



## ITF in Focus Session: Financing clean transport in emerging economies

Driving the development of low-carbon transport systems and supporting the economic recovery from the Covid-19 crisis can, and should, go hand in hand. Both will require significant investments – to build infrastructure, to support innovation and to scale new technologies.

This session brought together decision makers from ITF partner countries in the Decarbonising Transport in Emerging Economies ([DTEE](#)) and the NDC (Nationally Determined Contributions) Transport Initiative for Asia ([NDC-TIA](#)) projects and representatives from finance institutions. After opening remarks from the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU), the ITF provided an overview of these projects, their objectives and status.

Decision makers from the partner countries then discussed their specific challenges in decarbonising transport in their economies, in the wake of the Covid-19 crisis, with a focus on access to finance. They also addressed the ways in which the international community may contribute to overcome these challenges and help achieve national-level transport CO<sub>2</sub> reduction goals. Representatives from development banks outlined how specific funding challenges may be met, and what support they can provide for tackling the greening of transport in emerging economies.

The DTEE and NDC-TIA projects are funded by the International Climate Initiative (IKI) of the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU).

In her opening remarks, Ms Breyer, Director General at the BMU, emphasized that the solution to both challenges, climate change and the recovery after the pandemic, must go hand-in-hand. To help achieve these goals, the International Climate Initiative (IKI) of the BMU has made ad-hoc funding available to support partner countries. Ms Breyer said she was convinced that climate-oriented recovery offered an opportunity to reshape our transport systems. The 17 global IKI projects tackling transport challenges, with a funding of around EUR 180 million, and supporting 22 countries, provide support in this effort. The DTEE and NDC-TIA projects are relevant projects in this regard.

Before providing an overview of these two projects, Mr Kauppila quantified the transport decarbonisation challenge that lies ahead of us by referring to ITF's Transport Outlook 2021, which was launched earlier at the ITF Summit. This publication provides scenario outputs to 2050 and shows that transport demand is set to more than double by 2050. Much of this demand will be driven by population and GDP growth, especially in emerging economies. As a result, also related emissions will grow, by estimated 16%, if the global community stays on the current policy trajectory. However, leveraging and frontloading the

opportunities provided by economic recovery, provides the chance to meet climate objectives in the transport sector.

Mr Mittal from NITI Aayog in India, one of the partner countries in both the DTEE and NDC-TIA projects, highlighted that continued support from financial institutions for public transport projects, such as for India's metro developments, and electrification of road transport will play an imperative role in making India's climate action plan a reality. He also highlighted that further work needs to be done in defining green loans and lowering the borrowing costs, as well as on environmental compliance schemes and to overcome mismatches regarding long-term climate goals and the often short-term interests of investors. He also emphasized the need to better define the techno-economic viability of electric vehicles (EVs) and increase investment in their supply chain to ensure future demand for EVs can be met domestically.

Mr Tornquist, Secretary of Climate Change of Argentina, emphasized that innovation must and will be part of the answer to the climate change challenge. To make this happen, a lot of additional funding will be required, especially after the pandemic, which has put additional 100 million into extreme poverty in 2020 alone. Argentina is very thankful to Germany – not only for the funding on the IKI projects, but also for taking a leading global role in the Climate Change debate, especially over the past years. Argentina is very committed to making CO2 reduction objectives a reality, and is looking forward to working together with finance institutions to make them a reality. Mr Tornquist highlighted that hydrogen as energy vector needs to be further promoted in Argentina; and that actions here must go in hand with further efforts to increase the energy efficiency of transport, to electrify transport and to increase the availability of renewable power.

Ms Netto, Principal Specialist at the Inter-American Development Bank, outlined some of the major issues that Latin American countries when looking for finance for their transport projects. She highlighted here the lack of availability of long-term finance options (typically required for infrastructure projects) and the difficulty of taking risks for commercial banks. In her eyes, better ways of blending public and private finance will be required for projects that can be established as viable concessions through well set-up public-private partnership (PPP) structures. Under such arrangements, risks can be shared across different stakeholders to make projects attractive for investors. For development banks the task will be to step in to help with de-risking for the partners involved as far as is possible, for example by providing guarantees. The green and sustainable bond market should also be developed further – something that the IDB has helped to structure in the past. With regards to electric vehicles specifically, Ms Netto mentioned that the IDB is working with many countries to finance electric mobility with the objective to make such projects scalable.

Ms Teravaninthorn, Director General at the AIIB, highlighted that the AIIB aims to dedicate 50% of all its financing (across all sectors) to projects that contribute to CO2 emissions reductions. China, aiming to be carbon-neutral by 2060 (and peak in 2030), provides a framework and a certain degree of pressure on the AIIB, which is headquartered in Beijing. The AIIB has already decided to launch a clean climate bond. When looking for funding, countries should ensure that the projects they propose clearly contribute to transport safety and decarbonisation. To overcome funding gaps in the future, private sector financing will be critical.