



Channeling sustainable finance to global infrastructure



With scientific evidence and extreme weather now demonstrating the consequences of climate change, there is wide understanding that concerted action must be taken, particularly through infrastructure that could mitigate this harm or slow the progression of global warming. In fact, it is estimated that the Sustainable Development Goals depend on \$5–7 trillion in infrastructure investment each year by 2030.

However, historically it has been difficult to attract the capital necessary for sustainable infrastructure due to unfamiliar investment risks, and there remains an estimated annual investment shortfall of \$2.5 trillion in developing countries alone.

To help overcome this challenge, governments and the financial industry are encouraging 'Sustainable Finance' to mobilize capital flows and expedite investments in sustainable infrastructure and green technologies. Through regulatory requirements and incentives such as discounted financial terms, it is possible to reduce the risks of infrastructure programs and attract a diverse investor pool, including investment funds, pension funds, development banks and private wealth that wish to build sustainability portfolios.

We see growing interest in alternative finance vehicles, such as green bonds, loans and sustainable funds, directed to an array of projects. This includes projects focused on renewable power and energy efficiency, green buildings and transport, and government-led ESG initiatives, from healthcare and social housing to water conservation.

This combination of regulatory and shareholder pressure, supported by strong investor appetite, can encourage all global infrastructure participants to increase their disclosure of climate, environmental and sustainability risk, and contribute to effective solutions to climate challenge.

KPMG is deeply committed to supporting this important opportunity, to bring together disparate parties, collaborate on sustainable infrastructure and, ultimately, strengthen the health of our planet.

In recent years, KPMG member firms have developed considerable experience, helping clients explore, design and secure alternative capital sources for sustainable infrastructure programs. By combining the in-depth understanding of market needs by our Global Infrastructure network, the technical expertise of our Debt Finance, ESG Advisory and other inter-related practices, and strong relationships forged with global lending institutions and investors, we offer comprehensive advisory, executional and reporting capabilities for Sustainable Finance for the Global Infrastructure sector.

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For example, for **infrastructure developers and asset owners** across the public and private sectors, KPMG:

- **Offers comprehensive analysis of financing options** for sustainable infrastructure proposals, by helping clients review their objectives and the feasibility of various funding routes from traditional and alternative sources.
- **Evaluates a project's ability to qualify for green financing** against industry and regulatory criteria and benchmarks for sustainability, including assessment of market interest and liquidity, and application of KPMG's True Value methodology to tailor a proposal to sustainability best practices and market demands.
- **Designs sustainable finance programs**, including strategy development, drafting of finance packages and commercial terms.
- **Leads the execution of sustainable finance programs** from start to close, including advice and support on investor relations, credit rating agency engagement and third-party independent assurance and the entire issuance process.
- **Provides monitoring and reporting of sustainable finance projects**, including the development and tracking of reporting processes and KPIs to support transparent, ongoing stakeholder management.

For example, for **investors**, KPMG:

- **Develops a thorough understanding of an investor's requirements**, including expected ROI and detailed sustainability criteria, to recommend compatible sustainable projects and partnerships.
- **Provides exhaustive screening**, including project reviews, audits and third-party assurance to suggest appropriate projects that match investor criteria.
- **Arranges discreet introductions**, to connect investors with credible, trusted infrastructure developers and asset-owners with complementary sustainability principles and funding needs.
- **Conducts intensive monitoring and reporting of sustainable finance projects**. This includes tracking of reporting processes and KPIs, supporting transparent, ongoing stakeholder management to ensure programs maintain alignment with investors' performance and sustainability expectations.

As technological innovations progress in the sustainable field, the concept of efficacy insurance can play a big role in mitigating technology risk for lenders and investors.

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