

Leveraging PPPs to tackle climate change – A new resource

Full Description

With COVID-19 still dominating the news it may be easy to overlook another global crisis: the [unprecedented extreme climate events during the past year that can be linked to climate change](#): longer, more severe wildfires in California; prolonged, intense droughts in South America; widespread flooding in Asia and Africa; back-to-back hurricanes in the Caribbean; and heat waves in Europe and the Middle East.

According to the World Bank's [Private Participation in Infrastructure – Investment in Low-Carbon Infrastructure report](#), approximately 70 percent of global greenhouse gas (GHG) emissions emanate from infrastructure construction and operations. At the same time, extreme weather events or changing patterns can bring transport, electricity, and water networks to a halt—or lead to longer-term gradual deterioration of infrastructure assets with severe economic and human impacts for communities and countries. With economies across the globe in urgent need to build new or rehabilitate aging infrastructure, we need to ensure these investments are innovative, low-carbon, energy-efficient, and resilient to the effects of climate change.

But the price tag is high. The [World Bank Group's Action Plan on Climate Change Adaptation and Resilience](#) points to estimates of additional needs for adaptation alone that range widely from \$30 billion to \$100 billion a year by 2030. Given these massive capital requirements and the need for innovation and new technology, private expertise and investment, including infrastructure finance through public-private partnerships (PPPs), is essential to spur global growth and tackle climate change.

Over the past years, the infrastructure and PPP community has filled knowledge gaps related to climate risk and developed tools to ensure they are adequately assessed and addressed in PPP projects and frameworks. In addition, countries have increasingly put legal and policy frameworks in place that facilitate the shift towards greener and more robust infrastructure development. In particular, more and more PPP projects worldwide are now deliberately designed to minimize their carbon footprints, ensure resilience in the face of extreme weather events and gradual climate change, and take into account the impact of climate change on the livelihoods of adjacent communities.

How can you keep up with the latest trends and most relevant legal resources for climate-smart PPPs?

The new [climate-smart PPPs section on the PPP Legal Resource Center \(PPPLRC\)](#) draws together documents, tools, and platforms relevant to these topics on one site. Infrastructure and PPP practitioners now have free access to a database of more than 150 links organized around the [PPP project cycle](#), the [PPP legal and regulatory framework](#), as well as [specific sectors](#) already used by countries around the world to decarbonize PPP projects and to make them more sustainable and resilient against the consequences of climate change.

Some examples include:

- **PPP legal framework:** Policies, legislation and guidelines—including specific PPP laws or sector-specific guidance—can help decision makers consider climate change throughout the various project stages. [Resilient Infrastructure PPPs: Contracts and Procurement – The Case of Japan](#) published by the Global Infrastructure Facility, the Public-Private Infrastructure Advisory Facility, and the Tokyo Disaster Risk Management Hub describes, for example, how disaster resilience has been embedded in the PPP legal framework in Japan. The European online platform [Climate-ADAPT](#) provides access to resources that can assist with the development of climate-resilient infrastructure, including relevant EU policy documents as well as information related to the legal frameworks of EU member states.

- **Environmental and social (E&S) frameworks & PPPs:** The development of E&S standards helps countries embed climate resilience and environmental sustainability in the development and operationalization of their PPP frameworks. The PPP Group of the World Bank has, for instance, joined forces with the African Development Bank, Australia’s Department of Foreign Affairs and Trade, and Australian Aid to develop a PPP and [E&S Handbook](#). On the sector level, the [Hydropower Sector Climate Resilience Guide](#) published by the International Hydropower Association provides a practical approach to identifying, assessing, and managing climate risks to enhance resilience.
- **Incentives in PPP contracts and bidding documents:** Typical mechanisms that encourage private sector operators to use climate-smart approaches are qualification and selection criteria, key performance indicators, and technical specifications—together with financial incentives. The project documents related to the [Melbourne Metro Tunnel project](#) include, for example, detailed climate change adaptation and mitigation requirements. The Inter-American Development Bank’s [Toolkit on Climate Resilient Public-Private Partnerships](#) provides inter alia guidance on whether and how to consider climate resilience in the request for qualification stage together with sample wording for legal documents.
- **Standardized PPP contractual provisions and risk allocation:** One practical question is how and to what extent climate change risks are covered by standard PPP contractual provisions, such as those for force majeure and change in law, and how they could be drafted going forward in the context of climate change. Drafting examples and commentary are provided by the World Bank’s [Guidance on PPP Contractual Provisions](#). The World Bank’s tool [Incorporating Climate Risk in Performance-Based Contracts](#) proposes a framework that allows governments to properly assess the risks and impacts of climate change and assign these risks to the party best able to manage them within performance-based contracts. The [Global Infrastructure Hub’s Risk Allocation Tool](#) offers practical guidance on the appropriate allocation of infrastructure project risk, including the risk for climate change events.

[Climate-smart PPPs that are sustainable, inclusive, resilient to outer shocks, and prevent GHG emissions are the future—and they are being planned and built now.](#)

Related Content

[Climate-Smart PPPs](#)

[Climate-Smart PPP Legal and Regulatory Framework](#)

[Preparing, Procuring and Implementing Climate-Smart PPPs](#)

[?Sector-Specific Content on Climate-Smart](#)

[Renewable Energy](#)

[Climate-Smart PPPs: Further Reading and Resources](#)

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Keep checking back with us for new resources. We also welcome you to become part of this initiative by sharing your insights and relevant legal documentation that can support decision makers to increase the number of climate-smart PPP projects. Email us at with us at ppp@worldbank.org.