

# **G7 ENVIRONMENT**

## **Green Finance for SMEs**

**Expert Workshop**  
Palazzo Labia, Venice  
April 5, 2017



MINISTERO DELL'AMBIENTE  
E DELLA TUTELA DEL TERRITORIO E DEL MARE

## **Session 1: The Challenge of Green Finance for SMEs**

**Welcome:** Barbara Degani, State Secretary, Ministry of Environment

**Opening Remarks:** Francesco Confuorti, Advantage Financial

**Presentation of Background Paper:** Nick Robins, UN Environment

**Commentary on Background Paper:** Paolo Bersani, PwC Italy



# Mobilizing Green Finance for Small and Medium-sized Enterprises in the G7

Nick Robins, UN Environment  
Venice, April 2017



*SMEs contribute significantly to growth, employment, innovation and social cohesion across the G7 – and are also major drivers of sustainable development.*

- Following the 2007/8 financial crisis, recovery in credit volumes and conditions for SMEs has been uneven – yet some positive change
- Bank finance remains the primary channel for SME finance in the G7, with efforts to mobilize other sources increasing (private equity, venture capital)
- Enhancing access to finance for SMEs is a public policy priority, with initiatives being implemented in the G7 and G20
- At the same time, G7 countries are seeking to scale up **green finance** to address growth and sustainability challenges - including the achieving the Sustainable Development Goals and Paris Climate Agreement

*To date, SME finance and green finance agendas have advanced largely in parallel*

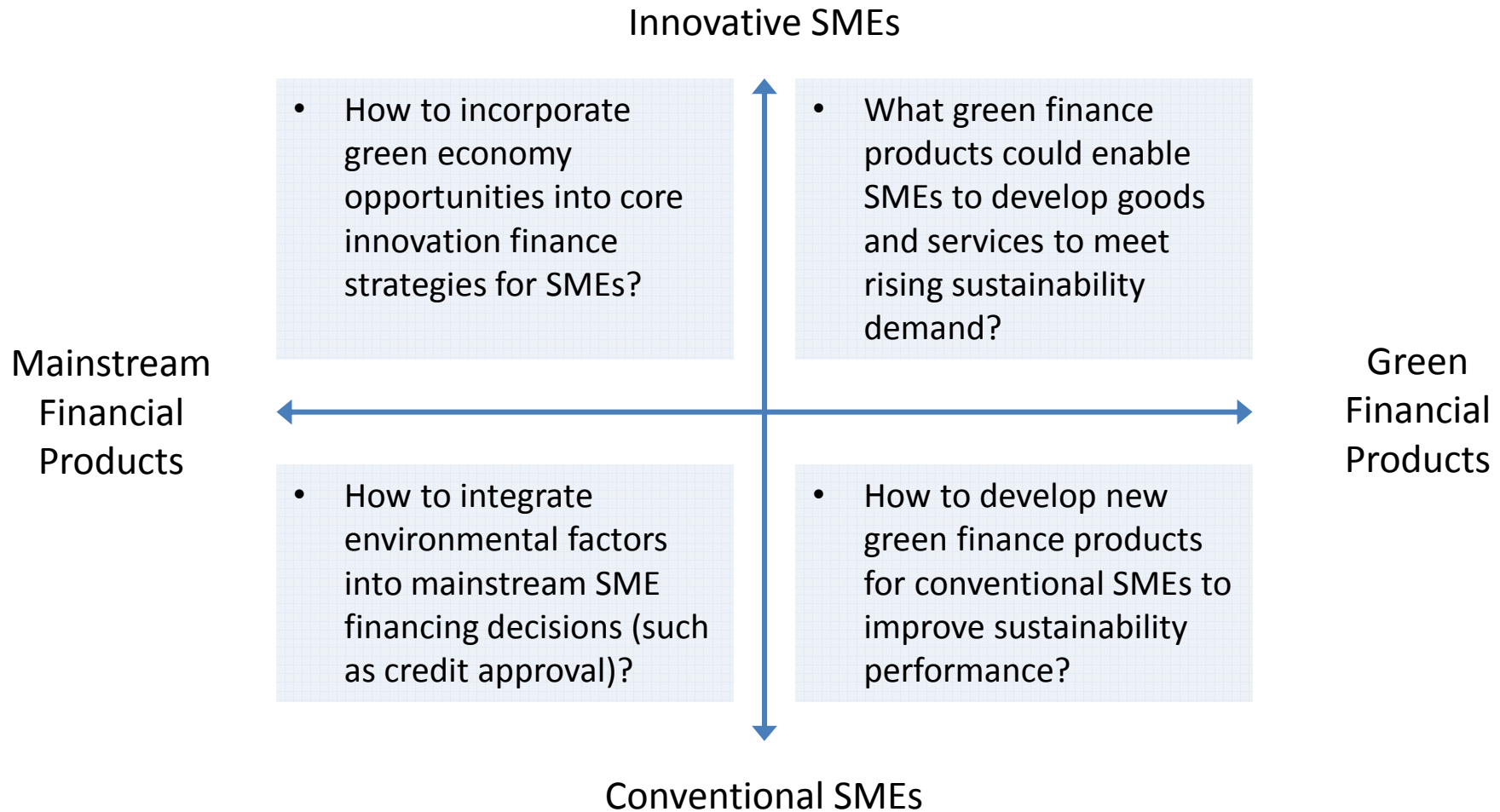


*SMEs play an important role in achieving sustainable development through innovation and efficiency improvements*

- Over 1/3 of US SMEs offer green products and nearly 75% of EU companies are undertaking circular economy activities (often self-financed)
- More than a quarter of EU SMEs report that they encounter difficulties in accessing financing for circular economy activities
- Two key financing priorities emerging:
  - I. **Green Performers:** unlocking finance for conventional SMEs to improve their sustainability performance.
  - II. **Green Innovators:** allocating finance for SMEs who are focused on expanding sales of green goods and services.

*The green finance arena potentially offers new approaches for core SME sectors*

# THE GREEN FINANCE CHALLENGE FOR SMEs



## KEY BARRIERS



*Common barriers to SME finance (small volumes, high transaction costs, collateral issues, risk profiles) can be compounded for green SMEs:*

- **Data:** a lack of robust data on the green financing needs of SMEs among banks and other financial institutions.
- **Risk:** incomplete integration of environmental performance into the assessment of risks facing SME funding decisions.
- **Product:** limited green financing products across enterprise life cycles (i.e. early stage), or linked to opportunities (i.e. energy efficiency).
- **Institutional:** insufficient diversity of financial institutions offering long-term patient capital for the green finance needs of SMEs.
- **Awareness and Capacity:** low awareness of cost-saving potential of green investments, lacking technical capacity and financial literacy.



## CLOSING THE GREEN FINANCE GAP



*Five main channels through which public and private institutions are seeking to mobilize green finance for SMEs:*

1. **Development Finance:** Central to promotion of green SME finance, with instruments ranging from green lending to venture funds, technical support
2. **Banking:** Commercial and stakeholder banks are increasing sustainability commitments across loan books, seeking to target positive impacts
3. **Debt Markets:** Issuance of green bonds aggregating SME loans, securitization of green loans into asset-backed securities, issuance of mini-bonds.
4. **Impact Investing:** Strategies targeting SMEs delivering social, environmental and financial returns, leveraging private equity and venture capital financing models
5. **Fintech:** Newest source of green finance innovations for SMEs, helping to improve the efficiency of capital intermediation, with the potential for significant impacts

*No single model for how to finance green SMEs – choice of instruments can depend significantly on national circumstances and priorities.*



## EXAMPLES FROM PRACTICE



Institution	Financing Channel – Debt	Financing Channel – Equity/Other
<b>Banks - promotional</b>	<ul style="list-style-type: none"> <li>• Bpifrance (France)</li> <li>• KfW (Germany)</li> <li>• DBJ (Japan)</li> <li>• Connecticut Green Bank (US)</li> </ul>	<ul style="list-style-type: none"> <li>• BDC (Canada)</li> <li>• CDP (Italy)</li> <li>• GIB (UK)</li> </ul>
<b>Banks - corporate</b>	<ul style="list-style-type: none"> <li>• Intesa Sanpaolo (Italy)</li> <li>• Positive Impact Initiative (Global)</li> </ul>	
<b>Banks - stakeholder</b>	<ul style="list-style-type: none"> <li>• Triodos (Netherlands)</li> <li>• GABV (Global)</li> </ul>	<ul style="list-style-type: none"> <li>• GLS Bank (Germany)</li> </ul>
<b>Securities markets</b>	<ul style="list-style-type: none"> <li>• Lloyds (UK)</li> <li>• Rabobank (Netherlands)</li> <li>• Mini-bonds (Italy)</li> </ul>	<ul style="list-style-type: none"> <li>• WHEEL (US)</li> </ul>
<b>Impact Investing</b>		<ul style="list-style-type: none"> <li>• Social Stock Exchange (UK)</li> <li>• ETF (UK), Jadeberg Partners (EU)</li> <li>• SJF Ventures, DBL Partners (US)</li> <li>• AQAL AG (Germany), Oltre (Italy)</li> </ul>
<b>Fintech</b>	<ul style="list-style-type: none"> <li>• Abundance (UK)</li> </ul>	<ul style="list-style-type: none"> <li>• Crowdfund IMPATTO (Italy)</li> <li>• Hiveonline (Sweden)</li> </ul>



1. **Assessing needs:** A foundational first step towards effective market and policy action would be to assess green finance needs of SMEs in a given market.
2. **Measuring flows:** Improving data and analytics on flows of green finance to SMEs to inform interventions (for example, through ‘green tagging’ of loans).
3. **Evaluating impact:** Relatively new practice has yet to be fully assessed; important lessons could be learned and experience shared across G7 countries.
4. **Setting strategy:** financial institutions could be encouraged to develop green finance strategies for SMEs (leveraging existing frameworks).
5. **Scaling up success:** countries could support broader use of successful instruments, including bond markets to transfer green SME loans to institutional investors.
6. **Focusing on resilience:** More work is needed to improve SME resilience to environmental shocks, including through preventive investment and insurance.
7. **Public-private leverage:** Further work could be done to identify where public capital can best be deployed to crowd in private funds for green finance.



### **National action:**

- G7 countries have a strategic opportunity to support the financing of entrepreneurship contributing to climate and sustainability objectives – and could advance action on seven priorities listed.

### **International cooperation:**

- G7 countries could develop a Green Finance Roadmap for SMEs as a way to share knowledge and identify best practices.
- In-country reviews to better understand the strategic linkages, practices and priorities connecting SMEs, green finance and sustainable development

## QUESTIONS FOR DISCUSSION



- *Is there a financing gap for green SMEs? Where do knowledge gaps exist?*
- *How is the role of SMEs considered in delivering broader economic and industrial strategies for the sustainability transition?*
- *What is needed to support green performers? How are the changing needs of innovators met?*
- *How can the banking sector develop green financing strategies for SMEs?*
- *What potential exists for debt markets to mobilize capital for green SMEs? What is the potential for securitization?*
- *How could the role for impact finance and new technological solutions (fintech) be strengthened?*
- *How can policymakers and DFIs support the broader ecosystem for green SME finance – across banking, debt, investment, and innovation?*

## *A PwC perspective on the challenges of green finance for SMEs*

### *The Demand Side*

SMEs are sustainable... but mostly miss a holistic sustainability **culture**

They tend to suffer from lack of liquidity and seek for returns in the **short term**

Investors and lenders could push SMEs to rethink their business models, integrating sustainability innovations within their **strategic plans**

### *The Offer Side*

- **Development financial institutions** would benefit from the definition of risk/reward criteria and outcomes measurement
- The **banking sector** could integrate basic environmental or social criteria to rate SMEs
- **Debt markets** may be going more transparent, with green bonds and mini-bonds adhering to the Green Bond Principles (2016)
- For **impact investing**, understanding of impact measurement and consistency of reporting are still far from established good practice
- **Fintech**, which includes crowdfunding, could be extended to other areas and revolutionize access to finance

## Session 2: G7 Perspectives

## **Session 3: Learning from Practice – Banking & Debt Capital Markets**

- **Prof. Henry Schaefer**, Stuttgart University, Germany
- **James Vaccaro**, Triodos Bank, Netherlands
- **Sean Kidney**, Climate Bond Initiative, UK
- **Sara Lovisolo**, Borsa Italiana, Italy

Moderator: **Davide Dal Maso**, UN Environment

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# Green Finance and the German banking system

**Prof. Dr. Henry Schäfer**

Presentation for the G7 Environment Meeting

“Mobilising green finance for small and medium sized enterprises “

April 05, 2017

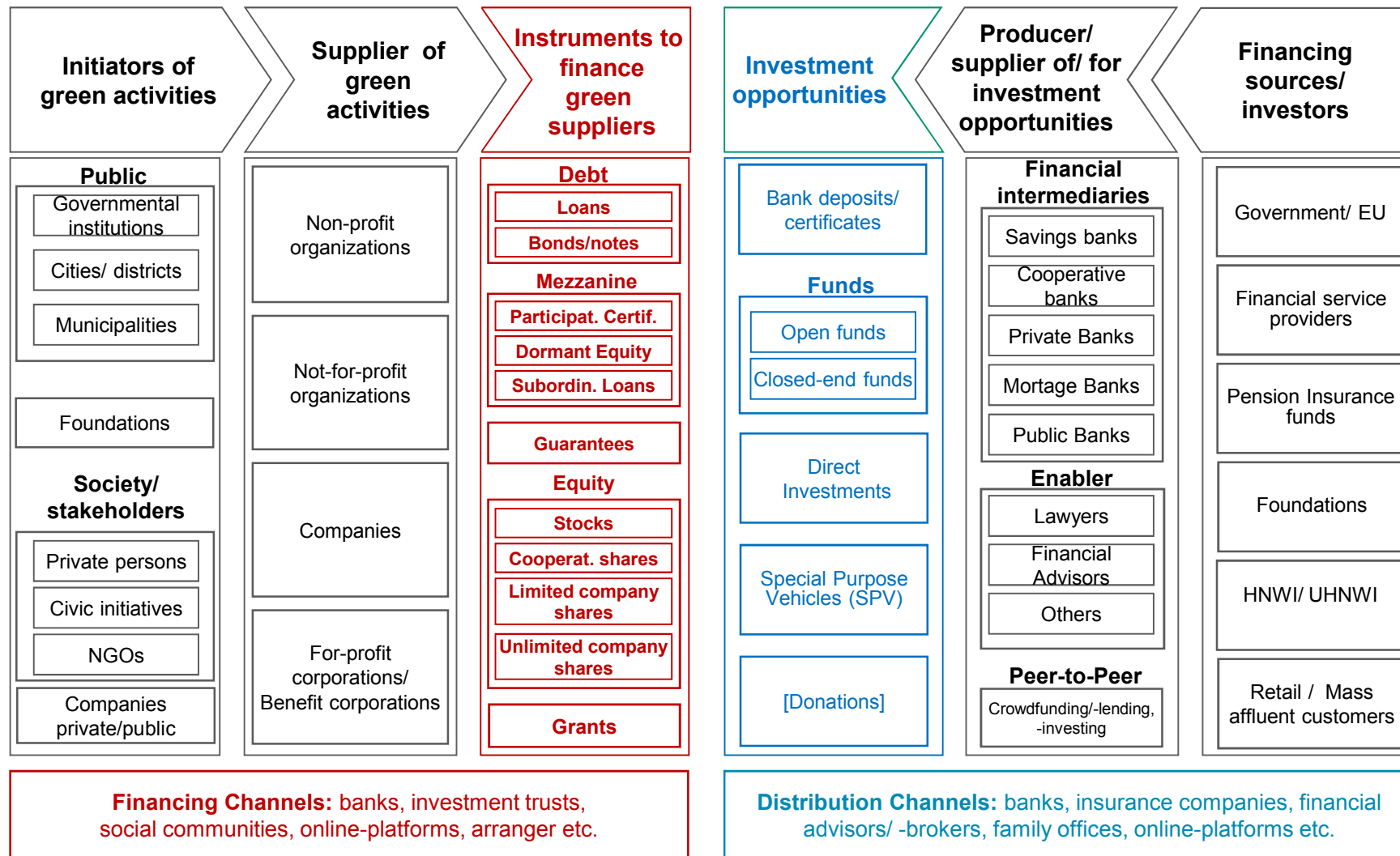
Palazzo Labia, Venice



# The German Green Financial Eco-system

## Capital demand

## Capital supply



# Status quo of green finance in Germany's eco-system

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## □ **Pioneers:**

- Alternative and clerical banks with a tradition in green and ethical commercial banking.
- 2015: aggregated deposits of 29.3 billion Euros.
- underestimated as innovators of green finance products.

## □ **Public banking:**

- Lead of *KfW Group*: channels funds from numerous green public subsidy programs to private households, SMEs and abroad to developing and emerging countries. Operating as risk taker to lever private green and developing finance. Contributes to the German and international Green Bond market.
- Some smaller state-owned developing banks are also active in Green Bonds to refinance public green real investment projects.

## □ **Investment funds:**

- Currently 113 investment funds with a climate link in their investment strategies with of about 7.5 billion Euros AUM.
- Theme focus ranges from renewable energies, greentech investments, investments in emission certificates, companies specialized in the manufacturing of climate and environment related technologies.

# Status quo of green finance in Germany's eco-system

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## □ Conventional banks:

- Only **marginally focused on green finance** due to perceived low demand by customers.
  - Many German companies carry out real investment projects with embedded eco-efficient technologies financed by company-intern funds.
  - SMEs with focus on greentech are often financed by conventional loans.
  - Banks often operate as channels that pass-through public subsidies.
  - Separate green finance business only in large private banks or Landesbanken, but gain momentum.
  - Mortgage banks started the issuance of covered mortgage bonds successfully.
- 
- Few banks understand the potential of green finance for their business, mostly savings banks in the Southwest (Baden-Wuerttemberg).
  - Cooperative banks still reluctant in green finance investment products although they have financed the bulk of solar cells and PV on building roofs.
  - Currently no driving forces from banks' top management level towards green finance.

## □ **Peer-2-Peer Green Finance:**

market leader bettervest.de, sector in an **infant stage** with a currently small share in green projects.

# Status quo of green finance in Germany's eco-system

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- Besides and beyond the German green finance banking landscape remarkable developments emerge:
  - **Insurance companies** as the driver of climate related operations: global market leaders *Munich Re* pioneering in carbon risk analysis together with *Allianz*.
  - **Foundations** operating in a mission related investing manner seek new social investments.
  - Growing number of **pension insurance funds** look forward to multi asset management strategies with infrastructure projects and green alternative investments, but could hardly find investment opportunities.
  - **Private** retail and mass affluent **households** seem willing to invest in green investment products – but only a scarce supply and often not matching with investors' preferences.
  - **HNWI** operate green in their impact investing strategies (focus: alternative investments).
  - **Public pension funds**, cities and communities divest from fossil-intensive investments.
  - *Deutsche Börse Group* offers a broad range of sustainability related indices, ETFs, it runs the European Energy Exchange (EEX), one of the globally leading ETS places.

# A new initiative will be started: “Green Finance Cluster Frankfurt” (GFCF)

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- **Agenda setting:** re-arrange, bundle and focus financing and risk management resources to strategy and actions to mobilize private and public capital according to the recommendations of the G20.
- **Innovation hub** for financial intermediaries, public entities, advisors, academics, NGOs and others to develop new methods to measure green and related social impacts of financings, new risk assessment tools, innovative financial & risk products, new markets.
- Climate relevant **data generating & collecting:** transparencies about risks, impacts and opportunities of climate related actions.
- **Networking platform** to exchange best practices among members and with outsiders to scale business models and products, national and international, benchmarkings.
- **Connectivity:** serve as preferred partner for international green finance initiatives.
- **Leadership** for the public sector: setting the regulatory parameters, promote incentive systems to reduce greenhouse gas emissions, establish fiscal conditions for green finance, verify progress in green finance with political plans.

Many thanks for your attention!

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## Univ.-Prof. Dr. Henry Schäfer

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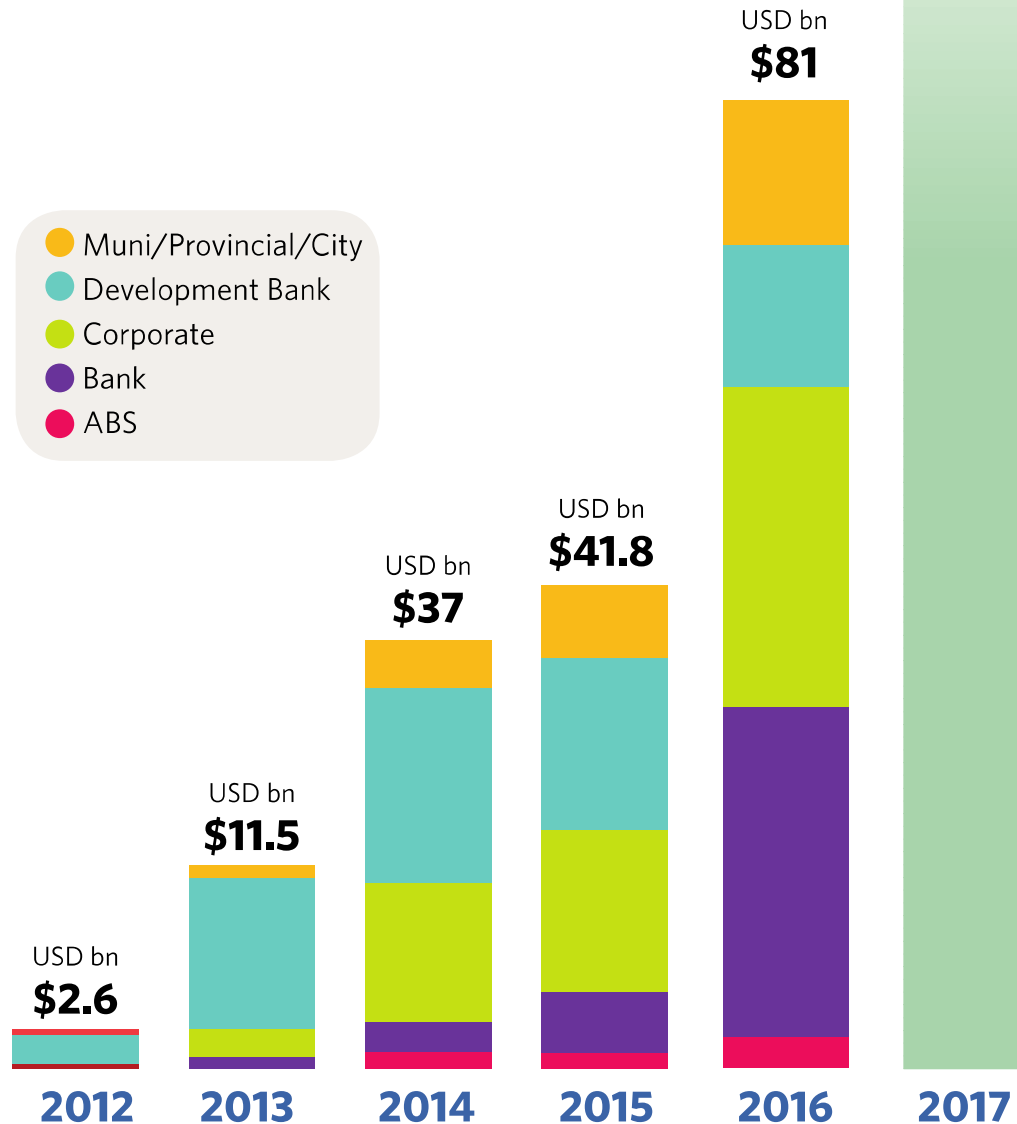
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[www.uni-stuttgart.de/finance](http://www.uni-stuttgart.de/finance) \* [www.ecco-works.de](http://www.ecco-works.de)

**Session 3: Learning from Practice –  
Banking & Debt Capital Markets**

**James Vaccaro, Triodos Bank, Netherlands**

# Green bonds rapid growth



- Muni/Provincial/City
- Development Bank
- Corporate
- Bank
- ABS

1. Proceeds go to Green
2. External review
3. Annual reporting

New and/or re-financing

### Issuers

- Investor diversification
- Market positioning
- Pricing*

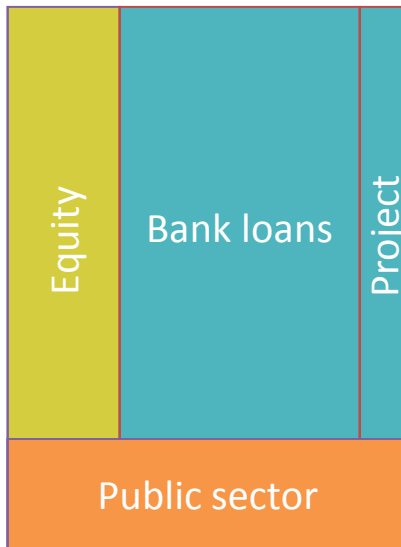
### Investors

- Addressing climate risk
- Secondary market value*

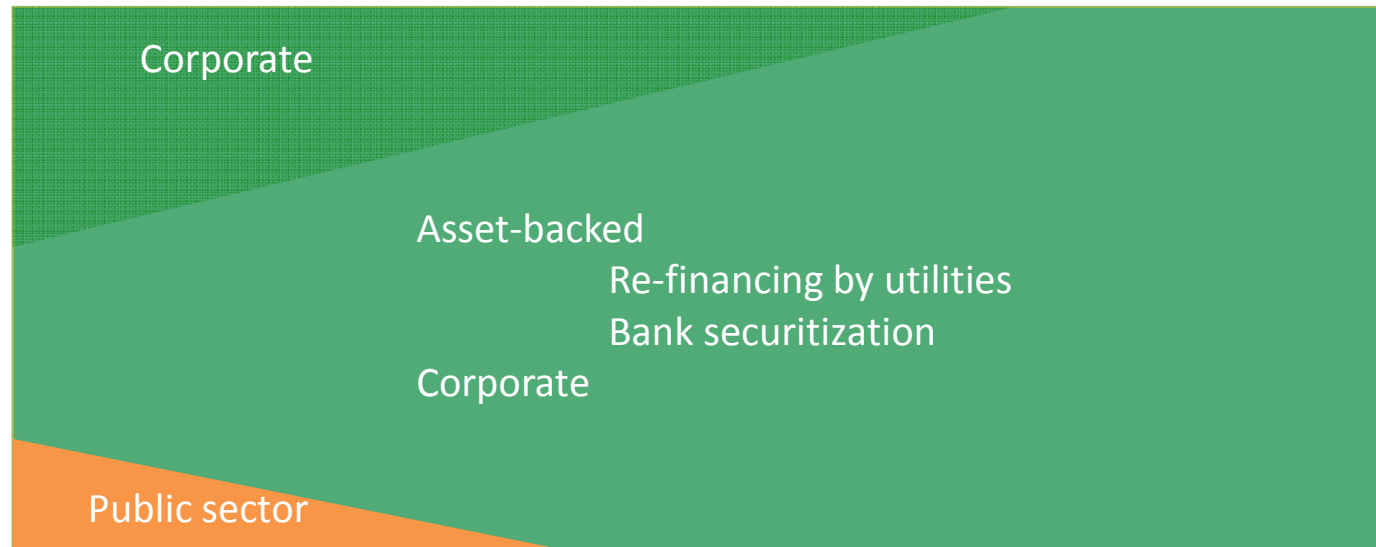


# Bonds are (primarily) about *re-financing*

**Development**  
High risk, project  
finance, first 2-5 years

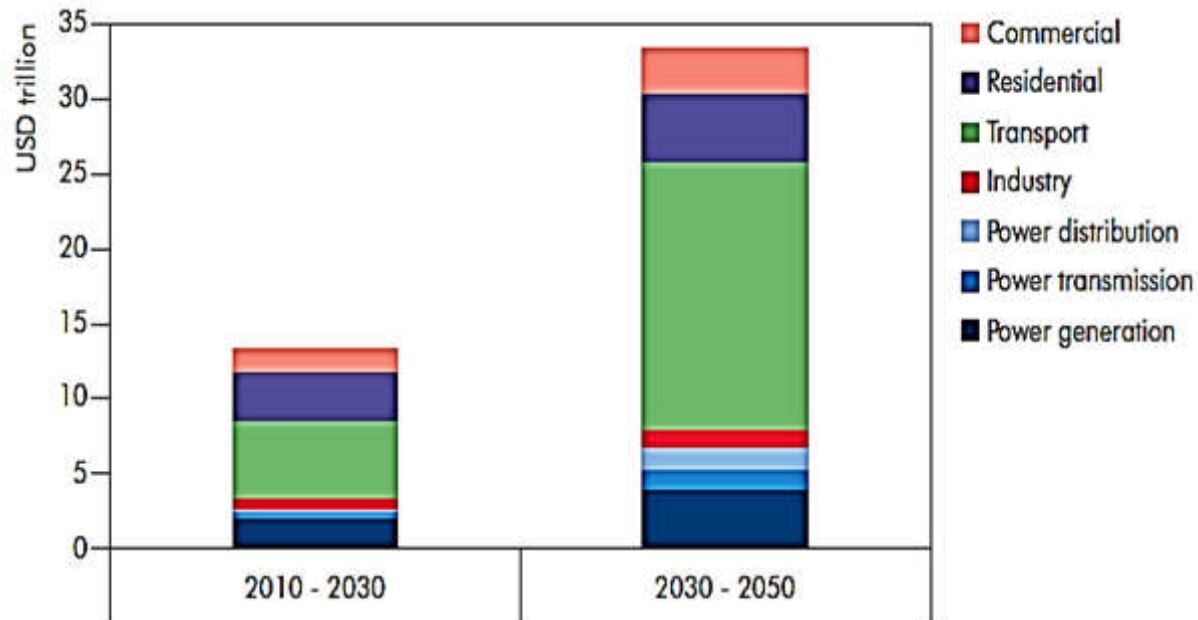


**Mature asset**  
Low risk, long-term holdings for 15-25 years



# Huge increases in funding needs, including SME sector

Additional investments by sector  
(IEA Energy Technology Perspective 2010)



Note: Additional investments in residential and commercial sectors include cooking, lighting, appliances, space and water heating systems, cooling systems and building shell improvements.

## Key SME sectors

- Transport: e.g. taxis
- Energy efficiency equipment
- Solar leases via installers
- Agriculture improvements

# Aggregation options

## **Bank bonds for SMEs**

- ICO Spain social bond EUR2bn
- Lloyds social bond £300m

## **Balance sheet relief**

### *Securitization & aggregation*

- HannonArmstrong energy efficiency equipment leases EUR200m
- Obvion (Rabo) RMBS EUR300m
- FlexiGroup rooftop solar loans \$80m
- Lendable Kenya solar \$30m
- IFMR India CNG tuktuks \$30m
- IDBI loans to solar pumps for Indian farmers
- Breeze bond wind energy EUR1.2bn

## **Cooperative financing**

- Kommunalbanken Sweden – small municipalities model
- Kenya banking industry pooling – small banks and lenders



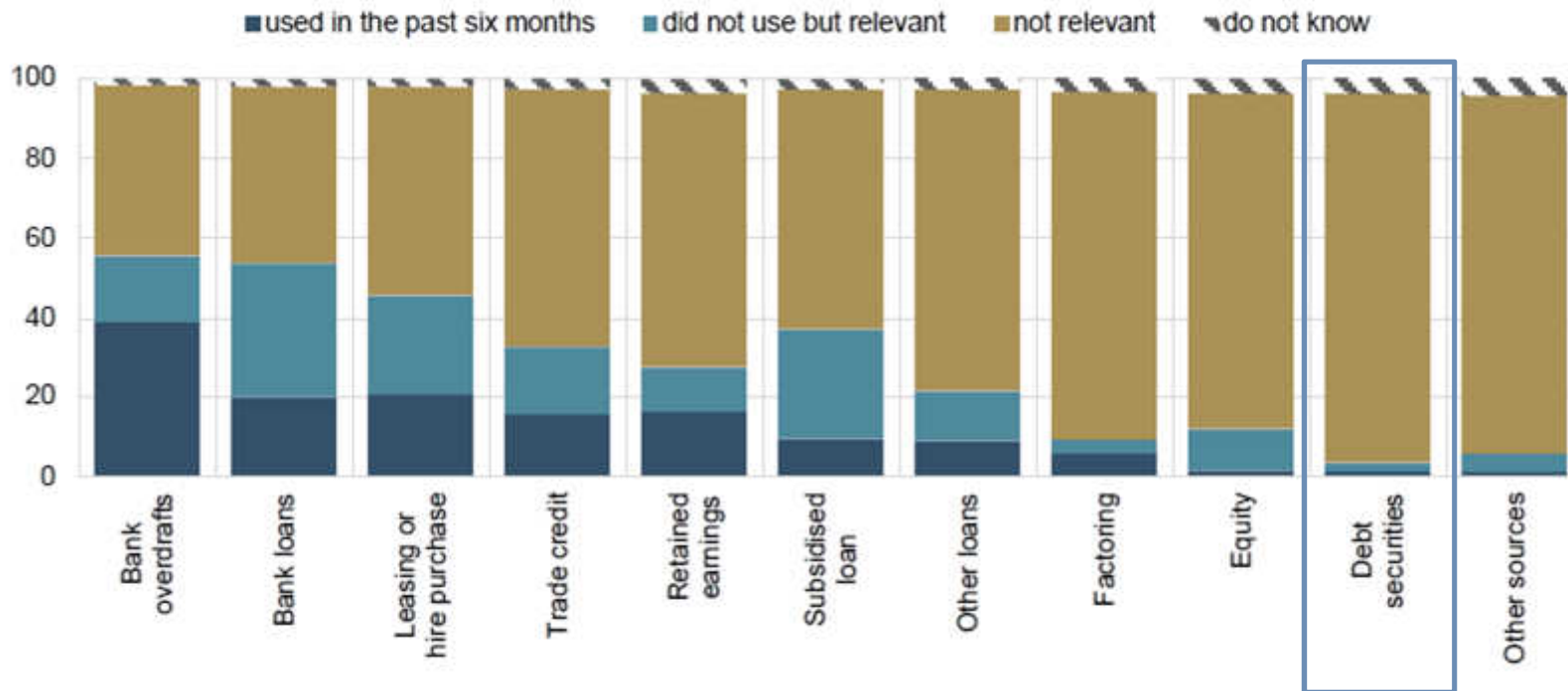
# The Italian corporate bond market: designed for SMEs

5 April, 2017

**Sara Lovisolo, Borsa Italiana**

# SMEs averse to debt securities

In the last SAFE survey (June 2016), SMEs indicated no need for **debt securities** (0%) and a slightly higher need for raising **equity capital** (9%).



Source: ECB, Survey on the Access to Finance of Enterprises in the euro area, June 2016

# ExtraMOT Pro: Strengthening the capital structure of SMEs

## The regulatory framework

### Tax benefit

Passive interests and issuance costs are now deductible even if the issuer is a private company; withholding tax on active interests removed

### Leverage

Private companies are now allowed to issue bonds for more than 200% of net equity

### Guarantee

A guarantee fund is available to asset managers and banks to reduce the risk profile of the investment

## The market

### Simple

The market is exempt from the Prospectus Directive, and credit rating is not required

### Full service

The market allows issuers to run the underwriting or distribution phase on exchange without recourse to arrangers

### Cost efficient

The listing fee is currently €2.500 and no other fees are due

## Market performance

### 201

Bonds issued on ExtraMOT Pro in 2013-2016, raising over €10bn, with 89 issuances in the €2-5mn range

### 5.7 years

Average maturity of the issuances in 2016, up from 5.2 years in 2015

### 4.89%

Average coupon in 2016, down from 5.10% in 2016 – against an average 4.50 interest rate on loans for Italian SMEs

### Credit ratings

Only 12% of the issuances are investment grade and 61% are not rated

### Ecosystem

A network of specialized investors, advisors, arrangers, and academic and publicity initiatives is building awareness and capacity around the market

### Trust

Since inception in 2013, a single default was experienced (in 2015), setting this market for professional investors apart from the German and UK retail mini-bond experience

In March 2017, a procedure for green and sustainable listings on ExtraMOT Pro was established.

# «Green performers» on ExtraMOT Pro

## Climate-aligned

















**Total  
outstanding:  
€147mn**

## Certified green (from 13 March 2017)



**Total  
outstanding:  
€1.2bn**

### ASJA AMBIENTE ITALIA S.P.A.



Asja is an international group that design, build and manage electric power generation plants using renewable sources, with a leadership position in Italy in landfill biogas and a considerable position in wind sector. As per December 31, 2014 Asja has 174.7 MW of installed power divided into 65.5 MW in biogas and biomass, 97.6 MW in Wind and 11.6 MW in photovoltaic sector. Thanks to those plants Asja in 2014 produced 550 MWh of clean Energy.

#### FINANCIAL DETAILS

	12/31/15	12/31/14
TOTAL SALES	77,193,397.00	78,885,145.00
EBITDA	31,814,146.00	24,340,703.00
EBITDA MARGIN	+41.00%	+31.00%
EBIT	15,388,690.00	9,647,461.00
EBIT MARGIN	+20.00%	+12.00%
RESULT BEFORE TAXES	3,181,005.00	3,459,780.00
NET RESULT	1,952,781.00	1,231,796.00
NET FINANCIAL DEBT / (CASH)	188,465,052.00	149,991,055.00
NET EQUITY	59,815,394.00	58,741,921.00
NOTES	*2014E: Ex-Grande from Consolidated Financial Report	

#### ISSUER PROFILE

NAME	ASJA AMBIENTE ITALIA S.p.A.
LEGAL ADDRESS	Corso Vinzaglio, 24
ZIP TOWN	10121
TOWN, COUNTRY	Torino (TO), Italia
INTERNET WEBSITE	<a href="#">Please visit the issuer website</a>
RATING	N/A
EQUITY MARKET	N/A
ELITE PROGRAM	N

#### LISTED INSTRUMENTS

Name  Instrument Profile IT0005091035

DESCRIPTION	Asja Ambient Tf 6,75% Q23 Amort Eur
OUTSTANDING	12,000,000
TRADING LOT	100,000
ADMISSION DOCUMENT	<a href="#">Please visit the issuer website</a>
PRODUCT PROFILE	<a href="#">file pdf - 0 kb</a>
PUBLIC NOTICE	<a href="#">file - 0 kb</a>

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## Session 4: Learning from Practice – Development Finance

- **Sandra Péloquin**, The Montreal Group, Canada
- **Francois Lecavalier**, BDC, Canada
- **Pascal Lagarde**, Bpifrance, France

Moderator: **Antonella Baldino**, Cassa Depositi e Prestiti, Italy

# G7 Environment Meeting

5 April, 2017 - Venice, Italy



## Mobilising Green Finance for SMEs

Presented by the Business Development **BANK OF CANADA** and  
**BPIFRANCE**, as members of **THE MONTREAL GROUP**

**THE  
MONTREAL  
GROUP**

**bdc** 

**bpi**france

# THE MONTREAL GROUP

An international non-profit association of 9 State-Owned Business Development Institutions dedicated to SMEs

## MEMBERS:

1. **FRANCE** - BPI
2. **CANADA** - BDC
3. **BRAZIL** - BNDES
4. **CHINA**- CDB
5. **FINLAND** - Finnvera
6. **INDIA** – SIDBI
7. **MALAYSIA** – SME Bank
8. **MEXICO** – Nafinsa
9. **SAUDI ARABIA** – SIDF



# Green Financing White Paper launched in October 2016 – Washintgon DC

**How it started:** Green Financing Key Topic Group 2014

## WHITE PAPER HIGHLIGHTS

- > There are gaps in all countries – ecosystem is too weak
- > Public funds can be successfully employed via SME Development Banks (DBs) to fill-in gaps and stimulate private investment
- > Emerging countries often have greater commitment to climate policy
- > Green instruments developed by Mexico, India and Finland
- > Supporting Green performers and Green innovators
- > Green = People + Planet + Profit

# Green Financing White Paper launched in October 2016 – Washintgon DC

## WHITE PAPER HIGHLIGHTS

- > DBs support Cleantech projects via early-pre investment + grants + advisory + direct and indirect financing + in financial structures that attract private capital
- > Challenges remain: Hard to asses risk /low awareness / falling of oil prices / strong corporates lobby
- > It is key to have a technical expertise partner
- > Green Financing that meets needs of SMEs in lowering environmental risk and increasing benefits are crucial to success
- > *Good to share:* Trade Mission – connecting Clean tech SMEs in Finland June 2017



**bdc**

# Overview of BDC - tools adapted to the challenges of SMEs



## BDC's Offering

(As of March 31, 2016)

## Financing \$23 B

in commitments

## Indirect Financing \$805 M

in commitments

## Growth Capital and Business Transfers

# \$816 M

in commitments

## Risk Capital \$1.2 B

in commitments

## Advisory Services

# 1 872

mandates

# Cleantech is a significant contributor to the Canadian economy, but losing share

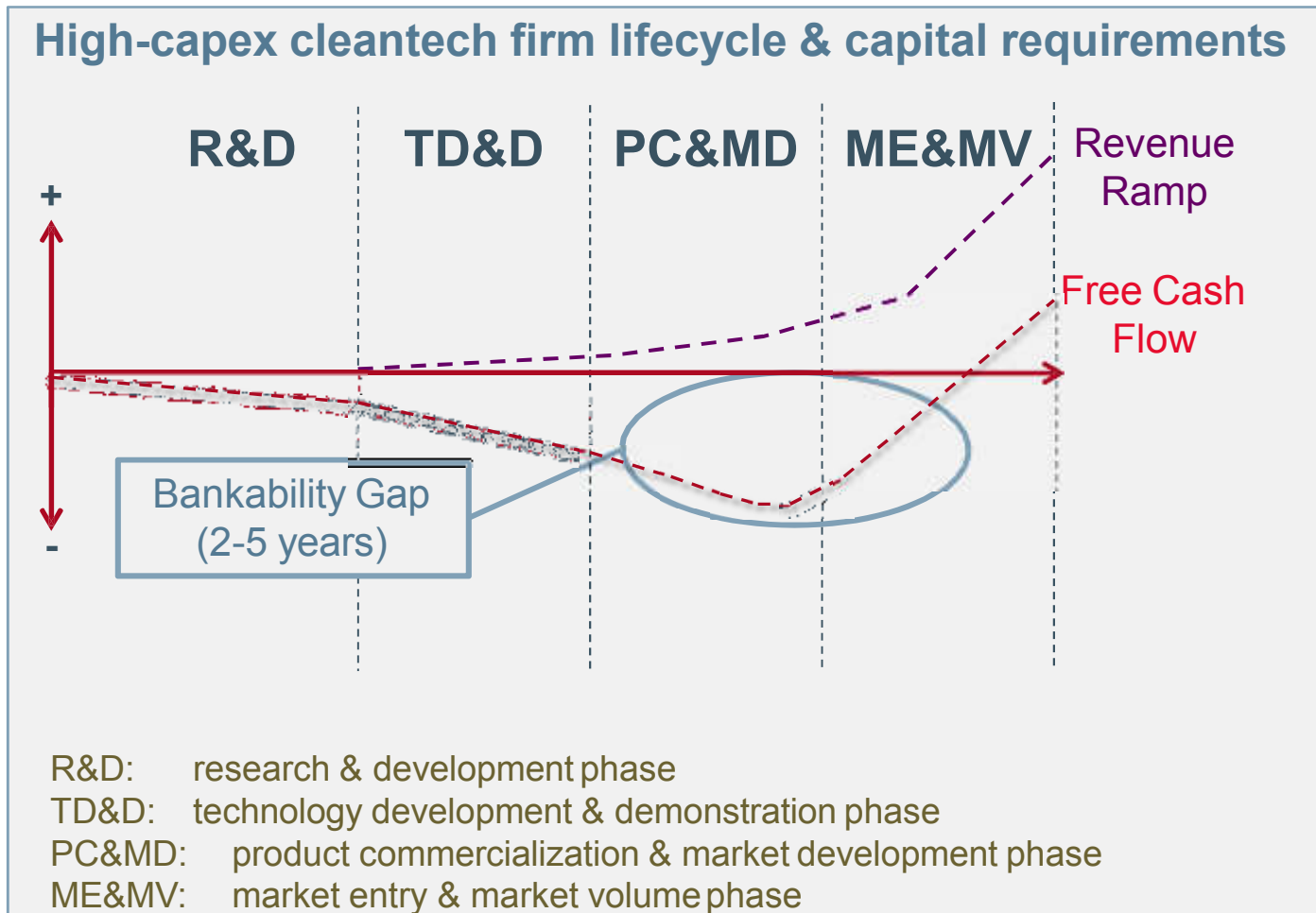
- > With over 800 technology companies, employing 50k people, the industry is a significant contributor to the Canadian economy



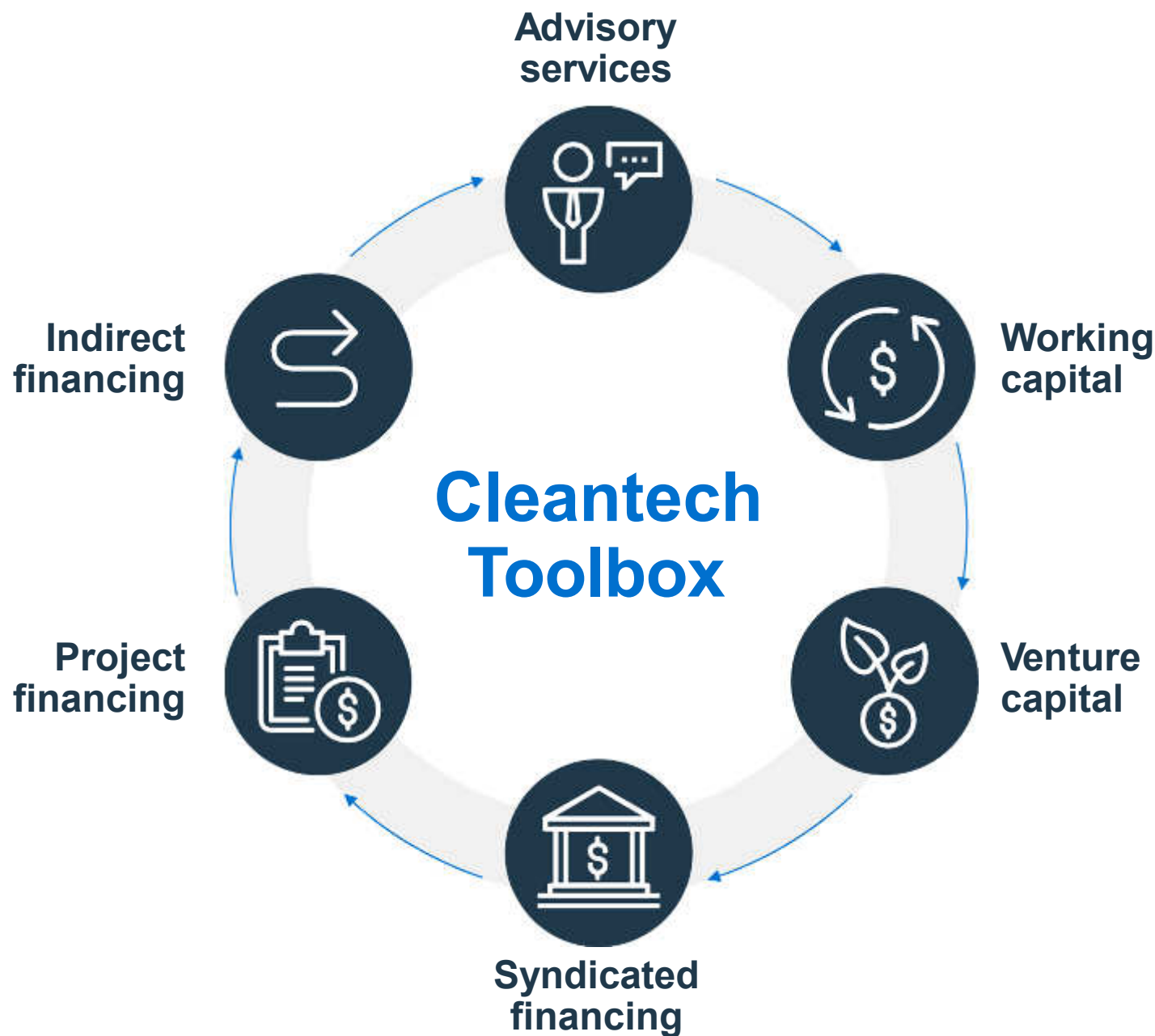
- > Canada ranks 7/40 countries as a Cleantech Innovator



# The bankability gap is most acute for asset intensive cleantech companies



- > Free cash flow most challenged where revenue starts to grow
- > Access to working capital could fill gap



# BDC offers direct and indirect equity support but face growth equity gap

- > Direct equity support comes through an Industrial, Clean and Energy Technology Fund
- > Fund of Fund cleantech investments offer indirect equity support



- > We face a growth equity gap with respect to the US but well positioned to address directly or indirectly

# Accelerators allow us to offer tailored pre-seed support

- > We address the early-stage equity gap by nurturing strategic relationships with two cleantech focused accelerators



- > Invests \$250K convertible notes in the top graduating companies through BDC's Venture Acceleration Program
- > Additionally, we are leveraging **syndicated financing** for renewable energy project financing







# Moving forward, we have the support of the Canadian Government

- > The Canadian government acknowledges this gap - our role will be to fill it
- > 2017 budget allocated **nearly \$1.4B** to BDC and Export Development Canada in financing to help support Canada's clean tech sector
  - Equity investments, working capital and project finance
- > \$400M over five years has been committed to **Sustainable Development Technologies Canada (SDTC)**
- > *...Looking forward to hosting G7 2018!*



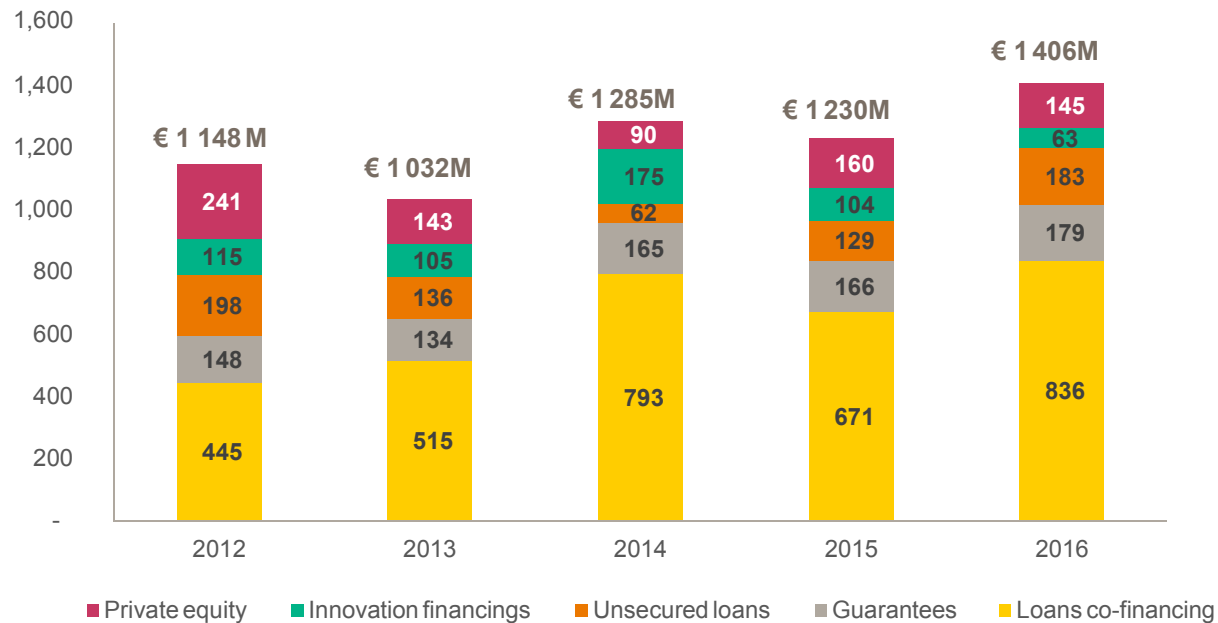


**bpi**france

# Financing the energy transition (1/3)

Since 2012, Bpifrance has strengthened its support to energy transition

Commitments to the energy transition between 2012 and 2016 by type of financing:





## Since 2012 :

- € 2.8 Bn of loans on RE projects (cofinancing)
- € 800 M of equity in cleantechs and green projects
- > € 700M of green loans (unsecured)
- large majority of SMEs (> 90%)

# Financing the energy transition (2/3)



## A 2016-19 roadmap that focuses on 4 main areas

Areas	Issues	Objectives 2016-19	Product	Target (> 2019)
<b>1 – Renewable energies</b> 	Contribute to growth and consolidation of the market	Maintain market presence on loans/co-financing to RE projects + extend to <span style="border: 1px dashed green; padding: 2px;">offshore wind generation</span>	Loans	20% marketshare
		Support the growth of large sponsors with potential to consolidate the French market and compete on a global scale	PE	300 m€ - tbc
	Support emerging market segments and players	Support the emergence of <span style="border: 1px dashed green; padding: 2px;">small sponsors with regional focus, in coordination with CDC</span>	PE	30-50 m€ - tbc
		Enhance access to credit on emerging market segments (biogas, geothermal, etc.)	Guarantees	-
<b>2 – Companies and projects of the energy transition</b> 	Support « industrial champions » of the energy transition	Promote innovative industrial projects that contribute to energy transition:	PE Grants / RA	150-200 m€ - tbc 150 m€ - tbc
		<ul style="list-style-type: none"> <li>SPI fund (€ 800 M capacity)</li> <li>PIAVE (innovation financings)</li> </ul>		
	Support investments in companies and projects of the energy transition	Meet PE needs of companies:	PE	100 m€ - tbc
		<ul style="list-style-type: none"> <li>Through general PE funds</li> <li>Through specialized funds (Ecotechnologies, City of Tomorrow + partner funds : Emertech/Demeter)</li> </ul>		
	Contribute to the growth of sustainable transports:	PE	40 m€	
	Wood industry:	PE Loans	25 m€ 30-50 m€	
	<ul style="list-style-type: none"> <li>Wood fund</li> <li>Financing SMEs of the wood industry</li> </ul>			

  New objective

# Financing the energy transition (3/4)

## A 2016-19 roadmap that focuses on 4 main areas

Areas	Issues	Objectives 2016-19	Product	Target
<b>3 – Energy transition of all companies</b> 	Encourage companies from all sectors to invest in energy efficiency / waste management technologies and boost competitiveness	Finance EE investments of SMEs : <ul style="list-style-type: none"> <li>• Continue to promote the green loan offer</li> <li>• Prepare to open the eligibility criteria (&gt; service activities)</li> </ul>	Loans	500 m€ - tbc
		Finance EE investments of micro-entreprises : launch in 2016 of new eco-energy loan	Loans	100 m€ - tbc
<b>4 – Cross-cutting issues</b> 	Support the dissemination of energy transition issues both externally and internally	Externally: <ul style="list-style-type: none"> <li>• Intensify shareholder dialogue / engagement with companies and partner funds</li> <li>• Capitalize on ESG data gathered during due diligence processes</li> </ul> Internally: <ul style="list-style-type: none"> <li>• Measure the contribution to energy transition for all financings / investments and implement corresponding reporting tools (KPIs, IT, etc.)</li> <li>• Include ESG issues systematically in reflexions regarding product range and sector policies</li> <li>• Translate regulatory obligations relating to ESG (cf. article 173 of TECV law) into internal processes</li> <li>• Intensify capitalization (internal network on energy transition, strategic monitoring, training, exchange of best practices, etc.)</li> </ul>		

# Examples of businesses / projects financed by Bpifrance



## Renewable energies

### Investment committed in 2015 (Mid & Large caps funds)

- **Activity:** independent developer of green power stations in France (wind power, photovoltaics, hydraulics, biogas, and biomass), Quadran operates a total installed capacity of 431 MW, equivalent to an annual power generation of 931 800 Mwh.
- **Objectives:**
  - through its investment, Bpifrance acts as a long-term partner to support the growth of the company, both geographically (creation of subsidiaries in emerging markets) and in terms of business activities (eg development of floating wind farms)
  - this partnership contributes to the consolidation and structuration of the market, which is one of the strategic objectives pursued by Bpifrance (shift from regulated tariffs to market mechanism, structuration of an aggregation market, etc.)



## Cleantechs

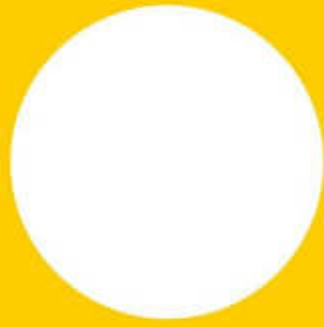
### Investment committed in 2015 (Ecotechnologies VC fund), alongside with Valeo and Ikea and private investors

**Activity:** Aledia develops and manufactures innovative LEDs based on a unique 3D-architecture and disruptive technology (micro-wire), enabling production of LED chips at 25 percent of the cost of traditional planar LED chips. This technology also generates important gains in terms of energy efficiency.

### Objectives:

- develop a partnership between public investors (Bpifrance, CEA Investissement), PE funds with strong focus on energy transition (Demeter, Braemar Energy, Sofinnova) and corporate investors (Valeo, Ikea) to support the development of a disruptive technology providing high energy performance and with direct market applications (automotive industry, flat panels, etc.)
- through its positioning at the core of the innovation ecosystem, Bpifrance will facilitate the connections with all relevant stakeholders (corporates, start ups, R&D networks, PE investors, etc.) and accelerate the development of the company as well the dissemination of the technology

**SERVIR**  
**L'AVENIR**



# G7 Environment Meeting

5 April, 2017 - Venice, Italy



Thank you – Merci  
Grazie Mille!

**THE  
MONTREAL  
GROUP**

**bdc** 

**bpi**france

## **Session 5: Learning from Practice – Impact Finance & Fintech**

- **Marie-Geneviève Loys**, BNP Paribas, France
- **Mark Campanale**, Social Stock Exchange, UK
- **Bruce Davis**, Abundance, UK
- **Sofie Blakstad**, Hiveonline, Sweden

Moderator: **Simon Zadek**, UN Environment



# HOW “90/10” FUNDS IN FRANCE ARE FINANCING SOCIAL & GREEN SMEs

G7 ENVIRONMENT MEETING

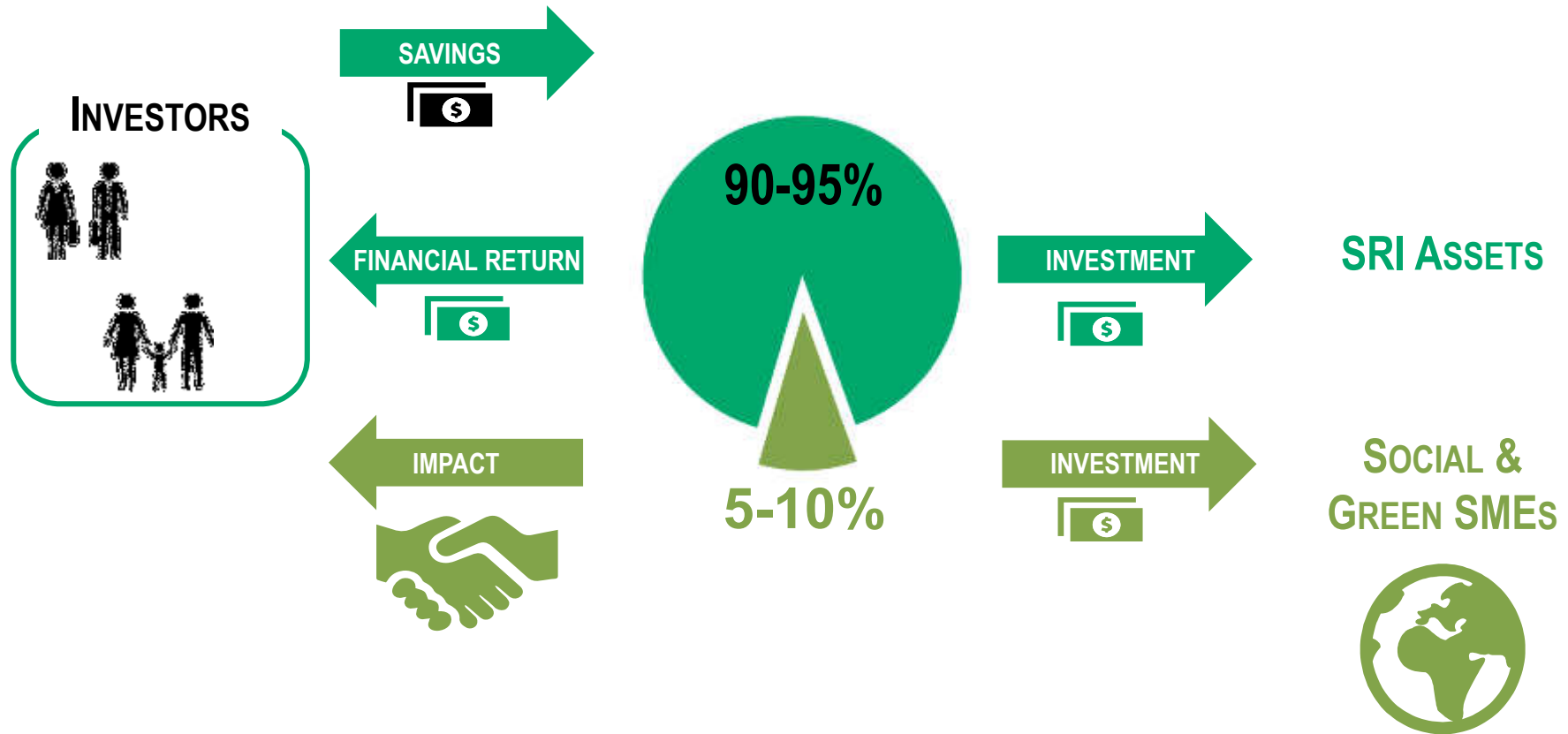
BNP PARIBAS INVESTMENT PARTNERS  
April, 5<sup>th</sup>, 2016



**BNP PARIBAS**  
INVESTMENT PARTNERS

L'asset manager d'un monde qui change


# “90/10” funds: how do they work?



**“90/10” funds give the opportunity to mobilise private capital for Social & Green SMEs with “no effort” required from the investors.**

# What type of investments and what advantages are “90/10” funds offering to Social & Green SMEs?



- ✓ NON-LISTED SMEs & NON-PROFIT ORGANISATIONS
-  SOCIAL OR ENVIRONMENTAL IMPACT
-  VIABLE BUSINESS MODEL
-  MATURE PROJECTS:
  - TRACK RECORD
  - 8-10 M€ TURNOVER

## ADVANTAGES FOR SOCIAL & GREEN SMEs

- Additional private capital mobilised to answer financial needs
- Dedicated investment process and team to support them
- Access to diverse and adapted financings
- Access to long-term investment

# How to implement 90/10 funds in other countries?

---

## TO ADAPT LEGAL FRAMEWORK

- Allow non-listed investments in retail funds

## TO MAKE 90/10 FUNDS AVAILABLE & ATTRACTIVE FOR INVESTORS

- Impose obligations to offer 90/10 funds in pension plans or savings funds
- Give fiscal advantages

## TO CONVINCING ASSET MANAGERS

- Assess the Green SMEs' financial needs
- Create a label or a specific legal status

## TO FACILITATE IMPACT MEASUREMENT

- Give access to public statistics and databases

**THANK YOU!**

**BNP PARIBAS  
INVESTMENT PARTNERS**

14 rue Bergère  
75009 Paris

**[Bnpparibas-ip.com](http://Bnpparibas-ip.com)**



VENICE

**Social Stock Exchange –  
impact finance for European SME's  
#investinchange**

**G7 Green Finance Conference  
Venice 5th April 2017**

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[www.socialstockexchange.com](http://www.socialstockexchange.com) | #investinchange

**\$60 billion** went into impact investing globally in 2015

Impact investing is growing by **18%** annually

Allocations to venture capital, private equity, and publicly traded equity increased by **30%** over the same period

*GIIN - Impact Investing Trends: Evidence of a Growing Industry, December 2016*

## Introducing the Social Stock Exchange

***The European platform for SME's seeking growth equity – the pro-environmental and pro-social companies of tomorrow***

**Energising venture and private equity capital to preserve and enrich our world**

**48 Social Stock Exchange members in 2017**

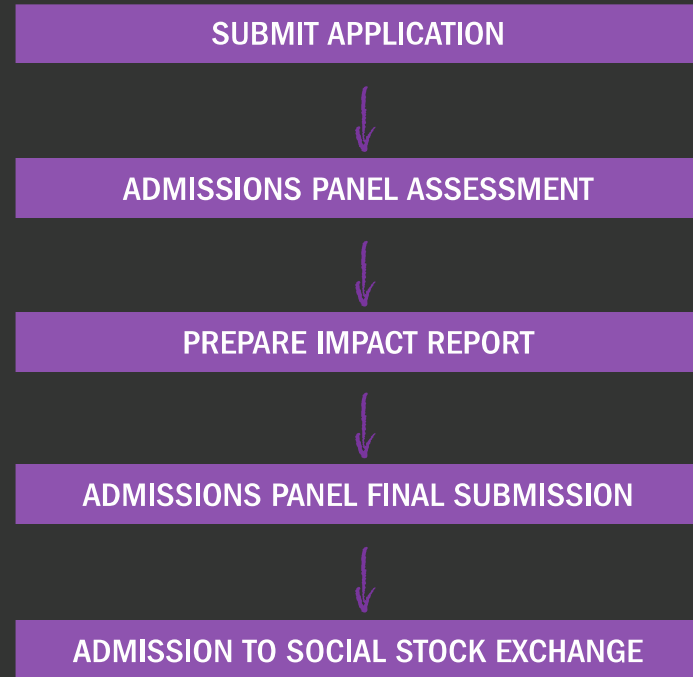
***A public market alternative – helping companies find capital***





# VENICE

## A ROBUST APPLICATION PROCESS



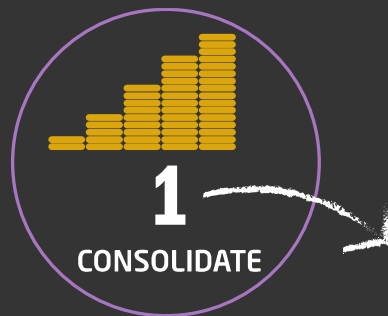
65



## A UNIQUE FRAMEWORK FOR FINANCIAL & IMPACT PERFORMANCE

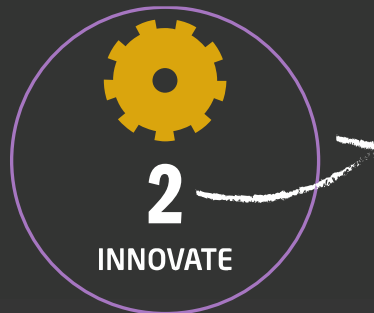
**CEO statement**  
**Social Purpose & Context**  
**Who Benefits**  
**Linking business activities  
to social outcome**  
**Stakeholders**  
**Evidence of social value**

## OUR DEVELOPMENT PLANS



- Develop Impact Investor Outreach
- Develop our Impact Reporting methodology & tools
- Develop thought leadership & recognition

- Quality of Service – Ensure resourcing to support scale in place
- Extend our Events Programme locally and focus on Impact Investors
- Governance & Compliance



- Establish a network of local exchanges to drive local investment for local impact
- Establish partnerships with international exchanges
- Increase marketing activity, build the Social Stock Exchange brand and leadership position

## MEMBER COMPANIES MAKING AN IMPACT



## CASE STUDY



## MEMBERSHIP BENEFIT – COLLABORATION

### Good Energy Group plc

**Markets:** Social Stock Exchange segment (NEX Exchange) & AIM

**Market Cap:** £42.32m

**Positioning statement:** Good Energy Group is a 100% renewable electricity supplier and generator. Good Energy supplies over 55,000 electricity customers and 28,000 gas customers, and supports more than 93,500 homes, business and communities generating their own energy..

### Denise Cockrem, CFO – Good Energy Group plc:

“Good Energy is a founder member of the Social Stock Exchange and it has been great to see the momentum building with more social impact companies joining the organisation over the last couple of years. The social impact report that is a requirement for all SSX companies to produce gives a strong independent benchmark of the value added by the business that goes beyond its financial metrics. We see our customers and investors are increasingly keen to understand the ethical principles and social impact that a business has when making choices on where to buy and who to invest in.”

*good energy*

## Recommendations for G7

- **Can stock exchanges again go local and regional?**
- **Urgent need for wider access to equity risk finance for SMEs**
- **We need measures to encourage fair risk sharing between investors and entrepreneurs**
- **More micro-equity pooled funds should be encouraged!**



VENICE

**Mark Campanale**  
**#campanalemark**  
**[www.socialstockexchange.com](http://www.socialstockexchange.com)**

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# **SME Sustainability Revolution**

**the Connected Economy and Trust**

**hiveonline**

**the financial trust platform**





# The connected economy gives small businesses new opportunities in trust, collaboration and ownership



The connected economy lets businesses and customers connect beyond traditional physical relationships, build trust communities and make sustainable decisions.

The **market opportunity** for businesses to reach new customers and to collaborate with new partners, building community teams to compete against large businesses.

The **trust opportunity** to move beyond traditional trust authorities and review-based reputation systems subject to abuse

The **identity opportunity** to overcome the proliferation of personal data based credentials, and build relevant credentials for different audiences.

The **technology opportunity** to bypass traditional supply chains, take out overhead and increase customer confidence in provenance.

The **sustainability opportunity** to empower communities to invest in future-focused decisions that will support them for years, not months



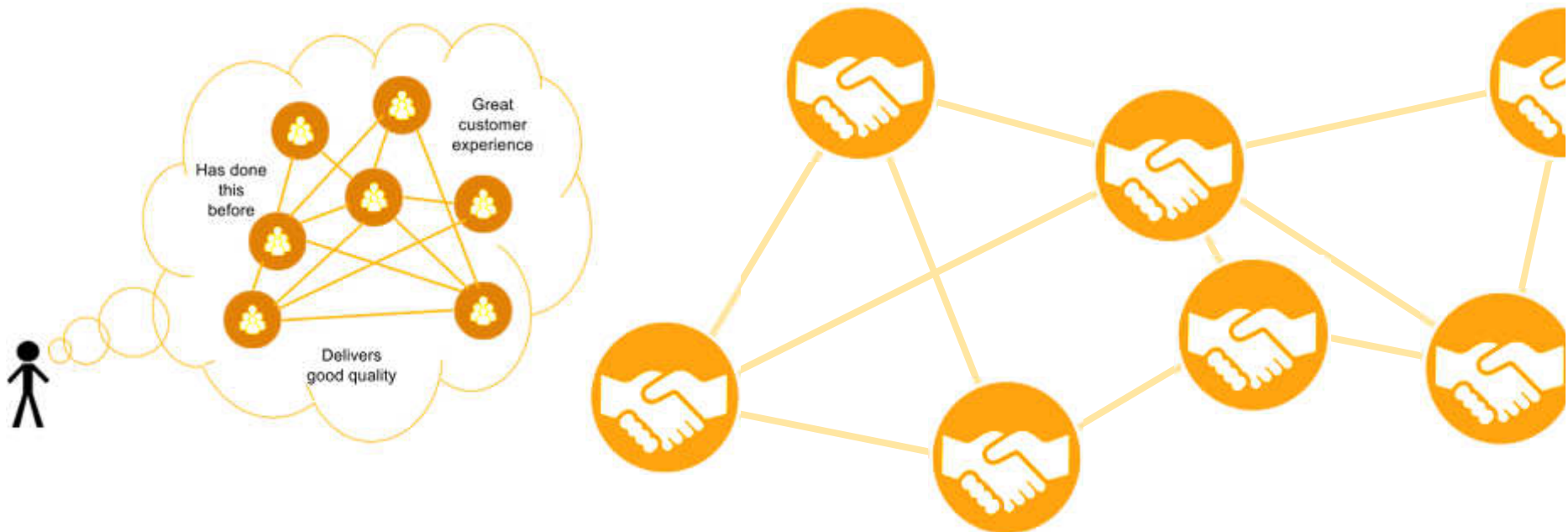
# Democratising trust and building collaboration communities

**Traditional reputation systems** can be irrelevant, inefficient, funneled and unfair while **Platform reputation systems** are subject to bias and hard to curate

**Contextualised reputation systems** based on **recorded behaviours** and **assets** are impossible to fake or bias, while the customer sees **relevant provenance** and trust information.

Communities can **organise over distributed systems** without the need for central control

- Collaboration across **delivery ecosystems**, reflecting today's multi-party service landscape
- Allows e.g. governments to set **team criteria** so smaller players can compete in **multi-party bids**





# Shared ownership and community funding encourages sustainable decisions

- Distributed Ledger technology allows exchange of **complex contracts** and assets, with transparency, traceability and immutability, enabling community fund management
- Shared assets such as land or water can be registered to shared community pools with **distributed decision rules**
- Green energy resources can be **tokenised** and **shared** by the community, providing both renewable, free energy and an income source
- Shared ledger provides **global trade opportunities**, reducing overhead, fraud and corruption





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## **Session 6: Developing a Roadmap for Green Finance & SMEs**

- **Nick Robins**, UN Environment
- **Corrado Topi**, Stockholm Environment Institute

Moderator: **Francesco La Camera**, Ministry of Environment, Italy

# Scaling up challenges for government

1. Standardization → Develop regulations, e.g. on what is “deep” green and what is not, foster integration of the 5P into criteria for PL financing
2. Breaking down the silos □ Foster cooperation between ministries + SME policies and green finance policies
3. Support green innovators that are high(er) risk → Public leveraging of private finance and offer safety nets
4. Heterogeneity & uniqueness → Promote peer to peer learning & specialized instruments (micro is different from small from medium ....)
5. Data & methodology availability → Monitor the performance of green investment, ex ante , ex post (100B & SDGs), long term outcome
6. Capacity to exploit opportunities □ Develop enabling environment, e.g. through soft (training, education, monetary policy) and hard infrastructure
7. Increase accessibility & reduce costs of capital □ Enable & leverage short capital supply chains & innovative / alternative intermediaries / providers

## **Final Session: Wrap-up and final conclusions of the day**

- **Nick Robins**, UN Environment
- **Aldo Ravazzi**, Ministry of Environment, Italy



# G7 Green Finance & SMEs – Key Points 1

## Policy Frameworks

- Deal with the **market failures** (including missing markets) that are preventing a smooth transition in the financial system to sustainable development
- Compensating for **size-related disadvantages** of SMEs and promoting innovative solutions to SME finance
- **Differentiating SME needs:** by size, by financing type (debt/equity), by life cycle, by location
- Beginning to integrate sustainability into **core financial frameworks** (eg EU CMU; France bank stress tests)
- Dealing with **information asymmetries** in the market (eg fund labelling - TEEC)
- Factoring in the SME financial dimension to the delivery of **sustainability policies** (eg sustainable development goals, climate change, resource efficiency, circular economy)





## G7 Green Finance & SMEs – Key Points 2

### Financial Practice

- Financing ecosystems for green finance for SMEs still faces **major gaps** – but potential for more trusted, more connected, networked approaches
- SMEs need **tailored solutions** to respond to diversity of life cycle needs, responses to sustainability & build long-term relationships
- DFIs can be pivotal for **direct financing and crowding in private capital** for both ‘green performers’ (eg energy efficiency) & ‘green innovators’ (eg clean tech) across: grants, guarantees, loans, equity, business advisory etc
- Successful **green financial innovation** involves: market rules & regulations, fund structures, fiscal incentives, network development, application of technology
- Diversity of institutions and funding structures **strengthens bargaining power** of SMEs to gain access to attractively priced green finance
- Financial regulation may have **unintended consequences** in terms of green financial innovation

# DEVELOPING A GREEN FINANCE & SME ROADMAP

## *Where we stand*

- SMEs will be central to the delivery of value creation, innovation and social cohesion in the transition to sustainable development
- This means addressing the overall financing barriers facing SMEs as well as the specific sustainability risks and opportunities facing SMEs

## *Scaling Up*

- There is a growing array of practical measures to improve access to green finance for SMEs
- This will require a sophisticated process to develop trusted market definitions and standards for green finance, which can be supported by policy measures (eg labels, incentives)
- Looking ahead, green finance could provide a strategic catalyst for reconnecting finance with the underlying purpose of the financial system and provide attractive risk: returns.
- The task is how to best to scale up this experience and spread best practice to drive solutions to sustainability challenges and reduce environmental risks in the financial system.

## *Taking a phased approach*

- The review of practice shows that G7 and other countries could take a phased approach
  - a) Immediate action:** expanding tried and tested green finance practices from development finance institutions; green bond markets; sustainability fund strategies (eg 90:10 funds).
  - b) Strategic action:** exploring the application of transformative solutions, such as fintech and impact finance, over the long-term



## ELEMENTS FOR A ROADMAP

### Assessing

1. Understanding the role of SME finance in delivering the sustainability transition (eg NDCs)
2. Evaluating SME needs for different types of green finance
3. Measuring flows of green finance for SMEs

### Connecting

3. Driving a two-way integration of the SME financing dimension in sustainability policies – and a sustainability dimension in SME financing policies.
4. Sharing examples and experience across countries (eg private, public; debt, equity; capital markets; fintech).
5. Exploring the value of developing networks of local exchanges and partnerships across international markets

### Promoting

6. Improving financial architecture to facilitate green finance (eg principles, standards, regulation, reporting, standardised contracts, legal frameworks for capital structures)
7. Providing catalytic financial support for individual SMEs & accelerators including fiscally-neutral incentives, guarantees, loans, equity, advisory services & warehousing facilities
8. Raising awareness & commitment by private financial institutions to integrate sustainability opportunities and environmental risk analysis into mainstream SME finance.

*Countries could set milestones in tune with a phased approach and share results.*



## THE INQUIRY: PEOPLE AND INFORMATION



[www.unepinquiry.org](http://www.unepinquiry.org)

[www.unep.org/inquiry/](http://www.unep.org/inquiry/)



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