POLICY BRIEFING:
SUSTAINABLE INFRASTRUCTURE
INTRODUCTION

The United Nations-supported Principles for Responsible Investment (PRI) is the world’s leading initiative on responsible investment. The PRI has over 4,800 signatories (pension funds, insurers, investment managers and service providers) globally with over US$121 trillion in assets under management.

Responsible investment explicitly acknowledges the relevance to the investor of environmental, social and governance (ESG) factors in investment decision-making for the long-term health and stability of financial markets.

The PRI is seeking to support governments and policy makers to make commitments and implement policies that align with the goals of the 2015 Paris Agreement, as well as the UN Sustainable Development Goals (SDGs) and the UN Guiding Principles on Business and Human Rights (UNGPs).

This briefing presents the PRI’s recommendations on sustainable infrastructure policy for a global economic transition that supports the achievement of the SDGs and the Paris Agreement goal of net-zero greenhouse gas emissions by 2050 with an average temperature rise of no more than 1.5°C globally. In parallel, governments need to reform financial policy frameworks to embed key sustainability targets, including those relevant to sustainable infrastructure development, to ensure coherence across sustainability goals and climate targets.

ALIGNING INFRASTRUCTURE SPENDING

WITH THE JUST TRANSITION TO A LOW-CARBON ECONOMY

Infrastructure has a unique role to play in the transition to a just, low-carbon economy.

- The long-term, fixed nature of infrastructure assets means that what we build now will decide how our energy, transport, and digital infrastructure networks, among other sectors, will shape our future well beyond current sustainability targets to 2030 or even 2050.

- Infrastructure is critical to achieving the climate goals outlined in the Paris Agreement and will require extensive investment. By one estimate, an annual average of US$5tn in capital investment in infrastructure is needed worldwide over the next decade to support reaching the goal of net-zero carbon emissions by 2050.

At the same time, infrastructure investment helps deliver on other key sustainability outcomes, including those articulated by the SDGs.

- Infrastructure is the only asset class which has a dedicated SDG – SDG 9 on Industry, Innovation and Infrastructure. This goal is not explicitly aligned with the Paris Agreement.

- Its potential impact can be felt across all of the SDGs in some capacity. For example, the potential to fight poverty by providing good quality jobs (SDG 1), to extend affordable and clean energy (SDG 7), and to support the development of sustainable cities and communities (SDG 11).

Governments have a direct role in shaping the infrastructure of the future, with the vast majority of new infrastructure projects planned, designed and commissioned by governments, whether at central, regional or local authority level. Infrastructure policymakers therefore have an outsized role to play in delivering on the world’s key sustainability goals over the next decades.
ROLE FOR INVESTORS

Infrastructure investors can use their voice to hold governments accountable for developing and implementing infrastructure strategies that align with national and international sustainability goals. Investors, whether individually or collectively through industry associations or initiatives, can engage with policymakers and strategists on sustainable infrastructure strategies and goals. Sustainability targets should be placed at the heart of such strategic engagement.

Ambitious sustainability commitments and actions from institutional investors, formalised through policies, processes and targets, send a clear signal to the market of their intention to invest in and manage sustainable assets. Such a signal highlights the risks attached to developing assets that later become financially and sustainably unviable. It also encourages governments to consider the sustainability characteristics of the projects they intend to commission.

POLICY RECOMMENDATIONS

The PRI recommends that authorities implement policy and regulatory reforms that drive the development of infrastructure projects aligned with key global sustainability goals, such as the SDGs and the Paris Agreement.

Such policy and regulatory reforms should include:

(1) the development and implementation of national and subnational infrastructure strategies that align directly with government sustainability commitments, including in relation to the SDGs, the Paris Agreement and the UNGPs;

(2) the direct alignment of mainstream infrastructure sustainability standards and principles with key global sustainability goals;

(3) the requirement for standardised reporting on sustainability outcomes in infrastructure aligned with the standards and principles highlighted above; and

(4) the requirement for sustainability outcomes to be considered throughout the infrastructure project and investment lifecycle.

1. NATIONAL STRATEGIES FOR SUSTAINABLE INFRASTRUCTURE

National and subnational infrastructure strategies must align with key government sustainability commitments, such as the achievement of the SDGs by 2030 and a net-zero and climate resilient economy by 2050. Many existing strategies already talk of the importance of new infrastructure in relation to climate change and broader socio-economic development, but few direct connections are made to specific global climate or sustainability goals and thresholds.

- Policymakers should think holistically of infrastructure systems rather than individual infrastructure projects. In other words, a sustainable infrastructure strategy requires understanding how different projects may work together to generate positive (or negative) sustainability outcomes, rather than considering each on its individual merits.

- Infrastructure strategies should include concrete steps, targets and policy frameworks to support emissions reductions from new and existing infrastructure in the next decade, as well as the longer term to 2050.
2. ALIGN INFRASTRUCTURE SUSTAINABILITY STANDARDS WITH KEY GLOBAL GOALS

Governments should cooperate to ensure that international and industry standards and principles for infrastructure delivery explicitly integrate key sustainability outcomes, such as net zero emissions, a just transition and the protection of human rights. Numerous international and industry frameworks for sustainable infrastructure already exist; these must move from establishing a baseline of general good practice on sustainability issues to directly supporting the achievement of key global goals.

■ To set a clear direction of travel for the industry as a whole, inter-governmental agreement is needed to align key frameworks, such as the G20 Principles for Quality Infrastructure Investment, with the SDGs, the UNGPs and the Paris Agreement.

■ Indicators for the infrastructure SDG – SDG 9 – should be updated to reflect a stronger focus on the delivery of infrastructure that facilitates the transition to a low-carbon economy, while at the same time ensuring that human rights and climate justice are upheld.

3. STANDARDISED REPORTING ON SUSTAINABILITY OUTCOMES IN INFRASTRUCTURE

The further development and alignment of sustainability standards for infrastructure must be supported by consistent reporting across the infrastructure value chain. Investors need asset-level data to understand associated sustainability impacts and sustainability-related financial risks and opportunities. For instance, investors would need to be aware of the exposure of individual assets in different locations to various climate-related hazards under different climate scenarios.

■ Disclosure requirements for infrastructure must align with broader global reporting standards development. They should also:
  
  o support the development and availability of more consistent indicators and contextual information on resilience to sustainability risks;
  
  o assess performance alignment with long-term sustainability objectives and how this influences long-term value;
  
  o provide current and forward-looking information on future performance and plans to achieve this.

■ Policymakers and regulators should also collaborate to ensure that data is reliable and comparable across jurisdictions and time horizons, allowing investors with global portfolios to aggregate this information more easily and meet their own growing sustainability reporting requirements. Variation from reporting norms should provide contextual information that investors need, without compromising the comparability of information provided.

4. SUSTAINABILITY OUTCOMES INTEGRATED THROUGHOUT INFRASTRUCTURE LIFECYCLE

Sustainability outcomes must be considered at every stage of the infrastructure lifecycle – from initial planning and design, to procurement, construction, maintenance and end-of-life. Too often, there is a lack of alignment between different infrastructure players on what, and how, sustainability goals are to be prioritised and achieved. In particular, upfront cost concerns are often
seen as an obstacle to embedding strong sustainability outcomes in greenfield infrastructure. However, considering such costs over the full infrastructure lifecycle can lead to better long-term sustainability and financial outcomes. As such we recommend that:

- Policymakers should develop infrastructure strategies that integrate key concepts, such as the protection of biodiversity, circularity, and respect for human rights. These concepts (and their financial considerations) should be embedded throughout the infrastructure lifecycle and across the investment chain, including government, banks, investors, project developers and the supply chain.

- Particular focus should be placed on mandating that meaningful stakeholder engagement is at the heart of the development of new infrastructure – for example, seeking collaboration on just transition plans with workers and communities reliant on the fossil fuel sector, or ensuring the equitable participation of indigenous groups and/or disadvantaged communities.

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The PRI has experience of public policy on sustainable finance and responsible investment across multiple markets and stands ready to support the work of government policy makers on both financial sector and real economy climate change policy. Any questions or comments can be sent to policy@unpri.org.