Delivering on the Paris Agreement: A demand-driven, integrated assessment modelling approach

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INFORMED SCIENCE FOR SUSTAINABLE CLIMATE ACTION IN KENYA

Low-emissions, resilient infrastructure: Paris Agreement and SDGs are inseparable

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Content

- ✓ Why does infrastructure matter in the context of your SDG priorities -> *Adequate Decent Housing, Increasing Manufacturing, Universal Health Coverage, and attaining Food Security and Nutrition)*

- ✓ How and why policies incorporating mandatory / voluntary standards help?

- ✓ Some intercomparisons – how to go forward & what to use?

Why does infrastructure matter?

75% of the infrastructure needed by 2050 does not exist today:

- by 2030, an estimated USD 60 trillion in new infrastructure assets will be needed, more than the current value of the world's entire existing stock of infrastructure.
- Recent estimates also show that emerging markets will invest an average of USD 2.2 trillion, or 3.9% of GDP, annually in infrastructure to 2040;
- The world facing a USD 15 trillion gap between projected investment and the amount needed to provide adequate global infrastructure for a growing population by 2040 ("Infrastructure Future: The impact of megatrends on the infrastructure industry", 2018, GIH-WEF-BCG);
- Mainstreaming sustainable and resilient infrastructure is one of today's greatest challenges. Infrastructure project lifecycles often exceed 100 years, impacting the sustainability profile of countries and regions for generations. Roughly 60 to 70 percent of global infrastructure investments until 2050 will be made in emerging markets. This presents an opportunity to create valuable and futureproof assets, especially in rapidly growing countries such as Kenya.

Why does infrastructure matter?

The global sustainability agenda will affect the way we build infrastructure:

- The Paris Agreement and the United Nations Sustainable Development Goals (SDGs) have set the tone for the future: sustainability related change will affect the business model of nearly all industries. For the infrastructure sector, this means changing the way projects are planned, financed, built, and operated. Tightening regulations on a national and international level constitute a major risk for infrastructure projects, while climate change exacerbated extreme weather events, such as droughts, rising sea level, storms, heatwaves and floods which pose an additional threat and will require an increased focus on resilience.

Why does infrastructure matter?

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Regulations and standards will play an increasing role and would help mitigating risks:

- Risks resulting from regulatory changes and environmental threats can be mitigated by investing in sustainable infrastructure today. Certification reduces environmental and regulatory risk while increasing opportunities for improved financing conditions. A market for sustainable infrastructure standards & rating tools based on environmental, social, and governance (ESG) criteria have been developing in parallel with the emergence of MDGs/SDGs and there is a general acceptance that intangible assets – ESG being a close proxy for them – are the predominant value creator in the XXI. century (i.e. 84% of S&P 500s value is intangible).

Why does infrastructure matter?

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- These standards and tools range from the simple/simplistic to the complex and holistic depending mostly on the institutional goals and purposes of their creators. They not only differ in their breadth and depth, but also on their temporal focus: from the design/construction moment toward the all-encompassing life-time/life-cycle approaches. Industry led initiatives within the built environment/property sectors also highlight an observable dichotomy between the minimum obligatory (i.e. compulsory building codes) and the voluntary approaches going above and beyond these often-undemanding official requirements.
- Global financial institutions (IFC, World Bank, AfDB etc.) with major leverage have managed to convert their own, self-imposed “voluntary” guidelines/requirements into de-facto compulsory standards whilst private sector Sustainability / ESG reporting initiatives from from SASB to GRI, CDP, SBTi, Global Compact, and IIRC have built up gradually momentum and gained wide-spread support from investors and the business community (and most are even combining efforts as standards may proliferate 1, 2, 3)

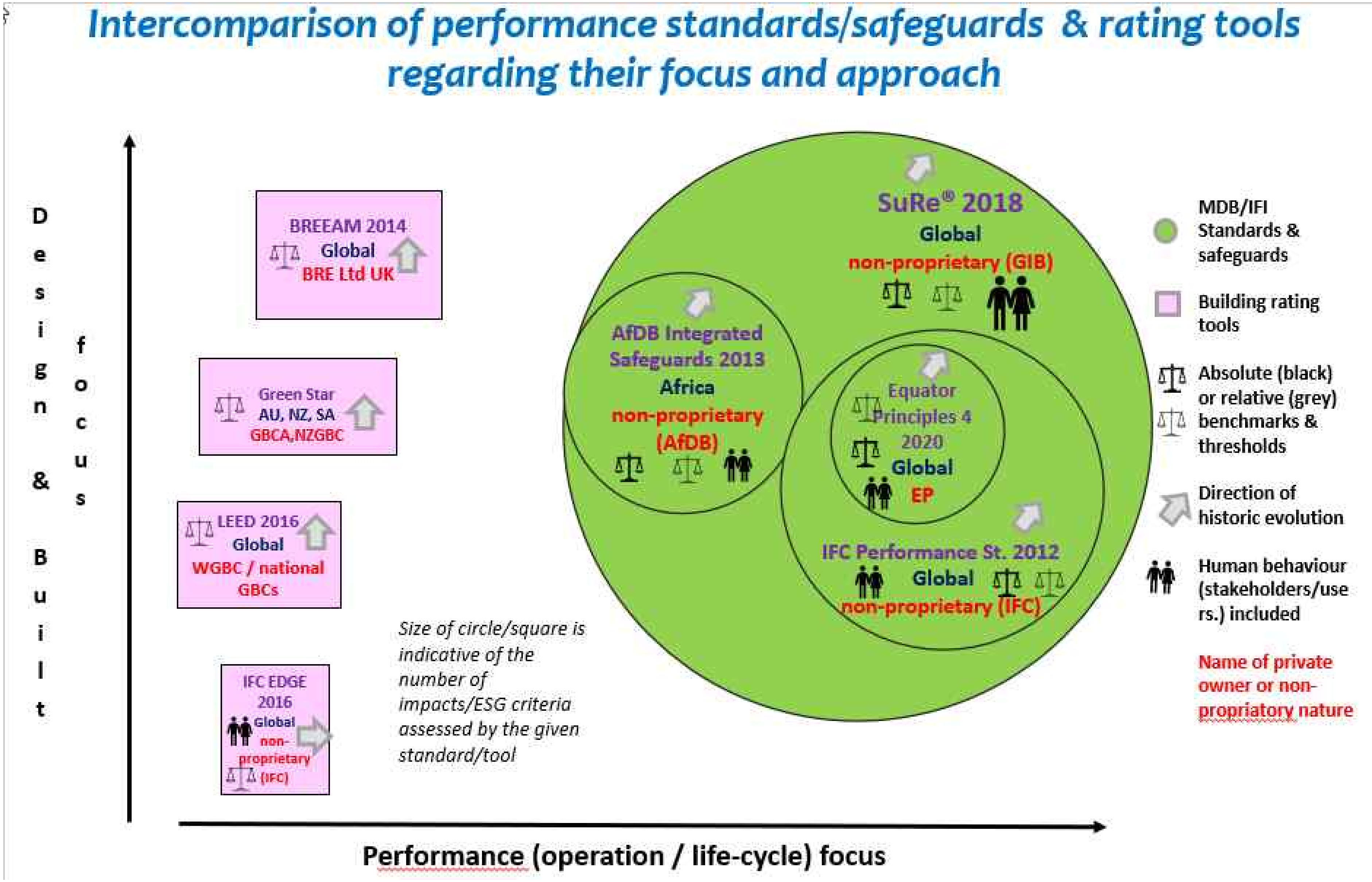
Why does infrastructure matter?

A recent, joint study by the Sustainable Infrastructure Alliance (SIA) members has concluded that investors are likely to see increasing value in accounting for ESG factors in infrastructure investments.

- First, infrastructure investment decisions must account for ESG factors because of the long-lasting nature of the investments, meaning that analysis of present regulations or standard industry practices is insufficient to determine the likely returns given trends towards increasingly tight regulation and policy attention to environmental and social factors.
- Second, investors worldwide, and particularly in large international financial institutions and multilateral development banks, are increasingly including ESG factors in investment decisions and analysis, which affects asset valuation globally.
- Third, there is evidence that including ESG factors in investment decisions leads to better operational and financial performance over time, due to reduced risk and greater potential.

SIA Members:

Performance standards/safeguards & rating tools intercomparison



"Awashaye ndiye ajikunaye"
"One who itches, scratches."
(We should do what is possible, and not wait for other people to find a solution)

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