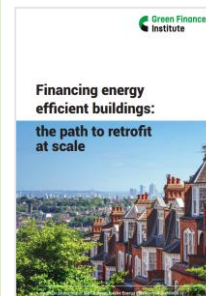
No. of green mortgage products in UK market



Opportunities for expansion

Launch a Green Mortgage Campaign to raise further awareness across the UK around green mortgages and the solutions developed by the GFI. Specifically targeting local authorities to raise awareness where we know appetite is high, to support the uptake of financial products in local areas.

Creating the Green Home Finance Principles

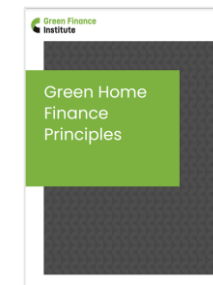


Market Review
GHFPs identified by as a key market enabler to catalyse green home financing market

March 2020

GHFP workshops
Drafted by CEEB and the Loan Market Association in partnership, following market research conducted by CEEB

March - Nov 2020



GHFPs launched
Open source document hosted on Green Finance Institute

Nov 2020

GHFP products
GHFP-aligned products launch in the market



Nov onwards

Property Linked Finance

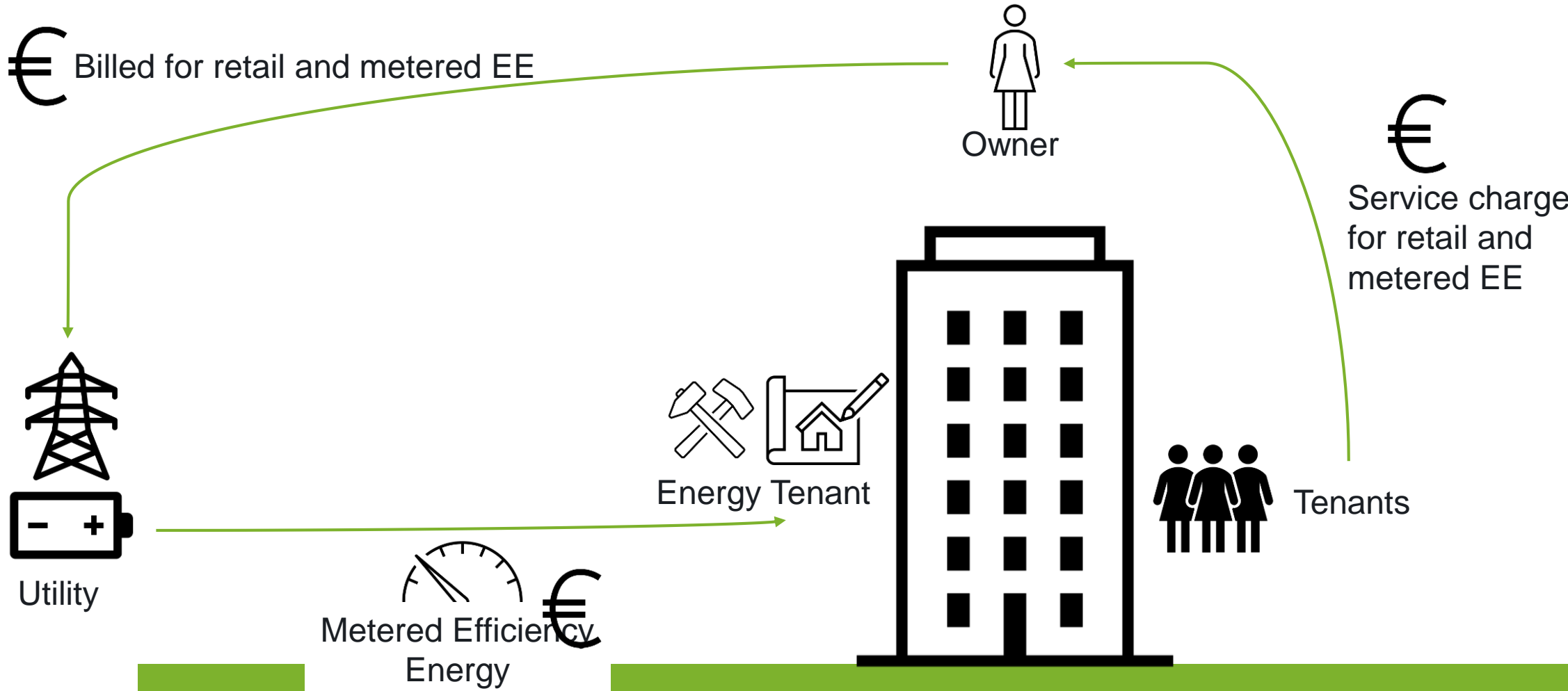
RISING CONSUMER DEMAND FOR ENERGY EFFICIENCY
AND THE NEED FOR FINANCIAL INNOVATION



Property Linked Finance (aka PACE)

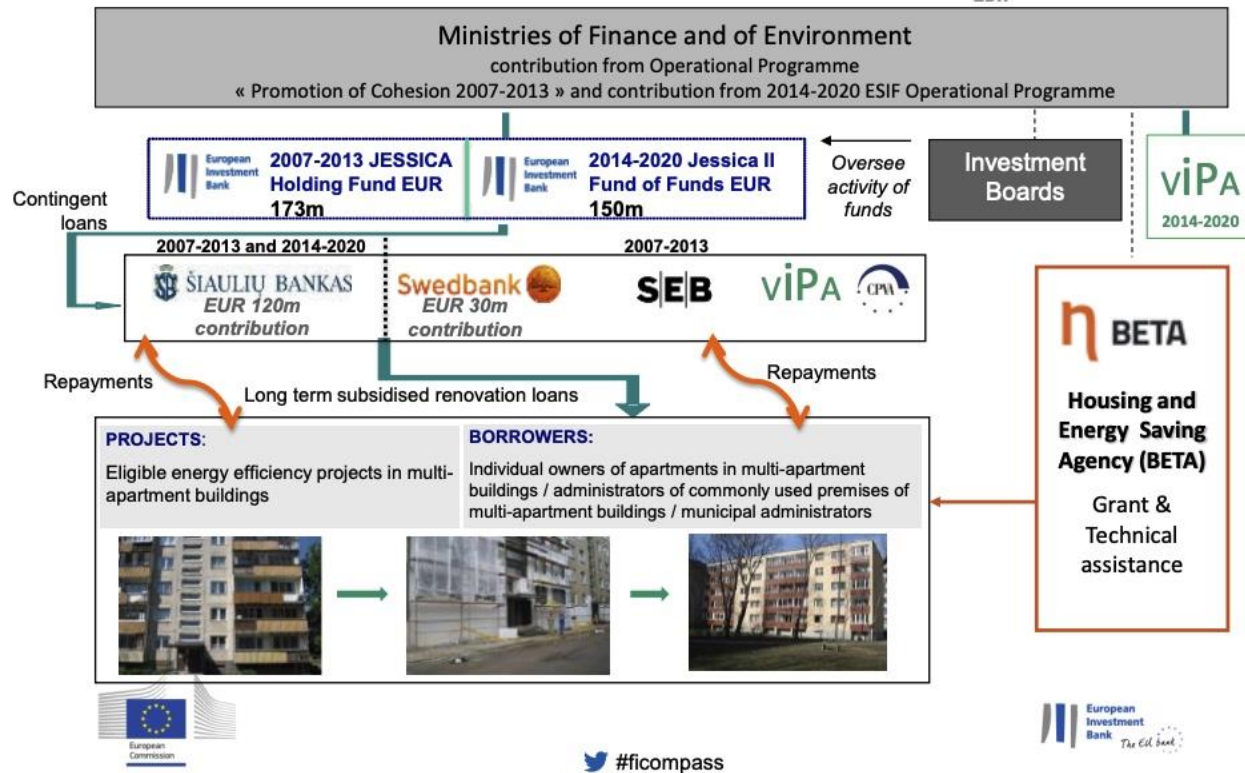
- \$15B market in US across commercial and residential
- Can finance up to 100% of costs
- Repayment obligations stay with building
- Lower risk = longer tenor & lower IR
- PLF cashflows are predictable so can be securitised

Efficiency Energy as Resource



Where's Jessica?

2007-2013 and 2014-2020



Jessica I

- €265 million = 1,000 multi-apartment buildings across Lithuania completed energy efficiency modernisation renovations.
- Preferential loans were issued at a 3% fixed interest rate with maturity of a 20 years.
- Homeowners were initially eligible for up to 40% subsidy

Jessica II

- In May 2015, €150 million of 2014-2020 European Structural and Investment Funds.
- EIB created a specific instrument called 'pre-financings', used to attract €180 million of resources from financial intermediaries

Jessica III?

https://www.ficompass.eu/sites/default/files/publications/presentation_20161020_vienne_agne_kazlauskaitė_1.pdf

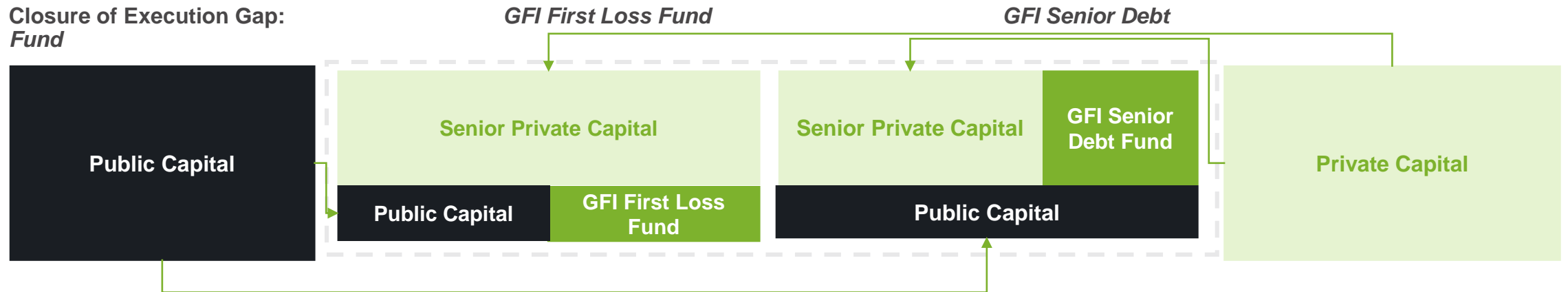
Closing the *Execution Gap* with the GFI Funds

- Closing the outstanding *Execution Gap* requires targeted financial first loss support to mitigate the uncertainty in energy efficiency and climate adaptation works
- Working with the government, development banks and other public bodies, GFI Investments will catalyse the public capital required to scale significant multiples of private capital, minimising public exposure whilst maximising private investment.

Current situation:



Closure of Execution Gap:
Fund



Σας
ευχαριστώ

