

# MOBILISING THE FINANCIAL SECTOR ON ENERGY EFFICIENCY

Promoting and Financing Energy Efficiency in Ireland and the UK

Martin Schoenberg – Energy Efficiency Project Coordinator  
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# State of the global energy efficiency market

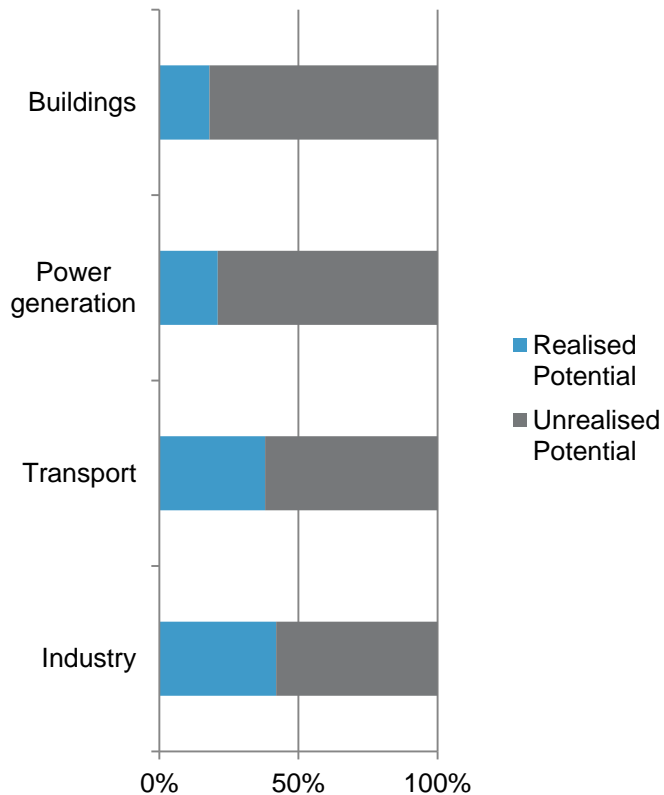


# Energy efficiency investment is driven by its value premium; nevertheless, further action is required to upscale investment levels

## Major drivers of FI action on energy efficiency

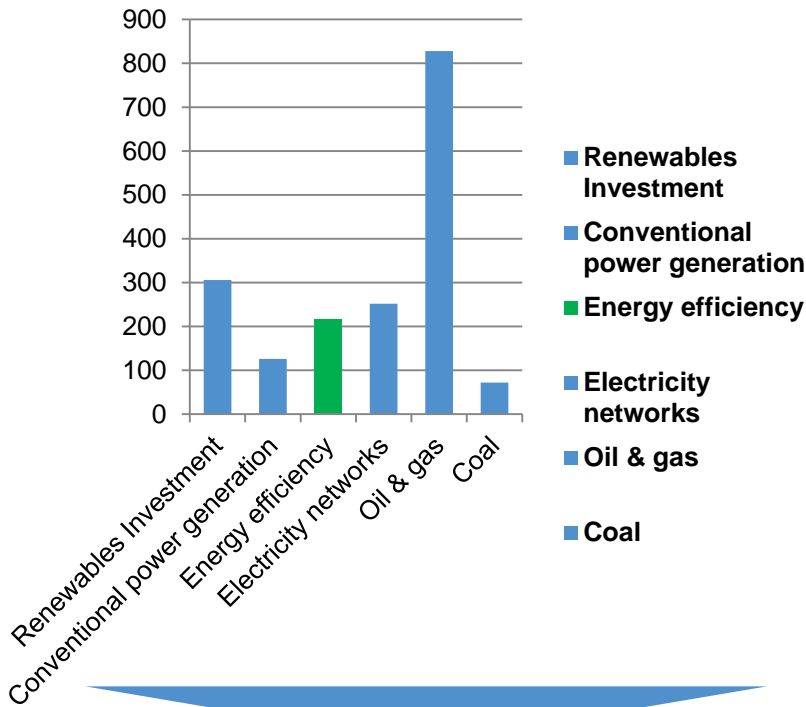


## Global BAU until 2035 would leave most EE efficiency potential untapped



# 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)



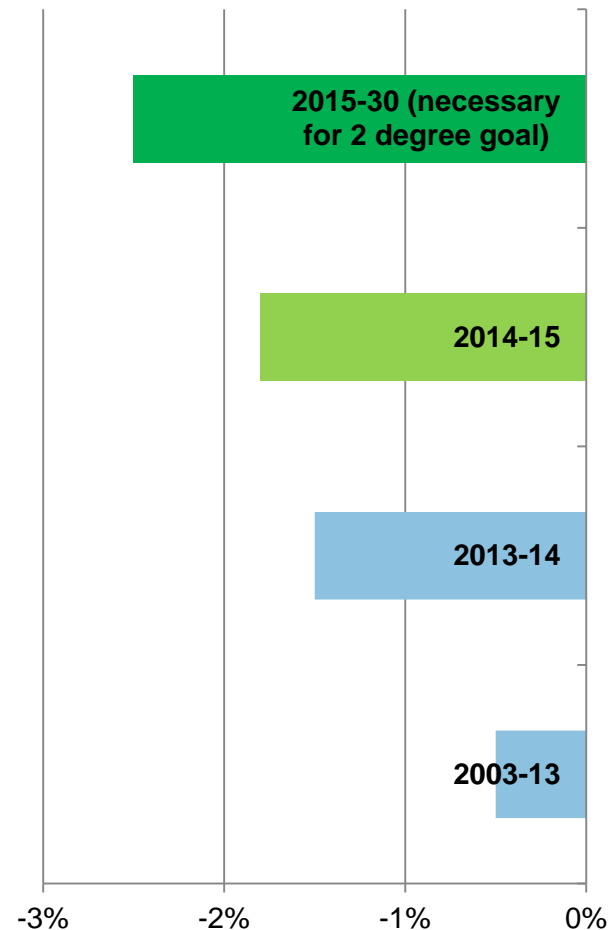
According to the IEA, global annual EE investment needs to increase by

**A factor of 8**

to meet a 2 degrees pathway

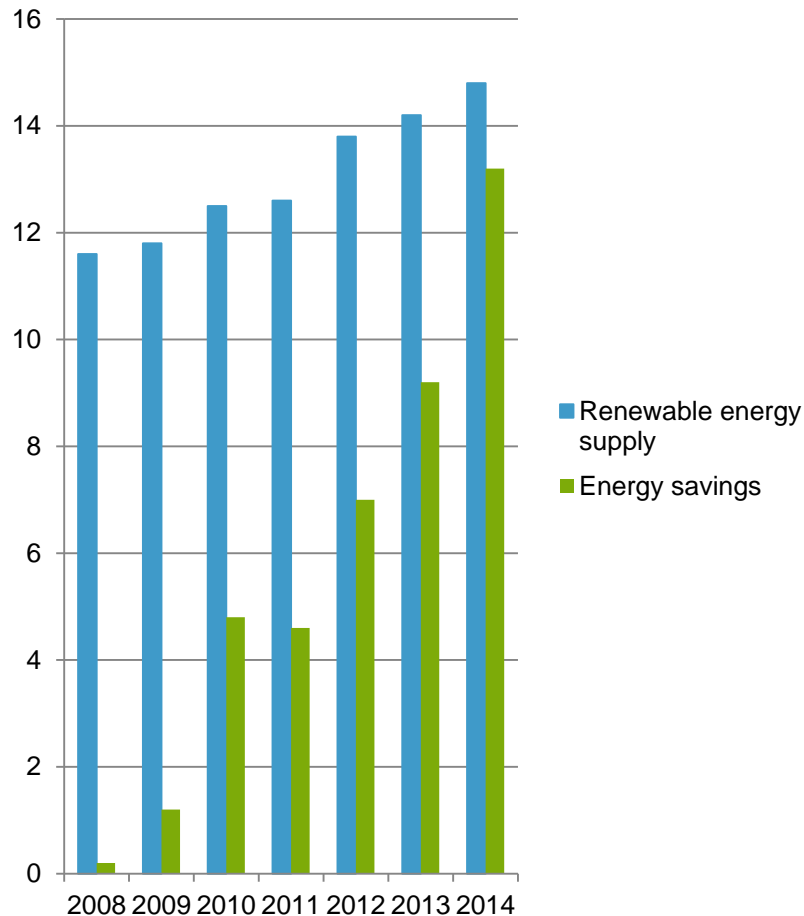
Source: IEA

Rate of improvement of global energy intensity



# In China, energy efficiency and renewables are now on par as well; globally, multiple benefits accrue to societies from EE

Primary energy savings from EE and renewable energy supply in China (Ej)



Source: IEA

Multiple benefits of EE in OECD countries: 2000 - 2015

**451 Mtoe**  
saved

**USD 540 bn**  
macroeconomic savings for end users

**203 Mtoe**  
savings in energy imports, half of which occurred in the EU

**USD 27 bn**  
of savings on energy imports in the EU

**1.5 GtCO<sub>2</sub>**  
saved in OECD countries, the equivalent of Japan's annual emissions

**USD 1.2 trn**  
worth of new generation infrastructure avoided



# Mobilising the financial sector on energy efficiency



# The G20 Energy Efficiency Investment Toolkit provides a collaborative architecture for policy-makers and FIs



## G20 EE Investment Toolkit

### Policy



### Private finance

**Banks**

**Institutional Investors**

**Insurance Companies**

### Public finance

**Box 4.1 | Joint G20 energy efficiency statement**

As our contribution to the work of the G20 Energy Efficiency Finance Task Group, and as public financial institutions, we share a common understanding of the positive economic, climatic and societal benefits of energy efficiency. Together, we wish to ensure that our activities promote and support energy efficiency, and do not waste energy.

To reflect this we have come together to provide our collective insights to G20 leaders and to jointly agree a series of priorities to guide our continued operations through this Joint G20 Energy Efficiency Statement. We, the undersigned, within our respective institutional mandates, reaffirm our commitments to strengthening our efforts to support energy efficiency and jointly identify the following priorities to increase our energy efficiency investments:

- 1** Embed energy efficiency considerations into the way in which we consider investment and finance opportunities and interact with our clients
- 2** Increase our activities in support of **Policy Frameworks** which require and promote energy efficiency and drive a life-cycle cost optimal approach to the procurement of new infrastructure and buildings;
- 3** Work with our stakeholders to increase the amount, availability and accessibility of **Technical and Project Development Assistance facilities** to lever our and our partners' investments;
- 4** Work to ensure energy efficiency maintains a **high, cross-cutting internal profile** and, where possible, is better monitored, measured and reported throughout our activities;
- 5** Look to increase our work with retail distribution channels through partner banks and other innovative retail mechanisms, to support scaling up and aggregation of individual energy efficiency investments;
- 6** Work to ensure energy efficiency's central role in the **future of mobility, smart cities, energy grids, industry and infrastructure.**
- 7** Engage in a more structured exchange of knowledge and the sharing of best practices with one-another, with attention to innovative financing mechanisms, definitions and eligibility criteria to safeguard our energy efficiency performance standards in specific countries and subsectors.

Endorsed by:



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

		Integrated	Core
<b>Market</b>	\$	USD trillions	USD 221bn
<b>Policy</b>	2000+ policies	Energy subsidies; Inefficient markets; Supply-led planning.	Energy Transition; National Renovation Strategies; Vehicle Fleet Standards; Transparent Energy Planning.
		Mainstreaming	
		Enabling	
<b>Private Sector</b>	<b>Banks</b> \$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.
	<b>Investors</b> \$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.
	<b>Insurers</b> \$31tr	Product and services without explicit consideration of energy “externalities”.	Green buildings insurance; Climate mitigation insurance and investments; Addon coverage; Technical assistance, advisory services.
	<b>Public finance</b> \$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





# More than 120 banks and other financial institutions from more than 40 countries are supporting the energy efficiency financial institutions statement

## Actions by banks

<p>acknowledge that the financial sector is uniquely placed to channel finance to activities that promote energy efficiency</p>	<p>recognise the need to further embed energy efficiency investment principles into the way in which we engage with our clients</p>
<p>understand there are many unaddressed energy efficiency financing opportunities in our markets</p>	<p>have a special interest in guiding our clients towards best practice financing decisions, including on modernisation and competitiveness strategies that instil enhanced energy efficiency</p>
<p>are already providing finance to support our clients with energy efficiency investments</p>	<p>are willing to work with institutional and public financiers seeking to deploy climate finance to our clients</p>
<p>will actively contribute to scaling up energy efficiency financing</p>	<p>welcome the opportunity to share our experiences and acquire knowledge of successful business strategies for integrating energy efficiency across our financing operations</p>
<p>without taking on undue burden, are willing to work towards tracking our deployment of energy efficiency finance</p>	



# More than USD 4 trn of institutional capital are backing the G20 Energy Efficiency Investor Statement

## Actions by institutional investors

1	Embed material energy efficiency considerations into the way in which we evaluate companies; considered, when we vote on shareholder proposals.
2	Include energy efficiency as an area of focus when we engage with companies;
3	Take into consideration energy efficiency performance, to the extent relevant to the proposal being
4	To the extent relevant, incorporate energy efficiency investment considerations when we select managers;
5	Assess our existing real estate assets and managers and monitor and report on their energy efficiency performance;
6	Seek appropriate opportunities to increase energy efficiency investments in our portfolios.



# Major development banks are supporting their G20 statement

## Actions by development banks

1	Embed energy efficiency considerations into the way in which we consider investment and finance opportunities with our clients
2	Increase our activities in support of Policy frameworks which require and promote energy efficiency and drive a life-cycle cost optional approach to the procurement of new infrastructure and buildings
3	Work with our stakeholders to increase the amount, availability and accessibility of Technical and Project Development Assistance facilities to lever our and our partner's investments
4	Work to ensure energy efficiency maintains a high, cross-cutting internal profile and, where possible, is better monitored, measured and reported throughout our activities
5	Look to increase our retail distributions channels through partner banks and other innovative retail mechanisms, to support scaling up and aggregation of individual energy efficiency investments
6	Work to ensure energy efficiency's central role in the future of mobility, smart cities, energy grids, industry and infrastructure
7	Engage in a more structured exchange of knowledge and the sharing of best practices with on another, with attention to innovative financing mechanisms, definitions and eligibility criteria to safeguard our energy efficiency performance standards in specific countries and sub-sectors



# The Toolkit has been launched in key G20 economies and was endorsed by G20 leaders during the Hamburg summit



G20 EE Forum

French Gov

Clean Energy Ministerial

NY Climate Week

DEMEX

UNEP FI RRT

UNEP FI RRT



## Annex to G20 Leaders Declaration G20 Hamburg Climate and Energy Action Plan for Growth

### A. Preamble<sup>1</sup>

Strong growth, sustainable development and prosperity are at the heart of G20 cooperation. They rely on universal access to affordable, reliable, sustainable energy sources and clean technology. The leaders of G20 nations will collectively develop the sustainable energy system to better reflect the evolution of the global energy and environmental landscape. To facilitate the implementation of WOTC, the Paris Agreement and the SDG targets for Sustainable Development, we will strive to secure forward to a robust and mutually supportive measure that will provide a wide, significant opportunity for accelerating our economies, enhancing competitiveness, stimulating employment and growth and meeting our increasing needs for improved energy services. In addition, and in view of the increasing impact of climate change, we will strive to increase the resilience of our communities and economies. The action will be guided by the Sustainable Development Goals (SDGs) and the Paris Agreement's aim to strengthen the global response to the threat of climate change, in the context of sustainable development and efforts to eradicate poverty. Including by holding the increase in the global average temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels, by increasing the ability to adapt to the adverse impacts of climate change and foster climate resilience and to make low-carbon transitions with a pathway towards greenhouse gas emission and climate resilient development. Our action programme is the implementation of the Paris Agreement will often require and the principle of common but differentiated responsibilities and respective capabilities in the light of different national circumstances.

<sup>1</sup>The United States is a leader in the process of reviewing text of the public sector's climate change and renewable energy policies in the US Executive Order and the Executive Order.

# EEFIG is de-risking energy efficiency investment

## 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



**THANK YOU VERY MUCH.**



**UNEP**  
FINANCE  
INITIATIVE

