Reichman University Arison ESG Center
Environmental. Social. Governance

PLANETech World 2024

Financing Roundtable

Opening remarks-Yair Avidan[1]

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First, we would like to thank all of you for participating in the important topic of developing infrastructure for financing climate technologies and creating financing continuity for their maturity.

In this context, we will begin by announcing the launch of a permanent joint forum of the Arison Center of ESG and PLANETech on climate technology financing, “ClimaTech Finance Forum”.

The permanent forum will deal with structuring tools for creating financing continuity that supports the maturation processes of innovative Israeli climate technologies and creating a dialogue between the players throughout the various stages of funding.

As part of today's roundtable, the issues on the agenda will be presented in a preliminary manner and we will hear from you as relevant parties regarding challenges and barriers in the process, as well as possible solutions.

At the end of the discussion, Action Items will be mapped for further forum work in accordance with the findings of the discussion. And of course, the forum will be alive and we will be happy to interface, raising issues and challenges – and even more so – flooding solutions.

We live in a globalized world, but Israel lags behind when it comes to ESG regulation and we will be required as much as we desire to live, to adapt to what is accepted in the economies with which we trade, otherwise we will become the “Robinson Crusoe” market. The adjustment is broad, relevant to the worlds of regulation, accounting reporting, disclosures and of course, the worlds of finance in which we are concerned.

ClimaTech technology product development takes many years and therefore its development is expensive and high-risk. In addition, significant investment is required and companies must

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survive for a longer period of time and absorb losses before reaching profitability. The classic models of "venture capital" funds that aspire to return investment within a few years find it difficult to support these companies, and accordingly in Israel there is a relatively small number of investment companies that specialize in investing in ClimateTech companies, mainly VC funds that focus on early stage and lead the activity with great passion and commitment.

Alongside these, of course, there are transition risks that have many characteristics and implications, including, inter alia, uncertainty regarding technologies that will mature and uncertainty regarding regulation that will be formulated that can affect a variety of industries and supply chains that are also of great significance.

As part of the observation and analysis of the transitional world, there is a challenge to examine and understand the financing meanings and risk components between the old and traditional world defined as the "brown" world and the innovative and clean world called "green", aspects of capital allocation, implications for the existing portfolio compared to the new portfolio and much more, and hence, it is important to mention the world of taxonomy that is developing greatly in the world and especially in Europe and is taking its first steps in Israel. It is expected to have an impact on financing, classification, accessibility and price.

And after this introduction, it is not surprising that the first obstacle to advancing climate projects in Israel is funding and access to capital.

I see great importance in creating a financial platform that is as diverse and agile as possible in terms of the life cycle of the ventures and their development processes and their challenges/barriers, which will in fact be an enabling platform for sustainable financing.

The sustainable financing market should be examined on several levels.

Oneis what activity to fund – activity that promotes social and environmental solutions will be considered sustainable and should be funded. In light of the differences between climate projects and other projects we are familiar with, there is a need for unique financing solutions to promote climate technology in Israel.

The second is regulation – regulation relevant to the social and environmental worlds, requires a high level of good governance and transparency, corporate responsibility and standardization of standards.

The third is the creation of financial instruments and tools suitable for the challenges of ventures and activities that support a sustainable economy.

And alongside pure economics, and for good reason, economics is part of the social sciences, it is important that we ask ourselves and provide a long-term answer, what is the connection between pure IRR and examining soft considerations in terms of impact on the planet, and yes, from a long-term perspective, what is relevant IRR as the planet warms above the existential threshold, i.e., what is the difference between IRR and failure to achieve Net Zero's goal on time.....

There is a long way to go and with all the challenges, the North Star is quite clear and successful realization may bring us to a better planet, economy and society.

And now, we will try to go down and touch on more concrete and practical aspects.