

Mobilising finance for local climate plans and economic development

ADEPT Autumn Conference

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Investing in Net Zero in the UK

CCC estimates that an additional £50bn of investment is needed per annum by 2030 to transition economy to net zero in the UK.

- **Net zero investment will generate considerable savings**
- **Smart policy can reduce the cost of capital for investment**
- UK Government and local authorities share a common goal to deliver net zero. There are several initiatives/actors working on mobilising finance for local net zero investment plans:
 - 3Ci, UK100, Green Finance Institute, LSE Grantham Research Institute, Impact Investment Institute, PCAN, to name a few

Demand - Growing market for sustainable finance

The financial sector actors and regulators are alive to the risks of climate change but also the opportunities from the transition

- **Momentum within Financial Sector**

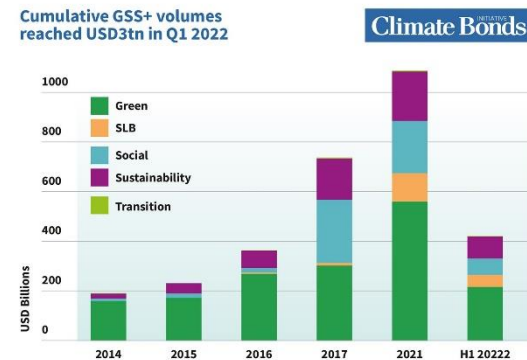
- Glasgow Financial Alliance for Net Zero (£130tn AUM committed to net zero transition)
- UK committed to a net zero financial system

- **Increasing prevalence of green instruments**

- Sustainability bonds
- GSS bonds reached nearly half a trillion in the first half of 2021.

- **Increasing appetite to deploy capital**

- FIs search for suitable instruments to respond to the net zero transition
- E.g. UK Government Green Sovereign Bond



Source: Climate Bonds Initiative

Demand - The UK Financing the Just Transition Alliance (FJTA)

abundance.



THE INVESTOR FORUM

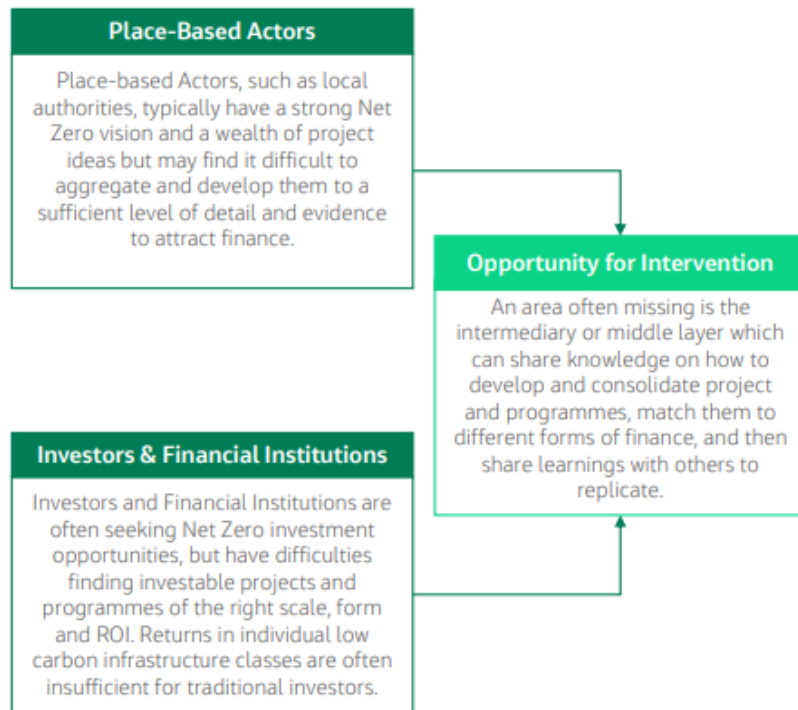


Supply – Building local authority net zero project pipelines

There is often a missing intermediary layer between private finance and place-based actors:

- Share knowledge on how to develop and consolidate projects and programmes
- Technical assistance to support investment readiness
- Technical assistance to develop financial instruments suitable for multi-asset, place-based investments e.g. blended finance facilities.

Figure 1: Provisional Rationale for a Place-Based Net Zero Project Knowledge Sharing Platform



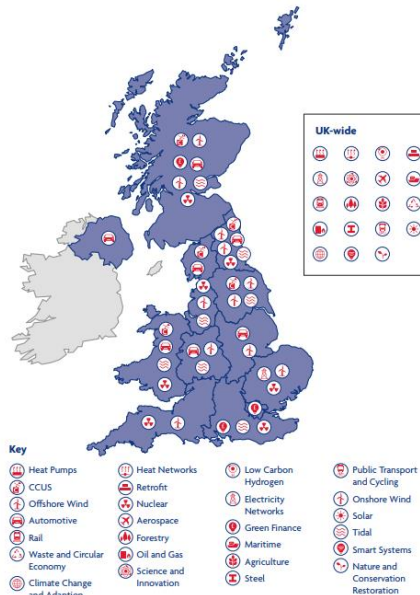
Climate finance – Levelling up & economic development

The Opportunity – Smart Green Investment in the UK to take advantage of existing comparative advantages

- Tidal power, offshore wind, CCUS
- Economic growth/ development across the regions
- Regions characterised low productivity have relatively more specialisation in clean tech
- Not a silver bullet for wider economic challenges of low growth and productivity as well as regional economic inequality – but one part of the puzzle.



Figure 1.34 Potential employment opportunities and skills needs from Net Zero transition, UK countries and regions²⁴

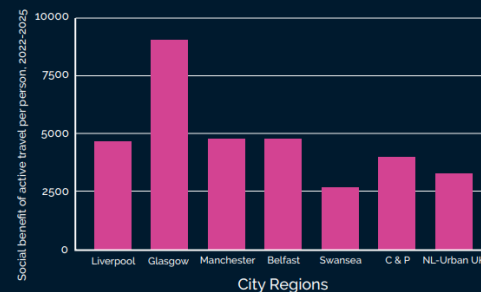


Models for Delivery - Place-based approach is most efficient

- Evidence that place-specific transitions in the UK is cost effective and has significantly better social co-benefits:
 - **Place agnostic approach** - £195 billion of investment in things like heat pumps, insulation and electric vehicles, releasing £57 billion of energy savings, and £444 billion of wider social benefits over the next 30 years.
 - **Place-specific approach** - just £58 billion of investment would be needed to meet the same targets – in the process generating £108 billion of energy savings for consumers, and £825 billion of wider social benefits over the next 30 years.



Figure 7: Social benefits generated per person if walking and cycling schemes were deployed to their full potential in each city-region.



Emerging best practice - Regions and locations around the UK are building place-based investment portfolios

- Bristol City Leap Projects**



Asset Class	Estimated Investment Opportunity
Heat networks	£300m
Smart energy system	£125m
Domestic energy efficiency	£300m
Commercial energy efficiency	£100m
Renewable energy	£40m

- Mayor's Energy Efficiency Fund (MEEF) – London**

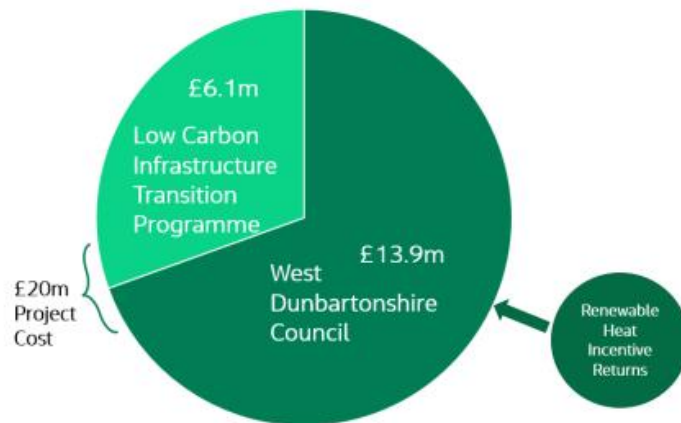
- Wide range of asset classes
- Technical assistance function crucial
- Since 2018 – mobilised more than £315m and reduced CO2 emissions by 16,000 tonnes



Emerging best practice : Queens Water Source Heat Pumps, Glasgow (project level)

- Two 2.65MW ammonia water source heat pumps
- Operational since December 2020 – providing 80% of the council's heat demand
 - 1200 homes as well as business and community infrastructure
- Council-run energy company formed to manage the heat pump and network.
- Finance
 - Scottish Govt fund £6.1m through LCITP
 - RHI and West Dunbartonshire Council

Figure 8: Funding Structure for Queens Quay Project



New Instruments – NIHE Just Transition Bond (Proposal)

- Cost-of-living crisis particularly difficult in Northern Ireland
- Northern Ireland Housing Executive (NIHE) is a major anchor institution in the region
- Strong policy direction but region has struggled to attract investment for decades
- This innovative funding structure could provide some of the investment shortfall for the NIHE and the region to deliver net zero goals.



Financing people-centred climate action: a Just Transition Bond for the Northern Ireland Housing Executive

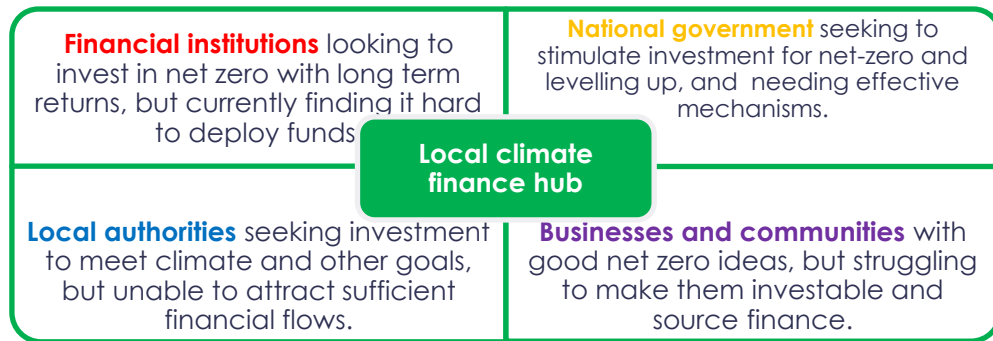
Brendan Curran

Policy insight

What next – Local climate finance technical assistance

- **Climate Finance Hubs needed (support by public grant)**
 - Finance, engineering, policy and legal skills
 - Locally embedded but centrally connected
- **New platforms to support localities to transform single asset project ideas into place-based, multi-asset, net zero portfolios**

Can we scale up and proliferate the net zero hubs network across the UK?



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