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# Green Finance - Strategies and Instruments for the Financing of Ecological Modernization

## Project

## Duration

Mar 2015 - Feb 2018

The transition towards a "Green Economy" requires investment and adequate funding. But what exactly are the financing requirements of a green transformation in the areas of energy and energy storage, energy efficiency, mobility, material efficiency, recycling, water management and agriculture in Germany? This project deals with the question on how best to promote green investments, particularly in light of mobilizing already existing ones, but fixed in more promising forms of investment for innovation with the focus of environmental sustainability.

The "Green Economy", i.e., sustainable management in harmony with natural boundaries, promises a solution to provide welfare within the planetary boundaries. However, in order to realize a "Green Economy" major changes are needed in the way additional value is generated. Particularly needed is the physical modification of the economy towards:

- environmentally friendly energy saving,
- an increase of energy efficiency,
- sustainable mobility,
- an enhancement of material efficiency,
- the recycling economy,
- ecological sustainable water management,
- and ecological sustainable agriculture.

These modifications require significant investments and thus financing. Therefore, on the one hand such a transition must engage investors who want to seize on the opportunities that a green economy offers and on the other hand it must seek out investors who can realistically provide the funds. To date, with a few exceptions—such as the development of renewable energies—there has not yet been enough investment in this transformation. Although many of the possible investments in a green economy are meaningful, profitable in the long term and—compared with conventional investments—hold the promise of higher welfare, they are not yet attractive enough in the short-sighted investment market of today.

In this context, Ecologic Institute works together with Fraunhofer ISI and Arepo Consult on behalf of the Federal Environmental Agency to investigate the following questions: how can the economic dynamics be redirected towards a "Green Economy" in the long term and what investments are necessary to do so? What role do the financial markets as well as public and private financial institutions play and how can economic incentives be changed in order to create more investment for the ecological restructuring of society?

Within the scope of the project innovative financing concepts and instruments found in other countries are analyzed and examined for how they may be transferable into the German context, e.g., which political and regulatory criteria must be met.

The project utilizes the practical knowledge of actors who are themselves active in the market at various levels and channels. By project end, the consortium aims to deliver empirically based, policy-relevant recommendations for the development of "Green Finance" in Germany, thereby assisting in pushing "Green Finance" from a niche market into the mainstream.

## **Funding**

[German Environment Agency](#) (UBA), Germany

## **Partner**

[Ecologic Institute](#), Germany

[arepo consult](#), Germany

[Fraunhofer Institute for Systems and Innovation Research ISI](#) (Fraunhofer ISI), Germany

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