September-November 2022 Newsletter

As we write this foreword, the 27th United Nations climate conference, the biggest climate event of the year, is in full speed mode in Egypt. World leaders, activists, corporate managers, NGOs and financiers have descended on Sharm el Sheikh, to figure out how to make good on previous COP commitments to limit global warming.

The COP 27 climate summit, has already shifted the focus on Adaptation: climate change adaptation has gained increasing prominence as a global challenge and is now recognized as being of equal importance to climate change mitigation. The UN Secretary-General has called nations and development finance institutions to raise Adaptation & Resilience finance to 50% of total climate finance, while also mainstreaming it into financial decision-making. Many media and observers now consider the mitigation goal of +1.5˚ to be already “dead”, calling instead Climate adaptation “the challenge of our age”.

And while, in light of the invasion of Ukraine, climate action to accelerate the energy transition in Europe may now both help deliver EU long-term energy security and reduce emissions, the momentum has to be global, and maintain the balance between energy transition and energy security.

Private financing for Climate & energy transition is more needed than ever if we are to address this challenge. As COP27 highlighted, we must collectively double down on efforts to deliver urgent and credible action on climate change, with Institutional investors such as Asset owners holding the key for such an upgrade, through increased allocations of capital to climate investments both domestically and globally to support the net-zero transition.

We're already seeing encouraging trends, with Nordic pension fund representatives announcing at the COP that they intend to speed up climate investment in emerging markets and developing economies. But more must be done, and faster: practical steps, such as finance vehicles, comprehensive benchmarks or labels, frameworks and partnerships are needed to accelerate climate investments - a significant step was made with the operational launch at COP27 of FAST-Infra (Finance to Accelerate Sustainable Transition in Infrastructure) end-to-end digital platform for bankable sustainable projects (after the launch of a Sustainable Infrastructure label at Paris Infraweek early October) at Sharm-el-Sheikh, an initiative LTIIA has been part of since the very beginning . And when it comes to allocating more resources to fighting climate-change, not everyone is on board, with regulators in some jurisdictions worried about compatibility with fiduciary duty or seeing collaborative engagement efforts by investors as potentially anti-competitive.

As for Adaptation, the latest trends add relevance to the work undertaken by LTIIA on "*Climate-Resilient Infrastructure: How to scale up private investment?",* to foster awareness of investors and improve understanding of the issues, to help catalyse private investment in climate resilience infrastructure projects/assets, a work in progress materialized by a first report released early October at our AGM.

This report highlights the importance of public support for investments targeting climate-change risks, through assistance to structure the project's contract or blended finance/concessional money, but also through enabling framework & incentives and appropriate public procurement tools, if the current very low levels of private investment in Climate-resilience are to be significantly increased... While the current conclusions are still being disseminated – they will be discussed inter alia in London on Dec 6th at EDHEC Infra days roundtable discussion on "Beyond alignment: What are the costs of climate risk-resilient infrastructure?", we are determined to continue our work on this theme and further substantiate our takeaways and recommendations, examining in the process existing (like catastrophe or sustainable bonds) or potential tools, discuss how best to 'internalise externalities' with practical examples of how it might operate, and move on to the big issue of whether resilience funding should be internal to each project or part of a separate funding arrangement or both.

As we prepare to select new research themes for FY2023, we wanted to underline that LTIIA intends to continue conveying the perspectives and expectations of private investors in the field of climate-resilient infrastructure and take advantage of its working relationship with National Development Banks networks such as ELTI or D20-LTIC to further advance on this crucial issue.

V.Levita, *chair* & F.Bergere, *Secretary General*

LTIIA participation in Industry events:

Among the events which LTIIA took part in over the last months were :

-G20 Infrastructure Investors dialogue-15th July

-GID Dialogue-Frankfurt am Main- Sep 14/15th -session on ESG & Sustainable infra 20th Sept

-Infraweek International forum Oct 3rd-Paris: various panels on Digital infrastructure, financing models in EMDEs,..

-OECD Senior budget & PPP officials meeting- Paris Oct 10th

-OECD Global infra forum-Paris Oct 11 &12th

-GIF advisory meeting Oct13th

-ELTI AGM -Malta Oct 27 &28th

-F4T-Financing energy transition in EMDEs-Paris Nov 7th

-Commission Eco &Fin IGD-Paris Nov 9th

Marketplace initiatives:

- On Sept 20th, LTIIA met with representatives of French Ministries of Energy transition, Climate transition and Transports in Paris to share proposals and expectations with regard to the upcoming draft law on Accelerating Energy Transition, with a view to increase the mobilization of the resources of institutional investors in the service of the energy transition in France and Europe.
- FAST-Infra

FAST-Infra
SUSTAINABLE INFRASTRUCTURE

COP 27 saw the announcement of the launch of the FAST-Infra Platform, a significant collective effort, and an ambitious scheme for a data-centric technology

platform enabling systemic collaboration between all stakeholders in preparing, developing, financing and deploying sustainable infrastructure programmes, globally. FAST-Infra Platform is to be the digital backbone of the sustainable infrastructure new economy, with an ultimate target to benefit citizens worldwide with better and cheaper sustainable infrastructure services.
LTIIA has been associated from the very beginning to that initiative and aims to further contribute to it both institutionally and operationally in the coming period.

LTIIA 2022 working themes & dissemination of takeaways:

-Role of shocks and extreme risk measures in relation to the performance of unlisted infrastructure equity investments (study commissioned to EDHEC-Infra & released in June).

- Further to the Joint LTIIA-EDHEC Infra Webinar which took place July 11th, 2022 on the occasion of the Paper publication, the main takeaways of the report will be again presented at EDHEC Infradays in London on Dec 6th by F.Blanc-Brude (EDHEC Infra) and F.Bergere (LTIIA).

-How to scale up private investment in Climate-adaptation infrastructure projects

- The report, based on of our working group exchanges during spring 2022, was finalized in late summer and delivered for our Oct 3rd AGM
- It is a synthetic summary of the state of reflection and works on the subject, referring to publications from relevant sources
- It also takes in feedback from our internal survey of members, as well as some case studies
- It focuses on analysis of obstacles and formulates corresponding recommendations for investors and public authorities

- Mitigation is not sufficient, need to adapt to new climate conditions, as Infrastructure systems are vulnerable to extreme weather events,
- Infra on front line of Climate change, but Adaptation **finance gap even** bigger than General Infra gap
- Public finance insufficient & Private Adaptation financing to date is **negligible**
  => Focus on Providing Finance role of Private sector

The report aims to Identify barriers to more and better Private Adaptation financing (lack of granular climate-risk data, lack of visibility on Governments' investment gaps, Perceived low or no financial return despite positive externalities,…) and a**ddress them by Identifying good practices** through relevant case studies from members

Deliverables consist in Recommendations to Institutional investors (AO &AM,Equity & Debt), As well as to Development banks, Public procuring authorities & Project preparation Agencies

Conclusions and recommendations *will* be discussed and presented by F.Bergere at a Finance for Tomorrow webinar on Nov17th and on EDHEC Infradays on Dec 6th at a panel on the costs of Climate risk-resilient infrastructure.

http://www.ltiia.org/wp-content/uploads/2022/09/Report-Climate-adaptation-INvestment-final-version-Sept2022.pdf

Internal Governance: LTIIA Board (Sept 13th) & Annual General Meeting- October 3rd, 2022

- LTIIA held a Board meeting on Sept 13th: beyond the latest activity updates, the Board members discussed and adopted the **Financial accounts** for the fiscal year ending on June 30th, 2022, and the **Budget proposal for FY 2023,** both of which were adopted and endorsed by the Board and later approved at our AGM. The AGM was held in Paris, on the premises of the French Ministry of Finances in Oct 3rd, at the end of the Infraweek inaugural day, with 21 members present or connected.

The budget for FY23 features an Income forecast in line with execution of FY22, based on the fees level remaining unchanged despite inflation and on a conservative assumption of stability of the membership headcount and maintaining current level of efforts to fund events & sponsorship as well as research and studies.

LTIIA working themes envisioned by the Board for FY2023 were presented and discussed, in line with LTIIA's goal of positioning itself as a regular provider of timely and relevant content. . All members were eventually formally invited to share their preferences and declare their interest to support & participate (by contributing data, staff time, other resources…) for a subset of 3 max themes for FY23 by liaising with the Secretariat before end of November. The Board will then collate and select priority theme(s) to be engaged this year and those which may be deferred/scheduled later.

News from our members & partners:

- **GIH (Global Infra Hub):**

Global Infrastructure Hub

At the G20 Finance Ministers meeting that took place in October in Washington DC, GIH presented the G20/GI Hub Framework on How to Best Leverage Private Sector Participation to Scale Up Sustainable Infrastructure'. The framework sets out opportunity areas and actions for the G20 to enable the private sector to scale up its investments in sustainable infrastructure.

https://www.gihub.org/

- **Allianz GI**

Emerging Markets Climate Action (EMCA) invests $25 million and EIB Global invests $75 million in renewable energy projects in the Middle East, North Africa, Eastern Europe and Central Asia. This joint commitment of EMCA and EIB Global will support the development of onshore wind and solar photovoltaic, and potentially hydropower, biomass or battery-based electricity storage projects.

EMCA is an innovative blended finance strategy with a €600 million target initiated jointly by the EIB and Allianz Global Investors (AllianzGI) to finance climate mitigation and adaptation as well as environmental projects in Africa, Asia, Latin America and the Middle East. During its summit in Germany in June 2022, the G7 endorsed EMCA as an example of a concrete innovative and market-led approach to mobilising private investments for climate-relevant infrastructure and to enhance multilateral finance and collaboration.

See: **[COP27: EIB Global and AllianzGI announce $100 million for renewable energy projects]**

➢ Campbell-Lutyens

As a leading sustainable investing advisor, Campbell-Lutyens advise on funds and strategies that are directly contributing to the Sustainable Development Goals, such as Stonepeak Global Renewables Fund: the largest debut renewable infrastructure fund raised to date, SPGR I closed at $2.75 billion. The fund is focused on investing in a diversified portfolio of renewable energy assets in developed markets around the world.

Campbell-Lutyens also published earlier this year a report on the rise of specialist climate strategies in private capital, addressing the evolution within private equity, infrastructure and private credit, as fund managers respond to investor demand.

See: **https://campbelllutyens.foleon.com/climate-change/the-rise-of-specialist-climate-strategies-in-private-capital/the-rise-of-specialist-climate-strategies/**

➢ STOA

STOA recently inaugurated the Solar Serra do Mel park, held jointly with French IPP Voltalia, in Rio Grande do Norte in Brazil along with local authorities and partners.

With a total capacity of 320 MWp, built over 600 hectares of land, SSM is the largest solar park in Brazil today. The park reached full commercial operation late October: its 320 MWp solar park will save 250,000 tons of eq. CO_2 per year

- **Meridiam**

As part of its engagement to Social infrastructure financing, Meridiam has announced the close of the first Mutual Investment Model (MIM) school in north-east Wales. The Mutual Investment Model is an innovative way to invest in public infrastructure developed in Wales. MIM has been designed by the Welsh Government to finance major capital projects due to a scarcity of capital funding.

This first school is part of a major Welsh Education Partnership (WEP) contract which aims to deliver new schools and colleges across Wales - jointly with Development Bank of Wales. This first new all-through school (primary and secondary) will serve 1300 learners and will be operated and maintained by the WEP for 25 years. The school is expected to be operational in November 2024.

From an environmental impact perspective, this major education project is built using an innovative Net Zero Carbon in operations design, which will protect the energy consumption of the council. The project will also benefit from enhanced community benefits, including use of long-term unemployed, apprentices and local supply chain, as well as STEM (Science Technology Engineering and Mathematics) engagements. The global WEP project is valued at more than € 500 million capex and will support economic growth and sustainable recovery.

See: https://meridiam.com/news/

- **TIIC**

TIIC

TIIC recently announced its partnership with Padrosa to develop the first pan-European platform of safe and secure truck parking areas (SSTPAs). The platform entails the development of 17 truck parks in 6 central European countries in addition to Padrosa’s current SSTPA in Spain, providing state-of-the-art services to industrialize the trucking industry while also catering for the social well-being of truck drivers.

- **Infravia**

- Infravia announced a major £4.5bn investment with the creation of a JV with Liberty Global &Telefonica, Virgin Media O2's parent companies, to roll out fibre-to-the-home (FTTH) in the UK and connect up to 7 million homes with fibre. This unique deal combines the 3 partners' infra & financing expertise and operating experience.
- The Transaction, to be closed by the end-2022, will accelerate FTTH deployment in the UK, with approximately £4.5 billion investment supported by £3.3 billion of fully underwritten financing commitments and up to £1.4 billion in equity commitments Infravia has been investing in fibre for a decade and this is their 5th investment in fibre network deployment in Europe through strategic partnerships!

  See: https://infraviacapital.com/

- **PWC Luxembourg**

- The annual PwC Luxembourg Infrastructure Forum took place on Nov 10th, featuring great discussions and interesting perspectives on the latest market trends in the infrastructure industry, the opportunities with ELTIF 2.0, the energy crisis and valuation challenges.

NB: members wishing to see their recent developments reflected here, or on our website, should contact LTIIA : please select key announcements, with a short presentation + a link

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