

## Workshop on Infrastructure as an Asset Class and Data Collection for Long-term Investment

Thursday 2<sup>nd</sup> of November 14:30 – 18:00

Room CC 13 - OECD Conference Centre, Paris, France

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| 14:30 – 14:35 | <b>Introduction</b> <ul style="list-style-type: none"> <li>• <b>Damien Dunn</b>, Chair G20/OECD Task Force on Institutional Investors and Long-term Financing and Australian Treasury</li> <li>• <b>André Laboul</b> Special Advisor to the OECD G20 Sherpa and Senior Counsellor, OECD Directorate for Financial and Enterprise Affairs</li> </ul>  |
| 14:35 – 15:00 | <b>SESSION I: Long Term Financing Priorities in 2018 for G20, G7 APEC and FSB</b> <ul style="list-style-type: none"> <li>• <b>Raffaele Della Croce</b>, Lead Manager Long Term Investment Project, OECD Directorate for Financial and Enterprise Affairs</li> <li>• <b>Mathias Mondino</b> - Director Ministry of Finance, Argentina</li> <li>• <b>Tara Rice</b> – Member of the Secretariat - Financial Stability Board (FSB)</li> <li>• <b>Glenn Campbell</b>, Assistant Deputy Minister Canada Infrastructure Bank, Infrastructure Canada</li> </ul>  |
| 15:00 – 16:00 | <b>SESSION II: Developing Infrastructure as an Asset Class: Policy Options</b> <ul style="list-style-type: none"> <li>• <b>Joel Paula</b>, Economist, Long Term Investment Project, OECD Directorate for Financial and Enterprise Affairs</li> <li>• <b>Jerome Jean Haegeli</b> Managing Director Swiss Re</li> <li>• <b>Leïla Hubeaut</b> Partner Energy &amp; Infrastructure Herbert Smith Freehills Paris LLP</li> <li>• <b>Dejan Makovsek</b>, Economist Internationa Transport Forum</li> <li>• <b>Atif Ansar</b>, Professor Oxford University</li> </ul> <p><b>Infrastructure data Initiative” by EIB, GIH, LTIIA, LTIC and OECD</b></p> <ul style="list-style-type: none"> <li>• <b>Guido Bichisao</b> Director European Investment Bank</li> <li>• <b>Brer Adams</b> Senior Director Global Infrastructure Hub</li> <li>• <b>Eugene Zhuchenko</b> Executive Director Long Term Infrastructure Investors Association</li> </ul> |
| 16:00 - 16:15 | Coffee Break   |
| 16:15 – 17:05 | <b>SESSION III: Developing Financial Performance Benchmarks for Infrastructure</b> <ul style="list-style-type: none"> <li>• <b>Veronica Vecchi</b>- Professor - Bocconi University</li> <li>• <b>Sarah Tame</b> Chief Communication Officer –EDHEC</li> <li>• <b>Gianluca Minella</b> Vice President Alternatives Deutsche Bank Asset Management</li> <li>• <b>Andrew Davison</b> Senior Vice President Moody’s</li> </ul>   |
| 17:05 – 17:50 | <b>SESSION IV: ESG Performance Benchmarks for Infrastructure</b> <ul style="list-style-type: none"> <li>• <b>Jakob Thoma</b>, Director, 2 degree Initiative</li> <li>• <b>Charles Donovan</b>, Director, Imperial College, Centre for Climate Finance and Investment</li> <li>• <b>Georg Inderst</b>, Inderst Advisory</li> <li>• <b>Oshani Perera</b>, Director International Institute for Sustainable Development (IISD)</li> </ul>   |
| 17:50 - 18.00 | <b>Conclusions, Next Steps</b>   |
| 18:00-19:30   | Cocktail   |

## ANNOTATIONS

### **SESSION I: Long Term Financing Priorities in 2018 for G20 G7 APEC and FSB**

Increasing numbers of institutional investors are recognising the potential for infrastructure investment to deliver inflation-linked, long-term and predictable cash flows. However, total amounts of institutional investment in infrastructure remain relatively limited, considering the large pool of available capital from long-term investors<sup>1</sup>. Within this context, the solution to ‘unlock’ the pool of private capital held by institutional investors is to achieve global recognition of infrastructure as an investment asset class through better measurement of how infrastructure investments perform.

Micro-level data may also provide useful information for ex post analysis, for example, for the evaluation of spending resources on infrastructure. In addition, information on the financial terms of the projects could provide more evidence for public authorities about the relationship between project-specific risk and the cost of capital in completed transactions. This information would help authorities to evaluate financing terms in past and future procurements, reduce their reliance on unverified third-party sources and advisers and could help to identify potential refinancing opportunities.

The OECD is currently discussing future priorities for G20, G7 and APEC in 2018, supporting the global agenda on Long-term Investment through the G20/OECD Taskforce on Institutional Investors and Long Term Investment (the “G20/OECD Taskforce”).

The session will include: G20 Priorities for the Argentinian Presidency in 2018 on “Infrastructure as an Asset Class”, the FSB new project on “Impact of financial reforms on financial intermediation, including financing for infrastructure” and OECD proposals building on the [G20/OECD Guidance Note on the Diversification of Financial Instruments for Infrastructure and SMEs](#)<sup>2</sup>.

### **SESSION II - Developing Infrastructure as an Asset Class: Policy Options**

As part of the G20/OECD Task Force a Workshop on Data Collection for Long-term Investment was held on the 10<sup>th</sup> of May 2017<sup>3</sup>. A new project, the “**Infrastructure Data Initiative**”, on data gathering and

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<sup>1</sup> The OECD, in their annual Large pension fund survey, found that, although infrastructure investment currently represents only 1.1% of total assets under management, there is strong evidence of growing interest in infrastructure investments.

<sup>2</sup> The guidance note is a set of recommendations for G20 governments aiming at diversifying financial instruments ;it was endorsed by the G20 leaders in September 2016. See [supporting document](#) with additional details.

<sup>3</sup> Please find here the link to the [Workshop on Data Collection for Long-term Investment](#) held on the 10 May in Paris as part of the G20/OECD Task Force on Institutional Investors and Long-term Financing. Uploaded on the website are also the presentations given. The workshop was open to G20 and OECD Task Force members (including IOs such as the World Bank, the Global Infrastructure Hub and the European Investment Bank) and selected private sector representatives part of the OECD Network on Long Term Investment ([www.oecd.org/finance/lti](http://www.oecd.org/finance/lti)).

addressing data gaps was jointly presented at the workshop by the EIB, LTIC, GIH and OECD. This joint initiative intends **to create a centralised repository on historical long-term data on infrastructure at an asset level**. The aim is to ensure a collective effort mobilising the existing information held by MDBs and DFIs as well as private sector and governments to create a centralised repository making the information accessible, as a public good, in an appropriate way to policy makers, regulators, investors and researchers.

The Task Force mandated the OECD in cooperation with EIB and GIH to develop a plan for the launch of the project including the creation of a **preferred template of information for gathering financial and non-financial data** (i.e. qualitative information that captures social and environmental, and governance dimensions) on infrastructure projects.

The discussion will build on relevant work including proposals for a potential research agenda made in the OECD note: "[Breaking Silos: Actions to Develop Infrastructure as an Asset Class and Address the Information Gap](#)". This session will also follow-up on the "[Infrastructure Data Initiative](#)" jointly presented by the EIB, LTIC, GIH and OECD during the last G20/OECD Taskforce meeting in May the 10<sup>th</sup> 2017.

### SESSION III - Developing Financial Performance Benchmark for Infrastructure

Only limited empirical analysis has been done to assess the risk-adjusted performance and portfolio diversification benefits of listed infrastructure in a portfolio, with only a few studies on unlisted infrastructure performance, showing highly fragmented results<sup>4</sup>. Observing performance of the infrastructure investment universe and constructing benchmarks based on historical returns creates inputs into the asset allocation process, and permits the evaluation of long-term objectives and success metrics. Infrastructure investments may also be useful components of an inflation hedging benchmark and also liability-hedging benchmarks (complementing fixed income, equities, and inflation sensitive assets). For regulators, benchmarks provide inputs to perform stress tests and Value-at-Risk (VaR) analysis and ensure appropriate information to facilitate the calibration of existing metrics.

This session aims at addressing the issues of infrastructure investment in the context of strategic asset allocation as well as in the regulatory context. How infrastructure is currently benchmarked? What are the existing initiatives and how can future new projects contribute to overcoming the benchmarking challenge? Is the lack of historical data on infrastructure performance hindering regulatory efforts to establish this asset class?

### SESSION IV - ESG Performance Benchmarks for Infrastructure

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<sup>4</sup> Existing data sets are based on: portfolios of organisations that operate or invest in infrastructure; adjusted fixed income benchmarks; whole-of-equity market indices; or self-imposed yield hurdles.

The collection of ESG data is necessary to insure that infrastructure financing is aligned with broader policy outcomes. Using firm- and asset-level data and building on other relevant data (i.e. PAED data, see G20 GFSG background paper on ERA), this can provide a basis for **environmental risk assessment (ERA)** focusing on current exposure to physical risks and policy and technology responses. In addition, the extent to which a company or asset has procedures in place to monitor relevant metrics of its environmental performance (e.g. water management) and benchmark its performance will also impact its ability to assess its risks through a robust ERA and manage those risks. When environmental data is crossed with financial data, the collection of environmental metrics could go beyond the sole purpose of assessing the environmental performance and directly include the financial performance of an infrastructure asset. This is the case for the assessment of transitions risks.

The aim of this session is to discuss the relevance of sustainability performance assessments in the context of infrastructure investment. Specifically, the data and metrics necessary to deliver the sustainability outcomes targeted by the broader policy orientations in the one hand, reflected by the SDGs, but also by investors own fiduciary duties in the other. It is as well aimed at exploring the interface between financial performance and sustainability performance.

## REFERENCES

Work will build on recent events and initiatives, including outcomes of the [LTIIA Fourth Annual Meeting and a Joint Forum with OECD on Development of infrastructure as an Asset Class](#) organized on the 18th of October and the **4th OECD Green Investment Financing Forum**, organized on the 24th and 25th of October by the OECD in Paris.

Discussions will be based also on the new report on “**Selected Good Practices for Risk Allocation and Mitigation in Infrastructure in APEC Economies**”, developed by the OECD, with the Global Infrastructure Hub (GIH) and the Asian Development Bank (ADB) and welcomed on 21 October 2017 by APEC Finance Ministers in Viet Nam (see [APEC Communiqué](#) and [Annex A - Diversifying sources of Finance](#)).

Through the [OECD Annual Survey of Large Pension Funds and Public Pension Reserve Funds](#) (last published 2016), the OECD has been contributing to FSB discussions on illiquidity issues for long term investment. The Next Survey will be published in November 2017; the publication coincides with the launch of the new questionnaire for pension funds and reserve funds for gathering data through the year end 2016.

**Low-carbon and climate resilient infrastructure:** a [Workshop on financing green infrastructure](#) was held on 3 November 2016. See the [summary of the discussions](#) for further details. Building on this workshop the “[Mobilising financing for the transition](#)” Chapter 7 of the G20 report “[Investing in Climate. Investing in Growth](#)” was launched 23 May 2017 in [Berlin](#).

**Financing Connectivity Infrastructure in the Suez Canal Economic Zone:** The [OECD is supporting the Government of Egypt to build strong policy frameworks](#) for the successful development of the Suez Canal Special Economic Zone around multiple areas including the definition of sustainable models of infrastructure development. The OECD Long Term Investment Project contributed to the needs assessment and action plan, and organised a workshop focusing on the second pillar of work undertaken by the OECD for the SCZone targeted at ensuring long term financing and transparent governance of

infrastructure. The workshop on “Governance and Financing of Suez canal” took place in May 2017 in Cairo, Egypt.

### **Related Work**

The OECD through the LTI project also contributed to the **World Bank’s Guidance on PPP Contractual Provisions**. After completion of an extended public consultation period, the final version of the Guidance, 2017 edition has been published the end of June. The document can be accessed via the [World Bank PPP Tools Page](#), [The Knowledge Lab](#) as well as the [PPP in Infrastructure Resource Center \(PPPIRC\)](#).

**Infrastructure Governance:** Good governance is necessary for planning, selecting and delivering the right infrastructure, on time, and on budget. The Governance Directorate of the OECD has published the framework guide [Getting Infrastructure Right: A framework for better governance](#) covering 10 success factors that will support governments in making the right projects happen, in a way that is cost effective, affordable and trusted by users and citizens. A summary of the publication can be accessed [here](#).

**Infrastructure Governance Review of Chile:** Based on the Infrastructure Governance Framework, the OECD has recently undertaken an Infrastructure Governance Review of Chile: Gaps and Governance Standards of Public Infrastructure, examining Chile’s infrastructure stock and governance standards in light of the country’s 2030 growth agenda. The report was presented in Santiago de Chile in May and will be published in autumn 2017.

**The Governance of Mega Infrastructure Projects:** As part of the Infrastructure Governance Work, the OECD secretariat has started to collect good practice case studies to develop policy guidance on the delivery of mega infrastructure projects and to provide a comprehensive, full policy cycle “checklist” of good practice from design to delivery of the mega infrastructure projects.