

Financing Sustainable, Climate Neutral Cities – The role of private investors

9 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?

- Last week: Selected cities share their experiences, progress and challenges in developing a sustainable, climate neutral city; with a specific focus on the financing need and potential solutions for funding.
- Today: different private financial institutions providing their perspectives picking up from the needs expressed in the previous workshop on Financing Sustainable, Climate Neutral Cities
- We (SEI, Cleantech Scandinavia and SSE-SIR Misum) - Viable Cities' Finance project (2020-2022), funded by Viable Cities

Our panelists today

- **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

Agenda

13:00 Introduction to the session

- Aaron Maltais

13:05 Recap of last week

13:10 Presentations by panellists

- 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

13:40 Q&A session between moderator and panellists - with our panellists from last week

14:10 Q&A session with the audience

14:25 Concluding remarks

- Aaron Maltais

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 last week

The City Perspective – Webinar on 2 Nov

Panelists:

- **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

Concluding remarks:

- National legislation necessary to push sustainable city agenda; but regulatory “holiday” for pilot projects
- From pilot to scaling: private sector to step in; city government facilitator in this
- Combine different investment needs to have more leverage and go to market;
- Finances: financial balance needed (P&L, balance sheet)
- Transportation needs to be tackled – change need for commuting; add broadband; EV and biofuel cars; overcome range anxiety
- Declining and rural cities: help from bigger cities – solutions available for everyone
- Asking for forgiveness instead of permission?

Carl-Emil Lindholm

Director, Infranode

About Infranode

BUY-AND-HOLD STRATEGY

ESSENTIAL INFRA-STRUCTURE

STRONG INVESTOR BASE

NORDIC SPECIALISTS

11 INVESTMENTS TO DATE

ESG FOCUS

25 YEAR FUNDS

- No incentives to “exit” assets in near-term
- True, long-term partnership approach

PARTNERSHIP FOCUS

- Trusted partner for the public sector
- Ability to take majority and minority stakes

TARGET SECTORS

- Utilites
- Renewables
- Transport
- Social
- Digital

CAPITAL RAISED FROM REPUTABLE NORDIC INSTITUTIONS

- Fund I, fully invested of EUR 450m
- Fund II, target EUR 1bn with over EUR 500m committed



LOCAL KNOWLEDGE

- Largest team in the Nordics dedicated solely to infrastructure investments
- Team of 25 spread across local offices in Stockholm, Helsinki and Oslo

INVESTMENTS MADE



INVESTMENT PHASE

- Full ESG review followed by inhouse ESG DD tool

ACTIVE ASSET MANAGEMENT

- Strong commitment where we as board members take responsibility to implement ESG factors in our business plan

Heimen Visser

Fund Manager, PrimeVest Capital
Partners

Introduction: smart city the netherlands

Dutch municipalities have only implemented 10-15% LED in their public street lighting, whilst the Climate Treaty and the Energy Act require an energy reduction of > 50% in 2030 that will not be reached

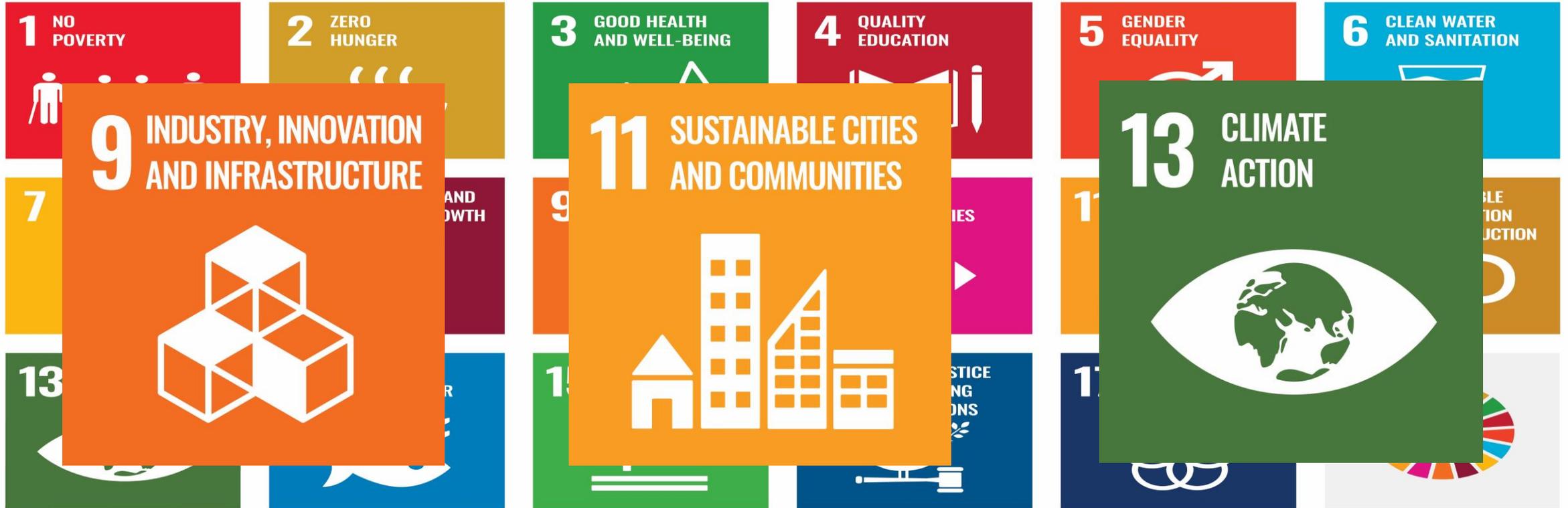
Ministry of Economic Affairs: 'Actionplan Digital Connectivity' published in 2018. Followed by a preliminary bill 'Telecomcode' implementing a nationwide roll-out of 5G mobile networks in which municipalities are 'forced' to provide mobile operators access in the public space / objects.

Research done by TNO shows that the public street lighting infrastructure is well positioned to be used as access points to implement future 5G mobile functionalities, the Environmental Act, but also EV charging as well as Smart City sensing.

SMART City The Netherlands works closely together with the Bank of Dutch Municipalities in the transition towards an innovative & sustainable public lighting infrastructure with the aim to benefit municipalities with additional revenues (instead of just bearing the costs)



SUSTAINABLE DEVELOPMENT GOALS



To connect 5G / Internet of things in objects in the public space, a combination of fixed and mobile networks of “smart public nodes” is needed

TNO innovation
for life

Potentially they can be used for multiple smart city services

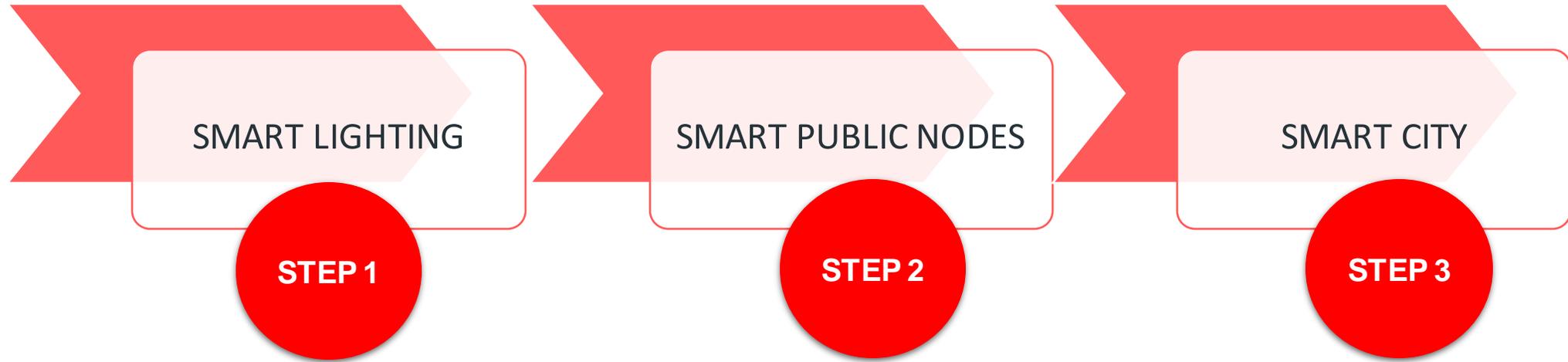


From a single use as streetlight, to multi-functional use for future functionalities

Municipalities must take the lead, otherwise the public space gets 'out of control'



Transition in the public space in 3 well directed steps

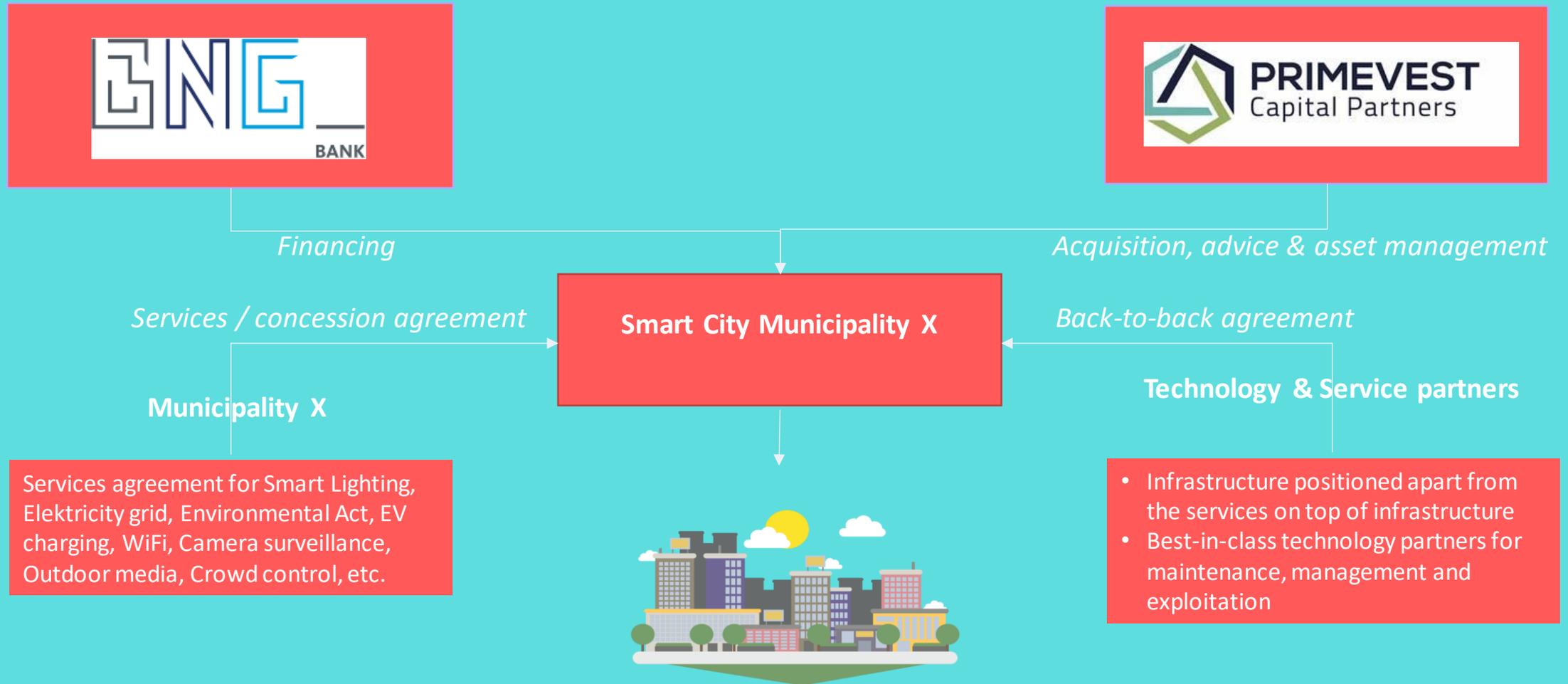


- >50 % energy savings
- >15% maintenance savings

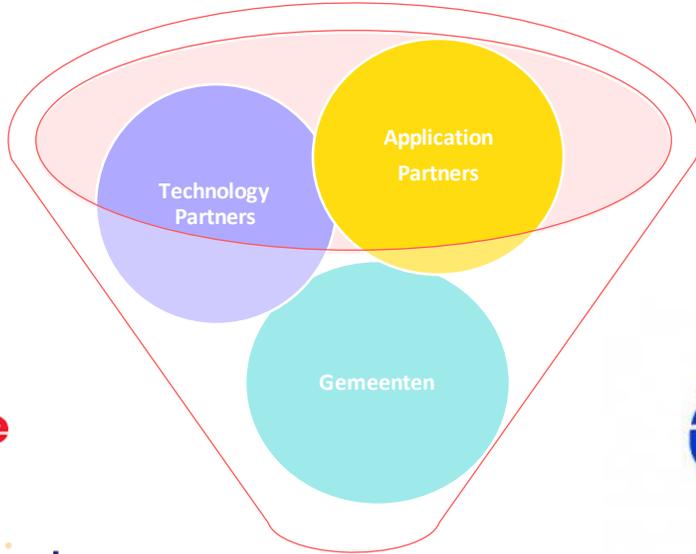
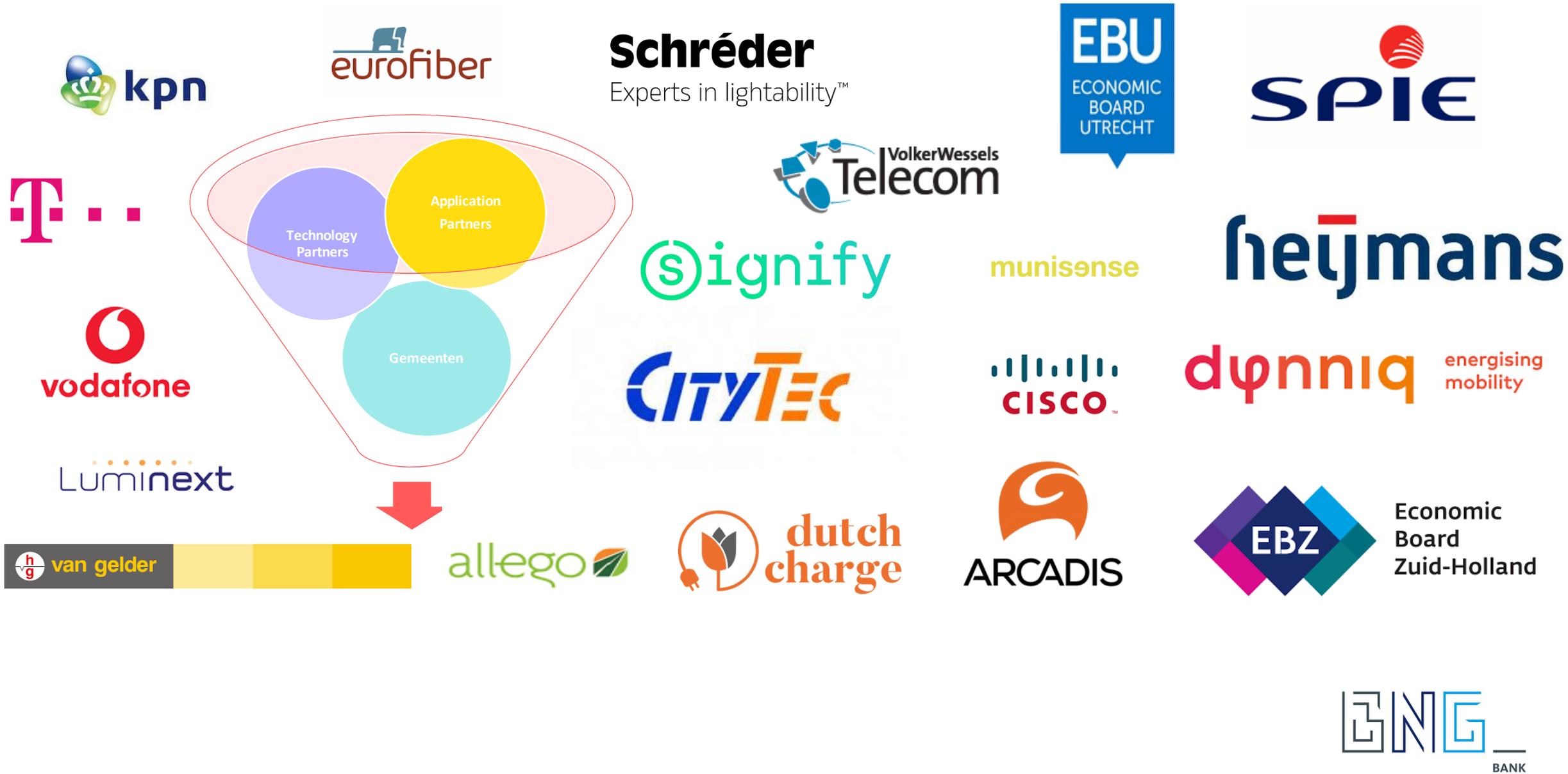
- Additional revue potential
- 5-10 % streetlights adoption

- Growth potential Smart City
- Control & ownership by municipality

THE “SMART city” partner model



In the neutral smart city model > 35 strong partnerships with municipalities, economic boards, application and technology partners



Innovative realization of additional revenues

Acceleration of sustainability goals

Control & ownership of public space

“Smart” alternative financing

www.smartcitynederland.com

Helena Olin

Head of Real Assets, AP2

AP2 in brief

Andra AP-fonden (AP2) is one of five buffer funds within the Swedish pension system, and one of northern Europe's largest pension funds.

The Fund manages SEK 381.3 billion in virtually all asset classes, all over the world.

We are leading specialists in the Swedish pension system and seek to be a world-class asset manager.

We are a global leader in integrating sustainability in our investments, for the benefit of the pension system.

The Fund is a long-term and responsible asset manager.



AP2s mission

- Manage the fund assets in such a way that they become the greatest possible benefit for the insurance for income-based old-age pension.
- To manage fund funds in an exemplary manner through **responsible investments** and **responsible ownership**. Particular emphasis shall be placed on how **sustainable development** can be promoted, without sacrificing the overall goal of being of the greatest possible benefit to the pension system.



Foto: Melker Dahlstrand/Sveriges riksdag

Sustainability strategy

Sustainability strategy based on the Fund's mission



Investment beliefs

- Solid analysis of the pension system central to the strategy choice.
- Systematic risk-taking is required.
- Diversification reduces the risk.
- Active management creates added value.
- **Sustainability pays off.**
- **Climate change is a systemic risk.**
- Long-term assignments provide special opportunities.
- People and culture are critical to success.
- Stable processes are a prerequisite for good results.
- High cost efficiency gives better results

Principles

1. AP2 integrates sustainability in all investment processes.
2. AP2 actively seeks for investments that contribute to sustainable development.
3. AP2 works on the basis of the focus areas.
4. AP2 uses dialogue as a tool.
5. AP2 takes a scientific approach.
6. AP2 seeks to be a leader within sustainability.

Focus areas

World-class management



THE GLOBAL GOALS
For Sustainable Development

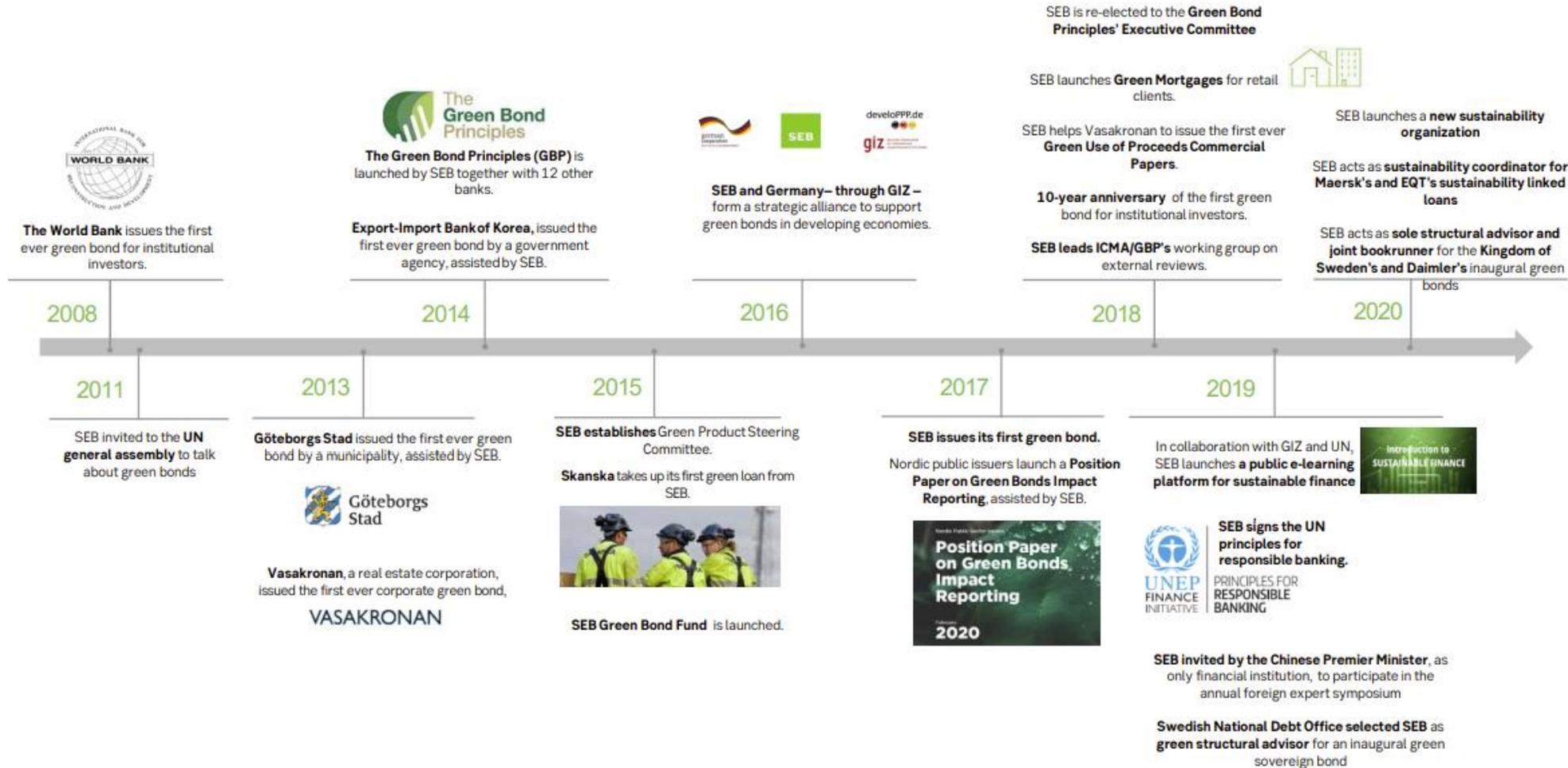


Kristoffer Aanerud Nielsen

Advisor, Climate & Sustainable
Finance, SEB

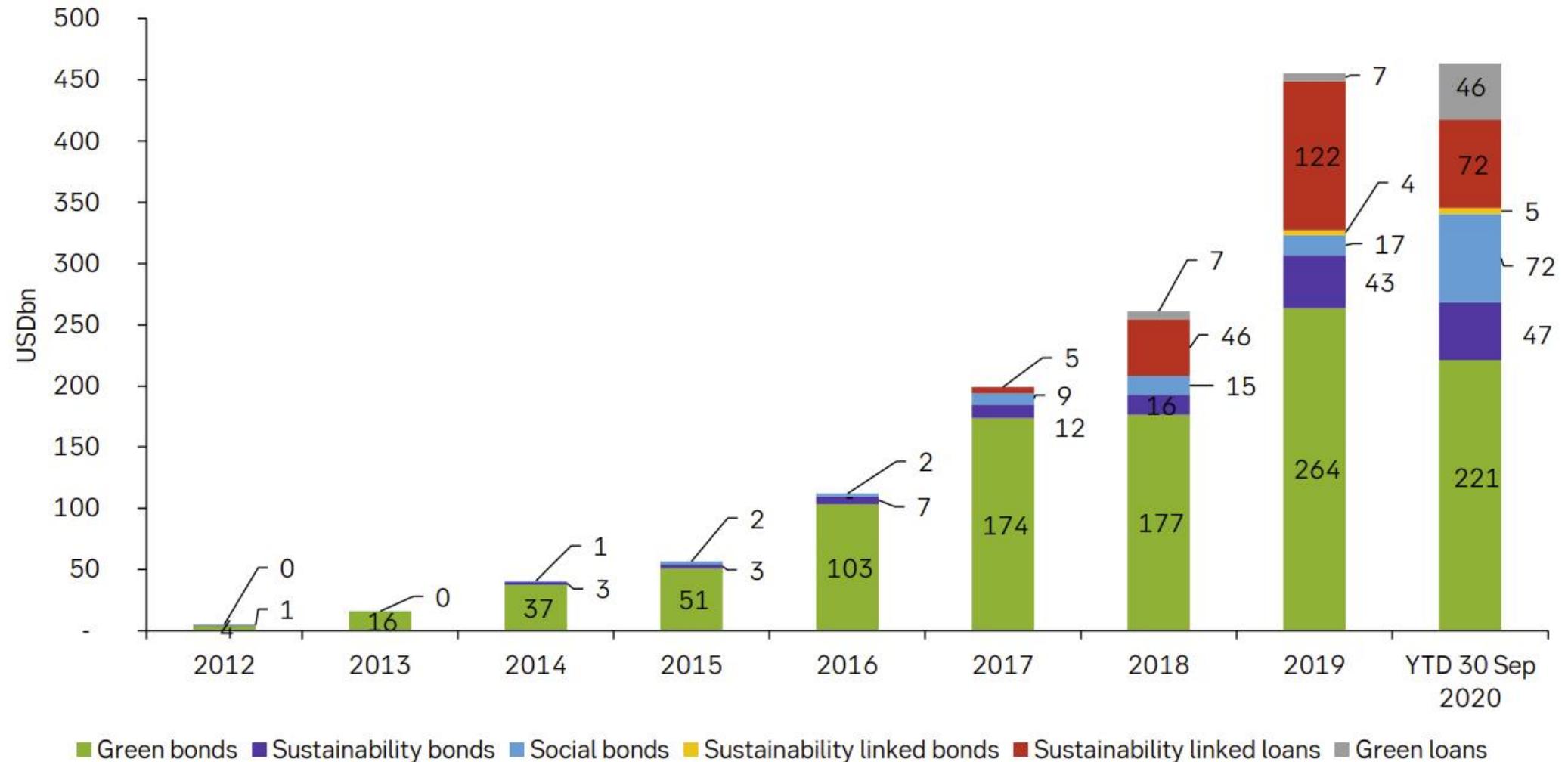
SEB's milestones in Sustainable Finance

Our journey



Sustainable Finance by the numbers

Development of the global green / sustainable debt capital markets



Sustainable Cities Report

Comparative analysis of six cities and identification of best practice

Every city in this case study is a leader in sustainability for their respective regions, and most rank at the very top of most measure of urban sustainability. Each city was ranked based on their performance compared to the five other cities in this report across the eight categories **Housing, Transport, Waste, Food, Water, Energy, Digital Space, and Social Equity and Public Access**.

Singapore

Stronger Areas : Housing, Transport, Waste, Digital Space

Weaker Areas: Water, Food, Energy and Public Access

Stockholm

Stronger Areas : Housing, Energy, Transport

Weaker Areas: Water and Social Equity

Copenhagen

Stronger Areas : Waste, Housing, Transport, and Social Equity

Weaker Areas: Water and Digital Space

Toronto

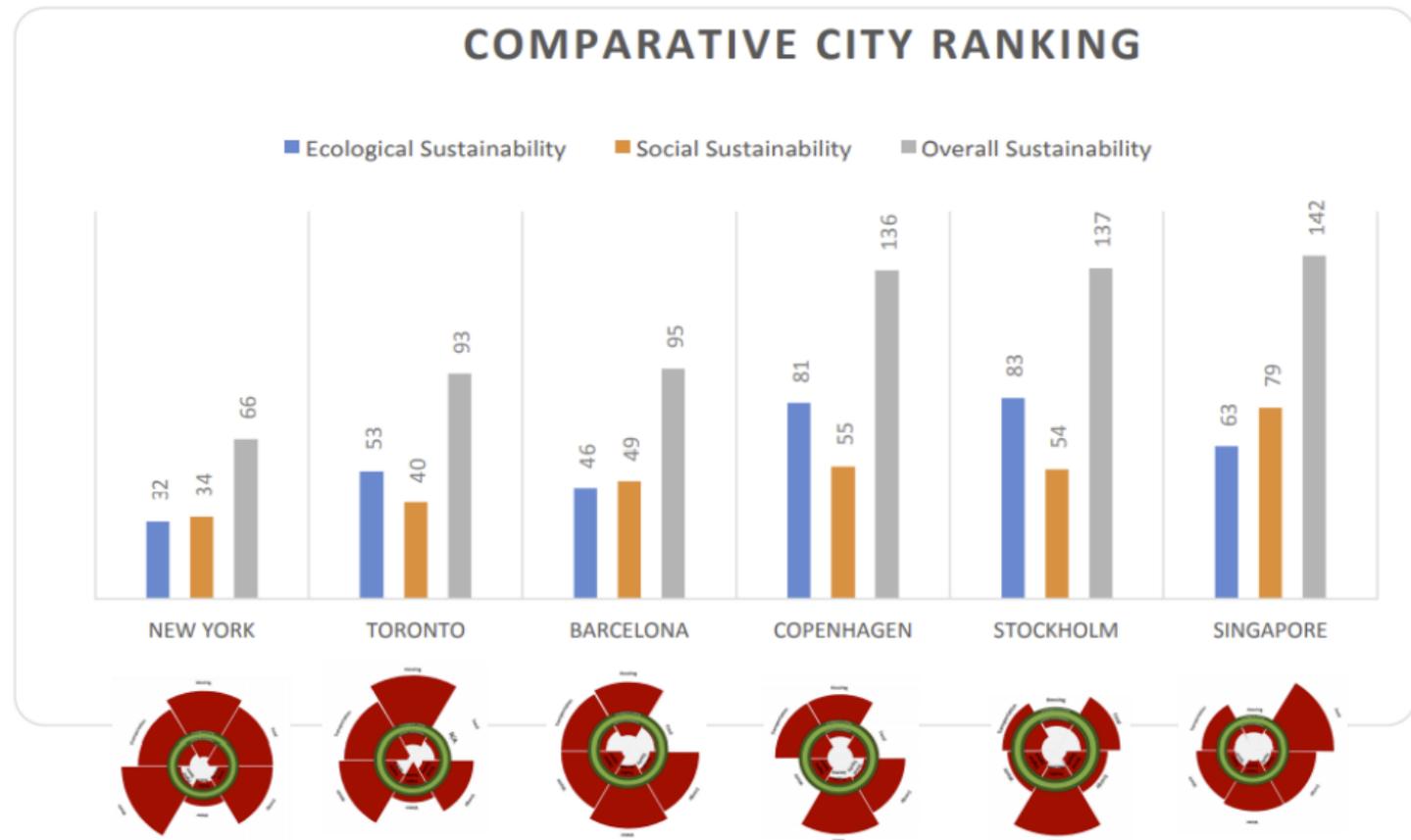
Stronger Areas : Water and Digital Space.

Weaker Areas: Housing, Waste, Public Access and Transport

New York

Stronger Areas : Water, Transport and Digital Space.

Weaker Areas: Waste, Housing.



Sustainable Cities Report

Key Findings

1. Technological innovation has made the future direction of cities uncertain, generating a bottleneck for sustainability investment strategies
2. There is a strong correlation between high ratings on social sustainability and ecological sustainability, possibly because social exclusion generates resistance towards changes, so to sustain an urban green transition, cities have to be inclusive enough that each citizen takes ownership of the common space.
3. The most common denominator for leading sustainability cities is extensive investments in a smart- city infrastructure that can collect real-time data on sustainability challenges (e.g. energy surveillance, waste streams, air and water pollution, or traffic movements).
4. Cities incentive structures for private contractors are crucial for sustainability
5. Systemic, rather than project-based, sustainability initiatives is the foundation for implementing technologies necessary for sustainability excellence.

Conclusion

Concluding remarks

- Large investment needs – fund new infrastructure + refurbish infrastructure built in the 60s- 70s. Too often municipalities are focused on their existing financing needs and existing costs. There is a need to be more forward looking on the scale of funding needs.
- Need to embrace new technologies and also new business models and ownership structures - how can cities find new revenue streams from sustainable infra investments, be smart about partial or whole private ownership that maintains responsibility/control of authorities? Assess future functionalities of assets - > use this to change capex needs to opex savings
- Return on investments depends on risk with the investment – additionality required, new investments needed for private financiers
- Need to create an incentive for LGs to step into neutral entities – special purpose vehicle/ neutral entity that contracts all partners. Private-public partnerships, - good if these are facilitated by a neutral player or coordinating actor. Kommuninvest has been a great model for Swedish municipalities and green bond issuances.
- Cities need to move beyond the existing model of doing everything on their own. Partnerships with private investors can bring in new funding but also expertise in a number of areas that can support city capacity. Different cities have different levels of competency on these issues.

Next sessions: More info: <https://smartcityscandinavia.com/>

- November 16: Funding mechanisms – moderated by Astrid Nilsson, Research Associate, SEI
- November: 16: The business case for sustainable cities finance – moderated by Fedra Vanhuyse, Head of Societal Transitions and Senior Research Fellow, SEI

An aerial photograph of a residential neighborhood during autumn. The scene is dominated by numerous trees with bright yellow and orange foliage. Several multi-story brick apartment buildings with grey roofs are scattered throughout the area. A central road curves through the neighborhood, with several cars parked along the sides. The overall atmosphere is warm and scenic.

Thank you!