INVESTOR'S POLICY DIALOGUE ON SUSTAINABLE ENERGY INVESTMENTS

LEARNING FROM THE WORK OF EEFIG

Sustainable Energy Investment Forum: Financing Energy Efficiency in Northern Europe

Tatiana Bosteels, Director Responsibility, Hermes Investment Management

Board Member, Investment Committee UNEP FI

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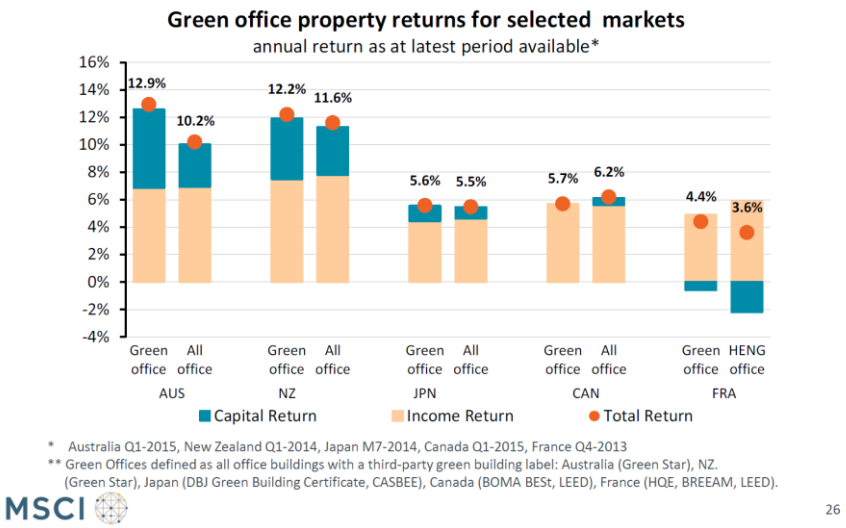
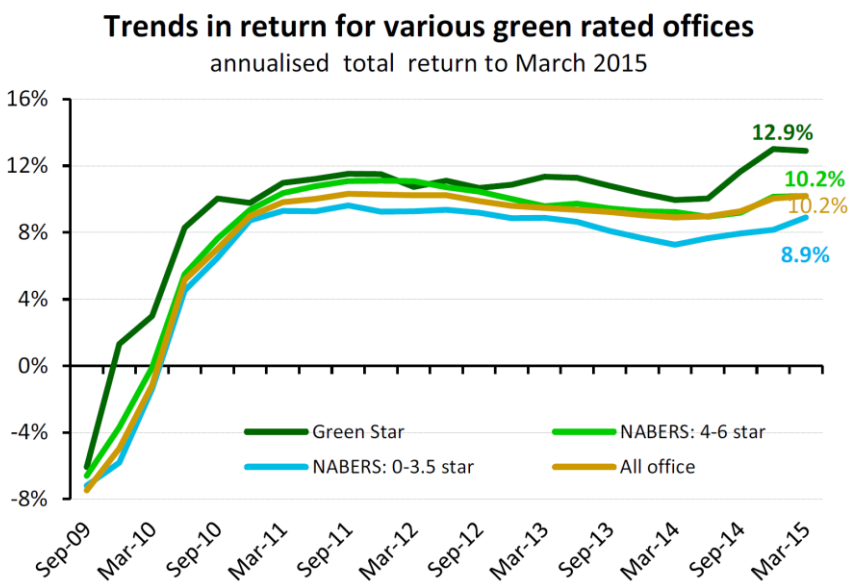
Impact to investment performance

MSCI green rated office performance – EE in buildings

RETURN OUTPERFORMANCE FOUND ACROSS A NUMBER OF OFFICE MARKETS USING ENVIRONMENTAL RATING LABELS





MSCI findings 2015

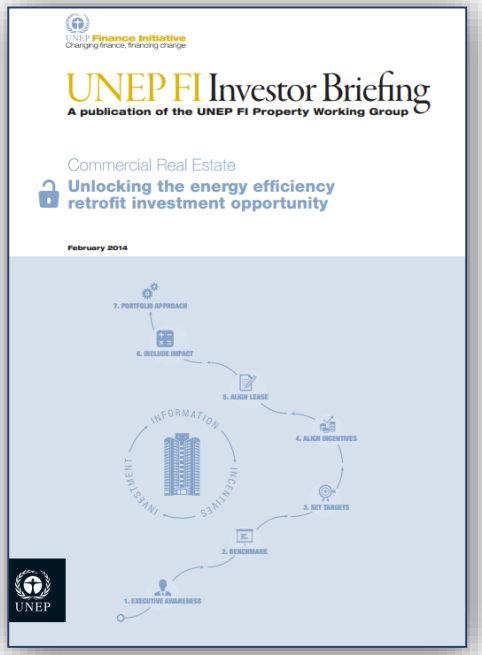
ENERGY EFFICIENCY BUSINESS CASE

Significant long-term results: Energy efficiency measures can pay back quickly, depreciate slowly and deliver returns for decades:

30%
improvement in building efficiency has 28.6% 10-year IRR - US

30%
energy savings opportunity from buildings 1930s-1990s - France [1]

17%
energy savings from a sample of post-retrofit buildings – Singapore [2]



Link to download the publications
www.unepfi.org/publications/property

1. Kamelgarn, Y. & Hovorka F. (2013)
2. World Green Building Council (2013)

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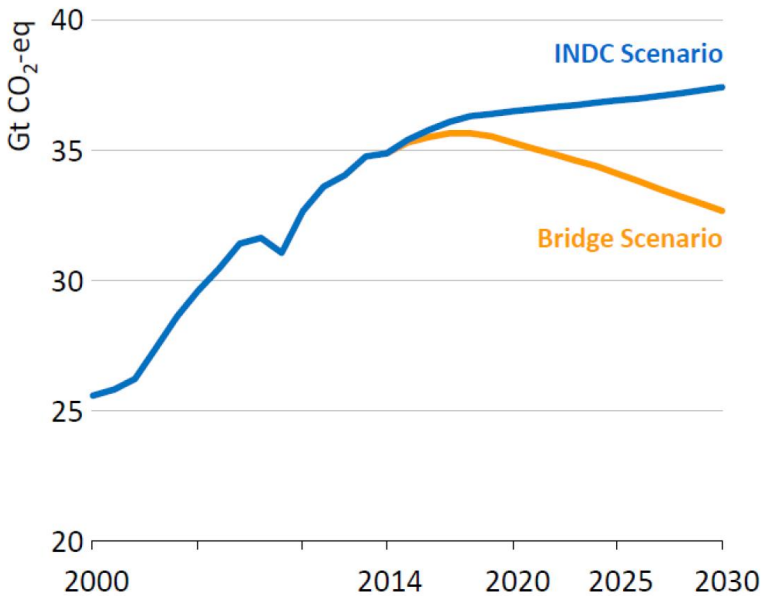
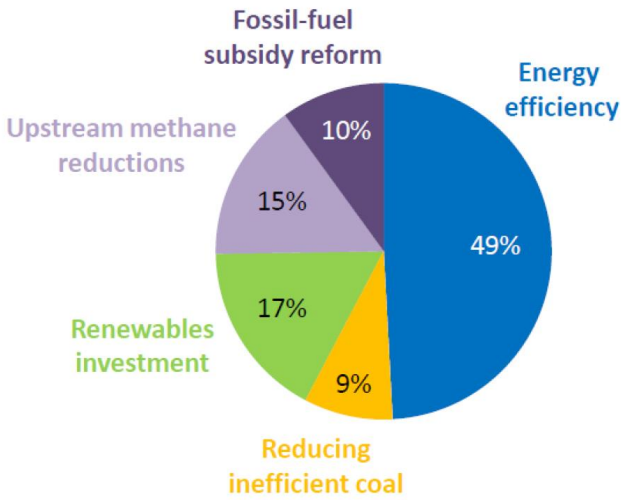
ENERGY EFFICIENCY AS FIRST FUEL

Why?

Global energy-related GHG emissions



Savings by measure, 2030



Five measures – shown in a "Bridge Scenario" – achieve a peak in emissions around 2020, using only proven technologies & without harming economic growth

*Source: IEA (2015) WEO Special Report on Energy and Climate Change

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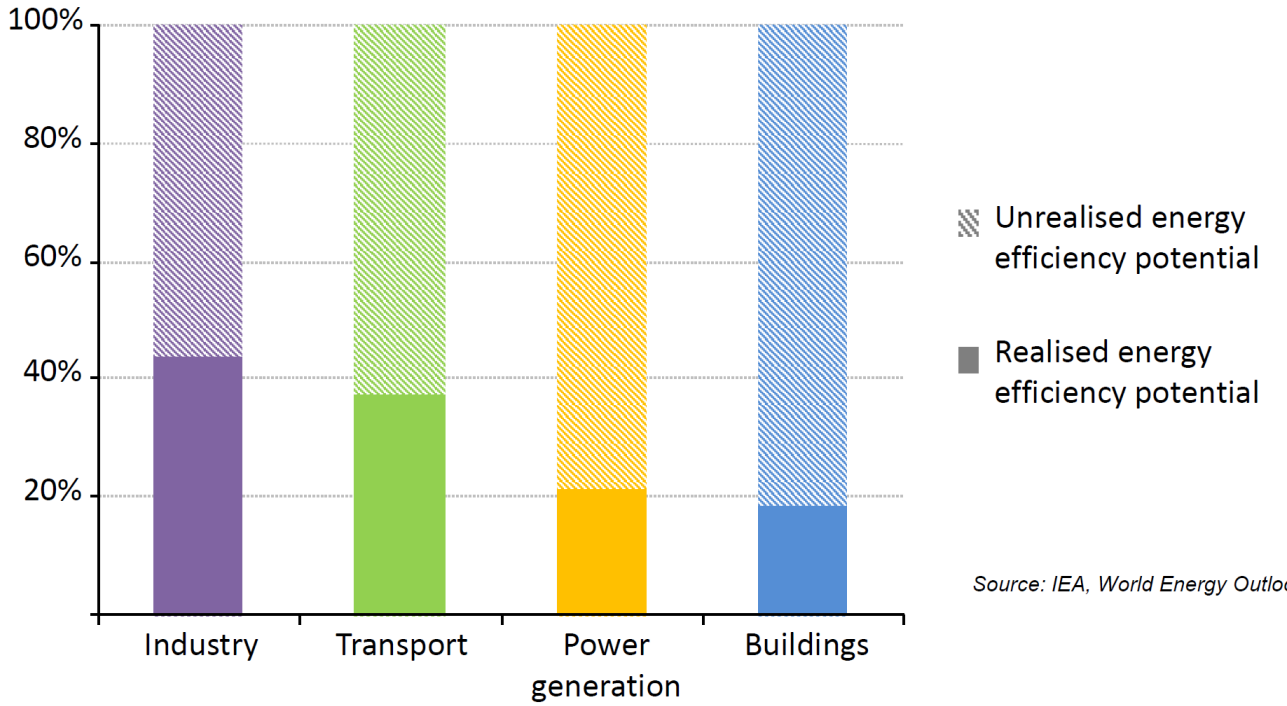
ENERGY EFFICIENCY COST EFFECTIVE MEASURES - 2/3 REMAINS UNREALISED!

International Energy Agency
Secure Sustainable Together

Energy efficiency potential remains untapped

www.iea.org

Energy efficiency potential used by sector in the WEO 2012 New Policies Scenario



Source: IEA, World Energy Outlook 2012

Two-thirds of the profitable investments to improve energy efficiency remain untapped in the period to 2035

© OECD/IEA 2016

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Increasing Energy Efficiency Investment
Strategic Priority and Investment Opportunity >US$1tri

Energy Efficiency
Financial Institutions Group

2014 Ceres Global:

Projects global annual investment need (2010-2020) to limit global temperature rises to a 2ºC scenario:

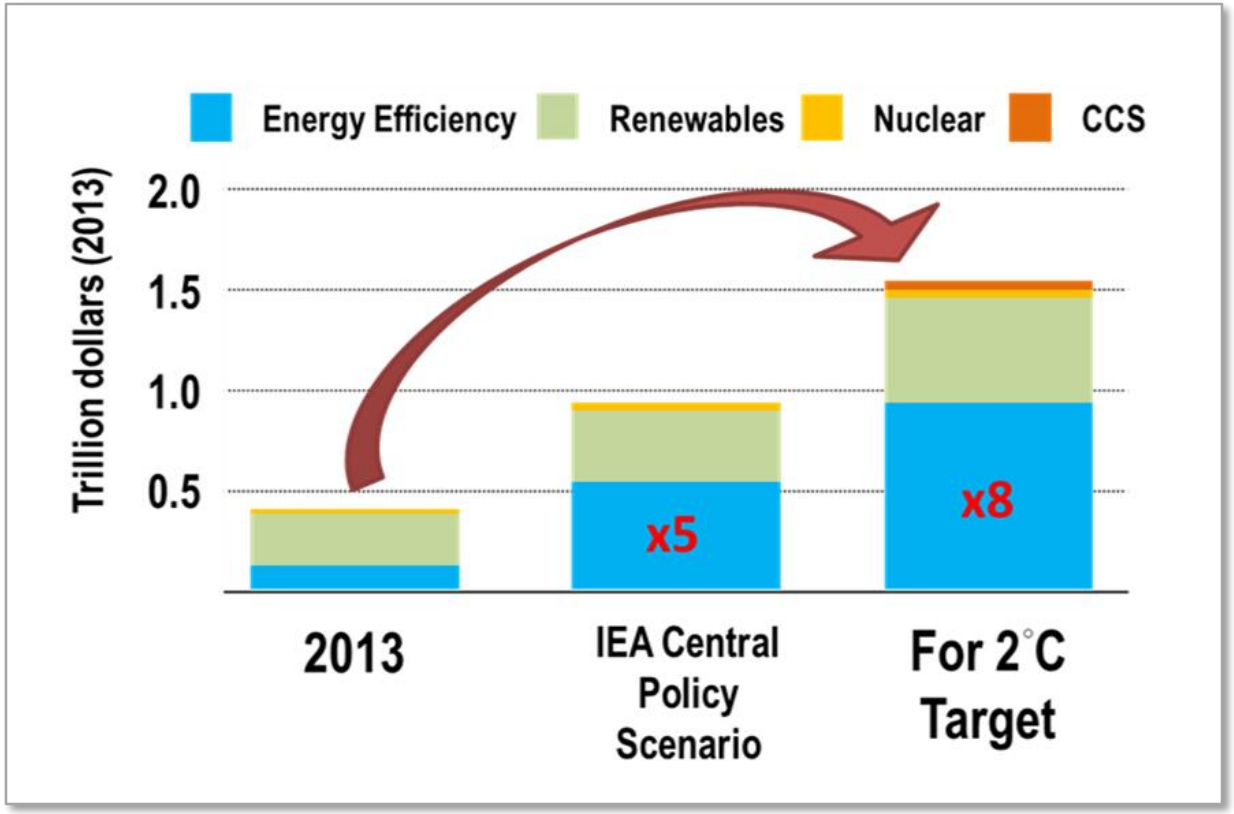
- $300 billion in buildings' energy systems
- $30 billion in industry

EU needs to invest:

(for 2ºC scenario, IEA)

- $1.3 trillion in energy efficiency in buildings from 2014-2035
- $154 billion in energy efficiency in industry

Global Annual Investment Need (2010-2020, IEA)



How to Increase the Flow of Energy Efficiency Investments in EU

Energy Efficiency
Financial Institutions Group

The Energy Efficiency Financial Institution Group ("EEFIG") was established to determine how to overcome the well documented challenges to obtaining long-term financing for energy efficiency

EEFIG's work has benefited from:

Active input of some 120 expert participants (8,000 hours)

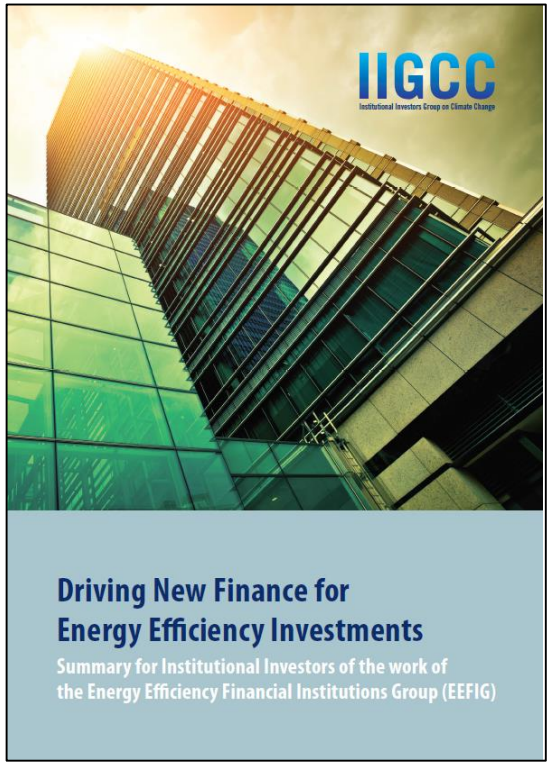
40% of the EEFIG participants either work for, or represent the views of, financial institutions. Participation from financial institutions, policy makers, finance users (buildings, industry or SME) and energy efficiency experts

EEFIG's Mandate

1. What are the most imminent challenges that must be overcome?
2. Who would be the right party to address them?
3. What should the European Commission/ EU do?

EEFIG Institutional Investors Priorities

Energy Efficiency
Financial Institutions Group



Priorities for Institutional Investors

Analysis of the EEFIG report suggests that there are six areas where institutional investors should focus their efforts:

1 Awareness

- Increase their own awareness of the benefits of energy efficiency and in the companies and entities in which they invest.

2 Data and Evidence

- Support efforts to ensure that relevant and credible data on energy efficiency is readily available to key investment decision-makers.
- Support the development of the evidence base on the impact of building energy performance and of corporate energy efficiency on investment performance.

3 Standards

- Support efforts to reduce the cost and improve the up-take of energy efficiency investments, including the development of standards for each element in the energy efficiency investment process.
- Support efforts to improve buildings certification processes and energy performance certificates.
- Support the development of common underwriting and investment procedures for both debt and equity investments.
- Support the development of a project rating system that provides a transparent assessment of the technical and financial risks of energy efficiency projects.
- Support the development of indicators and metrics and the establishment of appropriate energy efficiency performance benchmarking tools.

4 Engagement

- Encourage companies and other entities in which they invest to adopt energy management systems, to appoint senior managers with responsibility for energy efficiency and to consider energy efficiency investment programmes as an integral part of their investment plans.

5 Public Policy

- Encourage policymakers to ensure that existing EU legislation on energy efficiency is fully implemented and consistently enforced across EU Member States.
- Encourage policymakers to ensure that future regulatory pathways – at the national and EU levels – provide concerted and consistent pressure to improve energy efficiency.
- Encourage policymakers to establish policies that encourage energy efficiency at key points in the business investment cycle.
- Encourage policymakers to ensure that finance sector regulation (e.g. relating to capital adequacy requirements) does not create barriers to investment in energy efficiency.

6 Financial Instruments

- Support the development and deployment of financial instruments for energy efficiency.
- Share experience with these instruments, including their costs and benefits, their uptake, the types of projects that get financed (and those that do not), and the outcomes achieved (in terms of energy savings, cost savings and other benefits).

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EEFIG De-Risking activities 2016/17

DEEP
DE-RISKING ENERGY EFFICIENCY PLATFORM

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DE-RISKING ENERGY EFFICIENCY PLATFORM (DEEP)

- 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.
- Initially contains data for over 7,800 building and industry projects

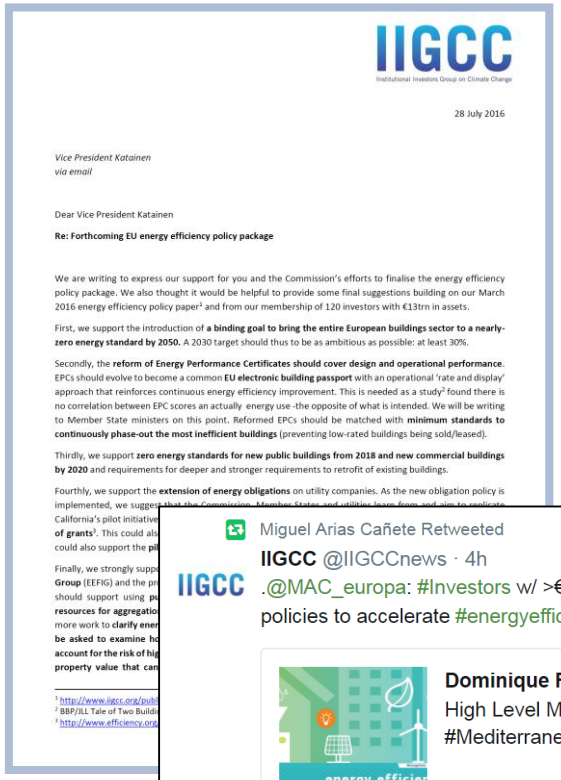
Energy Efficiency Underwriting Guide to be launch in June 2017

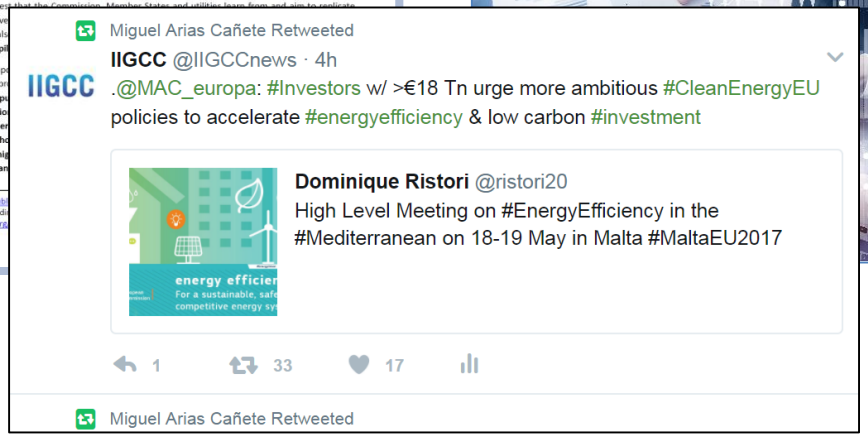
- Development of common, accepted and standardized underwriting and investment framework for energy efficiency investing
- To assist all types of financing institutions deploying, or aiming to deploy capital into energy efficiency
- Bridge the gap between technical and financial world and helps build capacity in financial institutions

Additional activities made possible by Horizon 2020

- Support to innovations and recommendations from the EEFIG report, such as the **Investor Confidence Project** (on data standardisation) and the **Energy Efficiency Mortgage Initiative** developed by the European Mortgage Federation – European Covered Bond Council (EMF-ECBC)
- And for 2016-2019 the current mobilisation aiming to bring this work to the country level, with the organisation of the **Sustainable Energy Investment Forums and related activities**

Engagement Sustainable property investment in Energy Union and Capital Markets Union

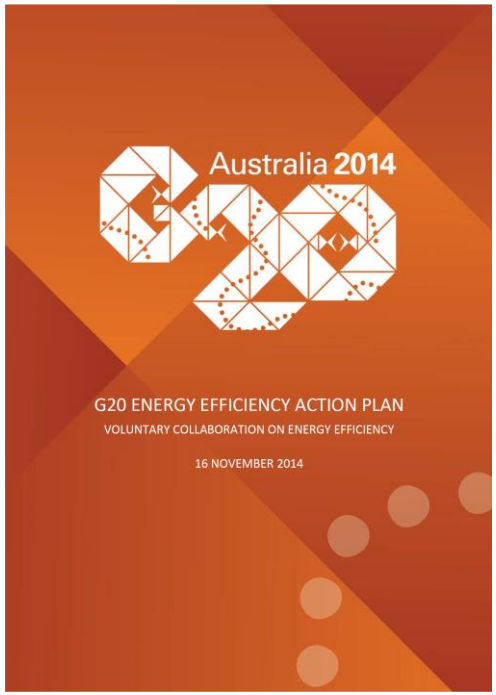


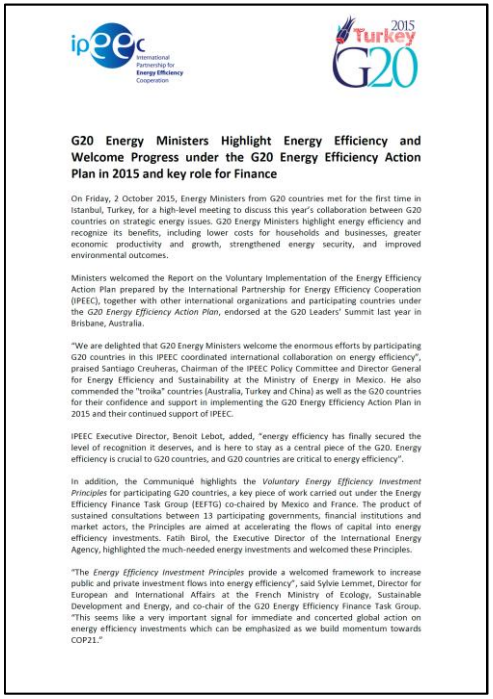


IIGCC
Institutional Investors Group on Climate Change

G20 Energy Efficiency Engagement

Action Plan – Communique – Leading Programme





G20 Energy Ministers Highlight Energy Efficiency and Welcome Progress under the G20 Energy Efficiency Action Plan in 2015 and key role for Finance

On Friday, 2 October 2015, Energy Ministers from G20 countries met for the first time in Istanbul, Turkey, for a high-level meeting to discuss this year's collaboration between G20 countries on strategic energy issues. G20 Energy Ministers highlight energy efficiency and recognize its benefits, including lower costs for households and businesses, greater economic productivity and growth, strengthened energy security, and improved environmental outcomes.

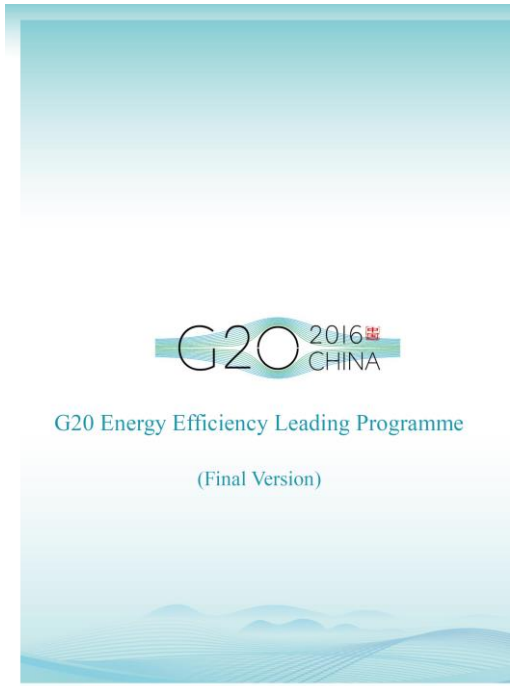
Ministers welcomed the Report on the Voluntary Implementation of the Energy Efficiency Action Plan prepared by the International Partnership for Energy Efficiency Cooperation (IPEEC), together with other international organizations and participating countries under the *G20 Energy Efficiency Action Plan*, endorsed at the G20 Leaders' Summit last year in Brisbane, Australia.

"We are delighted that G20 Energy Ministers welcome the enormous efforts by participating G20 countries in this IPEEC coordinated international collaboration on energy efficiency", praised Santiago Creuheras, Chairman of the IPEEC Policy Committee and Director General for Energy Efficiency and Sustainability at the Ministry of Energy in Mexico. He also commended the "troika" countries (Australia, Turkey and China) as well as the G20 countries for their confidence and support in implementing the G20 Energy Efficiency Action Plan in 2015 and their continued support of IPEEC.

IPEEC Executive Director, Benoit Lebot, added, "energy efficiency has finally secured the level of recognition it deserves, and is here to stay as a central piece of the G20. Energy efficiency is crucial to G20 countries, and G20 countries are critical to energy efficiency".

In addition, the Communiqué highlights the *Voluntary Energy Efficiency Investment Principles* for participating G20 countries, a key piece of work carried out under the Energy Efficiency Finance Task Group (EEFTG) co-chaired by Mexico and France. The product of sustained consultations between 13 participating governments, financial institutions and market actors, the Principles are aimed at accelerating the flows of capital into energy efficiency investments. Fatih Birol, the Executive Director of the International Energy Agency, highlighted the much-needed energy investments and welcomed these Principles.

"The *Energy Efficiency Investment Principles* provide a welcomed framework to increase public and private investment flows into energy efficiency", said Sylvie Lemmet, Director for European and International Affairs at the French Ministry of Ecology, Sustainable Development and Energy, and co-chair of the G20 Energy Efficiency Finance Task Group. "This seems like a very important signal for immediate and concerted global action on energy efficiency investments which can be emphasized as we build momentum towards COP21."



G20 Energy Efficiency Finance Task Group

European Bank for Reconstruction and Development

FINANCE UNEP INITIATIVE

STATEMENT BY FINANCIAL INSTITUTIONS ON ENERGY EFFICIENCY

We, the Alliance of Energy Efficiency Financing Institutions:

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

Endorsed by over 100 banks and leasing companies from 42 countries

ABN AMRO
ACBA - Credit Agricole Bank
ACCESSBANK
Agjencioni Per Financim NE Kosove
AKBank
Ameriabank
Armswissbank
ASN Bank
Bai Tushum & Partners
Banca Intesa Serbia
Banamex
Banca Transilvania
Bancolombia
Bancompartir
Bank Eskhata
Bank Millennium
Bank of Georgia
Bank of India
Bank of Valletta
Bank Republic
Basisbank
BBVA
Belgazprombank
Belvnesheconombank
BMCE Bank of Africa
BNP Paribas
Bpifrance
BPS-SBERBank
BRAC Bank Limited
BRD - Groupe Societe Generale
CASA DE Economii SI Consemnatiuni
CenterInvest Bank
CIBanco
Connecticut Green Bank
Crédit Agricole
Crédit Coopératif
Crédit Foncier
CREDO
Daegu Bank
Demir Kyrgyz International Bank
Demirbank
DenizBank
Desjardins Group
Ecobank
Erste & Steiermarkische Bank
Eurobank
Firstrand
Garanti Bankasi
Garanti Leasing
Halkbank Skopje
Hana Bank
HSBC Bank Armenia
Humo MDO
IDLC Finance Limited
Imon International
Industrial Bank
ING Group
KRK Kosovo
Kyrgyz Investment and Credit Bank
La Banque Postale
Megabank Public Joint Stock Company
Microinvest
Minsk Transit Bank
Mobiasbanca
Moldincombank
Moldova Agroindbank
Mutualista Pichincha
National Bank of Egypt
NLB Tutunska Banka Skopje
NRW Bank
Ohridska Banka Ohrid
OTP Bank Romania
Pireaus Bank
Procredit Group
Raiffeisen Bank Aval
Raiffeisen Bank Bosnia and Herzegovina
Raiffeisen Bank Romania
SEF International Universal Credit Organization
Sekerbank
Shinhan Bank
Slovenska Sporitelna
Societe Generale Group
Societe Generale Banka Beograd
State Export Import Bank of Ukraine
Sudameris Bank
Sumitomo Mitsui Trust Holdings
Tatra banka
Triodos Bank
TuranBank
Türkiye Yb Bankasy
Türkiye Sinai Kalkinma Bankasi
UK Green Investment Bank
Ukrsibbank
Unibank
Unicredit Bank Mostar
Unicreditbank Serbia
Unicredit Bulbank
Unicredit Tiriac Banka
United Bulgarian Bank
Vakiflar Bankasi
VTB Georgia
VUB Slovakia
Xac Bank
Yapý ve Kredi Bankasi
YES Bank
Zagrebacka Banka

2

PRI Principles for Responsible Investment

FINANCE UNEP INITIATIVE

Ceres

G20 ENERGY EFFICIENCY INVESTOR STATEMENT

As our contribution to the work of the G20 Energy Efficiency Finance Task Group, as managers and investors, we share a common understanding of the positive economic and societal benefits of energy efficiency. In order to ensure that our activities promote and support energy efficiency, and in consideration of our fiduciary responsibility: **We recognize the need to fully embed energy efficiency into our investment process.**

We, the undersigned, undertake to:

1. Embed material energy efficiency considerations into the way in which we **evaluate** companies;
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 considered, when we **vote** on shareholder proposals.
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.

Signed and endorsed by 39 investors managing close to USD 4 trillion

AFL-CIO
alecta
Amundi ASSET MANAGEMENT
FÖRSTA AP-FONDEN
Andra AP-fonden
AP3 Tredje AP-fonden
FJÄRDE AP-FONDEN
Sjätte AP-fonden
australianethical
AVIVA INVESTORS
INVESTMENT MANAGERS
BOSTON COMMON
GROUPE Caisse des Dépôts
CALSTRS
Calvert INVESTMENTS
CANDRIAM
cbus
Church of Sweden
ECOFI INVESTISSEMENTS
Environment Agency Pension Fund
RAFP
First Affirmative Financial Network, LLC
generation
Handelsbanken Asset Management
HERMES INVESTMENT MANAGEMENT
Humanis
inflection point CAPITAL MANAGEMENT
Southwark Council
mirova Responsible Investing
NATIXIS ASSET MANAGEMENT
PAX Pax World Management LLC
ROBECO The Investment Engineers
sonen capital
storebrand spp
TORONTO ATMOSPHERIC FUND
TRILLIUM ASSET MANAGEMENT
Triodos Investment Management
WHEB Group

3

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G20 EE Investment Toolkit (2017)

G20 EE Investment Toolkit

Policy

G20 2016 CHINA

G20 Energy Efficiency Leading Programme

ipeec International Partnership for Energy Efficiency Cooperation

Turkey 2015 G20

EEFTG Energy Efficiency Investment Principles for G20 Participating Countries

G20 Energy Ministers in Istanbul in 2015 & attached to the **G20 Leaders' Communique** from Antalya

Private Sector Finance

Long Term Investors

AFL-CIO, alecta, Amundi, AP3 Tredje AP-fonden, AVIVA, INVESTMENT MANAGERS, CALSTRS, Calvert, CANDRIAM, cbus, Church of Sweden, ECOFI, generation, Handelsbanken Asset Management, HERMES, Humanis, inflection point, Sustainability, mirova, NATIXIS, PAX, ROBECO, sonen capital, storebrand, spp, TRILLIUM, Triodos Investment Management, WHEB Group

Banks

ABN AMRO, ACBA - Credit Agricole Bank, ACCESSBANK, Agencia Para Financiar El Desarrollo, Agricultural Development Bank of China, AKBank, Alarabi bank, Armenbank, ADB Bank, Bal Tashum & Partners, Banca Intesa Serbia, Banamex, Banco Transfronterizo, BancoAmbito, Bancomprefir, Bank Fidelity, Bank Millennium, Bank of Georgia, Bank of India, Bank of Jiangsu, Bank of Valletta, Bank Republic, Bankbank, BBVA, Belgrexinbank, Belarusbankbank, BMCE Bank of Africa, BNP Paribas, Bpifrance, BPS SBERBank, BRAC Bank Limited, BRD - Groupe Société Générale, CASA DE Imprumut SI Consemnatiuni, Centerinvest Bank, Citibanco, Connecticut Green Bank, Credit Agricole, Credit Coopérant, Credit Fonciler, CBETAO, Danga Bank, Danske Bank International Bank, Danskebank, Danskebank, DG Cooperative Group, Development Bank of the Philippines, Dexbank, Dexia & Maatschappelijke Bank, Eurobank, Finansbank, Finansbank, Finland, Garanti Bankasi, Garanti Leasing, Global Bank, Halkbank Skopje, Hana Bank, HSBC Bank Armenia, Home MDO, Huaxia Bank, ICBC, ICBC Finance Limited, Imas International, Industrial Bank, ING Group, KBC Kosovo, Kenya Investment and Credit Bank, La Banque Postale, Magyarbank Public Joint Stock Company, Microinvest, Mirai Transit Bank, Mistbankova, Moldovacreditbank, Moldova Agroindbank, Moscowbankbank, National Bank of Egypt, Nationale Bouwbank, Nationale Bouwbank, NLB Tutunska Banka Skopje, NRW Bank, Ofrishka Banka Ofrid, OTP Bank Romania, Piraeus Bank, Prothean—Forthnet, Procredit Group, Raiffeisen Bank Aval, Raiffeisen Bank Russia and Transyvania, Raiffeisen Bank Romania, Seion bank, Shinhan Bank, Slovenska Sparkasa, Societe Generale Group, Societe Generale Banka Georgia, State Export Import Bank of Ukraine, Sutherwin Bank, Sumitomo Mitsui Trust Holdings, Talin banka, Tirolsko Bank, Transbank, Türkiye İş Bankasi, Türkiye Sinai Kalkinma Bankasi, UK Green Investment Bank, Ukrsibbank, Unibank, Unicredit Bank Mostar, UniCredit Bank Serbia, Unicredit Bulbank, Unicredit Tiriac Banka, United Bulgarian Bank, Vakifbar Bankasi, VTB Georgia, VTB Slovenia, Xac Bank, Yapi ve Kredi Bankasi, YES Bank, Zagrebacka Banka, Zhejiang Financial Leasing, NFM Bank

Insurance Companies

PSI Principles for Sustainable Insurance

1. We will embed in our decision-making environmental, social and governance issues relevant to our insurance business.
2. We will work together with our clients and business partners to raise aware ness of environmental, social and governance issues, manage risk and develop solutions.
3. We will work together with governments, regulators and other key stakeholders to promote widespread action across society on environmental, social and governance issues.
4. We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the Principles.

Public Sector Finance

THE WORLD BANK IBRD • IDA | WORLD BANK GROUP, OPIC, IFC, BID Banco Interamericano de Desarrollo, ADB, gef, AFRICAN DEVELOPMENT BANK GROUP GROUPE DE LA BANQUE AFRICAINE DE DÉVELOPPEMENT, AIIB, European Bank for Reconstruction and Development, European Investment Bank, KFW, afd AGENCE FRANÇAISE DE DÉVELOPPEMENT, JICA, SUSTAINABLE ENERGY FOR ALL, JBIC JAPAN BANK FOR INTERNATIONAL COOPERATION

THANK YOU VERY MUCH.