

The Local Net Zero Accelerator (LNZA)

Net Zero Investment Training Programme

Module 1: Understanding the Basics of Net Zero Finance

Funded by



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Fit4Finance

The Local Net Zero Accelerator



Department for
Energy Security
& Net Zero

Government has provided £19 million to unleash the potential of local government to attract new investment for green growth by piloting new approaches in three areas.

1. Two Local Net Zero Accelerators: Greater Manchester Combined Authority and West Midlands Combined Authority will develop aggregated bundles of projects to secure long-term sustainable investment.
2. A City Leap Replicator: York & North Yorkshire Combined Authority will replicate a similar model to Bristol City Leap, which has established an innovative public-private partnership to secure investment into decarbonising Bristol's council owned estate.
3. Local Net Zero Finance Support Service: to provide access to relevant financial skills, knowledge, and experience.

GMCA GREATER
MANCHESTER
COMBINED
AUTHORITY


West Midlands
Combined Authority


YORK
& NORTH
YORKSHIRE
COMBINED AUTHORITY


Greater
South East
Net Zero Hub

The Net Zero Investment Training Programme

Objectives:

- Provide specialised investment training tailored for local authority professionals that hold positions related to the development and/or financing of net-zero projects
- Up-skill local authority professionals so that they are better placed to both develop and finance Net Zero projects
- Provide training to local authority staff so that they are better placed to support their respective authorities to deliver on climate ambitions/targets

Audience:

- Local Authority Section 151 Officers (Finance Directors)
- Climate, Environment or Sustainability Officers/Directors
- Any other local authority professionals involved in the development or financing of Net Zero projects

The Net Zero Investment Training Programme: Structure

The Net Zero Investment Training Programme is a specialised programme consisting of 6 modules, each requiring a total of 20 hours split between guided and independent learning to complete. The 6 modules are:

1. Understanding the Basics of Net Zero Finance
2. Options Analysis and Appraisal
3. Develop an Effective Business Case
4. Financial Modelling for Net Zero Projects
5. Exploring Innovative Financing for Net Zero
6. Whole-System Financing for Net Zero

Module 1.

Understanding the Basics of Net Zero Finance

This module comprises **20 hours of Total Qualification Time (TQT)**, made up of:

- **10 hours of** Guided Learning Hours
- **10 hours of** Independent Learning Hours

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Contents

Each section requires a total of either **4 or 6 learning hours: split 50:50** between **Guided Learning** and **Independent Learning**.

Section 1:

- What is Net Zero Finance?

Section 2:

- Securing Net Zero Finance

Section 3:

- Embedding Net Zero Financing into Ongoing Work

Section 4:

- Understanding and Pitching to Investors

Glossary

- **AFOLU:** Agriculture, Forestry and Land Use change
- **CAPEX:** Capital Expenditure
- **CCC:** Climate Change Committee
- **CO₂e:** Carbon Dioxide equivalents
- **CPI:** Climate Policy Initiative
- **DECC:** Department of Energy and Climate Change (UK)
- **ESCO:** Energy Service Company
- **ESG:** Environmental, Social, and Governance
- **EV:** Electric Vehicle
- **FBC:** Final Business Case
- **FID:** Final Investment Decision

Glossary

- **KPI:** Key Performance Indicator
- **LNZA:** Local Net Zero Accelerator
- **MDB:** Multilateral Development Bank
- **NWF:** National Wealth Fund
- **OBC:** Outline Business Case
- **OPEX:** Operational Expenditure
- **PPP:** Public-Private Partnerships
- **PV:** Photovoltaic
- **PWLB:** Public Works Loan Board
- **ROI:** Return on Investment
- **RSL:** Registered Social Landlord

Glossary

- **SCIF:** Strategic Capital Investment Fund
- **SDG:** Sustainable Development Goals
- **SPV:** Special Purpose Vehicle

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Section 1

Summary:

Introduces net zero finance as the mobilisation of public, private, and blended capital to deliver projects that achieve net zero emissions, with emphasis on development finance, scale of need, and the investment gap.

Learning Outcomes:

- Define net zero and net zero finance
- Explain why private finance is required alongside public funding
- Identify development finance and its role
- Understand the scale and urgency of net zero investment needs

Section 1 requires 4 learning hours: 2 hours of Guided Learning and 2 hours of Independent Learning.

1. What is Net Zero Finance?

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Overview

Net Zero Finance mobilizes funds to support projects that balance greenhouse gas emissions to limit global warming. Unlike general finance, it values environmental, social and health co-benefits, attracting diverse investors alongside traditional capital.

- Public funds are essential but insufficient, making private and blended finance crucial.
- Success depends on aligning credible investment plans with investor needs, using risk-sharing, clear legal frameworks, and transparent metrics to secure capital for transformative climate action.

What is Net Zero?

Net zero means balancing the amount of greenhouse gases emitted with an equivalent amount removed or offset, effectively reducing net emissions to zero.

- This requires deep transformation and investments across sectors including energy, transport, buildings, industry, and land use.

What is Net Zero Finance?

- Financing activities specifically aimed at achieving net zero greenhouse gas emissions by supporting low-carbon, sustainable projects and infrastructure, to support the transition to a net-zero economy.
- It includes:
 - Investments in clean energy, transport, buildings, and industry
 - Financing mechanisms such as green bonds, blended finance, and concessional loans
 - Public and private sector collaboration to fund mitigation and adaptation efforts

Development finance in Net Zero Finance

- Early-stage funding used to turn climate project ideas into bankable, investment-ready propositions.
- Covers the pre-construction phase: feasibility, technical design, permitting, business case development, and stakeholder engagement.
- Bridges the gap between policy ambition and investable projects.

Typical uses of development finance

- Feasibility studies and options appraisal
- Technical and engineering design
- Environmental and social impact assessments
- Financial modelling and commercial structuring
- Procurement preparation and market testing
- Legal, regulatory, and permitting work
- Community engagement and co-design

Who provides development finance?

- Multilateral development banks (MDBs)
- National development banks and green investment banks
- Philanthropic and climate funds
- Central government grant programmes
- Local authority revolving funds
- Private developers (at-risk equity)

Common development finance barriers

- High upfront costs with no guarantee of project completion
- Limited local authority capacity to scope and manage development work
- Fragmented funding sources and short application windows
- Misalignment between public-sector development needs and private-sector risk appetite

Net Zero in Practice - Changes and Investments Needed

- Achieving net zero requires major shifts and investments in critical areas such as:
 - **Energy:** Shift to renewables, grid upgrades
 - **Transport:** Electrification, sustainable fuels
 - **Buildings:** Retrofitting, heat pumps
 - **Industry:** Decarbonizing steel, cement, chemicals
 - **AFOLU (Agriculture, Forestry, Land Use):** Sustainable practices, reforestation

Examples of Changes – Buildings

- Retrofitting buildings with energy-efficient technologies and heat pumps can drastically reduce carbon emissions and lower energy consumption.
- Investment is needed in insulation, smart energy systems, and electrification.

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Examples of Changes – Sustainable Urban Transport

- Expansion of electric public transit, transition to other electric vehicles, cycling infrastructure, investment in charging infrastructure (such as battery technology), among other activities.
- For instance, transitioning local authority vehicle fleets to electric vehicles to reduce transport emissions.

The Challenge of this Transition - Cost

The scale of financing needed for the net zero transition is vast and outstrips current public sector budgets. There is a substantial gap between available public funds and the scale of private finance needed to meet the transition at required speed and scale.

- High upfront capital investment for infrastructure upgrades, technology deployment, and systemic changes is required
- Estimated **\$6.3–\$7.4 trillion annually** is needed globally until 2030 to meet net zero goals
- Current climate finance flows are **\$1.9 trillion (2023)** – signaling a significant shortfall

Scale of Financing Needs

Estimates from the Climate Policy Initiative (CPI) Climate Finance Landscape indicate that trillions of dollars are needed globally, highlighting a pressing need to unlock and leverage more private and blended finance sources alongside public finance. These estimates are indicated below:

Year	Actual Climate Finance (USD Trillion)	Required Climate Finance (USD Trillion)
2023	1.9	6.3 - 7.4
2030	~2.5 (projected)	6.7 - 10.0
2050	tbc	9.2

Scale of Financing Needs in the UK

- The Climate Change Committee (CCC) and HM Treasury estimate that £50–60bn annually is required in additional investment to meet the UK's 2050 net zero target
- Over 300 UK local authorities have declared climate emergencies, many with net zero targets earlier than 2050
- Local authorities are estimated to need £10–20bn per year collectively to deliver their share of net zero projects (retrofits, EV charging, district heating, local renewables)

Sources of Finance for Net Zero Investments

Public, private, and blended finance mechanisms support net zero investments.

- Public sector sources include government budgets, grants, concessional loans, climate funds, green subsidies.
- Private sector sources include commercial banks, private equity, impact investors, pension funds, and institutional investors, corporate investments, commercial loans with ESG-linked terms.

Public Sector Sources Example

Example 1: Public Works Loan Board (PWLB)

Provides low-cost loans to UK local authorities for capital projects, including green infrastructure and energy efficiency initiatives, under the prudential borrowing regime.

Example 2: National Wealth Fund (NWF)

Offers advisory support and affordable financing for net zero projects such as heat networks, building decarbonisation, and renewable energy, helping councils attract private investment.

Question

What are the limitations of PWLB and NWF and why is private finance required?

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Question

What are the limitations of PWLB and NWF and why is private finance required?

- PWLB has a statutory limit of £135bn, with a loan stock of £110bn as of March 2025
- NWF has £4bn in financing available for local authorities

Private Sector Sources Example

Example 1: Banks

Banks can provide commercial loans to local authorities for their net-zero projects

Example 2: Institutional investors

Institutional investors, such as pensions funds, can provide longer term commercial finance to local authorities for their net-zero projects

Question

How can local authorities maximise the impact of limited PWLB and NWF financing?

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Challenge: Lack of Public Sector Funds vs Availability of Private Finance

- **There exists a significant shortfall if local authorities rely solely on public funds.**
 - Private finance availability is large but requires de-risked, viable investment propositions aligned with investor expectations.
 - Private finance is growing but needs better alignment with net zero goals.
 - Public finance is constrained by debt and budget pressures.

Need for Greater Securing of Private Sector Financing

Global climate finance needs (On the basis of 2023 figures) indicates a shortfall of \$4.4–\$8 trillion annually in climate finance.

Source	2023 Contribution (USD Trillion)
Public Finance	~0.9
Private Finance	>1.0
Shortfalls	\$4.4–\$8 trillion annually

Need for Greater Securing of Private Sector Financing

- Mobilizing private sector financing is critical to closing the vast investment gap required for net zero projects.
- The scale of funding needed exceeds public budgets, necessitating a strong mobilization of private capital.
- Tools such as blended finance and risk mitigation tools can help attract private investors.
 - blended finance, which combines concessional public funds with private investment
 - risk mitigation mechanisms, such as guarantees and insurance, play a vital role in attracting private investors
 - These tools/instruments/ help lower perceived risks and enhance the attractiveness of net zero projects, enabling the flow of capital at the scale and speed required to achieve global climate goals

Question

What do you think are the reasons for why local authorities find it challenging to access private finance?

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Question

What do you think are the reasons for why local authorities find it challenging to access private finance?

- Immature project pipelines, linked to limited capacity to originate and develop projects
- Difficulty with presenting projects as commercially viable (not speaking the same language as investors)
- Different priorities to investors and therefore some projects are not commercial viable

Question 1

What does Net Zero mean?

- A. Eliminating all carbon emissions
- B. Using only renewable energy sources
- C. Balancing emissions produced with those removed from the atmosphere

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Question 1 - Answered

What does Net Zero mean?

- A. Eliminating all carbon emissions
- B. Using only renewable energy sources
- C. Balancing emissions produced with those removed from the atmosphere

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Question 2

Why is Net Zero Finance important?

- A. It reduces energy costs
- B. It enables the funding of critical climate mitigation and adaptation projects
- C. It increases government revenue

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Question 2 - Answered

Why is Net Zero Finance important?

A. It reduces energy costs

B. It enables climate mitigation & adaptation project funding

C. It increases government revenue

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Question 3

What is the current climate finance gap?

- A. \$1–\$2 trillion annually
- B. \$4.4–\$8 trillion annually
- C. \$10–\$12 trillion annually

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Question 3 - Answered

What is the current climate finance gap?

A. \$1–\$2 trillion annually

B. \$4.4–\$8 trillion annually

C. \$10–\$12 trillion annually

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Section 2

Summary:

Explores how local authorities and project sponsors secure finance through credible investment planning, governance, financial structuring, and alignment with investor requirements.

Learning Outcomes:

- Describe the steps required to secure net zero finance
- Distinguish CAPEX, OPEX, revenues, and key financial terms
- Identify public, private, and blended finance sources
- Understand investor motivations and confidence drivers

Section 2 requires 6 learning hours: 3 hours of Guided Learning and 3 hours of Independent Learning.

2. Securing Net Zero Finance

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Overview

Securing finance for net zero projects requires a structured, strategic approach in which local authorities align their investment plans with broader sustainability goals and economic development strategies.

A comprehensive investment plan embedded within governance and strategy, combined with a clear understanding of diverse financing sources and ongoing investor relationship management, is fundamental to attracting both public and private sector funding in the local authority context.

Fundamental Steps in Securing Finance

It is important to develop a detailed, credible investment plan aligned with net zero goals. The following steps are encouraged:

- Establish governance and strategy for net zero finance
- Develop a detailed investment plan identifying finance needs and opportunities - investment plan should clearly outline the scope, financial requirements (development finance, CAPEX, OPEX), expected revenue streams, and risk mitigation
- Engage stakeholders including private investors and public financiers, and allocate resources

Fundamental Steps in Securing Finance

- Identification and blending of financing sources
- Preparation of investment propositions and pitches tailored to investor needs
- Negotiation, financial closure, and contractual agreements
- Monitor progress with transparency to sustain political and investor support - ongoing monitoring, reporting, and performance management are critical at this point

Alignment with Broader Strategies

Alignment with Local Authority Sustainability and Economic Plans

- Ensuring coherence with city or regional development strategies is critical.
- Ensure alignment of the investment plan with the local authority's overarching sustainability/net-zero strategies and broader economic development plans to create a coherent framework that integrates climate objectives with fiscal realities.

Alignment with Broader Strategies

Alignment with Local Authority Sustainability and Economic Plans cont.

- Investment plans should:
 - Reflect the council's climate action and sustainability goals
 - Integrate with local economic development plans
 - Be embedded in long-term infrastructure and service planning

Key Components in the Process

- Governance structure: Effective governance for net zero projects requires a clear structure with strong leadership and accountability to drive implementation.
- Strategy: A well-defined strategy outlining net zero objectives and pathways ensures focused and measurable progress.
- Resources: Adequate resources, including skilled teams and technical capacity, are essential to execute plans effectively.
- Political support: Buy-in from elected officials and relevant departments is essential as it fosters alignment and long-term commitment across the local authority

Key Components in the Process

Authorities need to establish strong governance structures with clear roles, political support or will, dedicated resources, and mechanisms for stakeholder buy-in in order to strengthen the capacity to develop and implement financing strategies for net zero projects.

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Overview of Steps

- Project identification
- Feasibility and business case development
- Stakeholder engagement
- Financial structuring
- Investor engagement
- Monitoring and evaluation

Refer to the Fundamental Steps section for details

Components of an Investment Plan

Key sections to be included in the investment plan include:

- Project description, objectives, and expected impact
- Financial model (CAPEX, OPEX, revenue streams, expected returns, risk allocation)
- Risk analysis and mitigation strategies
- Financing sources mapped to specific components
- Delivery timeline - Incorporate long-term planning with clear milestones and links to broader municipal budgets and regulatory frameworks.

Understanding CAPEX

- CAPEX (capital expenditure) is the upfront investment to design, build or install long-lived assets for the net zero solutions. Typical CAPEX items in net zero projects include:
- Renewable generation assets: solar PV, wind turbines, inverters, mounting structures
- Efficiency and electrification equipment: high-efficiency motors, heat pumps, building retrofit measures, EV charging
- Enabling infrastructure and systems: grid connections, storage, control systems, digital monitoring

Understanding OPEX

- OPEX (operating expenditure) is the recurring cost to run, maintain and insure the net zero assets over their life. Typical OPEX items in net zero projects include:
- Operations and maintenance: inspections, repairs, spare parts, cleaning, performance monitoring, including contracts with SPVs and ESCO
- Energy and input costs: backup fuel, grid electricity, water, consumables
- Staff, insurance, land lease, permits, and other ongoing overheads
- Monitoring, reporting and verification of performance and emissions required by investors

Example Investment Plan

Arbed Retrofit Programme

- The Arbed retrofit programme involved total capital expenditure around £60-67 million targeting over 6,000 homes in Wales.
- CAPEX sources included £30 million from the Welsh Government's Strategic Capital Investment Fund (SCIF) and UK Department of Energy and Climate Change (DECC) under the Strategic Energy Performance Investment Programme.
- Financing was a blend of government grants, regulatory energy program funds, and public sector co-investment, which enabled aggregation of homes and cost efficiencies across communities.
 - government grants were matched by funding from housing bodies and local councils, combining resources to scale retrofit activities effectively.

Example Investment Plan cont.

Arbed Retrofit Programme

- The revenue model centered on long-term energy cost savings for households, reduced fuel poverty, and improved health and social outcomes.
- Implementation was managed by cross-sector collaboration including community interest companies (e.g., Warm Wales), contractors, RSLs, local authorities, and energy suppliers.

Example Investment Plan cont.

Investment plans for retrofit programmes in particular typically reflect the following:

- Defines clear retrofit targets aligned with net zero and social objectives.
- Aggregates buildings or areas to attract investment and reduce per-unit costs.
- Secures multi-source funding including government grants, private sector contributions, and council funding.
- Establishes partnerships with local housing providers and energy companies.
- Incorporates detailed phasing, risk management, and community engagement strategies.
- Embeds ongoing monitoring, evaluation, and technical support.

Key Financial Components

- CAPEX: Initial capital expenditure
- OPEX: Ongoing operational costs
- Revenue streams: Energy savings, service charges, carbon credits
- Net Profit: The final amount after deducting all expenses, taxes, interest, and other costs from total revenue
- Principal: The original amount of money borrowed or invested, excluding interest or fees
- Interest: The cost of borrowing money, expressed as a percentage of the principal, paid by the borrower to the lender.
- Tenor: The length of time until a loan or financial instrument reaches its maturity or repayment date.
- Payback period: Time to recover investment

Identification of Sources of Finance

- Public finance sources are funds provided by government bodies or public institutions, typically aimed at achieving broad social, economic, or environmental goals with lower expectations of financial returns but high public or social impact.

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Identification of Sources of Finance

- Private finance sources come from private sector entities such as banks, investment funds, or corporations, seeking commercial returns and usually bearing higher risk appetite and demand for competitive financial performance.

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Identification of Sources of Finance

Blended finance consists of combinations of public and private funding designed to de-risk projects and attract larger pools of capital (e.g. PPPs, climate bonds, community investment).

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Importance of Understanding Investor Needs and Building Relationships

- Knowledge of what motivates different investor types - whether policy alignment or financial return - is critical to framing propositions.
- Tailor investment propositions to the varied priorities of investors -some focus on policy alignment or social impact, others on financial returns and risk appetite.
- Ongoing engagement allows development of mutual trust and better-tailored finance options. Establish ongoing dialogue to refine proposals, build trust, and foster long-term partnerships that enhance finance mobilization.

Importance of Understanding Investor Needs and Building Relationships

Investors typically seek:

- Clear ROI (Return on Investment)
- Risk mitigation
- Policy alignment
- Transparent governance and reporting

Public Finance Sources

Public finance may include

- local government budgets
- government grants
- national green funds
- concessional loans from GBE, NWF, PWLB
- specific climate funds aligned with policy drivers i.e. decarbonisation targets or social impact

Examples: National Wealth Fund (NWF), Public Works Loan Board (PWLB)

Drivers of Public Sector Financing

Public sector financing for green projects is driven by:

- Policy alignment: Ensuring investments support government climate and sustainability goals.
- Social impact: Targeting improvements such as reducing fuel poverty and enhancing public health.
- Climate resilience: Building capacity to withstand climate risks and protect communities.
- Local economic development: Creating jobs and stimulating green industries locally.

Private Sector Finance Sources

Private sector finance may include:

- commercial banks (green loans, bonds)
- institutional investors such as pension funds and insurers
- impact investors
- venture capital funds
- ESG funds

Drivers of Private Sector Financing

- Return on investment (ROI): Private investors seek competitive financial returns to justify capital allocation.
- Investment tenor: The duration of investment commitments influences private sector participation, with preferences for tenors that match their liquidity needs and funding cycles
- Risk profile: Private investors assess climate investments based on perceived risks such as market, regulatory, and technology risks,
- Regulatory incentives: Policies such as tax credits, subsidies, carbon pricing etc. create favorable conditions for private.

Building Relationships with Investors

Building relationships with investors for Net Zero projects involves:

- Early Engagement: Start discussions early to build trust and align goals, allowing investors to shape project design and understand risks.
- Co-development of Proposals: Collaborate with investors to ensure their priorities are reflected, improving proposal strength and funding chances.

Building Relationships with Investors

Building relationships with investors for Net Zero projects involves:

- Understanding Investor Priorities: Tailor proposals by knowing investors' risk tolerance, return expectations, and impact goals for smoother negotiations.
- Transparent Communication: Maintain honest, regular updates on project progress, challenges, and impact to build credibility and support ongoing partnerships.

Key Issues when Engaging Investors

Key Factors for Investor Confidence in Net Zero Projects

- Risk-sharing mechanisms distribute risks to reduce investor exposure.
- Stable policies & regulations create a predictable environment for investment.
- Community engagement involve stakeholders to build social license and project acceptance.

Benefits and Risks of Different Investor Types

Investor Types	Benefits	Risks/Limitations
Public Sector	Provide crucial early-stage or concessional support	Limited funds, slow processes
Private Sector	Bring large scale capital, innovation	ROI-driven (requires clear commercial viability), higher risk aversions)
Community Bonds	Larger capital mobilisation (leverages strengths of both public and private finance)	Complex coordination

Key Issues when Engaging Investors

Key Factors for Investor Confidence in Net Zero Projects

- Clear legal agreements build trust and reduces uncertainty.
- Performance guarantees: commitments or insurance reassure investors on returns.
- Transparency and credible data: reliable information supports informed decision-making.
- ESG alignment: meeting environmental, social, and governance standards boosts appeal.

Question 1

How can blended finance support local net zero investments?

- A. By combining public and private funds to reduce risk and attract investment
- B. By increasing public debt
- C. By eliminating private sector involvement

Question 1 - Answered

How can blended finance support local net zero investments?

- A. By combining public and private funds to reduce risk and attract investment
- B. By increasing public debt
- C. By eliminating private sector involvement

Question 2

What are two key drivers of private sector investment in net zero projects?

- A. Political influence and media coverage
- B. Return on investment and investment tenor
- C. Tax exemptions and subsidies

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Question 2 - Answered

What are two key drivers of private sector investment in net zero projects?

- A. Political influence and media coverage
- B. Return on investment and investment tenor
- C. Tax exemptions and subsidies

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Question 3

Identify an applicable component of an investment plan

- A. Financing sources
- B. Branding
- C. Tax planning

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Question 3 - Answered

Identify an applicable component of an investment plan

- A. Financing sources
- B. Branding
- C. Tax planning

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Section 3

Summary:

Focuses on integrating financing considerations across the full project lifecycle, embedding net zero finance into governance, planning, budgeting, and decision-making processes.

Learning Outcomes:

- Explain why finance must be embedded early in project development
- Understand the Final Investment Decision (FID) process
- Align projects with council investment plans and credit capacity
- Recognise the role of governance, capacity, and political support

Section 3 requires 6 learning hours: 3 hours of Guided Learning and 3 hours of Independent Learning.

3. Embedding Net Zero Financing into Ongoing Work

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Overview

Embedding net zero financing means ensuring that climate considerations and funding strategies are integrated into every stage of project development and council operations - not treated as separate or one-off initiatives.

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Finance must be Embedded Throughout the Project Lifecycle

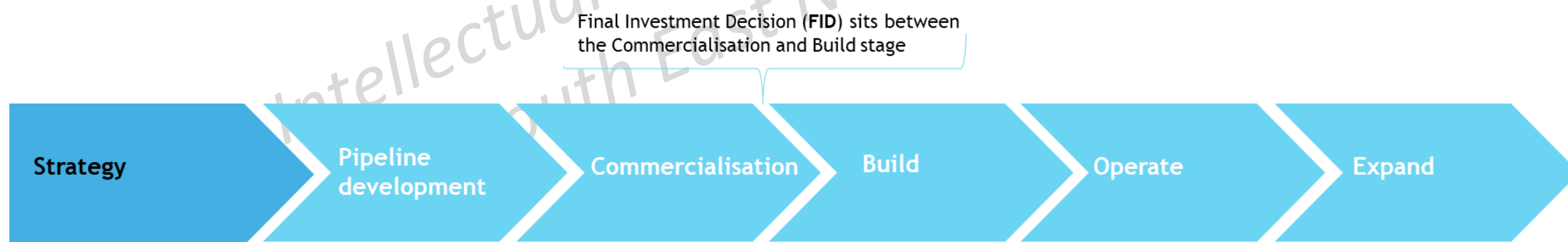
Securing finance for net zero projects requires integrated action throughout every step of the project development process, not as a one-off activity.

Local authorities must embed financing considerations into each stage to build investment-ready projects aligned with strategic goals.

Overview of the Project Development Process

The project development process involves clear steps: defining project scope, conducting feasibility and risk assessments, developing financial models, securing political and departmental buy-in, developing procurement strategies, and ongoing monitoring post-finance securement.

The diagram below demonstrates the typical project development stages, especially in the context of developing climate projects, aligned with the LNZA Fit for Finance Stages:



Final Investment Decision

- In large capital projects, the Final Investment Decision (FID) is the point at which the sponsor makes a binding decision to proceed from development to implementation and commits major capital to a project.
- The FID process requires a thorough assessment of whether a project is technically workable, financially sound, and compliant with laws and regulations. It examines technical feasibility, expected returns and costs, key risks and mitigation measures, and confirms that all necessary permits and environmental/legal requirements are in place.

Final Investment Decision

- A Final Investment Decision (FID) represents a firm financial commitment that a project will proceed and communicates this to stakeholders such as governments, investors, financial institutions etc.
- The council (or company/ JV board under council control) typically approves the full business case and associated funding package, effectively committing the authority to proceed, subject to any remaining conditions precedent.

Question: In your authority, what does the “go/no-go” moment look like for net zero projects?

Question: In your authority, what is the criteria for this decision?

Key Actions for Project Developers

Project developers need to fulfil the following:

- Integrate net zero goals into project scoping
- Use climate impact scorecards for investment decisions
- Engage finance teams early on

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Key Actions for Project Developers

Project developers need to fulfil the following:

- Ensure cross-departmental collaboration - aligning with local government financial and planning departments
- Build capacity for financial modelling and investor engagement
- Contribute towards the preparation of investment-ready project propositions

Alignment with Council Investment Plans

It is critical for net zero projects to align tightly with existing council or local government investment plans and budget priorities. This ensures cross-departmental support, especially from financial and planning teams, to integrate net zero goals into the standard operating framework.

Projects must therefore:

- Fit within existing capital and infrastructure plans
- Be supported by planning and finance departments
- Reflect local development priorities and statutory responsibilities

Alignment with Council Investment Plans

Driving stakeholder engagement in the alignment process

- Community onboarding is essential to ensure local buy-in, long-term sustainability, and equitable benefits.
- Engaging with a diverse range of finance providers, including both commercial and concessional sources, helps tailor funding models to project needs and risk profiles.
- At the same time, Combined Authorities must actively involve local authorities in planning and implementation to align regional priorities and unlock place-based opportunities.

This collaborative approach strengthens governance, builds trust, and accelerates the transition to a low-carbon future.

Fiscal Autonomy and Creditworthiness

Local authorities should consider their fiscal autonomy and creditworthiness early, as these influence borrowing capacity and ability to attract diverse financing sources.

Local authorities must assess:

- Borrowing capacity: many councils face limits due to debt ceilings
- Revenue generation: ability to raise funds through taxes, levies, or service charges
- Credit rating: affects access to private finance and bond markets

Fiscal Autonomy and Creditworthiness

The table below indicates examples of financial instruments that are accessible to local authorities, depending on their creditworthiness:

Credit rating	Suitable financing instrument
High creditworthiness	Municipal Bonds, Long-term Loans, Public-Private Partnerships (PPPs), Donor Financing
Moderate creditworthiness	Bank Loans, PPPs, Limited Bonds with higher interest rates
Low creditworthiness	Government Grants, Concessional Loans, Concessional Grants, Concessional Equity, Public Guarantees

Question

Looking at these types of instruments, which ones feel realistic for your authority today and which ones do you think your authority is interested in?

Other Considerations

Importance of Capacity Building

Capacity building within authorities is crucial to bridge the 'project development gap' and develop technically sound and financially robust net zero investment propositions. This includes dedicating resources to knowledge, specialist skills, and technical assistance.

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Other Considerations

Knowledge Coordinators

Identifying and empowering nominated Knowledge coordinator role can facilitate shared learning, facilitate cross-sectoral dialogue, bridge between policy and investment teams, thus removing barriers in project financing.

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Other Considerations

Governance frameworks

Establishing governance frameworks to align local net zero delivery across governmental levels, piloting innovative financing instruments, and leveraging regional technical assistance facilities to support project development.

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Other Considerations

Political support

Effective embedding also involves ongoing political support and using transparent governance frameworks to manage risks and sustain investor confidence.

Transparent reporting

Ongoing monitoring, evaluation, and transparent reporting support continuous improvement, investor confidence, and stakeholder accountability.

What Good Embedding Looks Like in Practice

Fragmented approach	Embedded, finance-aware approach
Projects initiated in isolation by service teams	Net zero priorities integrated into local authority planning and capital strategy
Finance teams engaged late, typically at the business case stage	Finance, climate, procurement, and legal teams involved from concept stage
No consistent development standards or templates	Standardised feasibility, risk, and financial modelling process
Reliance on opportunistic grants	Clear governance gateways and decision-making routes
Limited visibility of pipeline across the authority	Portfolio-level oversight of all net zero projects

Where Net Zero Projects Often Go Wrong

- Projects scoped without considering commercial viability
- Business cases developed without early financial modelling
- Procurement and legal brought in too late to shape delivery models
- Over-reliance on grants or PWLB as the default funding route
- No clear project owner or accountable senior officer
- Political cycles disrupting continuity and long-term planning
- Insufficient capacity to manage development work or investor engagement

Building a Finance-Ready Project Pipeline

- A structured pipeline with clear stages: concept, feasibility, outline business case (OBC), Final Business Case (FCB), Final Investment Decision (FID)
- Prioritisation criteria aligned with carbon, cost, readiness, and co-benefits
- A development finance strategy that identifies how early-stage work will be funded
- Standard templates for feasibility, risk, and financial modelling
- Regular cross-department pipeline review meetings
- Portfolio-level risk management and sequencing of projects
- Clear visibility for senior leadership and elected members

Decision-Making Gateways and Governance

Typical gateway structure:

Stage	Action
Concept approval	Strategic fit, early financial viability, initial risks
Feasibility approval	Technical options, early modelling, development finance secured
Outline Business Case	Preferred option, delivery model, procurement route
Final Business Case	Full financial model, contracts, risk allocation
Final Investment Decision	Cabinet/committee approval, financing secured
Procurement & Delivery	Contract, monitoring, reporting

Cross-Department Collaboration – What Works

- Joint climate–finance working groups with shared ownership
- Co-authored business cases and investment plans
- Shared KPIs across climate, finance, procurement, and legal
- Regular pipeline review meetings chaired by a senior sponsor
- Early involvement of procurement to shape delivery models
- Finance embedded in climate teams (and vice versa)
- Clear communication channels and escalation routes

Question 1

Why is embedding financing considerations early in project development important?

- A. It reduces paperwork
- B. It avoids investor involvement
- C. It ensures projects are investment-ready

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Question 1 - Answered

Why is embedding financing considerations early in project development important?

- A. It reduces paperwork
- B. It avoids investor involvement
- C. It ensures projects are investment-ready

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Question 2

What is the most suitable finance instruments for local authorities with low creditworthiness?

- A. Concessional grants
- B. Long-term commercial loans
- C. Bond with high interest rate

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Question 2 - Answered

What is the most suitable finance instruments for local authorities with low creditworthiness?

- A. Concessional grants
- B. Long-term commercial loans
- C. Bond with high interest rate

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Question 3

Which of the following is not a key action that project developers should undertake to support investment-ready, net zero projects?

- A. Integrate net zero goals into project scoping
- B. Build capacity for financial modelling and investor engagement
- C. Avoid collaboration with local government departments

Question 3 - Answered

Which of the following is not a key action that project developers should undertake to support investment-ready, net zero projects?

- A. Integrate net zero goals into project scoping
- B. Build capacity for financial modelling and investor engagement
- C. Avoid collaboration with local government departments

Section 4

Summary:

Develops practical skills for presenting net zero projects to investors, focusing on data, financial proposals, impact metrics, and effective investor engagement.

Learning Outcomes:

- Identify key financial and impact data required by investors
- Structure a clear, credible investor proposition
- Quantify secondary environmental and social benefits
- Understand good practice in pitching, monitoring, and reporting

Section 4 requires 4 learning hours: 2 hours of Guided Learning and 2 hours of Independent Learning.

4. Understanding and Pitching to Investors

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Overview

To secure investment, local authorities must present net zero projects in a way that aligns with investor expectations. This includes collecting robust data, preparing clear financial proposals, and demonstrating both environmental and economic value.

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Collection of Key Data and Metrics

Collect key data and metrics relevant to net zero projects for ongoing monitoring and evaluation.

- Collect essential financial and impact metrics regularly, including capital expenditure (CAPEX), operational expenditure (OPEX) breakdown, expected Return on investment (ROI), carbon abatement measures, energy savings, carbon abatement potential (e.g. tonnes CO₂e saved) and social impact metrics (such as local job creation, poverty reduction, community health improvements).
- Investors also expect to see data on risk profile and mitigation strategies.
- Ongoing monitoring and evaluation of these metrics build investor confidence and support transparent reporting.

Preparation of Financial Proposal

Prepare a financial proposal with a structured approach:

- Develop market understanding
- Define the problem and solution
- Define the project scope and objectives
- Develop a clear business model - quantifying climate and social benefits
- Prepare realistic financial projections by developing a financial model (encompassing data such as costs, revenues, funding sources, financing needs)
- Align proposal with investor priorities (e.g. ESG, SDGs)
- Provide risk analysis and mitigation plan
- Include governance and delivery structure

Quantifying Secondary Benefits

Incorporate secondary benefits/impacts that can be quantified, as investors increasingly value environmental, social, and governance (ESG) outcomes alongside financial returns. Secondary benefits can be powerful selling points, for example:

- Health improvements from better air quality
- Energy savings for households
- Job creation in green sectors
- Community resilience and equity

It is important to highlight the above factors as they align with many investors' ESG and impact mandates.

Initial Consultations with Investors

- Engage potential investors early to secure interest, clarify expectations, and refine proposals collaboratively.
- Customize the pitch to align with investor priorities such as risk appetite, investment horizon, and required returns.

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Initial Consultations with Investors

To successfully engage the investors, do the following:

- Share early drafts of the proposals
- Ask for feedback on the structure and metrics included in the proposal
- Understand the investor's risk appetite and preferred returns
- Build trust and refine the pitch collaboratively

Formal Submission and Structuring

Formal submission should include a compelling pitch deck summarizing the opportunity, detailed financial models, and structured agreements defining investment terms, roles, and exit strategies.

- Submit a bankable proposal with clear financials
- Structure agreements (e.g. PPPs, green bonds)
- Include legal and regulatory compliance
- Offer performance guarantees or insurance where possible [unece.org]
- Negotiate and formalize investment agreements specifying roles, responsibilities, financial terms, and governance

Ongoing Monitoring and Reporting

Ongoing monitoring and transparent reporting to investors are essential to meet obligations, manage risks, and build trust for future financing rounds.

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Ongoing Monitoring and Reporting

- Maintain transparency with investors through regular updates on project performance, financial health, and social impact metrics.
 - Track emissions reductions
 - Use frameworks such as the Task Force on Climate-related Financial Disclosures or PRI Net Zero Asset Owner Alliance for reporting
- Provide regular updates to investors and stakeholders.
- Use feedback loops to adapt project delivery and financing strategies.

Learning and Sharing

- Document and discuss lessons learned throughout the whole phase (during the financing and delivery phases) and share insights with wider stakeholders to improve future project development and investor engagement.
- Share insights with other councils and networks, and contribute to national/local climate finance knowledge hubs
- Capturing lessons learned will drive continuous improvement in how local authorities show up and drive conversation with investors during the financing/investment phase during project development.

Key Elements of Successful Investor Pitches

- A concise, clear pitch deck (no more than 12 slides at most) that summarizes the market problem, the net zero solution, financial projections, team expertise, and funding needs.
- Demonstrate a strong return on investment while emphasizing environmental and social impacts aligned with UN Sustainable Development Goals (e.g., climate action, clean energy).
- Demonstrate how the investment proposition aligns with the investors interest.

Key Elements of Successful Investor Pitches

- Highlight quality and experience of the project team to build investor confidence.
- Show willingness to collaborate with investors on governance and progress reviews.
- Clearly state exit strategies such as trade sales or public offerings to clarify investment horizons.
- Use attractive visuals and clear language avoiding jargon to communicate complexities simply.

Examples of Secondary Benefits to Quantify

- Energy savings and renewable energy generation
- Local employment and community economic uplift
- Health improvements from pollution reduction
- Biodiversity benefits where relevant

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Examples of Secondary Benefits to Quantify

- **Carbon emissions reduced or avoided (Scopes 1, 2, and 3)**
 - Scope 1: Direct emissions from sources owned or controlled by the organization
 - Scope 2: Indirect emissions from the generation of purchased energy, steam, heating, or cooling consumed by the organizations
 - Scope 3: All other indirect emissions across the value chain

Question 1

What are key secondary benefits to highlight in a net zero project pitch?

- A. Technological advancement
- B. Health improvements
- C. Political endorsements

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Question 1 - Answered

What are key secondary benefits to highlight in a net zero project pitch?

- A. Technological advancement
- B. Health improvements
- C. Political endorsements

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Question 2

How can ongoing monitoring influence investors?

- A. It builds investor confidence by reducing project scope
- B. It builds investor confidence by increasing project complexity
- C. It builds investor confidence by improving project transparency

Question 2 - Answered

How can ongoing monitoring influence investors?

- A. It builds investor confidence by reducing project scope
- B. It builds investor confidence by increasing project complexity
- C. It builds investor confidence by improving project transparency

Question 3

Identify the type of data to collect for investor pitches

- A. Legal documents and permits
- B. Financial metrics and impact metrics
- C. Marketing data and social media reach

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Question 3 - Answered

Identify the type of data to collect for investor pitches

- A. Legal documents and permits
- B. Financial metrics and impact metrics
- C. Marketing data and social media reach

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