Financing Sustainable, Climate Neutral Cities – Funding mechanisms

16th November 2020
13:00-14:30 CET
Welcome!

There is no lack of sustainable, climate friendly and smart technologies, but there seems to be challenges to implement and upscale them in city structures. Could finance be a barrier?

- **November 2**^rd^: Selected cities shared their experiences, progress and challenges in developing a sustainable, climate neutral city; with a specific focus on the financing need and potential solutions
- **November 9**^th^: Different private financial institutions providing their perspectives picking up from the needs expressed in the previous workshop
- **Today**: Focus on tools and funding mechanisms to meet the financial needs of cities to become more sustainable
- We (SEI, Cleantech Scandinavia and SSE-SIR Misum) - *Viable Cities’ Finance* project (2020-2022), funded by *Viable Cities*
Our panelists today

- **ALANUS VON RADECKI**
  Head of Competence Team Urban Governance Innovation at the Fraunhofer Morgenstadt Initiative

- **ISABELLA LONGO**
  Project Director (BIT Habitat) at Barcelona City Council

- **LIZA ROSE CIROLIA**
  Senior Researcher at the African Centre for Cities

- **MAYUR MUKATI**
  Senior Associate Sustainable Finance Solutions at Sustainalytics

- **WILL SIBIA**
  Founder at URBS

#SustainableCities #SmartCities
Agenda

13:00 Introduction to the session
  - Astrid Nilsson, Research Associate at Stockholm Environment Institute

13:10 Presentations from guest speakers
  - Alanus Von Radecki on bringing together private and public partners for funding sustainable cities - Cologne
  - Will Sibia on making a business case for clean technologies – New York and Istanbul
  - Isabella Longo on the city as a grant giver - Barcelona
  - Mayur Mukati on financing mechanisms and the role of external reviewers for sustainable finance in cities
  - Liza Rose Cirolia on expanding beyond Europe and funding options from an African cities perspective

13:40 Q&A session between moderator and panellists

14:00 Q&A session with the audience

14:20 Concluding remarks
House rules

- Use the Q&A chat function to post your questions for the Q&A session at 14:00 CET
- Please state your name and organization/country
- Be short and clear
Recap from the previous sessions
Our panellists

THE CITY PERSPECTIVE

• **Gustaf Landahl**, Head of Department of Planning and the Environment, City of Stockholm;
• **Frans-Anton Vermast**; Senior Strategy Advisor Low Carbon and Connected Urban Planning, Amsterdam City
• **Bud Braughton**; Smart Columbus Project Manager
• **Serge De Gheldere**; Lead at Futureproofed & Klimaatzaak; Member of the Board and Executive Committee of Leuven2030

THE PRIVATE FINANCIERS’ PERSPECTIVE

• **Carl-Emil Lindholm**, Director, Infranode
• **Heimen Visser**, Fund Manager, PrimeVest Capital Partners
• **Helena Olin**, Head of Real Assets, AP2
• **Kristoffer Aanerud Nielsen**, Advisor, Climate & Sustainable Finance, SEB
Discussion points from previous sessions

Overall:
- There are large investments needed for cities to become climate neutral
- National legislation is needed to push the sustainable agenda at city level
- It’s easier to ask for forgiveness instead of permission when it comes to implementing the sustainability agenda

Different incentives and ways of working:
- **Current investments vs additionality**: LGs might focus on existing financing needs and existing costs vs. private financiers are looking for investment opportunities in new projects. However, private financiers could help LGs to find new revenue streams from investments by assessing future functionalities of assets
- **Return on investments gap**: LGs (especially AAA-rated ones) vs. private financiers (look for risk return)
- **Partnership and ownership**: LGs owning and controlling the assets / doing everything on their own vs. collaboration with private investors who can bring in new funding and expertise. Different cities have different levels of competency on these issues. Incentive needed for LGs to step into special purpose vehicle/neutral entity facilitator that contracts all partners. Are LGs facilitator in scaling pilots or do they have another role?

Probably uncontested points…:
- Need to embrace new technologies
- Declining and rural cities: help from bigger cities – solutions available for everyone
- Regulatory holiday for pilot projects?
Dr.-Ing Alanus von Radecki

Head of Competence Team Urban Governance Innovation at the Fraunhofer Morgenstadt Initiative
SMART CITY INVESTMENTS

Dr.-Ing. Alanus von Radecki
Head of Morgenstadt Market Shaping
Senior Consultant – BABLE UG
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• Investments in smart city solutions generate different types of return.
• From a mere finance & investment perspective most of them are not profitable.
INVESTMENT GAP

- **Innovation** = higher risk = higher returns necessary
- **Connected** = more stakeholders = higher transaction costs
- **Systems lock-in** = Systems transformation is more costly than incremental investment
Unlocking significant private investments into sustainable urban development by de-risking & blending with public invest.

**FINANCING APPROACH:**

PPP

- Private Investment
- Public Investment

- Public Return
- Private Return
INVESTMENT METRICS

Investment needs and potential returns depend on a variety of local factors.

Return Metrics

- Cost of operation
- Geography + Topography
- Occupancy rate
- Ticket prices
- Social & environmental impact

Investment Metrics

- Regulation
- Funding & support programs

ELECTRIC BUS SYSTEM

- Technology (E-Buses)
- Infrastructure (e.g. charging stations)
- Upgrading (coaching, maintenance etc.)
THANK YOU

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Will Sibia

Founder at URBS
URBS IS A TRUE SYSTEM INTEGRATOR THAT DELIVERS SOLUTIONS FOR REAL ESTATE AND INFRASTRUCTURE TO CREATE SUSTAINABLE SMART CITIES.
Commercial arm to Swedish industry’s export platform

Leveraging proven Nordic technologies, systems and solutions

A credible partner for climate finance and impact investments
MAKING INVESTMENTS IN CLIMATE MITIGATION ATTRACTIVE, SECURE AND TRANSPARENT.
WELCOME TO MANHATTAN!

For the US retrofit market, urbs would integrate its technology and insurance platform with the PACE program - a New York state program for providing long term-financing for energy efficient and renewable energy projects.
Retrofit market (2024-2030)

The catalyst LOCAL LAW 97

- Up to 2.5 billion square feet will have to comply with the Local Law
- The Local law could generate as much as $20 B in investment

Sources: Retrofit Market Analysis. Urban Green Council, June 19, 2019
PACE loans have senior lien priority to private loans. Future payments remain the obligation of the building owner, and transfer with a property to a new owner after it's sold.

PACE loans are secured by an interest in the property (like mortgages) and are paid as a charge on a building’s tax bill.

PACE debt is non-accelerating and repayment charges can be passed through to tenants on leases where appropriate.
ISTANBUL
MEETING OF CULTURES
SETTING NEW STANDARDS FOR SUSTAINABLE LIVING AND URBAN DEVELOPMENT
TRANSFORMING INSTITUTIONS, MARKETS, AND SYSTEMS IS KEY TO FIGHTING THE CLIMATE CRISIS — AND IT’S HOW WE DO BUSINESS

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URBAN SYSTEMS
Isabella Longo

Project Director (BIT Habitat) at Barcelona City Council
Financing Sustainable, Climate Neutral Cities – Funding Mechanisms
November 16th 13.00 – 14.30

The Proactive City's initiative to foster the local innovation ecosystem to find solutions for the challenges cities is facing in post-covid scenario.

Isabella Longo
Projects Director

WEB// bithabitat.barcelona/es/
BIT HABITAT – Barcelona Insitute of technology for the Habitat

BIT Habitat is a body from the Barcelona City Council that aims to promote urban innovation in the city, in its social, economic, urban and technological aspects, in order to respond to the new urban challenges.

We promote initiatives aimed at creating a more inclusive, safe, resilient and sustainable city, and improving the quality of life of the people who live there, through collaboration between the public, the university and research centres, the business community and the public sector, with a marked international vocation.
ABOUT

“The Proactive City” is a call for grants that aims to promote urban innovation in an open, plural, and multidisciplinary way, supporting the development and implementation of projects that promote urban change with a quantifiable social return while aimed an achieving positive and measurable impacts for Barcelona and its citizens.

It is necessary to find ways to equip our cities with new capabilities making them more resilient to possible crises, from a social, economic, environmental, and political point of view.
This is an invitation to the citizens to participate actively as a generator of proposals and solutions for real challenges.
We offer financial and technical support to the implementation of projects that have a real and measurable impact on achieving more resilient, sustainable, inclusive, and safer cities.
What did we look for?

The Proactive City wants to find real solutions to the challenges facing our city in the immediate future.

High impact
With demonstrable and measurable impact and lasting return over time

Bottom- up
Promoted from below (open call and non-prescriptive)

Short Term Executables
Duration of up to 12 months with a maximum budget of 100,000 euros (with a maximum grant of 80%)

Scalable and Long- Term Sustainable
Economically and operationally sustainable after the end of the grant
Solutions to urban challenges

To contribute to solving two urban challenges associated with different areas that have been particularly affected:

**Socio-economic scope**
Actions to boost the local economy

- Local commerce
- Work, education and care
- Culture and creative industries

**Environmental scope**
Actions to improve sustainability and urban resilience

- Habits and consumption patterns
- Urban decarbonization
- Housing and neighborhood

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# ciutatproactiva

La ciutat proactiva
Barcelona: i ara?
Examples of some contestant projects

- A network of collaboration between construction and architectural studios, for the deconstruction and demolition waste streams.
- Decentralized management of municipal organic waste through electromechanical composting.
- Microprojects with groups of women in a situation of exclusion in the Raval district.
- An open data web space to analyze impacts on the environment for small local businesses.
- A participatory platform for the collective reuse of the roofs of Barcelona.
- Crowd funding development for the audiovisual sector.
- A free mobile app to strengthen social ties between neighbours and local establishments.
- Digital market of independent producers for consumers and hospitality.
- Green Makers. Open Urban Sustainability Laboratory.
Thanks!

Isabella Longo
Projects Director

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Mayur Mukati

Senior Associate Sustainable Finance Solutions at Sustainalytics
Liza Rose Cirolia

Senior Researcher at the African Centre for Cities
Financing African Cities
A continent of hope and possibility

African cities as investment frontiers
African cities are believed to have:

- Having ‘hidden’ investment opportunities (hidden to who?)
- Exciting untapped markets (enabled by a supposedly growing consumer class)
- High potential yields (to match the unknown or poorly documented risks)

Investors are looking for:

- Packageable projects (that meet investor demands)
- Financial rewards/projected yields that match risks (this means high)
What is fundable?

- Kigali convention centre
- Nairobi Upper Hill redevelopment
- Nairobi Tata City new town
Is this the sort of investment African cities really need?
There is no precedent for the scale and nature of African urban growth. And there is a rapidly changing technological landscape. So what do African cities ‘need’?
Investment that:

• Focusses on the urban *infrastructures that sustain everyday life* (not just the global economy or the rich).
• Respond to the ‘*hybridity*’ of urban infrastructure networks and service delivery systems (most people don’t access services from a conventional network).
• Are job producing and *labour intensive* (we need jobs if people are going to be paying for services).
• Value creating along the *full supply chain* (so simply important Chinese solar panels isn’t going to cut it).
• Reduces the drain on scarce resources by considering *circular economies* (even rich Africans are not the ones over consuming natural resources, however, there is still scope to leapfrog to technologies that rehabilitate, rather than extract)
Investment in the ‘right type’ of infrastructure is hard b/c:

• Local governments are weak and under supported. Infrastructural responsibilities are fragmented and diverse (decentralization, privatization, and corporatization have fractured urban autonomy).

• Diffuse infrastructure networks do not lend themselves easily to centralized decision making or packaging (investors want one big project, not a million small ones).

• The projects with the highest overall benefit do not have high returns (for example, sanitation has a million benefits, reducing costs for health etc. But…..)
So what needs to be done??:

• Find ways to use investments to bring together urban actors. *How can investment projects consolidate, rather than fracture urban governance in African cities?*

• Find ways to invest in alternative modes of infrastructure and service provision that do not simply swap conventional for green, but are truly more adaptive, responsive, and bottom up. *How can new technologies help aggregate and track diverse and distributed service delivery systems?*

• Find new ways to value investments and account for risks. This means considering value and risk more widely. *Who does value accrue to and how can these actors help shape and manage risks?*
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www.africancentreforcities.net
Today’s panelists
key points
Concluding remarks

- Sustainable financing: includes green and social -> metrics for measuring social impact important; and focus on social necessary (not only investments but also thinking longer term about job creation and value chains of these investments). Not one coherent impact investment framework for investing in cities available (including direct and secondary impacts)
- Public procurement: LGs have quite substantial budgets; is an instrument to channel investment – aside from bonds or loans or grants
- Partnerships: not a lot of cities ready to pull together large partnerships for the investment scale needed
- Creditworthiness of cities: not all LGs are AAA – could pull investment needs together in a special purpose vehicle, back-up by public banks

Next sessions
Right after this: The business case for sustainable cities finance
More info: https://smartcityscandinavia.com/
Thank you!