

MOBILISING THE FINANCIAL SECTOR ON ENERGY EFFICIENCY

Financing energy efficiency in Bulgaria and other countries from Central and South-Eastern Europe

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Sofia, 28 June 2018

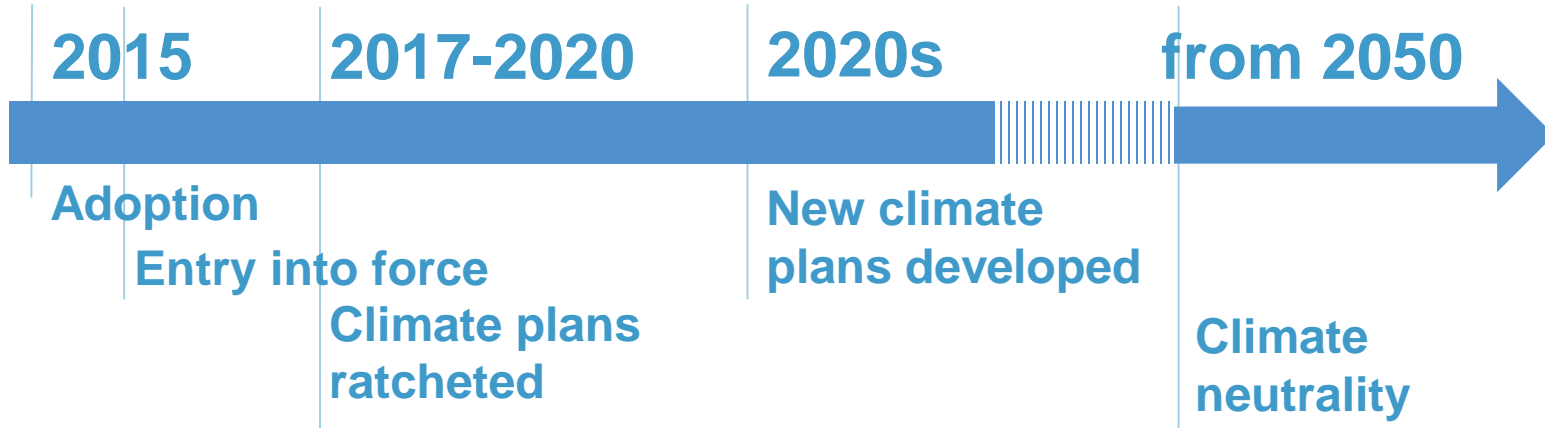


State of the global energy efficiency market



The Paris climate agreement provides a comprehensive decarbonization framework for the global economy

Paris Agreement milestones on path to climate neutrality

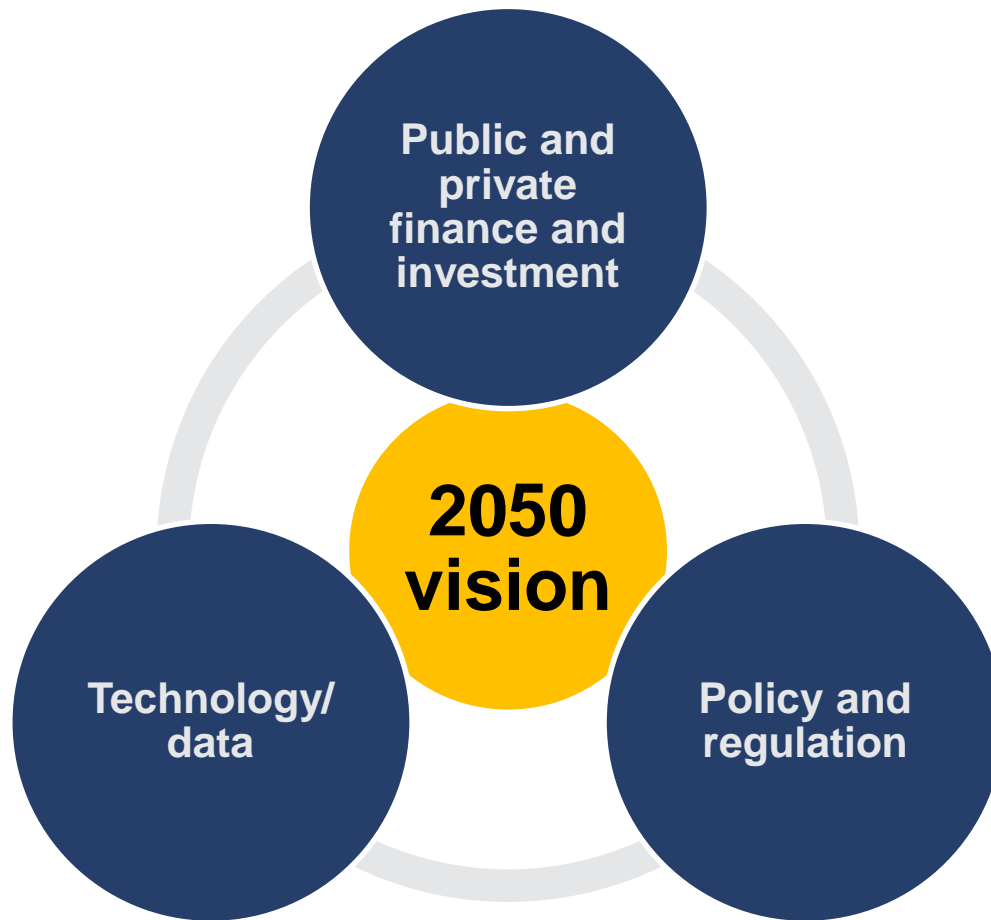


2 degrees C objective

“Well below” 2 degrees C stretch goal

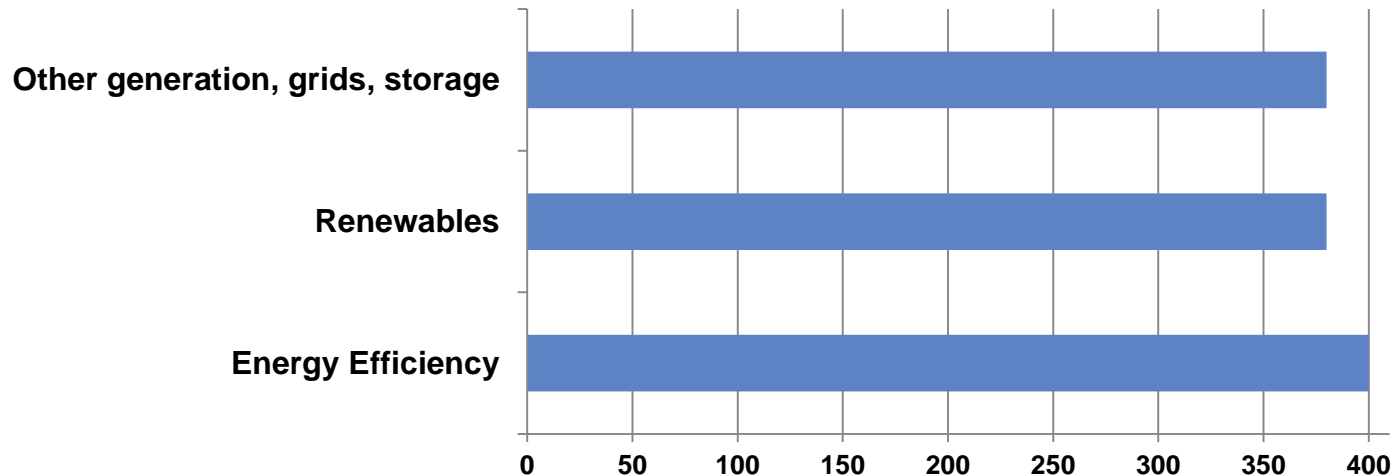


Policy, data and finance are working together to advance work towards global climate neutrality



Paris Agreement implementation represents a significant investment opportunity

Paris Agreement average annual investment needs until 2050, USDbn



USD 1100bn

Average annual investment required until 2050, around USD 400bn in energy efficiency

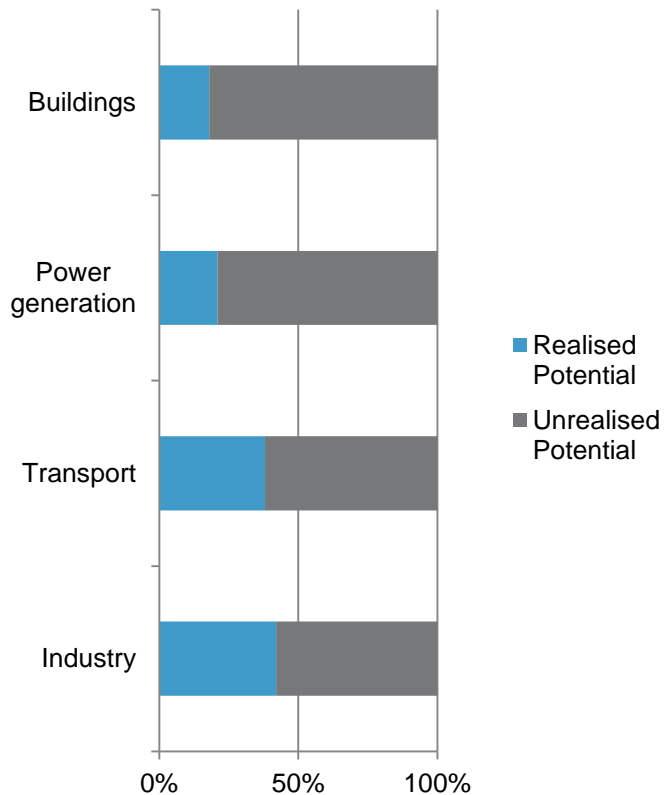


Energy efficiency investment is driven by its value premium; nevertheless, further action is required to upscale investment levels

Major drivers of FI action on energy efficiency

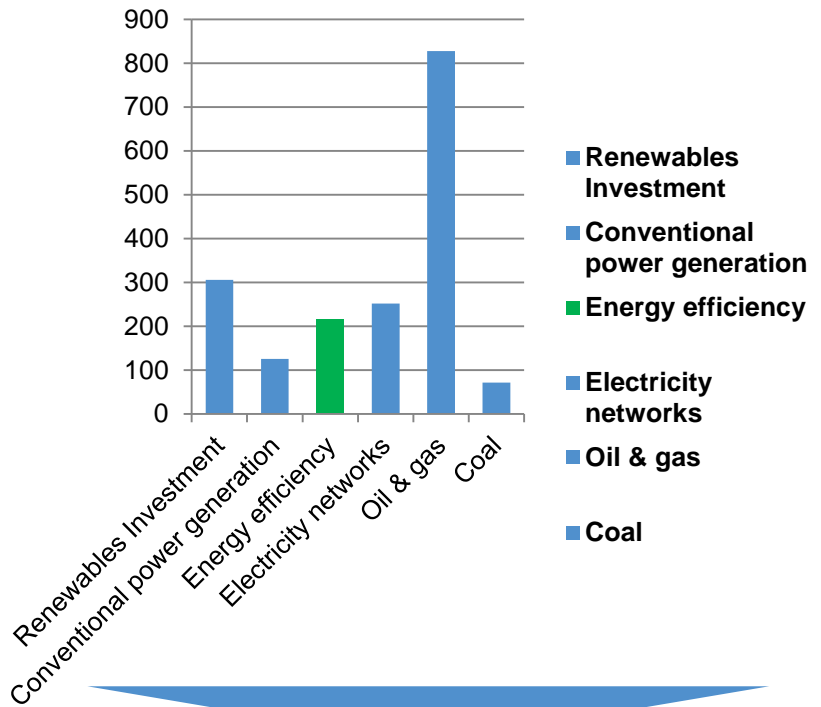


Global BAU until 2035 would leave most EE efficiency potential untapped



There is a large growing global EE investment market; energy efficiency improvement is gaining pace despite falling oil prices

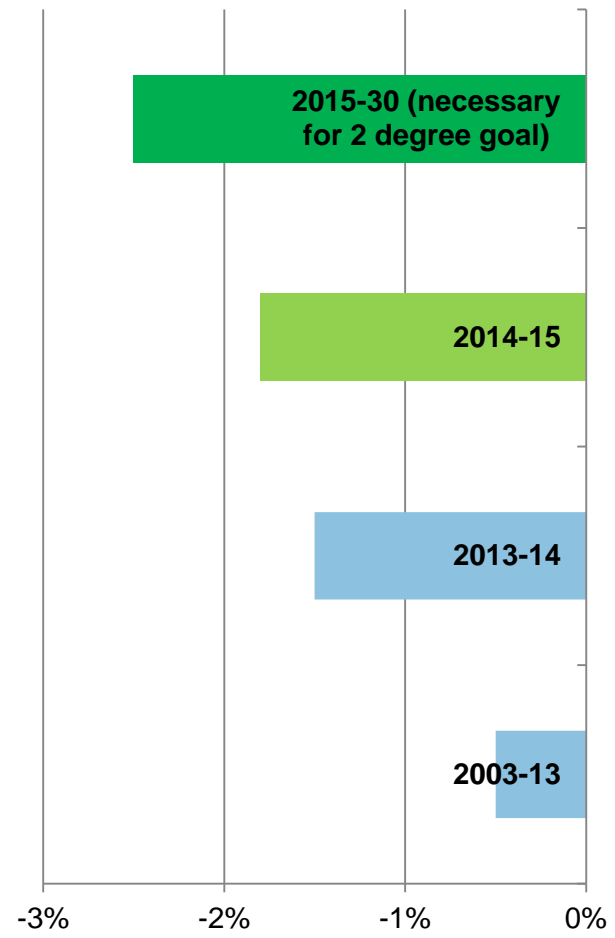
Total energy sector investment in 2015 (USD bn)



According to the IEA, global annual EE investment needs to increase by **A factor of 8** to meet a 2 degrees pathway

Source: IEA

Rate of improvement of global energy intensity



Transforming the energy efficiency market



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Four main challenges define the energy efficiency opportunity

Main challenges in scaling up EE investment

Complexity

Wide range of financing structures necessary for investments across sectors and asset classes

Deal size

Small ticket size causes need for aggregation

Embedded transactions

EE investment is mostly integrated into other transactions, such as real estate refinancing. Need for identification/tagging of EE components in transactions

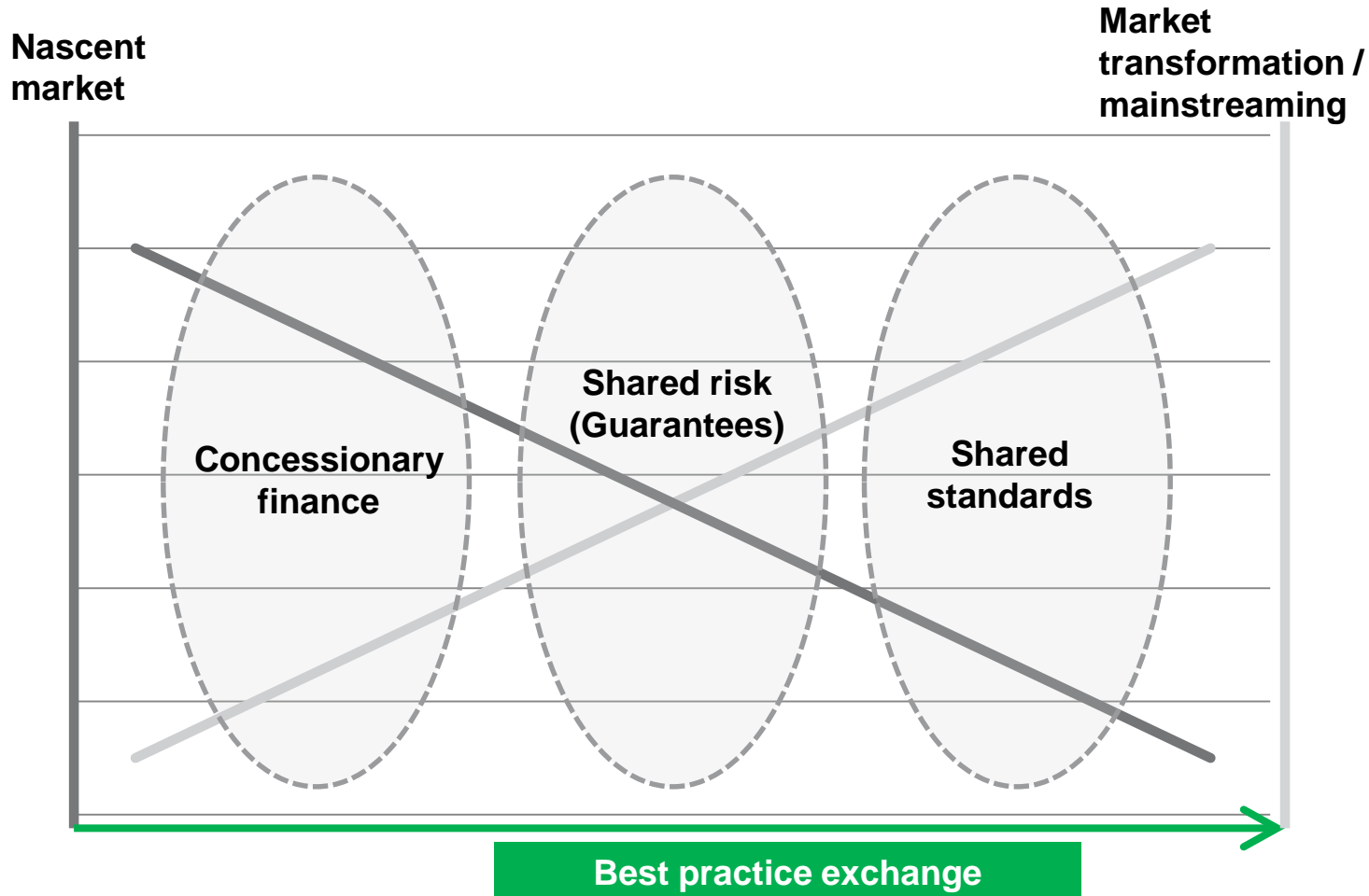
Coordination

Common frameworks for project developers, investors, financiers and project hosts



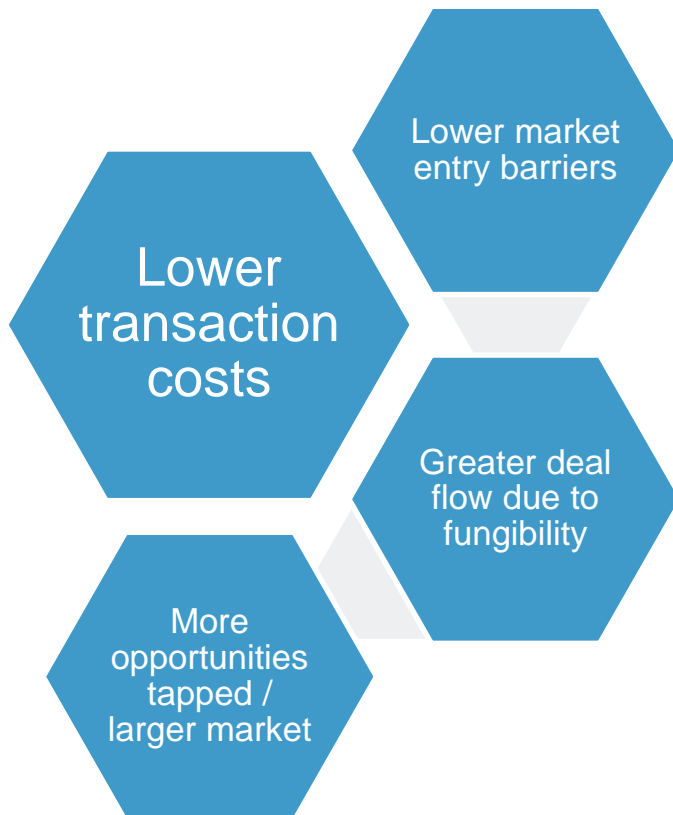
To mainstream energy efficiency, the investment market needs to combine concessionary finance with risk sharing and standardization

Major drivers of FI action on energy efficiency



Standardization/mainstreaming has a number of benefits for the EE investment market

Standardization of financial practices means more than standardized projects



... **however:**

The EE investment market evolves gradually. Progressive standardization should still leave room for innovation.



EEFIG in its second phase made major contributions to progressive standardization and mainstreaming

De-Risking Energy Efficiency Platform

- DEEP is an open-source initiative to up-scale energy efficiency investments in Europe through the improved sharing and transparent analysis of existing projects in Buildings and Industry.
- Now covers data for more than 10 000 industry and building projects
- Please use or contribute to DEEP



EEFIG Underwriting Toolkit – Value and Risk Appraisal Guide

1 to help originators, analysts and risk departments within financial institutions

2 to provide a standardized framework for evaluating

3 to help developers and owners seeking to attract external capital

4 to foster a common language



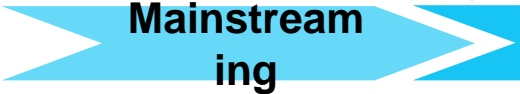

Advancing the global energy efficiency framework for FIs



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Unprecedented collaboration between policy-makers, private finance institutions and development banks is required

		Integrated	Core
Market	\$	USD trillions	USD 221bn
Policy	2000+ policies	Energy subsidies; Inefficient markets; Supply-led planning.	Energy Transition; National Renovation Strategies; Vehicle Fleet Standards; Transparent Energy Planning.
		<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  <p>Mainstreaming</p> </div> <div style="text-align: center;">  <p>Enabling</p> </div> </div>	
Private Sector	Banks \$110tr	Finance undertaken without explicit consideration of energy “externalities” or cost effective energy improvements.	Green tagging; Green buildings lending; green lending; climate lending; Equator principles.
	Investors \$70tr	Finance undertaken without explicit consideration of energy “externalities” or cost effective energy improvements.	Green tagging and company disclosure; Collaborative shareholder activism; Green funds; Sustainable real estate funds.
	Insurers \$31tr	Product and services without explicit consideration of energy “externalities”.	Green buildings insurance; Climate mitigation insurance and investments; Addon coverage; Technical assistance, advisory services.
Public Sector	Public finance \$176 + bn	Finance undertaken without explicit consideration of energy “externalities” or cost effective energy improvements.	Resource Efficiency; Safeguards; ESG & Climate Commitments; \$33 bn
			ESCOs (USD 24 bn); “Self-financed”
			“EE First”; Mandatory targets/ standards; NZEBs; EE Obligation schemes; National EE Action Plans.
			EE mortgages; Building renovation loan; EE credits/loans; EE tagging.
			Productivity Indexes; Own real estate EE renovation; EE tagging.
			Energy saving insurance; energy performance guarantee; EE advisory services.
			Direct EE Lending; EE Policy lending; EE targets; Technical assistance. \$7 bn



Advancing energy efficiency in the EU – third phase of EEFIG



In its third phase over the next four years, EEFIG will continue driving energy efficiency investment in a market that is now more mature

Co-Convenors:



Working Groups:

Building the case for energy efficiency financing

Mainstreaming energy efficiency financing

Monitoring progress and innovation in energy efficiency financing



EEFIG 3 will build the case for EE on a project and portfolio level

Portfolio level

Assess quantitative relationship between energy efficiency improvements and lower probability of default (including prudential regulation, internal ratings based approach)

Project level

Multiple benefits, DEEP database,

EEFIG 3 will advance mainstreaming of energy efficiency within financial institutions

EE taxonomy and green tagging

Mainstreaming EE debt products to support smart finance for smart buildings initiative

Analyse the role of national promotional banks

Update underwriting toolkit

(...)



EEFIG 3 will monitor progress and innovation in EE financing

Status of implementation of EEFIG recommendations

Monitor progress in financing for buildings, industry (including development of a secondary market for institutional investors)

Good practice exchange around innovative business models

(...)



THANK YOU VERY MUCH.



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