

# Green Finance Institute

Southwark Council Environment & Community  
Engagement Scrutiny Commission

12 January 2023

# The Green Finance Institute: Who we are



# Channelling global finance into local solutions

## About us

- GFI was established in 2019 following a key policy recommendation made to the UK Government as a not-for-profit company
- An independent, commercially focused organisation, backed by Government and led by bankers
- The UK's principal interface between the public and private sectors
- Bringing together global experts and practitioners to identify and unlock barriers to deploy capital at pace and scale towards real-economy outcomes
- Designing, developing and launching portfolios of scalable financial solutions that accelerate sector-specific transitions to a low-carbon future
- GFI Solutions was established in 2022 as the commercial arm of the organisation, and all activities and profits generated are used to further GFI objectives

## Our vision

A greener future made possible by finance

## Our mission

To accelerate the transition to a clean, resilient and environmentally sustainable economy by channelling capital at pace and scale towards real-economy outcomes that will create jobs and increase prosperity for all.

# What the Green Finance Institute does

## Financing Green

### Mobilising public and private finance for clean and resilient growth

- Focusing on financing real-economy transitions by sector
- Bringing together and leading coalitions of global experts and practitioners
- Identifying the barriers to investment
- Fostering the development of innovative financial mechanisms
- Incubating new ventures with foundations and other strategic partners worldwide
- Current focus areas include buildings, road transport and nature.

## Greening Finance

### Supporting the greening of the financial system

- Collaborating with financial regulators, policymakers, trade bodies, think tanks and multilateral organisations
- Raising awareness of the financial sector's ambitions and achievements in green finance through communications, events and engagement programmes

## Knowledge Exchange

### Building green finance skills and capabilities

- Supporting the UK Government's diplomatic and trade efforts through education, training and advisory work
- Sharing international learning and best practice

# Climate Finance for Local Authorities

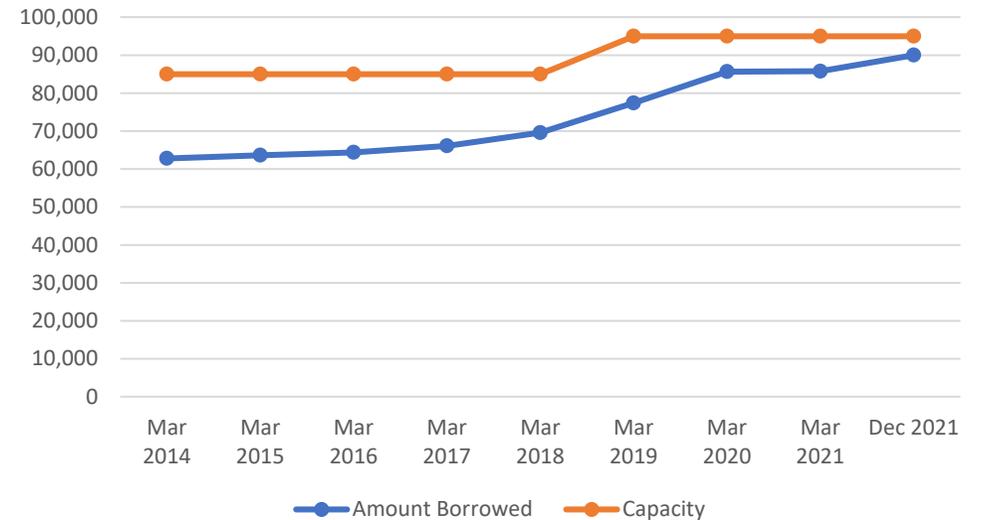


# Why could local authorities fail to fund their net-zero ambitions?

Figure 1: Finance Available to Local Authorities (expressed in millions of £, as of March 2022)



Figure 2: PWLB Total Borrowed vs Capacity (£ million)



The Climate Change Committee estimates that reaching net-zero by 2050 will cost the UK £1.4 trillion, a third of which is expected to be public capital

As the figures above suggest, only a fraction of this capital is available to local authorities. The Public Work's Loan Board, which local authorities heavily rely on, is quickly reaching its capacity. Our contact at UKIB suggests that, from a treasury perspective, they cannot simply continue to increase this capacity!

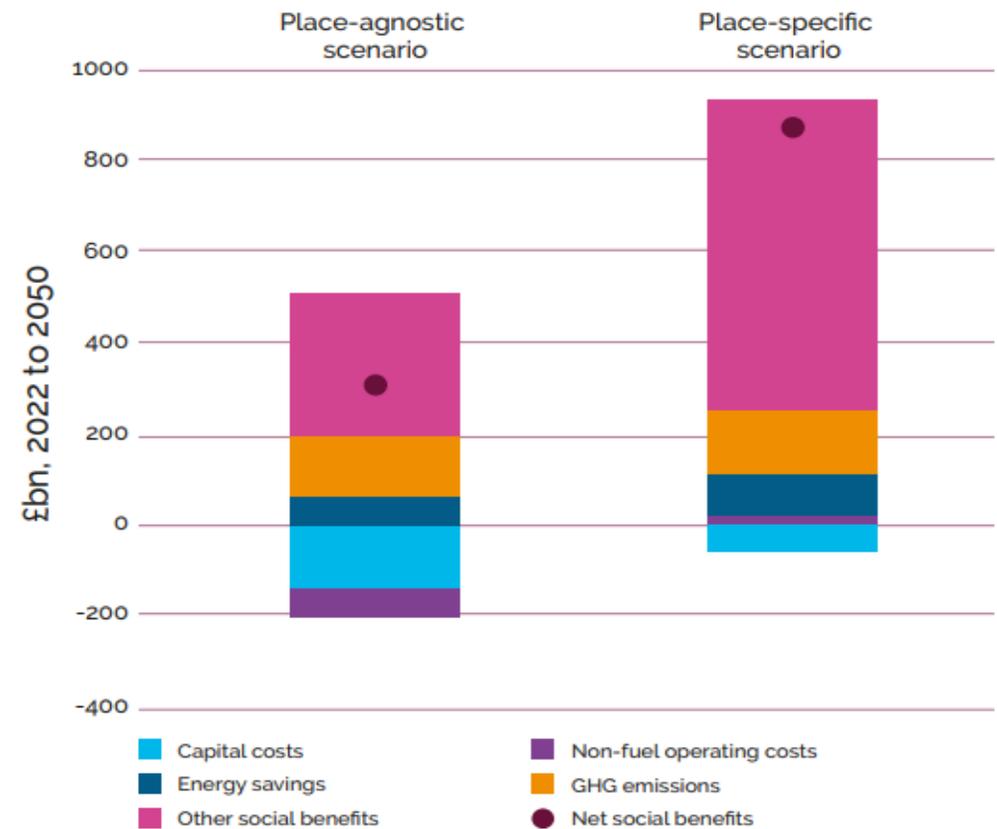
# But why are local authorities important in the transition to net zero?

**The UK Government's Net Zero Strategy highlighted that 82% of all UK GHG emissions are within the scope of influence of local authorities**

**A Local authority approach to net zero is cheaper and more beneficial...**

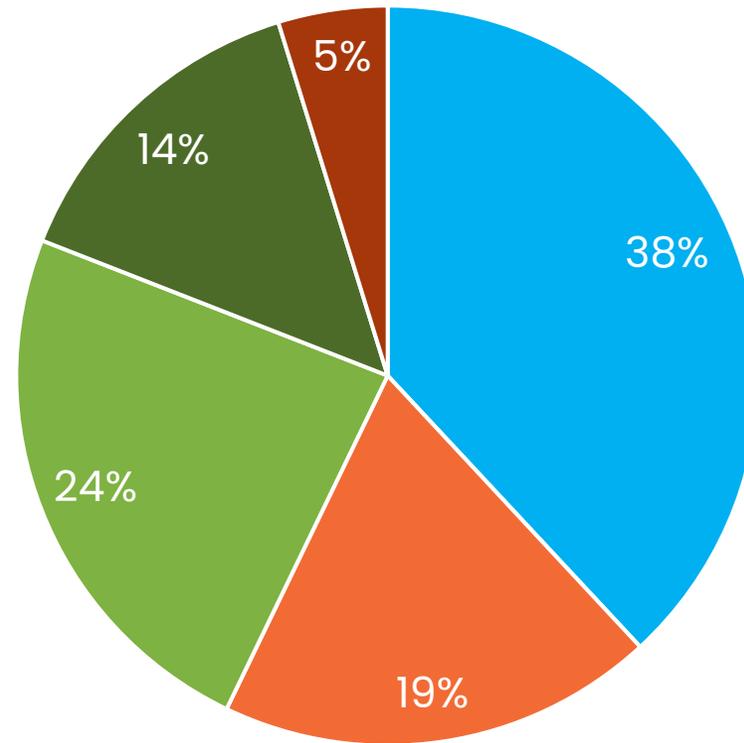
A study conducted by UKRI, involving six diverse local authorities, showed that taking a place-specific approach would require £58 billion total investment between now and 2035 and would return a total of £825 billion in social and economic benefits in the next 30 years; whereas, a place-agnostic approach would require a total of £195 billion investment and return £444 billion in the same timeframe (Figure 3).

**Figure 3: The “size of the prize” in a place-agnostic and place-specific scenario**



# How might the allocation of sources of funds look like in 10 years' time?

Local Government Sources of Funding in 2032



■ PWLB ■ UKIB ■ Institutional investors ■ Retail and commercial banks ■ Crowd-funding (LCBs)

# Case studies: Local Climate Bonds

## Previous issuances using the Abundance platform



**Date of issuance**

**Amounts raised**

**Financial details**

**Use of Funds**  
*(not exhaust.)*

	1	2	3	4	5	6
						
<b>Date of issuance</b>	16 July 2020	25 August 2020	29 October 2021	8 March 2022	27 April 2022	19 May 2022
<b>Amounts raised</b>	£1m on 11 Oct 2020 (5 days ahead of deadline)	£1m on 18 Nov 2020	£1m on 29 Jan 2022	£1m on 28 Jun 2022	£0.5m on 16 Aug 2022	£0.3m on 29 Sep 2022
<b>Financial details</b>	5-year investment with a <b>1.2%</b> return rate	5-year investment with a <b>1.2%</b> return rate	5-year investment with a <b>1.55%</b> return rate	5-year investment with a <b>1.75%</b> return rate	5-year investment with a <b>2.1%</b> return rate	5-year investment with a <b>2.1%</b> return rate
<b>Use of Funds</b> <i>(not exhaust.)</i>	<ul style="list-style-type: none"> <li>Solar PV roof on council facilities</li> <li>Urban tree planting</li> <li>Wildlife Improvements</li> </ul>	<ul style="list-style-type: none"> <li>Co-funded development of ground mounted solar system with addition of battery storage</li> </ul>	<ul style="list-style-type: none"> <li>Zero carbon recycling</li> <li>EV charging infrastructure</li> <li>Initiatives aimed at improving air quality</li> </ul>	<ul style="list-style-type: none"> <li>EV charging points</li> <li>Replacing council's fleet with green alternatives</li> <li>Solar panels</li> </ul>	<ul style="list-style-type: none"> <li>EV charging points</li> <li>Energy efficiency improvements in the Council's offices</li> </ul>	<ul style="list-style-type: none"> <li>Grants to local organisations and businesses</li> <li>EE upgrades to temporary and supported housing</li> <li>EV minibus fleet</li> </ul>

# LCB Campaign

Map of issuances and signatories with political majority at time of issuance



## Past issuances:

-  West Berkshire
-  Warrington
-  Islington
-  Camden
-  Cotswold
-  Telford & Wrekin



## Other pledge signatories:

-  Blaenau Gwent
-  Eastbourne
-  Lewes
-  Westminster
-  Lewisham

### Key – political majority at time of issuance

-  Conservative
-  Labour
-  LibDem
-  Hung Council

# GFI Placed-Based Partnerships



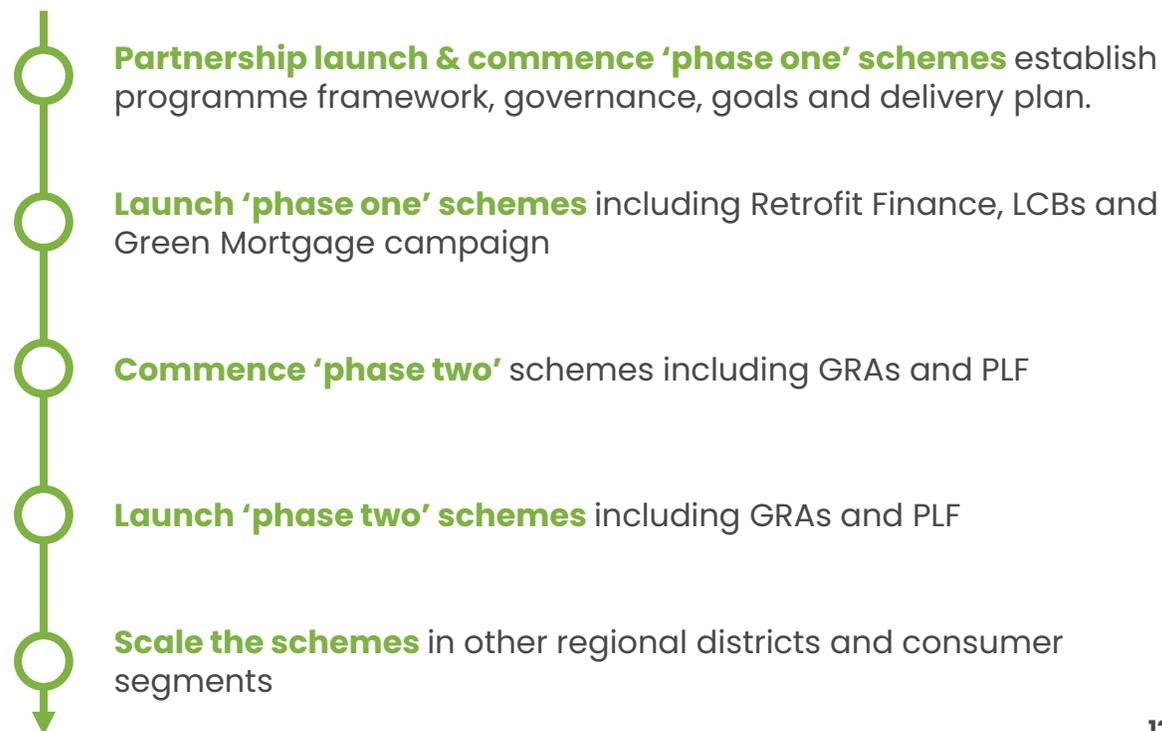
# Our partnership model

Our partnership model aims to support the net-zero ambitions of local and combined authorities across the UK. Working in close collaboration with leading councils and financial institutions, the GFI can unlock investment into decarbonising homes across a region via a proven portfolio of innovative financial solutions.

## Portfolio of Financial Solutions

- 1 **Integrated Retrofit Finance:** Incorporating attractive private financial options into retrofit programmes in the community.
- 2 **Green Mortgage Campaign:** Collaborating with local and national mortgage lenders, brokers and influencers, the GFIs campaign aims to increase awareness and engagement across the market.
- 3 **Local Climate Bonds (LCBs):** A debt instrument issued by Local Authorities to raise to raise capital to fund their net-zero and low-carbon projects.
- 4 **Green Rental Agreements (GRAs):** Innovative form of rental agreement to address the 'split incentive' between landlords and tenants in privately rented homes.
- 5 **Property Linked Finance (PLF):** A new, innovative financial instrument that enables homeowners to receive financing to support 100% of the upfront costs for a retrofit project.

## Indicative Delivery Plan



# Portfolio of financial solutions

Solution	Description	Benefits
<b>Integrated Retrofit Finance</b>	By incorporating attractive financial options into retrofit programmes in the community, we aim to streamline the customer experience and reduce the risk of dropouts. These initiatives can be implemented in both new and existing retrofit schemes.	<ul style="list-style-type: none"> <li>✓ <b>Incentivises retrofit</b> for residents who may not have large existing cash reserves</li> <li>✓ <b>Advancement at scale</b> towards net zero and retrofit targets</li> </ul>
<b>Green Mortgage Campaign</b>	The GFI will launch a campaign to promote awareness, engagement, and adoption of green mortgage options within the residential market. To achieve this goal, the institute has teamed up with local and national mortgage lenders, brokers, and influencers. By working together, we aim to make it easier for homeowners to access and choose environmentally-friendly financial products.	<ul style="list-style-type: none"> <li>✓ <b>Builds momentum</b> behind the green mortgage agenda through targeted engagement</li> <li>✓ <b>Encourages lenders</b> to launch Green products → greater variety of competitive products</li> <li>✓ Supports and rewards <b>residential property owners</b> who make energy efficiency improvements</li> </ul>
<b>Local Climate Bonds</b>	Form of Community Municipal Investment where Local Authorities can secure funding for net-zero projects through a crowdfunding platform. The LCB model allows members of the public to invest as little as £5, and has been shown to be an effective way to raise private investment at a lower borrowing cost than PWLB, while also fostering a strong connection with the local community	<ul style="list-style-type: none"> <li>✓ <b>Interest rates below PWLB</b> → cost-effective funding model</li> <li>✓ Creates <b>engagement with local community</b> → diversifying sources of funding, and investors are offered a <b>low risk return</b></li> <li>✓ Low cost whilst <b>guaranteeing returns for investors</b></li> </ul>
<b>Green Rental Agreements</b>	A GRA incentivises residential landlords to improve the energy efficiency of their properties before new regulations take effect. This gives landlords a transparent way to offer their tenants a "warm rent" - a set amount that covers both rent and energy bills. By offering a warm rent, landlords can recoup part of their investment in energy efficiency improvements over time.	<ul style="list-style-type: none"> <li>✓ Strengthens the landlord-tenant dialogue on sustainability → help to <b>drive increased retrofitting</b> and investment</li> <li>✓ <b>Strengthens CA engagement</b> with institutional landlords in the local region</li> <li>✓ <b>'Shovel-ready'</b> product with low effort required from the authority</li> </ul>
<b>Property Linked Finance</b>	PLF is an innovative financial solution that is not currently available in the UK - has the potential to meet growing consumer interest in energy efficiency. Based on successful mechanisms developed in the US and elsewhere globally, our research has shown there is appetite from consumers for a PLF scheme, both in stable and rising energy price environments..	<ul style="list-style-type: none"> <li>✓ <b>Enables retrofit at scale</b> by ensuring repayment remains with the property over extended timescales</li> <li>✓ <b>Supports and incentivises retrofit</b> for residents who may not have large existing cash reserves</li> </ul>

## Partnership announcement gained **significant interest** across national and local media

### GMCA announcement – July 2022

18

18 pieces of print, online and radio coverage in nationals, local government and housing trades, and regionals. Highlights include BBC, Sky News and BBC Radio Manchester

7

7 syndicated articles of the Sky News article

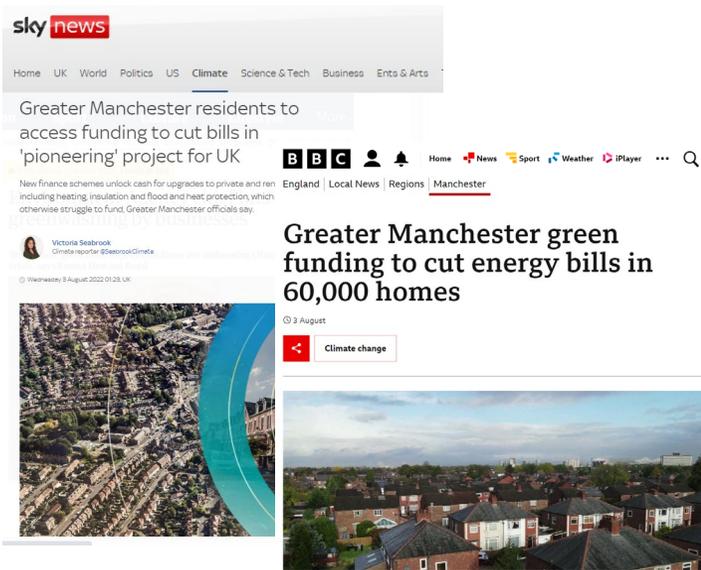
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The announcement featured for one full day of bulletins on BBC Radio Manchester.

62.5k

Estimated total coverage views of the campaign across traditional online media.

### Top tier / national



Greater Manchester residents to access funding to cut bills in 'pioneering' project for UK

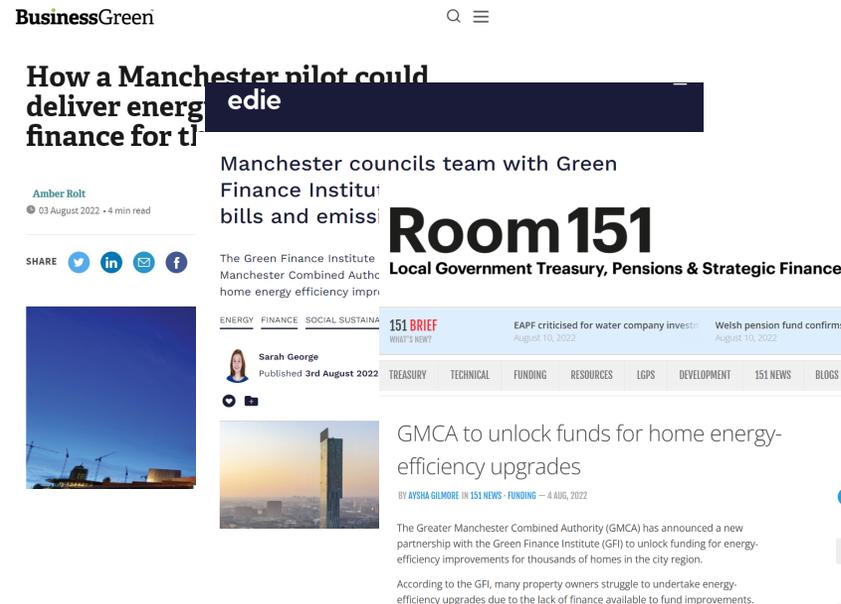
New finance schemes unlock cash for upgrades to private and rental properties including heating, insulation and flood and heat protection, which otherwise struggle to fund, Greater Manchester officials say.

Victoria Seabrook  
Simple reporter @seabrookGmate  
Greater Manchester green funding to cut energy bills in 60,000 homes

3 August

Climate change

### Trade



BusinessGreen

How a Manchester pilot could deliver energy efficiency improvements

Manchester councils team with Green Finance Institute to unlock energy bills and emissions

Amber Rolt  
03 August 2022 • 4 min read

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151 BRIEF  
WHAT'S NEW? August 10, 2022

Sarah George  
Published 3rd August 2022

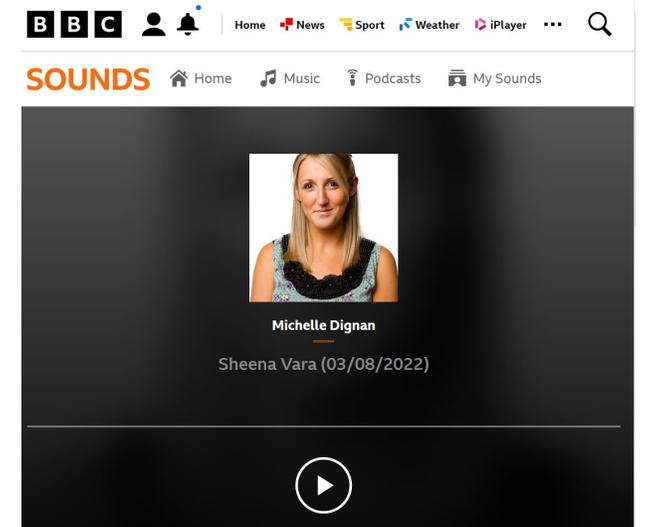
GMCA to unlock funds for home energy-efficiency upgrades

BY AYSHA GILMORE IN 151 NEWS - FUNDING — 4 AUG, 2022

The Greater Manchester Combined Authority (GMCA) has announced a new partnership with the Green Finance Institute (GFI) to unlock funding for energy-efficiency improvements for thousands of homes in the city region.

According to the GFI, many property owners struggle to undertake energy-efficiency upgrades due to the lack of finance available to fund improvements.

### Radio



BBC

Home News Sport Weather iPlayer

SOUNDS Home Music Podcasts My Sounds

Michelle Dignan

Sheena Vara (03/08/2022)

## Local Climate Bonds

- Proposal to issue 'demonstrator' GMCA LCB to fund 2x electric buses in 2023

## Integrated Retrofit Finance

- Initial pilot proposal scoping complete to integrate retail bank lending offer to Your Home Better (on hold to 2023)

## Green Mortgage Campaign

- Campaign to launch early 2023 following onboarding of GFI mortgage lead (joins Jan 23')

## Green Rental Agreements

- Working group established to identify pilot opportunities in 2023

## Property Linked Finance

- Initial discovery phase completed by GFI to develop UK PLF proposition

## Next Steps

- Complete GMCA governance approval (Jan/Feb '23)
- Issue demonstrator LCB (Q2 '23)
- Define long term strategy to scale LCB market in GM
  
- Continue to develop proposition with YHB and GMCA
- Identify further finance partners, including institutional investors and retail banks
  
- Define campaign strategy and delivery plan (Jan '23)
- Launch Green Mortgage Campaign (March '23)
- Scale campaign across GM districts (H2 '23)
  
- Continue to engage with local market to identify pilot opportunities (Q1 '23)
- Produce thought leadership and host events to raise profile of GRAs (H1 '23)
  
- Develop PLF operating model and proposition blueprint (H1 '23)
- Commence work with UK market and regulators to develop delivery roadmap (H2 '23)

# Learning's from the partnership

## The GFI's role

GFI to take care of the '**heavy lifting**' by offering dedicated support throughout the partnership

- Continuous support on **project management** and delivery tracking
- **Dedicated support** via resources from across **GFI's experienced team**
- Support with the development of **business cases**
- Ensuring effective **communication and engagement with stakeholders**
- Support on comms effort, including **amplification of messages** within GFI network and wider media
- Creation of **strong links** with previous council partnerships, including best practices and case studies

## The CA's role

CA to support in a '**steering**' capacity, helping to shape and drive delivery plans throughout

- **Senior sponsorship** to help champion and drive each initiative
- Access to **internal governance** & sign-off process
- Engagement with **decision makers** through enabling the GFI to attend internal meetings/events
- Sign-off on **prioritisation** & solution selection
- **Comms support** & content sign-off