Session: Financing equitable, green and safe transport

24 May 2023, 16:15-17:30 | Session outline

Making well-considered decisions on infrastructure financing is critical to improving equity, safety, helping meet climate policy goals and bringing economic gains. Estimates put the global infrastructure financing gap through to 2030 at USD 1 billion. This session explored strategies to activate more funds for transport infrastructure and incentivise investment in projects that contribute to more sustainable and safe transport.

Major investment is needed to significantly reduce road casualties this decade. The International Road Assessment Program (iRAP) has been instrumental in establishing an objective safety measure based on star-ratings for road infrastructure. Recent iRAP analysis supported by the OECD indicates that crash costs per kilometer travelled can be halved if a given road is upgraded from a one- to two-star standard, halved again if upgraded to three-star, halved again to four-star, and brought to a very low level when approaching five-star (the highest safety rating).

Moving from a low- to high-star rating for roads represents a high potential return on investment, in some cases providing an internal rate of return of 30%. Health and insurance cost savings generated from fewer road casualties can be mobilised to provide a dividend stream that supports the scale-up of the upfront capital investment required to improve the star rating of roads, using a similar mechanism to that deployed for climate bonds. This could provide a potentially attractive investment model for multilateral development banks and pension funds.

Road safety financing needs are particularly acute in low and middle income countries. The UN Road Safety Fund helps channel funds to where they are most needed, and undertakes capacity building to improve road design and policy, working in collaboration with development banks and non-governmental organisations. The Inter-American Development Bank (IDB) is also active in financing safe, equitable, and green transport projects. It focuses on enabling sustainable mobility by offering services to partner governments which covers advice on regulatory design, developing a pipeline of fundable projects, and providing financing consistent with the highest social and environmental standards.

The Netherlands has been a global front-runner on active travel and road safety for decades with casualty rates steadily declining since the 1970s. In recent years, however, active travel casualty rates have started to increase, in part driven by electric bicycle uptake and greater distances traveled by older demographics. To address this challenge, soft (policy/regulation) and hard (infrastructure) measures will be required. Nevertheless, the Netherlands has a great deal of experience to share with low- and middle-income countries, and is considering working to establish a new global active mobility funding mechanism to boost sustainable transport.

BP is a major investor in and provider of fuels for sustainable transport. To scale up investment in sustainable fuels globally, it is important that governments create easily interpretable, technology-neutral policy and regulatory frameworks that provide increased demand certainty, and remove bottlenecks for supply. Furthermore, frequent engagement between government and industry, as well as a predictable direction of travel in policy development, can help create the confidence for long-term private sector investment.