INTERVIEWS

# The Challenges Facing Sustainable Infrastructure

by Filipe Wallin Albuquerque on November 7, 2019

Stockholm (NordSIP) – As sustainability and climate-related risks continue to climb to the top of policymakers' and investors' agendas, sustainable infrastructure is receiving increasingly more attention. We were fortunate to catch up with Dr Barbara Weber (*Pictured*), founder and Managing Director of B Capital Partners AG, to discuss this asset class, which her firm specialises in.

"An important hurdle many investors are still facing when wanting to invest in sustainable infrastructure is to establish infrastructure as an asset class into their asset mix in the first place," starts Dr Weber. "Once the infrastructure bucket is integrated in the asset class mix, the step towards sustainable infrastructure has become comparatively small in today's market environment. Investors have moved remarkably towards sustainability. A couple of years ago, I would not have been this optimistic."

B Capital Partners AG is an independent infrastructure investment firm, based in Zurich. It is a pioneer in the European infrastructure investment space with well over CHF2 billion of asset advised or invested on behalf of its clients. Since 2003, B Capital's mission is to support institutional investors and family offices in their allocations into infrastructure assets (equity and debt).

"My infrastructure career goes back to 1997 when I worked at Dresdner Kleinwort in the project finance team – what is now called infrastructure debt – financing large energy and communication infrastructure assets. After having moved into private equity in 2000 in order to be closer to where things are decided and structured, I was particularly interested in clean energy companies," Dr Weber tells us. "From there, it was an obvious step to combine my infrastructure debt and clean energy private equity knowledge to move towards sustainable infrastructure."

“It’s been a long journey,” Dr Weber reminisces. “When I started, investors were not remotely interested in infrastructure investments, let alone sustainable infrastructure. We have come a long way since then, but there is an even longer way to go.”

There are concrete issues keeping investors from fully embracing sustainable infrastructure. “Investors may be afraid that considering sustainability – also known as ESG (environment, social, governance) – aspects narrows the universe of investment opportunities available to them,” Dr Weber says. “Another issue is the lack of knowledge accompanied by a lack of resources and guidance on how to integrate sustainability/ESG factors into an investment decision. For many investors, integrating sustainability concerns means one more thing to worry about. They tend not to see that considering and mitigating potential ESG risks today is likely to make their life as investors easier going forward. Truly sustainable assets have a good chance to be (more) resilient against risks such as climate change or regulatory changes.”

“For investors to embrace sustainable infrastructure, they probably need to learn more about sustainability, what it means, how it is measured, and how it can be integrated into existing financial models to run simulations on material ESG issues,” explains Dr Weber. “The outcomes of this learning process can then be integrated into the investment and compliance processes. Investors are well-advised to define an ESG policy and a strict ESG due diligence process,” she continues.

Admittedly, quantifying the effects of ESG issues is not easy, according to the Swiss specialist. “Investors need to identify, assess, and measure the broad variety of risks and challenges sensibly, understand which risks are material, and somehow make them comparable with each other. While for $CO_2$ emissions, measurement and quantification may be relatively straight forward, other ESG issues are more difficult to grasp and measure. Once all material risks have been identified and quantified, it is still necessary to turn them into a number, which can be integrated and sensitised in the financial model.”

“Despite these hurdles, without more participation on the part of institutional investors, we will not be able to finance the US$90 trillion of estimated global infrastructure investments required to keep up with economic growth, climate change, population growth, rapid urbanisation, increasing living standards and ageing,” Dr Weber concludes.

In March 2019, Dr Weber wrote “Integrating ESG factors into financial models for infrastructure investments”, a Guidance Note, which illustrates how ESG factors can be integrated into the investment process for infrastructure assets. Her latest book; “Infrastructure as an Asset Class. Second Edition” (2016), Wiley (ed.), also available in Chinese, has become *the* reference guide for infrastructure investors over the years.

https://nordsip.com/2019/11/07/the-challenges-facing-sustainable-infrastructure/