

PROPERTY INVESTMENT FOR A LOW CARBON FUTURE

A UNEP FI Perspective

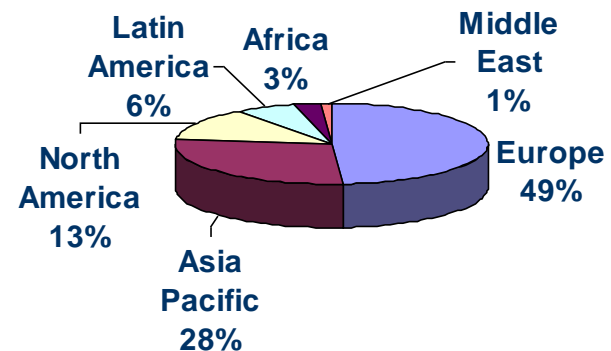
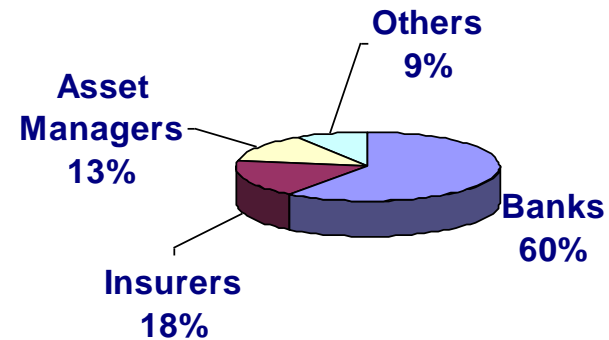
UNEP SBCI Side Event
Bonn, 3 June 2009



UNEP Finance Initiative
Innovative financing for sustainability

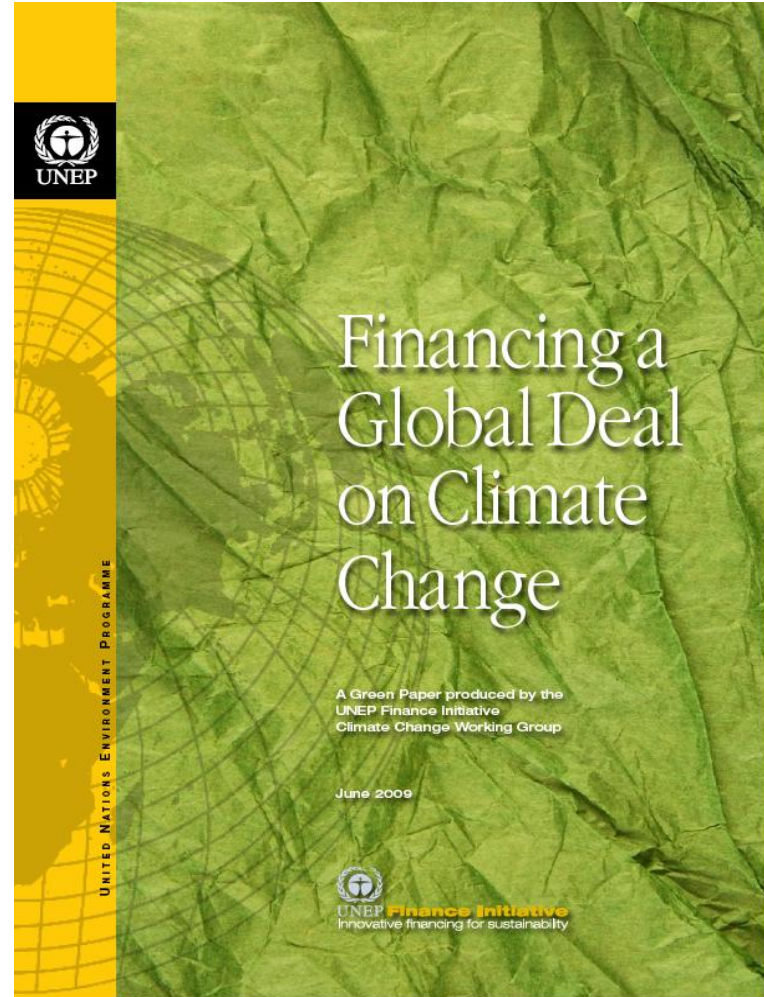
UNEP Finance Initiative

= a unique public-private partnership between UNEP and approx. 180 financial institutions worldwide



2009: On-going Intl Climate Negotiations

- Articulating a message from the financial sector to international negotiators
- Expressing the potential of finance to achieve climate change mitigation and adaptation
- Suggesting priorities to mobilize the skills & resources of the banking, investment and insurance sectors
- To support an effective, efficient and equitable global deal on climate change at COP 15 in Copenhagen



Mobilize Banking, Investment & Insurance

1. Reduce the risk of low carbon investments in developing countries
2. Improve the operation of flexible mechanisms
3. Establish funding for low carbon technology development and deployment in developing countries
4. Create and international carbon insurance vehicle
- 5. Enable enhanced investment in low carbon buildings**
= A proposal from the UNEP FI Property Working group
6. Expand the application of insurance mechanisms for adaptation



The UNEP FI Property WG

Responsible Property Investment (RPI): *“Property investment or management strategies that go beyond compliance with minimum legal requirements in order to address environmental, social and governance issues.”*

Core Members:

- Aviva Investors
- AXA Real Estate Investment Mgt.
- BC Investment Management Corp.
- Caisse des Dépôts (Co-Chair)
- CalPERS
- F&C REIT Asset Management
- Hermes Real Estate
- Infrastructure Leasing & Financial Services
- Innovest (now part of RiskMetrics Group)
- Mitsubishi UFJ Trust & Banking Corp.
- PRUPIM (Co-Chair)
- The Sumitomo Trust & Banking Co. Ltd.
- WestLB AG

Observers:

- Cherokee Investment Partners
- Hammerson
- Investa Property Group
- Land Securities
- Lend Lease



Advisory Academic Institution: **University of Arizona**

UNEP FI's Property wg Perspective

Buildings are part of the problem...

= over 1/3 energy use and associated GHGs
(worldwide)

... and part of the solution

= approx. 30% GHG mitigation potential
(cost effective) by 2020

✓ **FINANCIAL INNOVATION IS KEY**



To enable enhanced investment in low carbon buildings:

1. Lower market barriers to adopting economic and effective technologies (North & South)
2. Increase the impact of carbon finance on behaviour in the building sector
3. Establish appropriate public finance mechanisms to scale up the flow of private capital towards EEB in developing countries



1. Lower market barriers (North & South)...

...to adopting economic and effective technologies

- ✓ Demand EE buildings and green energy in public estates
- ✓ Promote compact cities
- ✓ Set up fiscal incentives conducive to EEBs and renewables
- ✓ Set aggressive **EE standards** in buildings and land use codes
- ✓ Extend building labelling systems and compulsory disclosure + establish a common set of **carbon metrics** to provide **comparable data** on the energy use and emissions of buildings
- ✓ Disseminate knowledge & build capacity: Collect evidence on economic benefits of EEBs and disseminate to relevant stakeholders to inform project underwriting and valuation

= a focused effort on the part of governments,
to boost incentives & standards



2. Increase the impact of carbon finance

...on behaviour in the building sector

- Financial barriers to building abatement + high abatement efficiency mean buildings should be in carbon markets
- Operate the system on a building per building basis or company by company (owner and/or occupier)
- Better include buildings in carbon markets through the on-going reform and expansion of the CDM, to promote investment in building sector abatement projects in developing countries



3. Establish appropriate public finance mechanisms

to scale up the flow of private capital towards EEB
in **developing countries**

- Public finance could be used at the margins to stimulate low carbon building and adapt the existing stock
 - through an interconnected suite of **regionally-based property funds**
 - to help entrepreneurs gain experience in appropriate refurbishment and asset management
 - in addition to return from sustainable property investments, such funds could earn a proportion of energy cost savings generated by improved resource efficiencies

+ Governments should help financial institutions with practical experience in financing and promoting EEB to work directly with counterparts in developing countries (capacity building targeting local banks) to stimulate private investment in EEB



Next Step: UNEP FI Side Event

6 June 2009, 18:00 - 19:30 - Launch of the UNEP FI “Green Paper”
“Financing a global deal on climate change:
The role, potential and needs of the financial sector”
addressing priorities to mobilize the skills and resources
of the banking, investment and insurance sectors

A high-level panel:

- **Raekwon Chung**, Climate Change Ambassador, Republic of Korea
- **Carolina Fuentes-Castellanos**, Director for Climate Change at the Mexican Ministry of Environment
- **Peter Höppe**, Head, Geo Risks Research / Corporate Climate Centre, MunichRe
- **Nick Robins**, Head of the HSBC Climate Change Centre of Excellence
- **Karsten Sach**, Head of the German Delegation to the UNFCCC

Chaired by **Preety Bhandari**, Head of the Financial Cooperation Unit of the UNFCCC.



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