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# McKinsey Sustainability

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# **Climate masterclass series**

Splitting the Bill: How can we blend public and private sector investment to create maximum impact?

# Foreword

### By Doug Lawrence, Vice Chair of the Board, Climate Group North America

The US Climate Action Summit and Climate Group's US strategy are aligned with and focused on the implementation of the landmark pieces of climate legislation passed in the last two years, the Inflation Reduction Act and the Infrastructure, Investment and Jobs Act.

The US Climate Action Summit and much of the Climate Group's US strategy are centred on building the momentum created by the Inflation Reduction Act and the Infrastructure, Investment, and Jobs Act. These momentous pieces of climate legislation will hasten the shift towards a green economy in the US, generating new areas of employment in clean energy, green infrastructure, and technological advancement.

Our objective should be to realize the advantages of these climate investments swiftly, effectively, and fairly. Swiftness is crucial as time is running out. Quality is indispensable to guarantee that these investments achieve their intended outcomes in an effective and efficient manner. And equity is crucial to ensure that all segments of society receive a just distribution of the benefits derived from these investments. This workshop emphasized these three objectives. We convened stakeholders from across the business, policy, and civil society spheres to focus their expertize on the issue of blended financing for climate investment. The public sector can't do it alone, and private dollars will be crucial to deliver the promise of the IRA and the IIJA. But civil society actors too have a role to play. We must be thinking about equity and about sharing access to power and decision-making. Decisions on where climate investments are deployed need to consider the equity dimension. We need to be thinking in terms of social returns on investments, generating the job opportunities, developing the skills, and building the livelihoods that are central to the green economic transition.



# Summary

The 'Splitting the Bill: How can we blend public and private sector investment to create maximum impact?' workshop took place at the US Climate Action Summit as part of the day's climate masterclass series.

These were a collection of carefully curated and collaborative workshop sessions focused on sector specific challenges and business action. The 'hands on' and 'roll your sleeves up' session for up to 50 participants was driven by experts, supported by knowledge partners and focused on outcomes to help build capacity, knowledge, and collaborative networks.

The workshop brought together green banks, businesses, and government stakeholders to explore how to blend public and private financing to build upon economic federal funding schemes, such as the Inflation Reduction Act and Infrastructure Investment and Jobs Act. The session convened 40 high-level stakeholders to explore how green banks can be used to distribute economic recovery funds, and how businesses can most effectively increase investment in green recovery projects.

# Aims & objectives:

- To gather green banks, businesses, and government stakeholders to discuss blending private and public green financing
- To explore how green banks can be used to distribute economic recovery funds
- To understand how businesses can increase investment in green recovery projects

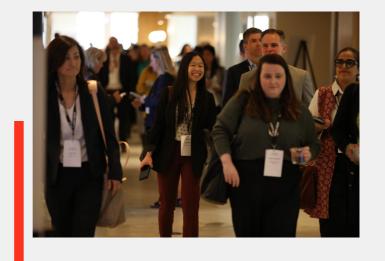
# **Partner reflections**

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Green energy technologies such as wind and solar power are scaling rapidly, and getting plenty of capital to support them – but other technologies we need, like hydrogen, sustainable aviation fuels, methane capture, long duration storage, and nuclear, will need massive investment between now and 2030. It is going to be critical that we deploy funds rapidly to these areas, both to new companies and project developers as well as to legacy firms who are using these technologies to decarbonize. This will take engaging leaders from the public sector, the private sector and civil society.

Daniel Stephens,

Senior Partner at McKinsey & Company





### Public and private money working together:

When it comes to public and private financing, it is essential to strike a balance. While federal money can be critical in catalyzing private sector deployment, it is essential that such funds do not displace private sector dollars. Instead, they should be used to leverage and support private sector investment, creating a mutually beneficial partnership that delivers maximum impact. By working together, public and private sectors can leverage their respective strengths and capabilities to develop innovative financing mechanisms and spur investment in climate solutions.



### The US can't go it alone:

The US cannot tackle climate change alone. The world is interconnected, and climate change is a global issue that requires a unified approach. The US must work with its global trading partners to ensure a coordinated trading policy and engage with partners to ensure accelerated global policy around green supply chains.

Key breakout discussion points

## Consumer behavior must be considered:

We must identify the consumer behaviors we want to see happening in the everyday and work backward to ensure that green solutions to these needs are being financed and catered for. This could include incentivizing green choices through education and marketing campaigns, pushing green product lines, and promoting sustainable lifestyles.

# Moving beyond what is fashionable to what is necessary:

While it is essential to celebrate and promote the adoption of sustainable lifestyles, it is equally crucial to move beyond what is fashionable and address thornier issues such as agricultural reform. Agriculture is responsible for a significant portion of global emissions and presents a significant challenge to decarbonization efforts. Therefore, it is essential to focus on developing sustainable farming practices, reducing food waste, and promoting sustainable land use. By focusing on what is necessary rather than what is fashionable, we can make significant progress in tackling climate change.

# Decarbonizing heavy industry is a near-term imperative:

The development and deployment of renewable energy at scale is vital, but it is equally important to address the challenge of decarbonizing heavy industry. Heavy industry is responsible for a significant portion of global emissions and presents a significant challenge to decarbonization efforts. It is essential to focus on developing and deploying new technologies that can enable industries such as steel, cement, and chemicals to decarbonize their production processes.

# Centering equity in the conversation:

To ensure that the benefits of climate investments benefit society as a whole, equity must be at the center of the conversation. This means being intentional in our progress and conscious of who is being invited to the table. We must ensure that the communities most affected by climate change are included in decisionmaking processes and have access to the resources necessary to adapt and thrive.

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Thank you to McKinsey Sustainability for participating in US Climate Action Summit 2023.

Get in touch to learn more about how you can collaborate with us.

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