## *Oxford International Infrastructure Conference 2016*

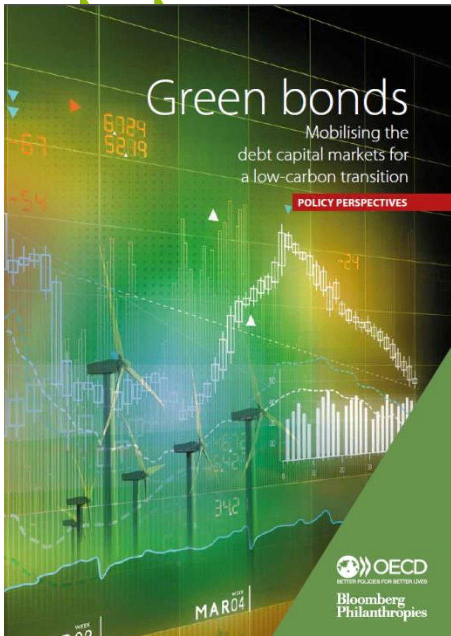
***Christopher R. Kaminker FRGS***

*Economist – Project Manager*
*Organisation for Economic Co-operation and Development (OECD)*
*christopher.kaminker@oecd.org*

**www.oecd.org/env/cc/financing.htm**

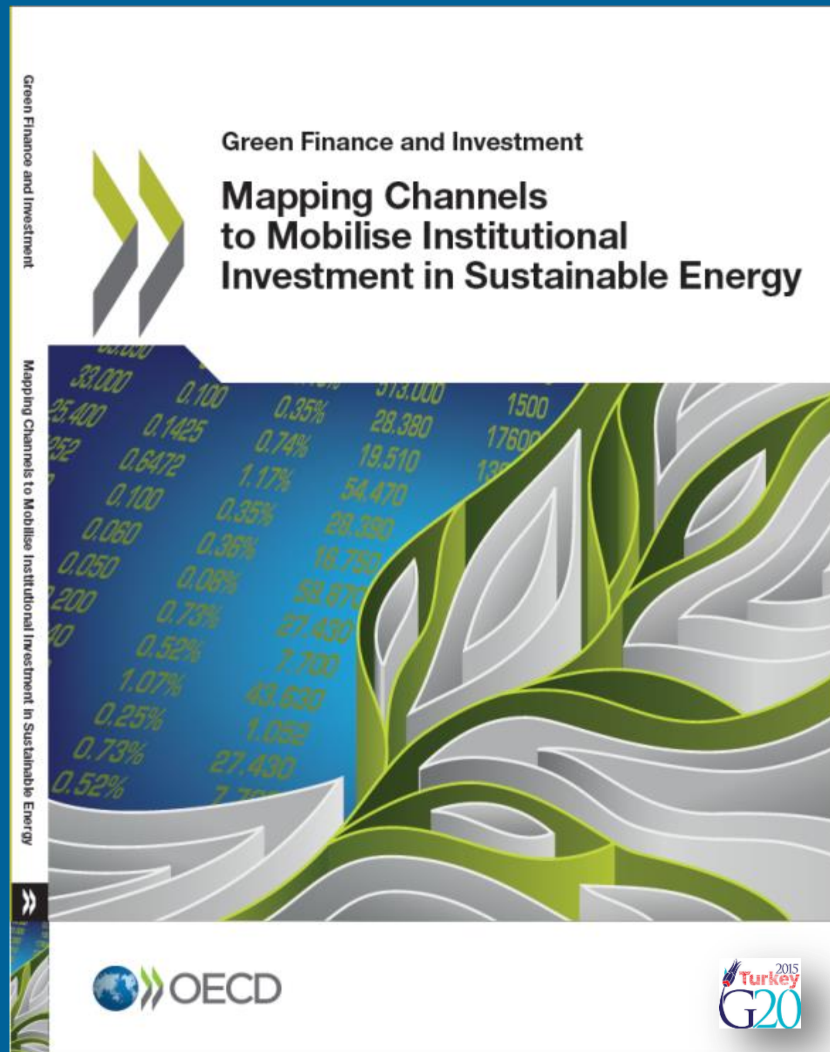
*Contact: Christopher.Kaminker@oecd.org*

## *G20/OECD work on institutional investors and green infrastructure*





**13-14 October 2016, Tokyo**

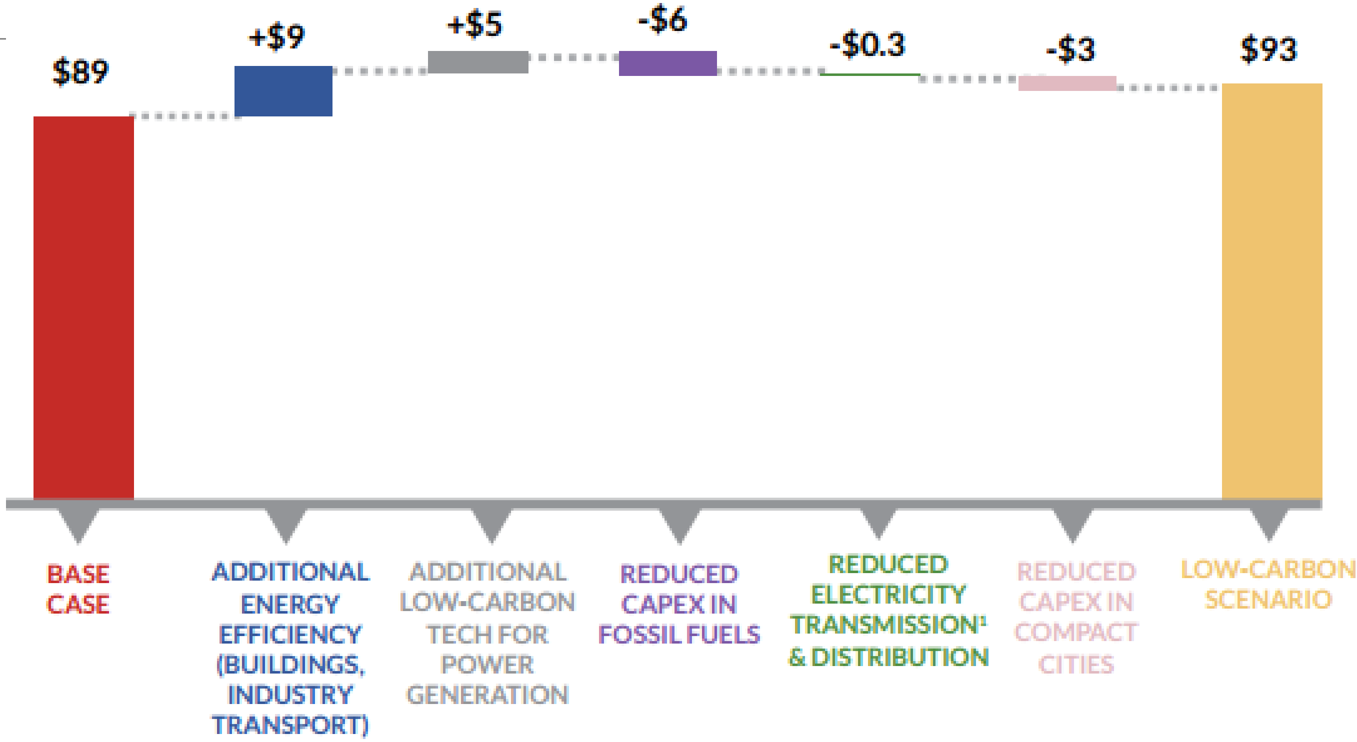



## CONTEXT – ALIGNING THE TRILLIONS

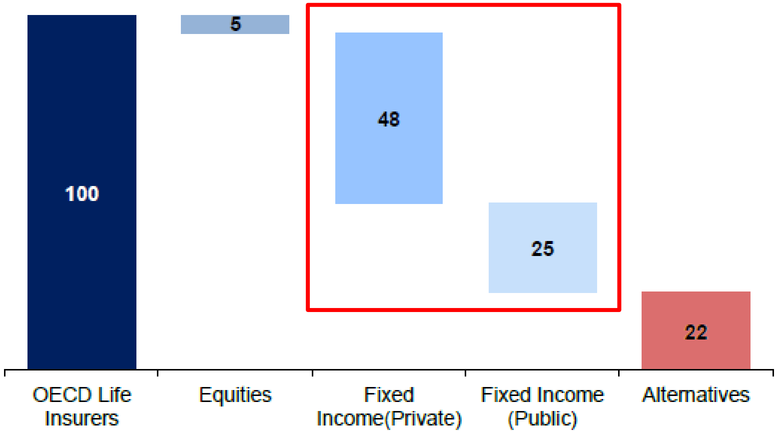
(1) $93 tn investment needs in the next 15 years for a low carbon scenario

(2) $120 tn institutional investors are largest investors in the $97 tn debt capital securities markets

(3) Asset allocation favours bonds – especially for insurers

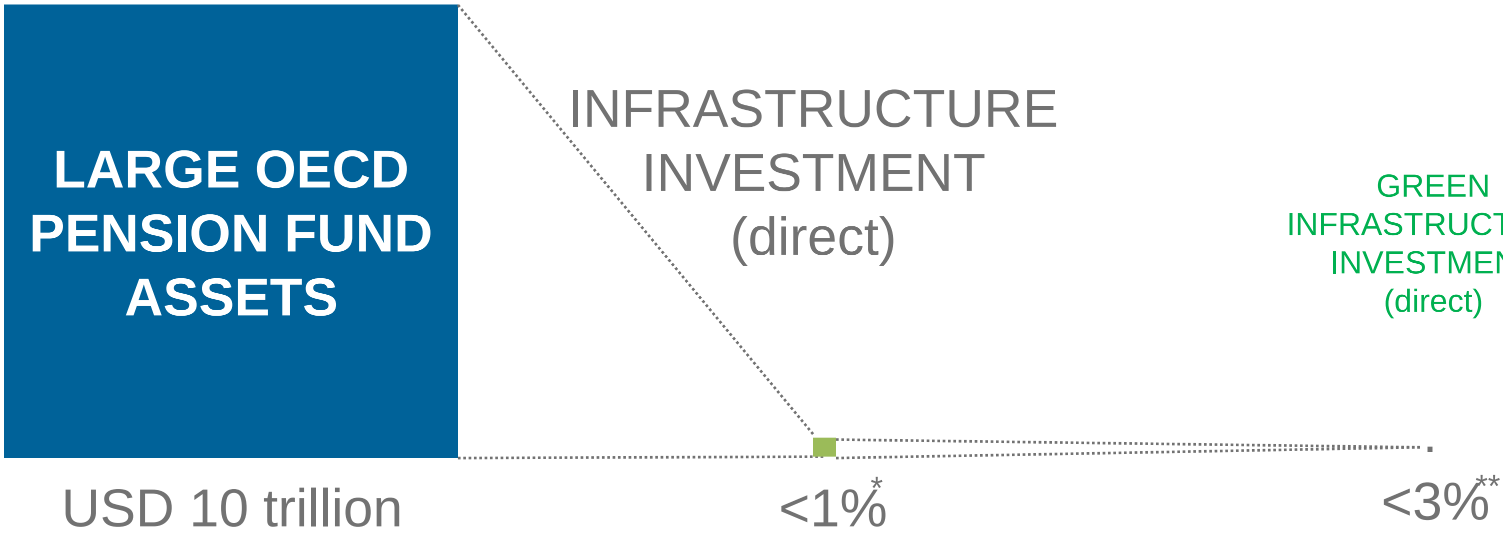



Sources: NCE (2015); OECD (2015)

# Institutional investors manage $100 trn today, projected to grow to $120 trn by 2019

## *1% of large OECD pension fund assets invested directly in infrastructure*

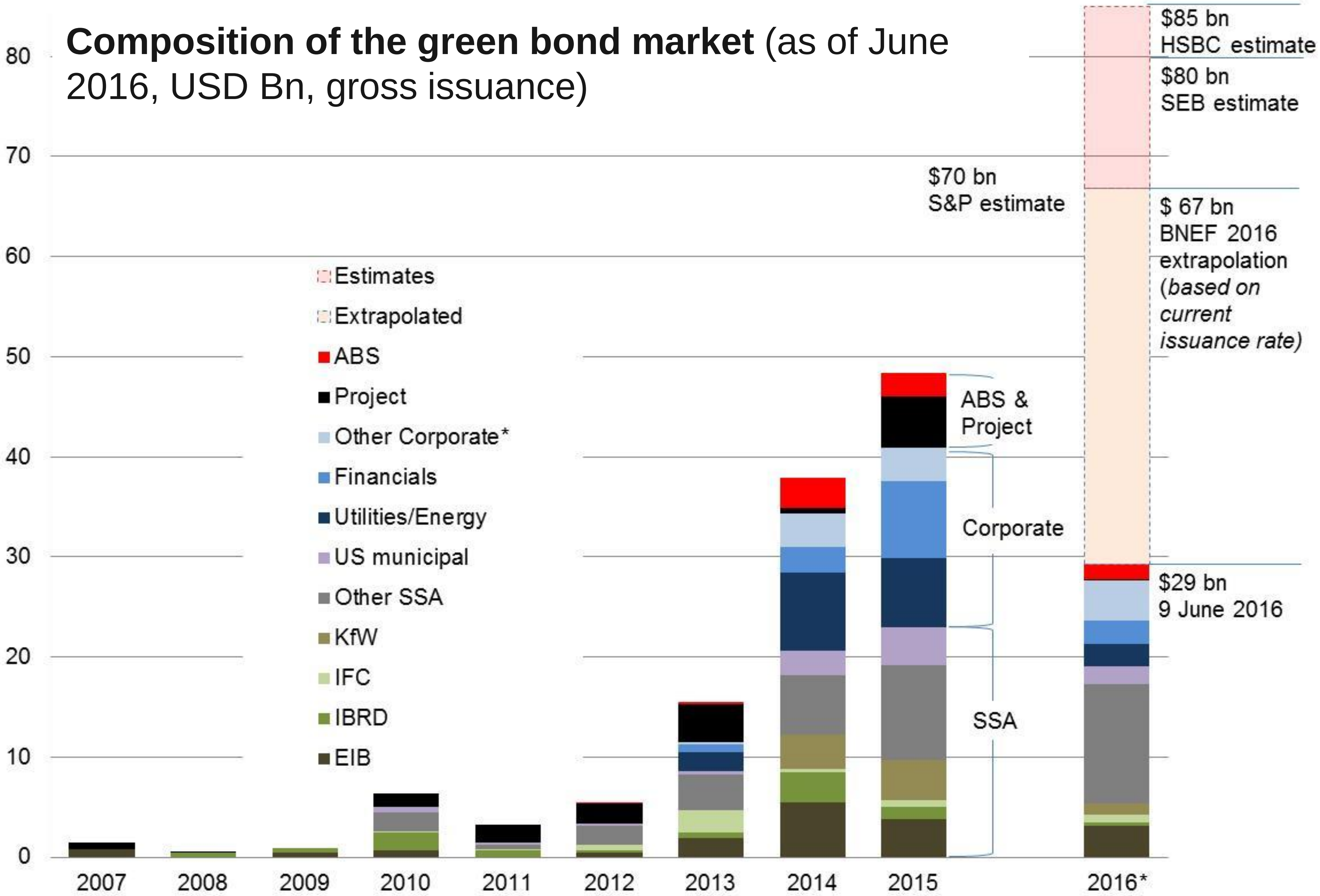



*Source:* OECD Global Pension Statistics, Global Insurance Statistics and Institutional Investors databases, and OECD staff estimates.

** based on large OECD pension funds, covering $10+tn*

** * BNEF estimates*

# **Composition of the green bond market** (as of June 2016, USD Bn, gross issuance)




Note: SSA: Sovereign, Supranational and Agency / ABS: Asset Backed Securities/ Other Corporate includes Consumer, Industrials, Technology sectors

Source: OECD (2016 forthcoming) based on Bloomberg /BNEF data

# Breaking the tragedy of the horizon: Carney's 3 climate-related financial sector risks

## Physical risks:

- Impacts on insurance liabilities and value of assets that arise from climate- and weather-related events
- Consequences most immediately for insurance sector, but also extend more widely

## Liability risks:

- Impacts that could arise if parties who have suffered loss/damage from effects of climate change seek compensation from those held responsible
- Claims could come decades in the future, creating liabilities for carbon extractors and emitters and their insurers

Source: Carney, M (2015), Bank of England: http://www.bankofengland.co.uk/publications/Pages/speeches/2015/844.aspx

## Transition risks:

- Financial risks which could result from process of adjustment towards a lower-carbon economy.
- Changes in policy, technology and physical risks could prompt value reassessment of large range of assets as costs and opportunities become apparent.
- The abruptness with which such re-pricing occurs could influence financial stability.