

InfrastructureUSA

Guest on THE INFRA BLOG

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Report: Unlocking Private Capital to Finance Sustainable Infrastructure

The report is focusing on addressing this \$1.4 trillion gap that we have in our needs around infrastructure, and it does that in two ways: one is it tries to right-size the demand, making sure that when we think about what are the services and outcomes we're looking to for infrastructure, that we're not just restricting that to gray infrastructure but that we're also looking at solutions that involve green infrastructure, things like barrier islands and marshes and so forth, that in combination with that gray infrastructure, can often be more cost effective and better at delivering the outcome that you want. And then the second piece of it, and the larger part of it, really, is focusing on how you can structure deals so that they attract private capital. And it focuses on four key themes in doing that: one is identifying sustainable, suitable investment models; standardizing performance measurements; managing risk and facilitating effective stakeholder engagement.

A Way to Address Failing Infrastructure

Our systems and services in infrastructure are pretty compromised right now, especially in areas that have been subject to extreme weather events. But even if they haven't, we've got a lot of infrastructure that, frankly, is falling apart. We haven't done a good job of maintaining it, and we don't have enough resources to maintain or resuscitate that infrastructure. So the reason this is important is because it creates a path for being able to address that issue. To create the type of infrastructure that we need to provide energy security, safe drinking water, reliable transportation, all the services and needs we have from our day to day infrastructure that we aren't receiving right now through our public sector.

Private Capital to Meet Public Needs

It's not saying that the public sector shouldn't be the driver and the accountable body for it, but it's just being pragmatic that the public sector can't do this alone, even if you just look at the dollar-sized need for being able to put in place a solution. And so, the one is that this is not enough resources, we've got public-sector strapped budgets as it is, and a lot of competing needs. Even if this is the most priority need of a city or town, there still aren't enough resources to be able to do that, let alone all the competing needs, whether it's health, education, all the different services that the public sector has to provide. And then second of all, there is private investment capital that not only is interested in helping, but wants to help. There's actually a lot of capital, and this is thanks to the rise of the impact investing trend; people want to put their capital to work and, yes, ideally they want financial return, but if they get a social and environmental return from it and don't necessarily get the financial return, they're still happy. And so it's tapping into that interest and demand from the private sector to help you meet the need as a public-sector agent. The federal government still has to lead the way; they are the responsible party. They are the accountable party. They are collecting tax revenue, whether it's the federal government or the local government, saying, "We are going to provide these services to you," so they're still responsible. This is just giving them a path to be able to get there.

October 2017

Stakeholder Engagement: What We Want Out of Infrastructure

One of the key parts of our investment design framework is stakeholder engagement. So the public sector has to be reaching out to the citizenry and being clear on what are the services and needs they have. It's less about, "I need to have a certain type of infrastructure;" it's more about, "I need to get from my home to work every day; what's the most efficient way to get me there?" The public sector, first of all, has to reach out to citizenry and the citizenry has to engage on saying, "These are the things that I want out of my infrastructure." It has to be a two-way street. So, if the citizenry isn't speaking up and saying these are the types of expectations we have, it's harder for the public sector to reach out from the other side and realize, "Oh, the citizenry wants to be engaged on these issues."

EDF+Business: Environmental Change Through Private Investment

So EDF—50-year-old organization—we just celebrated our 50th anniversary of our founding. It was originally started by a group of scientists who were concerned about DDT affecting the bald eagle as well as other wildlife populations, and were successful in securing a national ban on DDT. And then they started partnering with PhD economists to focus on market-based mechanisms as another tool in the toolbox, and today that is still very much the core of how EDF approaches environmental issues. It looks for a market-based mechanism that can achieve the solution, because we believe that if a solution is economically viable, it's more likely to take place and be enduring and create enduring change. And so EDF+Business ties into that by focusing on the private sector, in particular, and what are companies—as well as investors—that we should be focusing on and partnering with to create the change we're looking for.

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