



Effective policies to spur green investment and finance

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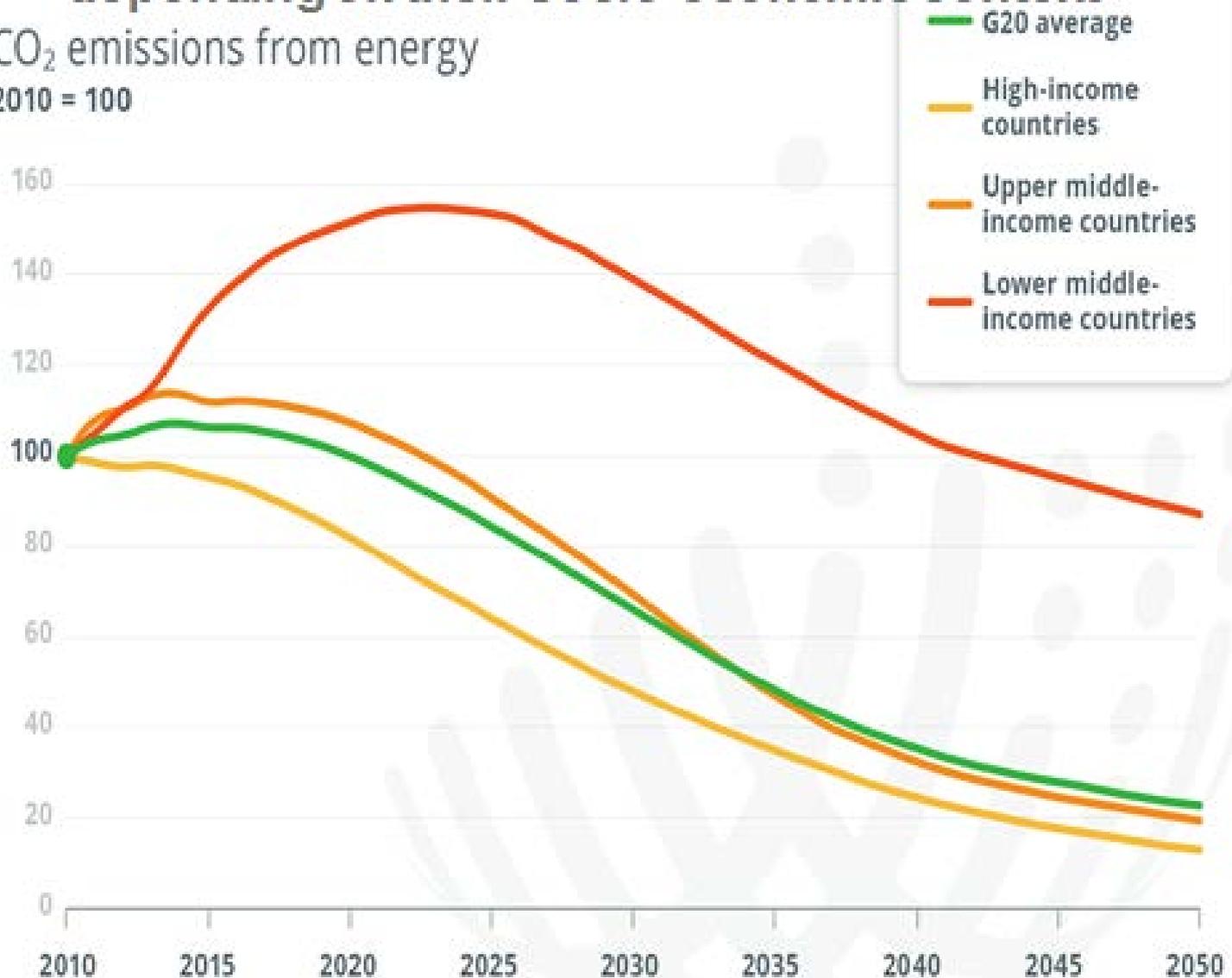
Organisation for Economic Co-operation and Development

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Delivering on Paris : countries' pathways to vary depending on their socio-economic context

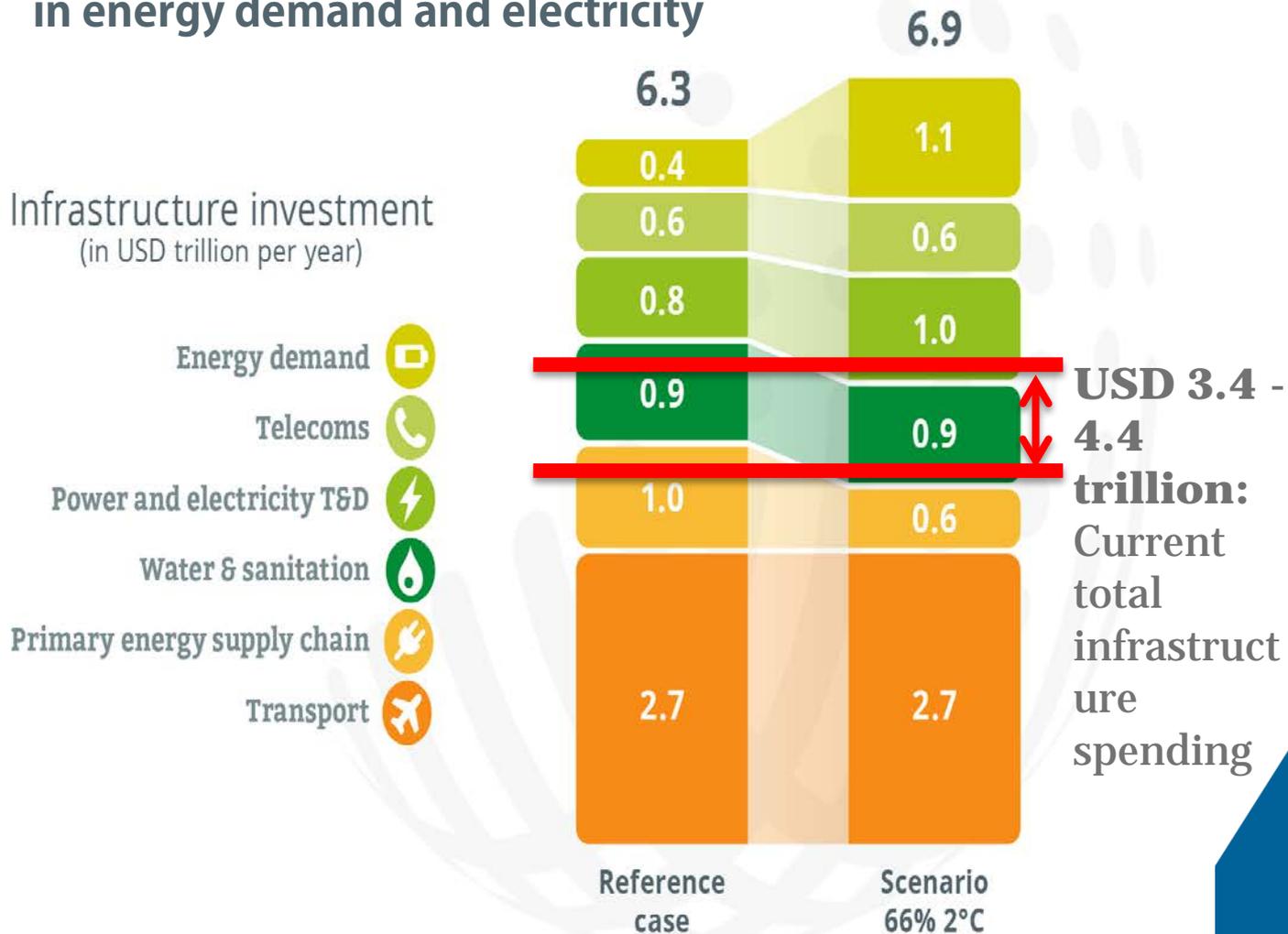
CO₂ emissions from energy
2010 = 100



Based on 66% chance of staying below 2C

An ambitious 2° C scenario requires only a 10% increase in infrastructure investment ...

Increased expenditures are needed in energy demand and electricity



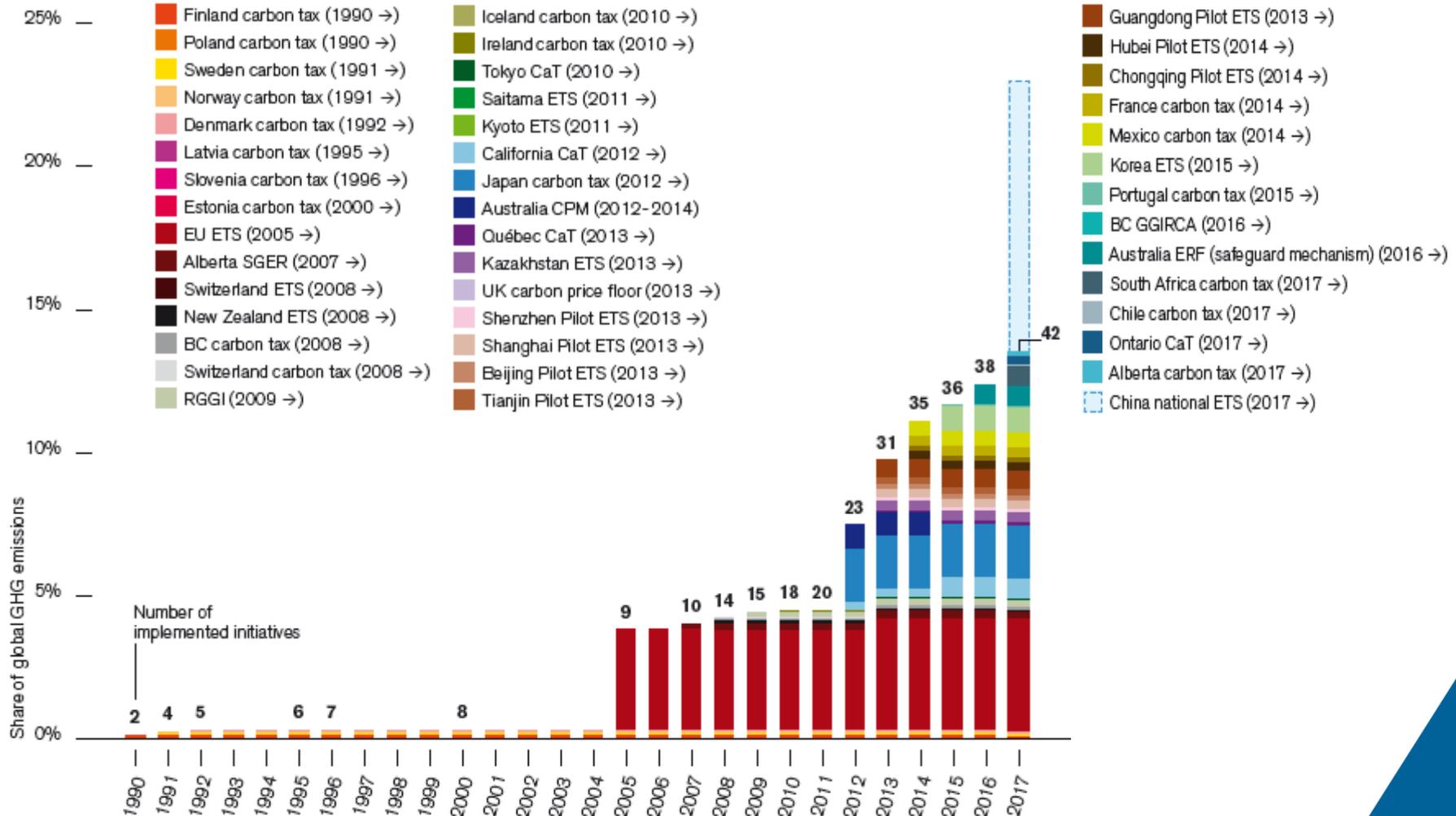


Aligning growth, climate, investment and financing policies

- ✓ A clear and robust **price** signal on GHG emissions (carbon pricing, fossil-fuel subsidies)
- ✓ **Aligning** all existing **policies** (trade, taxation, energy, competition, land use, ...) for low-emission, resilient investment
- ✓ Forward-looking support to low-carbon technologies (**innovation**)
- ✓ Public infrastructure choices and **procurement**
- ✓ Mobilizing **capital** to support green infrastructure



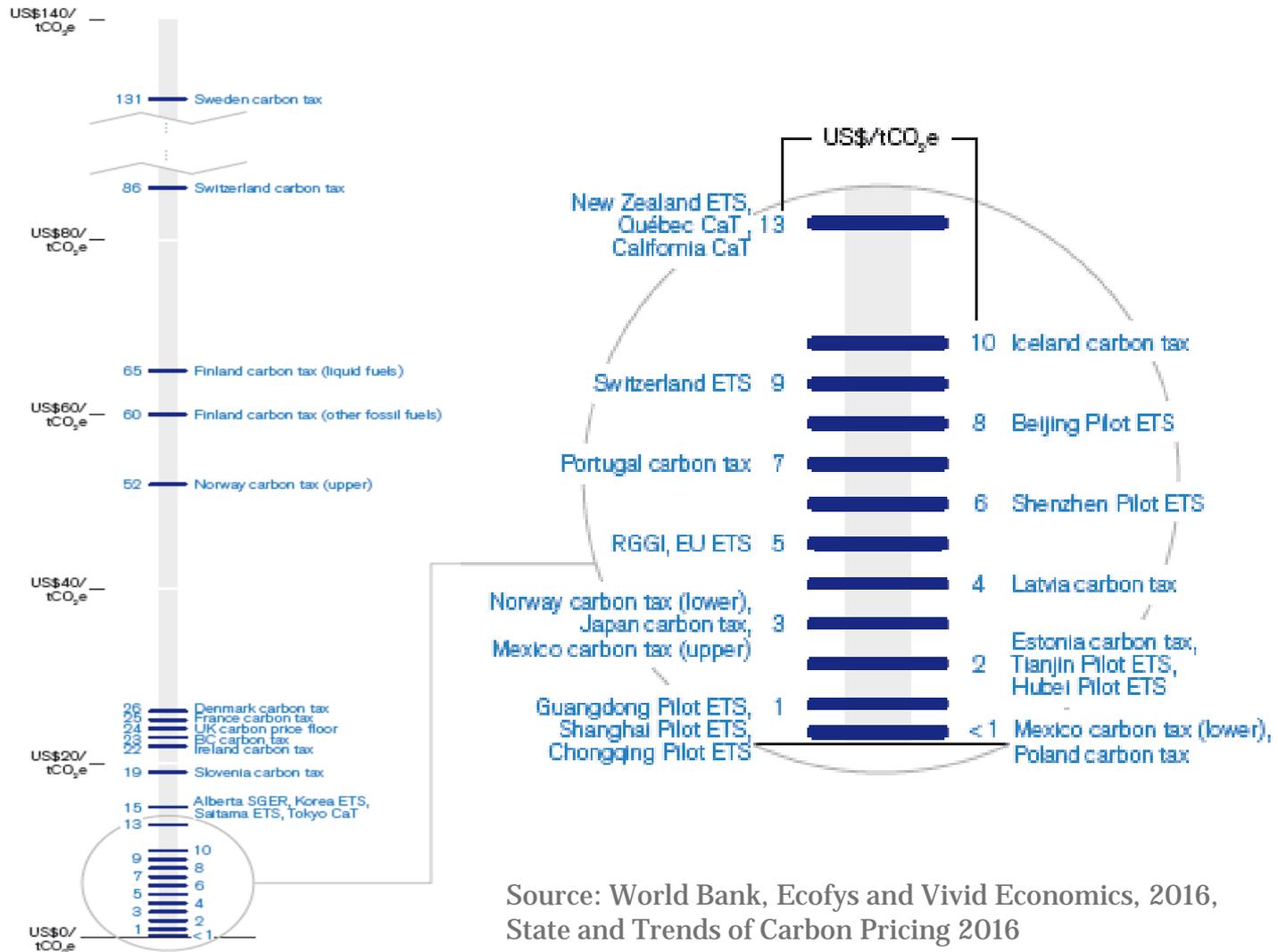
Carbon pricing initiatives: share of global GHG emissions covered



Source: World Bank, Ecofys and Vivid Economics, 2016, State and Trends of Carbon Pricing 2016



Prices in existing carbon pricing initiatives



Source: World Bank, Ecofys and Vivid Economics, 2016, State and Trends of Carbon Pricing 2016



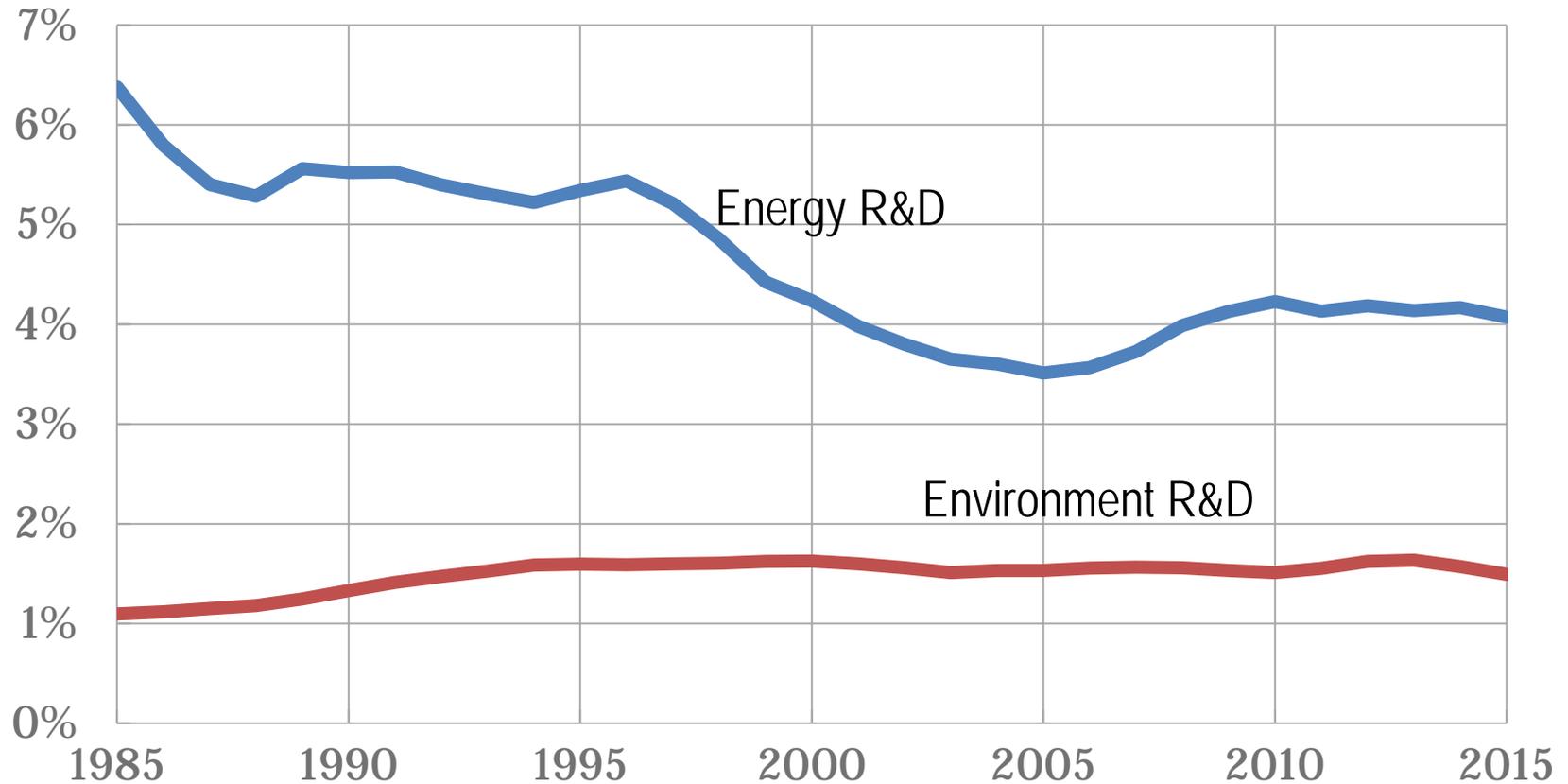
Policy measures to spur Innovation

- Carbon pricing to address two failures simultaneously:
 - ✓ negative environmental externalities of emissions
 - ✓ positive externalities of innovation (investment)
- Public investment in (basic) research
 - ✓ declining share of publicly funded energy-related research
- Measures to induce private RD&D
 - ✓ increasing use of tax incentives -- market-based tool to reduce the marginal cost of RD&D
 - ✓ but could be an impediment for small new companies



The environment share of R&D remains stagnant

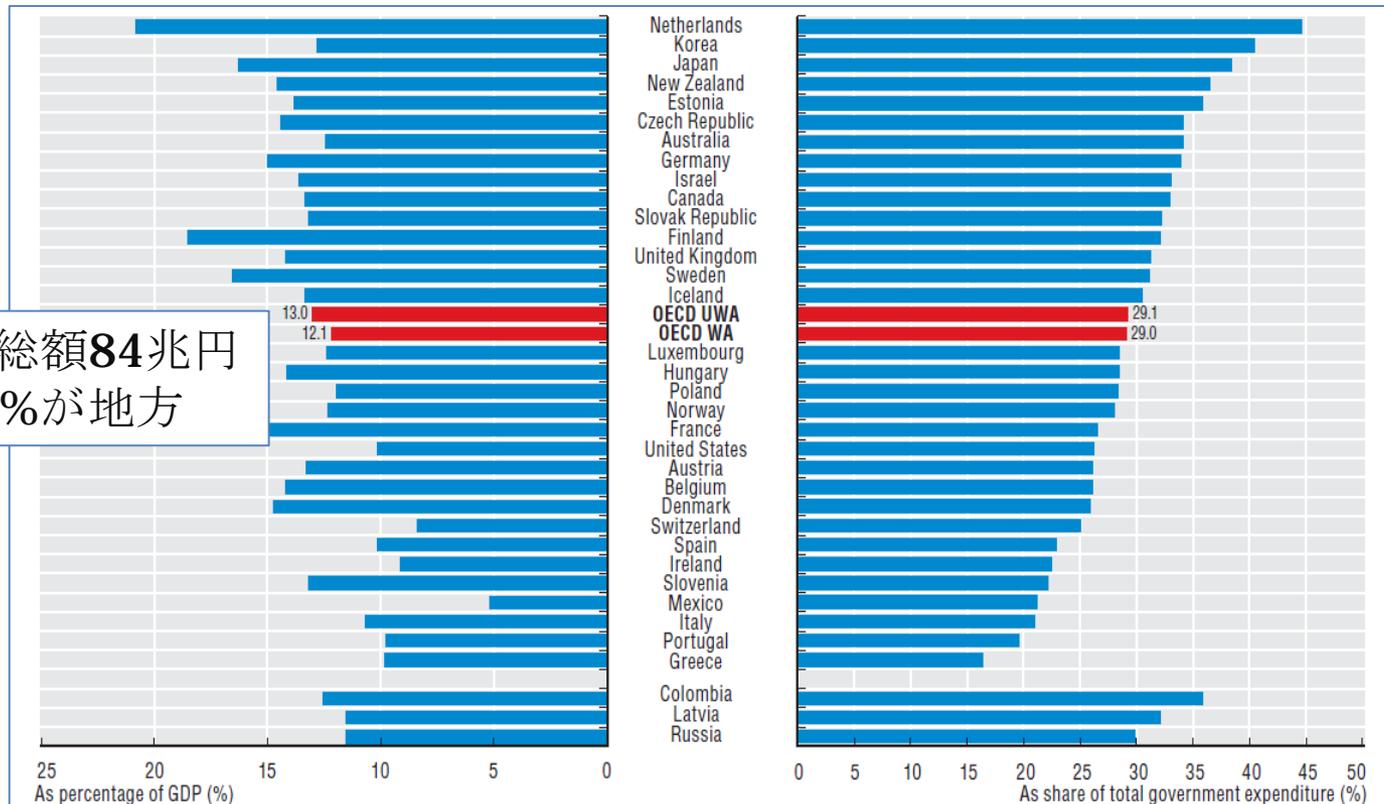
(% of total government budget for R&D)





Public procurement: an important tool of Innovation policy

General government procurement as percentage of GDP and as share of total government expenditures, 2013



日本：総額84兆円
うち68%が地方

Source: OECD National Accounts Statistics (database). Data for Australia are based on a combination of Government Finance statistics and National Accounts data provided by the Australian Bureau of Statistics.



Some improvements in public procurement practices

From lowest cost of acquisition to...

- **Total cost of ownership (e.g. acquisition + energy use over life-time)**
 - **Life-cycle cost analysis (e.g. monetised externalities)**
 - **MEAT (most economically advantageous tender), including quality attributes**
 - **Tendering for services instead of products (can align supplier's and customer's incentive to save)**
- Greener not necessarily more expensive**
- (日本：環境配慮契約法—2007年)**



Public Procurement for innovation (PPI)

- While achieving the best result for the best price, public procurement can create “lead” markets without engaging new spending
- Adaptive PPI: diffuse an innovative product or service that has been used in other regions
- Development PPI: creates and diffuses a new product or service



...and finance it (green finance)

- Stranded assets
- Divestment
- Disclosure of climate-related information
- The role of institutional investors (fiduciary duty) and capital markets (green bonds)