Design Your City's Net Zero Strategy: Online Planning Lab

NetZeroCities online course for all cities

September 16th - December 11th 2025

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NET ZERO CITIES

EU MISSION PLATFORM

CLIMATE NEUTRAL AND SMART CITIES

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25th November 2025

Module 5 – Spotlight Session 2

Spotlight Session – Different Investor Groups and Their Priorities

Increasing financial knowledge and learning about the project financing options

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Housekeeping

Stay muted unless you are invited to speak.

Use the chat for questions and to introduce yourself.

Raise your hand before speaking.

Change your Zoom name to include your city.

Stay engaged: We invite you to keep your camera on.

Activate Closed Captions to keep up with the speakers.

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Module 5 breakdown

Core session: Introduction to finance: increase finance knowledge of the public administration and learn about options to finance projects (2 hours)
[Tuesday | 18-11-25 | 9:15 - 11:00 CET]

Spotlight session 1 - lead by South Pole Preparing a pipeline of projects for external financing (2 hours)
[Thursday | 20-11-25 | 13:15 - 15:00 CET]

Spotlight session 2: **Different investor groups and the key priorities and returns profiles for each and instruments** (2 hours)
[Today | 25-11-25 | 9:15 - 11:00 CET]

Spotlight session 3: Financing the ambition: Learning from Mission Cities (2 hours)
[Thursday | 27-11-25 | 13:15 - 15:00 CET]

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Session Agenda

1. Introduction
2. Investor groups
3. How investors shape requirements
4. Breakout Session
5. Financing mechanisms
6. Case study
7. Reflection

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Introduction

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Lecturers

Tommaso Buso
Associate – BwB

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Associate – BwB

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Recap

1 **No One-Size-Fits-All**

Cities need a tailored mix of financing instruments that reflect their governance structures, project pipelines, and risk appetites. The importance of convening the right parties, which is where the hub specialises.

2 **Bankability Attracts Partners**

Well-structured, financially viable projects with clear revenue streams and risk mitigation attract both public support and private investment.

3 **Collaboration Is the Bridge**

Strong partnerships between municipal governments, financial institutions, and private sector actors transform ambitious climate visions into funded reality.

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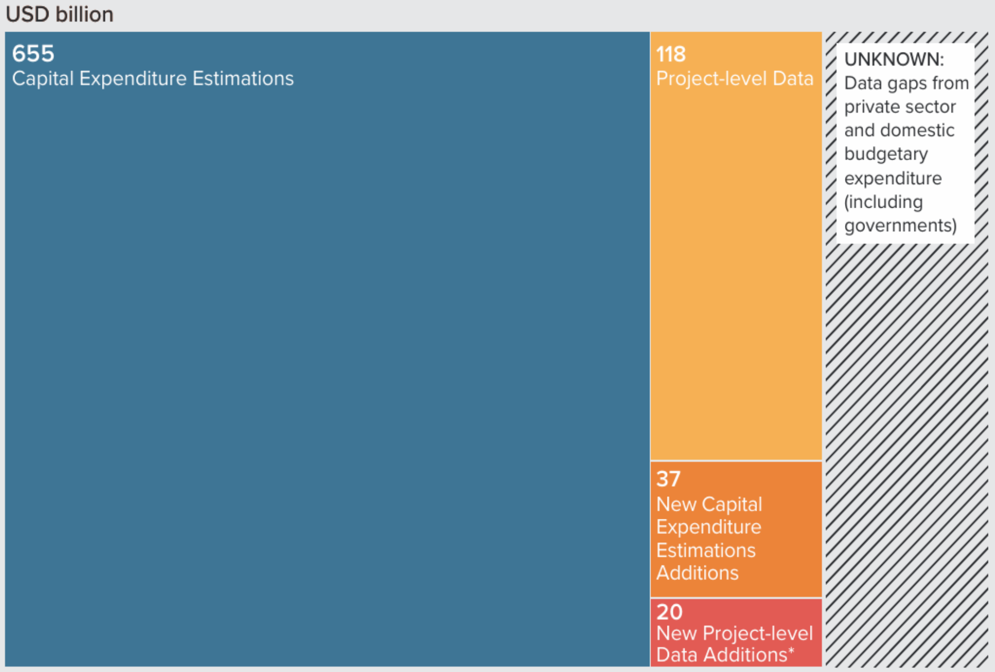
Current State of Urban Climate Finance

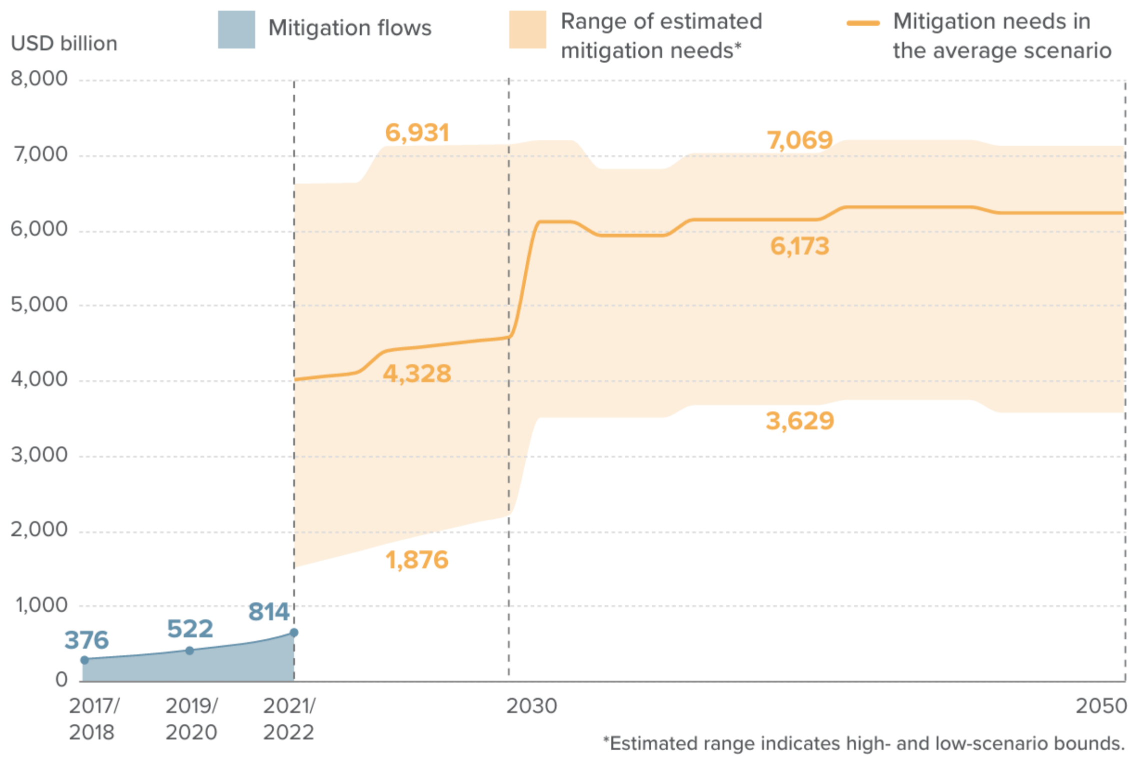
Figure 1: Summary of estimated urban climate finance (2021/2022 average, USD billion)



*New data sources and improved keyword search.

Source: The State of Cities Climate Finance 2024: The Landscape of Urban Climate Finance 2nd edition

Figure ES3: Urban climate finance compared with urban mitigation needs by 2050



*Estimated range indicates high- and low-scenario bounds.

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Investor Groups

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Have you already engaged with investors (including public lenders) to finance your city's projects?

Yes / No

Interactive Activity: Please respond using the Wooclap open question feature. Your insights will help shape our discussion.

The Three Major Investor Groups

The financing landscape is shaped by three distinct groups, each with unique mandates, risk appetites, and strategic priorities that determine where and how they deploy capital.

Public Sector

Development banks, local authorities, and city agencies funding policy-aligned projects with long-term horizons

Private Sector

Commercial banks, institutional investors, and corporates seeking stable returns and predictable revenue streams

Philanthropy & Impact

Foundations and catalytic investors enabling innovation, early-stage risk, and transformative social outcomes

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Public Sector Investors

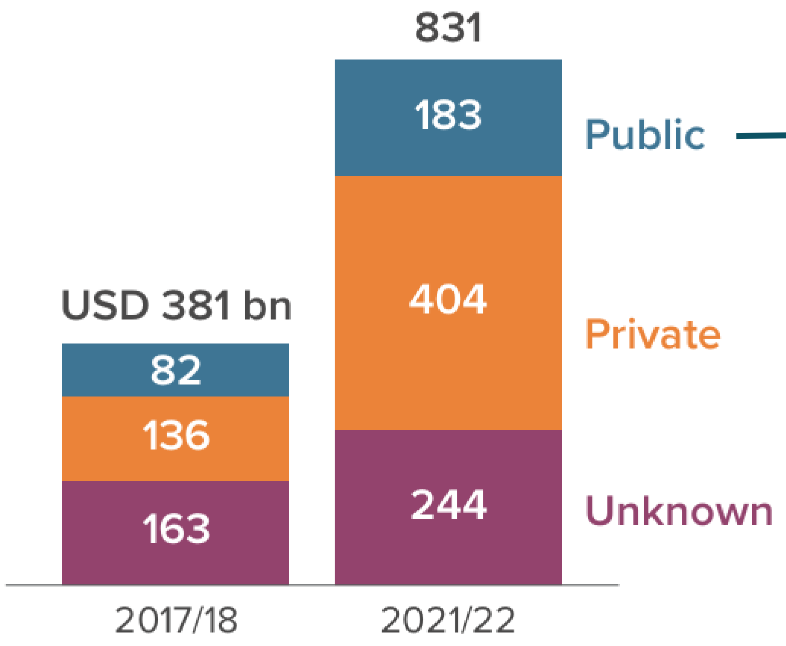
Key Players

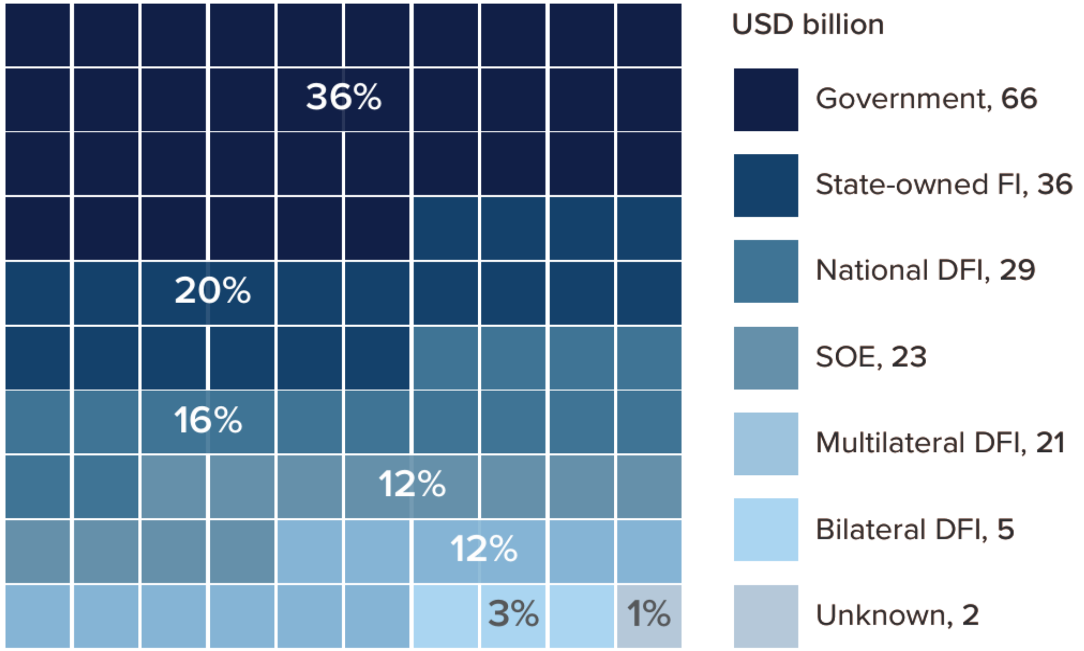
- European Investment Bank (EIB)
- National development banks (KfW, Caisse des Dépôts)
- Regional public banks
- Municipal and city agencies

Core Mandates

Public investors prioritise policy alignment, climate targets, and social equity. They embrace longer-term risk tolerance to enable scale and catalyse markets where commercial capital hesitates.

Urban Climate Finance – Public Sector Deep Dive





< 1% : Multilateral Climate Funds: **0.03**;
Export Credit Agency (ECA): **0.03**

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Private Sector Investors

Commercial Banks

Provide debt financing for proven projects with robust cash flows and creditworthy counterparties, seeking market-rate returns with controlled risk exposure.

Institutional Investors

Pension funds and insurance companies allocate capital to infrastructure with stable, long-term yields that match their liability profiles and regulatory requirements.

Corporates & ESCOs

Energy service companies and corporations invest directly in projects that deliver operational savings, strategic assets, or revenue from energy performance contracts.

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Private Sector Investors

Leading Foundations

- Rockefeller Foundation
- European Climate Foundation (ECF)
- Laudes Foundation
- Other catalytic capital providers

These organisations deploy high-risk, patient capital to pilot innovative models, support underserved communities, and unlock early-stage opportunities that commercial investors cannot yet access.

Non-Commercial Mandate

Unlike private or public investors, philanthropic capital prioritises systemic change, knowledge creation, and demonstrating proof of concept—accepting below-market returns or even grant structures.

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Visual Maps: Investors and Project-types

Public Sector

Large infrastructure programmes, district heating networks, public building retrofits, renewable energy portfolios

Private Sector

Commercial property upgrades, ESCO contracts, proven technology deployments, refinancing of mature assets

Philanthropy

Community-led projects, innovative business models, vulnerable household programmes, market development initiatives

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Comparing Risk Profiles

Investor Group	Risk Appetite	Typical Stage	Primary Goal
Public Sector	Moderate	Scale & rollout	Policy impact
Private Sector	Low	Proven models	Financial return
Philanthropy	High	Early innovation	Social change

Risk appetite varies significantly across investor types, shaping which projects they fund and at what stage they engage. Understanding these differences allows project developers to target the right capital sources at the right project maturity stage.

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Ticket Sizes and Time Horizons

Philanthropic Capital

Ticket size: Small to medium (€50K–€5M)Horizon: Early stage, 3–7 years

Use: Pilots, feasibility studies, market-making

Commercial Banks

Ticket size: Medium (€2M–€50M)Horizon: Short to medium, 5–10 years

Use: Project finance, working capital, refinancing

Development Banks & Institutional

Ticket size: Large scale (€10M–€500M+)Horizon: Long-term, 10–30 years

Use: Infrastructure programmes, portfolio aggregation

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Which investor type do you find hardest to engage with?

Commercial banks / Institutional investors / Philanthropic funds / Development banks

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How Investors Shape Requirements

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Investor Mandates Shaping Project-fit

Each investor group seeks specific project characteristics aligned with their mandate, risk tolerance, and return expectations.

Public Investors

Prioritise policy alignment, greenhouse gas reductions, job creation, and contributions to national or EU climate targets. Impact metrics matter as much as financial viability.

Private Investors

Demand clear revenue streams, creditworthy offtakers, proven technology, and robust security packages. Financial returns and downside protection are paramount.

Philanthropic Investors

Support innovation, inclusion of vulnerable communities, replicable models, and knowledge dissemination. Social and environmental outcomes drive decision-making.

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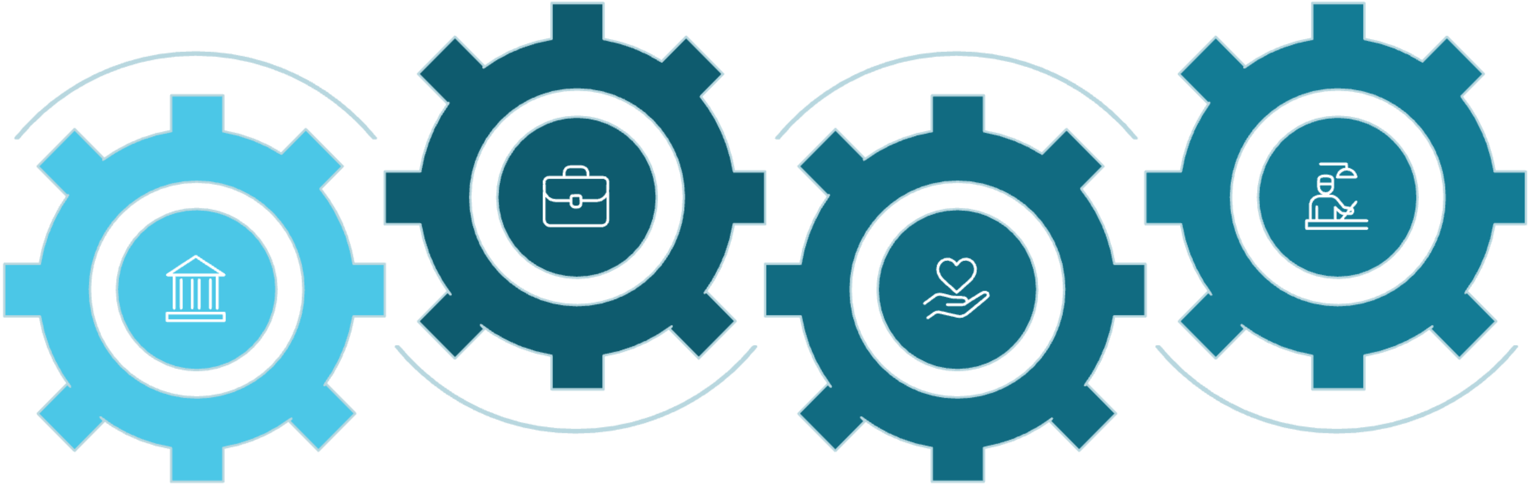
Investor Groups Influencing the Project

Understanding the unique mandates, risk tolerances, and desired impact of each investor group is key to tailoring projects for successful financing.

Private Sector
Market returns, risk appetite, and timelines

Project Requirements
Technical scope shaped by stakeholder influence



Public Sector
Regulations, mandates, and long-term priorities

Philanthropy
Impact goals, flexible funding, and incentives

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Influence on the Project Requirements

Documentation & Reporting

Investors mandate comprehensive legal, technical, and financial documentation to ensure due diligence, transparency, and accountability. This includes detailed project proposals, risk assessments, progress reports, and impact measurement frameworks.

Timelines & Milestones

Investor expectations directly influence project duration and key milestones. Patient capital allows for longer development phases and greater flexibility, while commercially driven investors often demand accelerated timelines and strict adherence to implementation schedules.

Financial Structure

The type of investor dictates the project's financial architecture, including debt-equity ratios, funding tranches, and risk allocation. This can range from concessional loans and grants to commercial debt, equity stakes, and blended finance instruments.

Governance & Oversight

Investors impose specific governance structures, demanding clear decision-making processes, board representation, and robust environmental, social, and compliance (ESG) safeguards. Regular audits and performance monitoring are also typically required.

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Influence on the Risk Requirements

Insurance

Comprehensive policies are mandatory to protect against unforeseen events like natural disasters, construction defects, or operational failures, ensuring financial recovery.

Guarantees

Third-party assurances, such as performance bonds or government guarantees, are often required to cover specific risks and enhance the project's bankability and credibility.

Sensitivity Analyses

Detailed analyses evaluating project performance under various adverse scenarios (e.g., cost overruns, reduced demand) are crucial for understanding and planning for potential risk exposure.

Contingencies

Dedicated financial provisions are set aside to cover unexpected costs, delays, or changes in scope, providing a buffer against unforeseen circumstances during project execution.

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Influence on the Return Requirements

Investors require clear evidence of how a project will generate financial returns, whether through direct revenue, validated cost savings, or measurable performance improvements. Robust financial modelling and transparent reporting are key to satisfying investor expectations regarding financial and operational returns.

Revenue Models

Projects must demonstrate predictable and sustainable revenue streams, detailing how income will be generated from sales, tariffs, or subscriptions to ensure financial viability and investor payouts.

Cost Savings Validation

For efficiency-focused projects, comprehensive validation of projected cost reductions is crucial, including baseline assessments, verifiable measurement methodologies, and clear reporting of achieved savings.

Performance Metrics

Quantifiable metrics are essential to track project success and demonstrate returns, encompassing energy generation, GHG emission reductions, and operational efficiency gains, all tied to specific targets.

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Influence on the Impact Requirements

Beyond financial returns, many investors, particularly public and philanthropic entities, demand clear and measurable impact, often tied to specific environmental and social objectives.

Climate KPIs

Projects must define and track key performance indicators related to climate impact, such as greenhouse gas emission reductions, renewable energy generation capacity, or improved energy efficiency. These metrics provide tangible evidence of environmental contribution.

Standardised Reporting

Adherence to recognised reporting frameworks like the EU Taxonomy, Sustainable Development Goals (SDGs), or other national/international standards is often required to ensure transparency, comparability, and credible impact claims.

Social Co-benefits

Investors increasingly seek projects that deliver broader social benefits, such as job creation (especially green jobs), local community engagement, improved public health outcomes, or enhanced energy access for vulnerable populations.

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Timing and Project Maturity

The type of capital available for projects often correlates directly with their stage of development, ranging from conceptualisation to full market deployment. Understanding this progression allows project developers to strategically target the most suitable investors at each phase of their project lifecycle.

Early-Stage: Philanthropy & Seed Funding

Initial funding for high-risk, unproven concepts. These projects often lack a clear commercial pathway but hold significant potential for impact or innovation.

Mid-Stage: Development Banks & Public Finance

Capital to de-risk and scale pilot projects. Public sector investors help bridge the gap between innovation and commercial viability, often providing concessional terms.

Late-Stage: Private Investors & Commercial Capital

Investment for mature projects with proven models, clear revenue streams, and established market access. Private capital seeks predictable returns and scale.

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Lessons for Cities

Align Early

Early engagement with diverse investor groups is crucial to integrate their mandates and risk appetites directly into project development. This ensures project design and funding expectations are aligned from the very beginning, preventing costly reworks later.

Provide Clear Data

Investors require transparent and verifiable data on all aspects, from financial projections and risk assessments to measurable impact outcomes. Robust, data-driven evidence builds confidence and facilitates informed decision-making.

Adjust the Narrative

Successfully securing investment means adapting the project's story to resonate with each investor's unique priorities. Highlight public benefits for public investors, financial returns for private equity, or specific environmental impacts for philanthropies.

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What is the one question you'd like to ask an investor about your city's project?

Take a moment to reflect and share your perspective. Understanding our collective challenges helps us learn from each other's experiences.

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Breakout Session

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Financing Mechanisms

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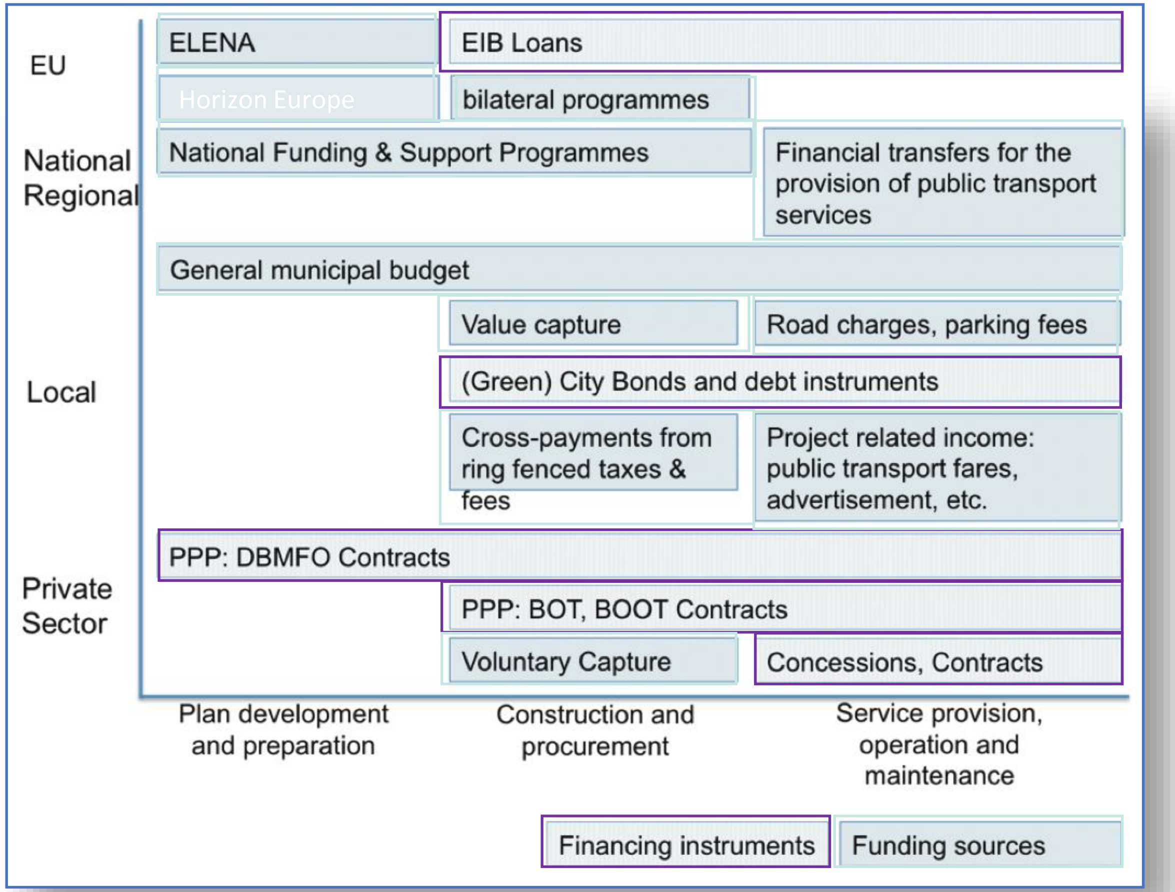
Municipal Funding Levels



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Why Mechanisms Matter?

Strategic Alignment

Each financing instrument appeals to distinct investor categories with specific mandates, regulatory constraints, and investment criteria. Understanding these preferences is essential for structuring successful capital raises.

The choice of mechanism directly influences the pool of potentialinvestors, terms of engagement, and overall project viability.

Investor Targeting

Different instruments naturally attract specific financier types based on risk-return profiles and regulatory frameworks.

Terms & Conditions

Each mechanism comes with distinct structural requirements, covenant packages, and documentation standards.

Market Access

The right instrument opens doors to deeper capital pools and more favourable pricing dynamics.

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Choosing the Right Mechanism

Selecting the optimal financing instrument requires careful analysis of project characteristics, investor requirements, and market conditions. A systematic framework ensures alignment between project attributes and financing structure.

Maturity Profile

- Match funding tenor to project cash flow generation
- Consider refinancing windows and exit strategies
- Align repayment with asset lifecycle and revenue curves

Project Scale

- Minimum thresholds for capital markets access
- Transaction costs relative to funding amount
- Investor appetite and market depth considerations

Risk Profile

- Credit quality and rating implications
- Political, construction, and operational risk allocation
- Security package and covenant requirements

Strategic Insight: The most successful financings combine multiple instruments in complementary structures, leveraging the strengths of each mechanism whilst addressing investor concerns through thoughtful risk allocation and structural innovation.

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Loans: Traditional Debt Financing

Primary Investor Base

- Commercial banks: relationship-driven lenders focused on creditworthy borrowers with proven track records
- Development finance institutions: mandate-driven organisations supporting sustainable development objectives
- Export credit agencies: government-backed entities facilitating cross-border trade and investment

Key Conditions

Repayment Structure

Defined amortisation schedules with principal and interest payments, typically secured against project cash flows or sponsor balance sheets.

Collateral Requirements

Security packages may include asset pledges, guarantees, revenue assignments, and covenant packages protecting lender interests.

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Bonds: Capital Markets Funding

Institutional Investors

Pension funds, insurance companies, sovereign wealth funds, and asset managers seeking predictable income streams and diversification opportunities.

Scale Requirements

Bond issuances typically require minimum sizes (often £100–500 million) to ensure liquidity and justify underwriting costs.

Transparency Standards

Comprehensive disclosure requirements including audited financials, legal opinions, and ongoing reporting obligations to maintain investor confidence.

Credit Ratings

Independent assessments from recognised agencies (S&P, Moody's, Fitch) are typically essential for institutional investor participation.

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Blended Finance: Catalytic Capital Structure

Blended finance strategically combines capital from different sources—development institutions, philanthropic organisations, and commercial investors—to de-risk projects and mobilise private sector participation in development-focused investments.

01

Development Finance Institutions

Provide concessional capital and risk mitigation to crowd-in commercial investment

02

Philanthropic Capital

Offer flexible, patient capital for early-stage development and technical assistance

03

Private Sector Investors

Deploy commercial capital once risks are adequately mitigated and returns justified

Blended Finance Instruments

01

First-Loss Capital

Subordinated tranches that absorb initial losses, protecting senior investors and improving overall credit profile.

02

Guarantees & Insurance

Risk mitigation tools covering political, currency, or performance risks to enhance bankability.

03

Technical Assistance

Grant funding for project preparation, capacity building, and structuring to reach financial close.

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Which investor group best fits your current project pipeline?

Interactive Activity: Please respond using the Wooclap open question feature. Your insights will help shape our discussion.

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Case Study

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Mission Cities in Action: Finland

Project : Tramway Project

Duration : January'25 – March'25

Goal: To enable sustainable growth by developing a modern tramway system

Climate City Capital Hub assisted a Finnish city with presenting a financial structure for how similar large infrastructure investments have been financed in the past.

Key Findings

- Tramway enables strong growth and accelerates urban development.
- The increased revenue from plot sales and land use agreement compensation fees will lead to positive impact on municipal economy.

Key Deliverables

- Mapping of financial resources for setting up the Turku Tramway that expands the public transport capacity
- Comprehensive assessment of the financial resources for the Tramway

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Reflections

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Reflections: Mapping Your Project

01

Review Your Project

Identify your current project phase, capital requirements, and key objectives. What stage are you at?

02

Assess Risk Profile

Rate your project's risk level (high/medium/low) and timeline to financial sustainability

03

Define Returns & Impact

Clarify expected financial returns and measurable social/environmental outcomes

04

Match Investor Groups

Using the investor typology, identify which 2–3 investor categories best align with your project's characteristics

Guiding Questions

- What is your project's primary value proposition for investors?
- Which phase of development are you in, and what capital structure fits?
- What de-risking strategies could broaden your investor appeal?

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How clear are you now on how different investor profiles influence project design? (1–5 scale)

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Get in touch with NetZeroCities!

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