

Green Finance Institute x GMCA Partnership

Green City Region Partnership meeting 27
January 2023

Channeling 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

The Green Finance Institute and the GMCA have **established a portfolio of five innovative financial solutions in the region**, that will offer homeowners and landlords access to attractive sources of private and blended capital to fund energy efficiency upgrades to their homes.

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 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.

Delivery plans for 2022/23



Launch partnership with GMCA (Aug 2022)



Develop programme governance and define workstream priorities (Sept/Oct 2022)



Deliver 'phase one' pilot schemes including Financing Retrofit, LCBs and Green Mortgage campaign (H1 2023)



Launch 'phase two' pilot schemes including GRAs and PLF (H2 2023 onwards)



Scale the pilot schemes across GM districts and build relationships with other LAs

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

1

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

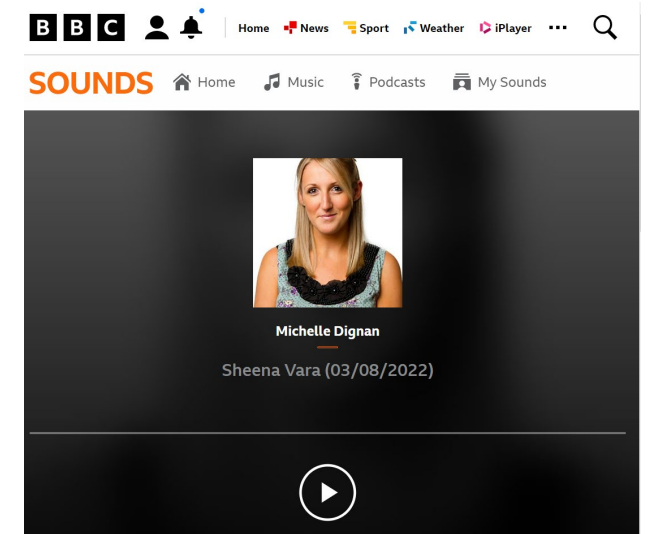
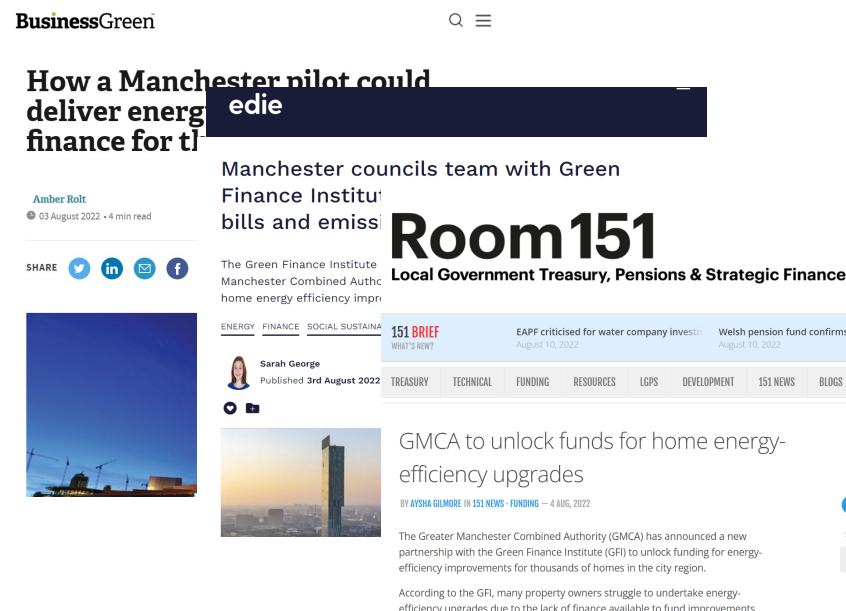
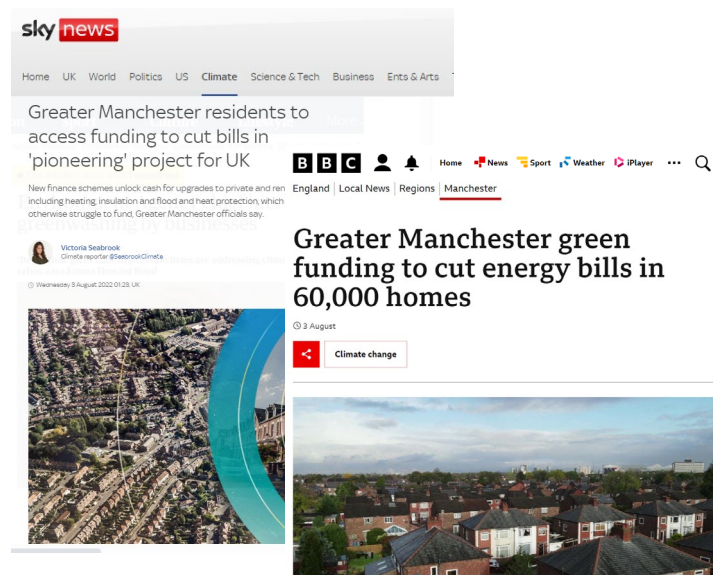
62.5k

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

Top tier / national

Trade

Radio



Portfolio of financial solutions

Solution	Description	Benefits
Integrated Retrofit Finance	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"> ✓ Incentivises retrofit for residents who may not have large existing cash reserves ✓ Advancement at scale towards net zero and retrofit targets
Green Mortgage Campaign	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"> ✓ Builds momentum behind the green mortgage agenda through targeted engagement ✓ Encourages lenders to launch Green products → greater variety of competitive products ✓ Supports and rewards residential property owners who make energy efficiency improvements
Local Climate Bonds	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"> ✓ Interest rates below PWLB → cost-effective funding model ✓ Creates engagement with local community → diversifying sources of funding, and investors are offered a low-risk return ✓ Low cost whilst guaranteeing returns for investors
Green Rental Agreements	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"> ✓ Strengthens the landlord-tenant dialogue on sustainability → help to drive increased retrofitting and investment ✓ Strengthens engagement with institutional landlords in the local region ✓ 'Shovel-ready' product with low effort required from the authority
Property Linked Finance	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"> ✓ Enables retrofit at scale by ensuring repayment remains with the property over extended timescales ✓ Supports and incentivises retrofit for residents who may not have large existing cash reserves

Workstream update: progress since launch

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 process (Jan/Feb '23)
- Issue demonstrator LCB (H2 '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)

GMCA Local Climate Bond Proposal & Next Steps

Context

The GFI x GMCA are proposing to issue a Local Climate Bond for the purchase of new green assets. LCBs are a new, innovative, method of funding – where local authorities use crowdfunding for green projects. They are intended to mimic several of the terms of PWLB, but at a marginally discounted rate in comparison.

Scope

GMCA and the GFI aim to use the initial GMCA-sponsored issuance as a proof-of-concept model for other districts within Greater Manchester to follow, allowing them to access alternative funding sources rather than relying on more expensive traditional borrowing options.

Targeted Amount

£1 million. The fund-raising round will be open for 3 months, using the Abundance platform, which is authorised and regulated by the FCA.

Project to be funded*

Purchase of 2x electric busses (out of an existing order of 50 busses).

Current Position

A detailed business case is currently being developed by GMCA Core Investment Team, analysing the financial and non-financial benefits and risks associated with issuing an LCB

Next Steps

Once the business case has achieved internal GMCA sign-off, the proposal will be formally put to WLT, followed by the CA.

Timescales

