
Financing Adaptation: SuRe- The Standard for Sustainable and Resilient Infrastructure

Katharina Schneider-Roos, Global Infrastructure Basel, Hervé Guez, Mirova



October, 1st 2015

An initiative co-led by Global Infrastructure Basel (GIB) and Natixis

With prominent members

Global Infrastructure Basel (GIB)



- **Global Infrastructure Basel** is an established and independent Swiss foundation active in the promotion of sustainable infrastructure since 2008;
 - Provides a standard for sustainable and resilient infrastructure;
 - Capacity building, educational workshops;
 - The GIB sustainable infrastructure finance platform (an annual GIB Summit, research on infra asset class, implementation plan support etc.).

Prominent members supporting the project

- **Multilaterals / Public Sector:** OECD, EIB, ICLEI (association of cities, local and metropolitan governments leading the way in sustainable development with worldwide presence), CREAM Europe (Community Realization European Aid Masterplan), FOEN (Swiss Federal Office for the Environment);
- **Financiers:** Erste Bank Group; Mirova (Responsible Investment Asset Manager part of Natixis Group) ; IDFC Foundation (Infrastructure Development Finance Company Ltd, India's leading integrated infrastructure financier);
- **NGOs / Civil Society:** WWF, GIP Pacifico (Colombian NGO promoting sustainable urban development);
- **Consultants:** BASE (Basel Agency for Sustainable Energy), FIDIC (International Federation of Consulting Engineers), CAPEC (China Association of Plant Engineering Consultants), Quantis Switzerland (consultancy specializing in Life Cycle Assessments) .

Natixis



- **NATIXIS**, a bank active in:
 - Socially Responsible Investment Research, through Natixis Global Research (Ranked N°5 leading brokerage firm for SRI roadshow in 2014);
 - Provides Infrastructure debt (Ranked 10th worldwide as MLA in 2014 by Thomson Reuters) through its **Global Infrastructure & Projects** department , which is recognised as a pioneer in the development of the infrastructure debt asset class for Institutional Investors;
 - Infrastructure equity (renowned equity funds of **Mirova**, Natixis asset manager specialised in responsible investment).



The Standard for Sustainable and Resilient infrastructure

Engage in a landmark and innovative project

The SuRe Standard

- A standard to identify and promote sustainable and resilient infrastructure.
- Independent certification and comprehensive stakeholder involvement will ensure the standard will become a world benchmark for sustainable infrastructure.
- The SuRe Standard is developed under the guidelines of the ISEAL Alliance, the umbrella organisation of private sustainability standards.

A development process involving prominent members

- The initiative is co-led by Global Infrastructure Basel, an established independent Swiss foundation active in the promotion of sustainable infrastructure since 2008; and Natixis, an international bank active in Socially Responsible Investment Research, infrastructure equity and infrastructure debt .
- Prominent members supporting the project include the OECD, EIB, WWF, FIDIC, ICLEI etc.
- As a multi-stakeholder based standard, the development process is directed by a Standard Committee and a Stakeholder Council. These bodies include representatives from industry, finance, NGOs, academia, the public sector and sustainability/resilience experts.

Promoting Sustainable Infrastructure: a Key Topic for the World Economy

The standard will be instrumental in promoting investment in infrastructure and, will therefore, foster sustainable growth in both emerging and developed countries.

Opportunities

- **Infrastructure needs are huge and key to sustainable development and growth**
 - The Global Infrastructure gap is estimated to reach \$70 trillion by 2030 (Source : OECD);
 - European infrastructure needs will reach between €1.5 and €2 trillion by 2020 and up to €8 trillion by 2030 (Source : EIB);
 - G20 Brisbane decided to create a 4 year Global infrastructure hub – a platform for collaboration between governments, the private sector and development banks to improve the operation and financing of infrastructure markets;
 - The Asian Infrastructure Investment bank, with funds of \$100 bn ambitious plans for the One Belt ONE Road Project in China.
- **Growing investors' appetite** for this asset class:
 - Long term characteristics matching long-term liabilities;
 - Yield including illiquidity and complexity premium;
 - \$135bn of equity and \$29bn of debt invested by infrastructure funds in 2014 (Source Prequin).

=> Opportunity to standardize the investment criteria and define what constitutes sustainable and resilient infrastructure projects, through a standard that will offer visibility and ultimately add a premium to this asset class.

Challenges

- Promotion of a transition to a more sustainable economy on the political agenda
 - **Paris COP21**: direct investment towards green infrastructure is a powerful tool and part of the agenda of the conference;
 - **Juncker Plan** : €315bn to be invested in infrastructure in Europe, with funds dedicated to sustainable infrastructure.
- **Investors will be under growing pressure to better integrate Environmental Social and Governance criteria in their investment decisions:**
 - 281 Asset Owners and 827 Investment managers have signed the UN Principle for Responsible Investment;
 - Many investors lack the tools for a holistic and efficient ESG approach. Given the perimeter of each infrastructure asset is very well defined, it is possible to have a thorough and credible assessment of its social and environmental impact over the long-term.

A standard to identify and promote Sustainable and Resilient infrastructure

The SuRe Standard

Create a benchmark of what constitutes sustainable and resilient infrastructure.

Project definition

- The standard will assess the **environmental, social and governance (ESG) performance and impact** of infrastructure projects and identify those with a positive impact;
- It will ensure the **verification and certification** of infrastructure projects by independent experts.

An independent, multi-stakeholder standard that will become the world benchmark for sustainable infrastructure

- **Independent:** the process for the governance and establishment of the standard follows ISEAL guidelines (the umbrella organisation for the development of credible and effective sustainability standards). This will ensure the standard is representative, effective and truly independent;
- **Multi-stakeholder process:** the standard is developed with a group of stakeholders that are both representative of the infrastructure sector and international (procurement authorities, project developers and contractors, civil society, multilaterals, investors and banks, sustainability experts etc. from all continents);
- **Inclusive:** the standard includes existing standards and best practices for specific criteria (e.g. IFC Performance Standards, ILO Core Labour Standards, etc.);
- **Transparent:** the assessment for certification will be carried out by independent experts following the methodology developed;
- **Efficient and accessible:** the standard will be tested to ensure the certification process is neither complex nor expensive;
- **Holistic:** the criteria cover all the key aspects of sustainability, e.g. climate change and socio-economic development and transparency etc.

The SuRe Standard: a Benefit for Infrastructure Participants

Provides a common solution for public authorities, project developers and financiers.

Make the infrastructure asset class stand out as a pre-eminent responsible asset class.

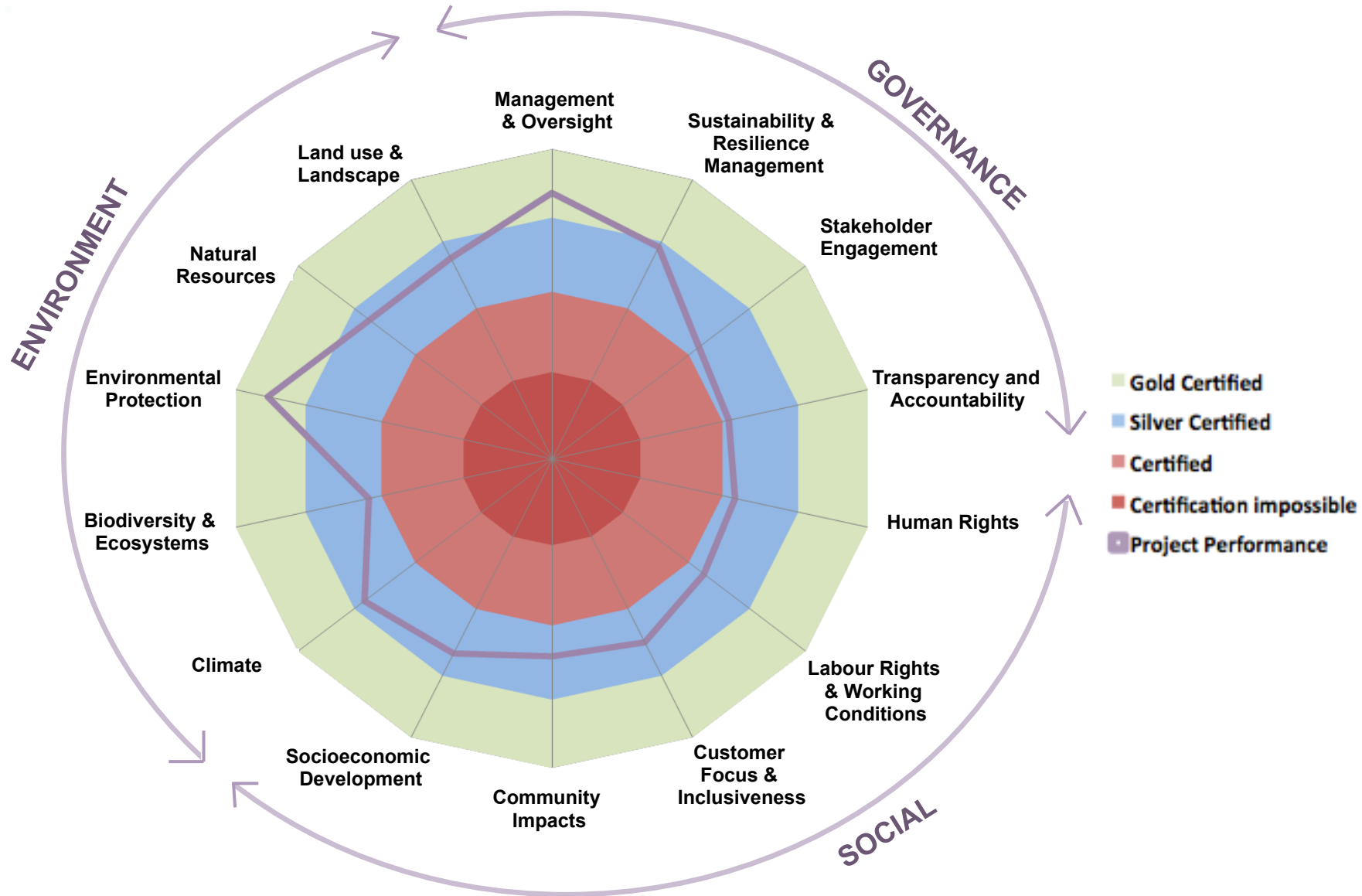
Benefits of the standard for Public Authorities, Project developers and financiers

- Public Authority:
 - Setting procurement criteria and initial design requirements;
 - Promoting sustainable and resilient projects to project developers;
 - Channelling greater financial flows, especially from the private sector, into sustainable infrastructure.

- Project developers:
 - The certification of projects will ensure infrastructure meets the highest standard of sustainability and resilience, which will strengthen its reputation and sustainability profile;
 - Providing a new instrument to communicate on the sustainability value of their projects and their commitment to Corporate Social Responsibility;
 - Certified projects will attract more liquidity.

- Financiers:
 - Provide a strong, credible and simple tool to identify and highlight the sustainability value of their infrastructure portfolio;
 - Provide an opportunity to contribute to energy transition and social developments, etc. through their investment decisions and to communicate on this commitment;
 - Open new business opportunities: investors will be able to create various SRI screened funds;
 - The early consideration of economic/governance, social and environmental challenges will also serve as an instrument for risk mitigation and cost reduction, by anticipating and avoiding potential negative impacts of infrastructure development.

Assessment of a Project meeting the Standard Minimum Requirements



Sustainability and Resilience

- Resilience has to be included within the framework of sustainability.
- (UN Summit on Sustainable Development 2002)

To analyse entire lifecycle, all the potential extreme events that could hit infrastructure should be taken into account.

(Asprone/Prota, Manfredi: Linking Sustainability and Resilience of Future Cities)

Incorporating Resilience aspects into the SuRe standard

