

MOBILISING THE FINANCIAL SECTOR ON ENERGY EFFICIENCY

Sustainable Energy Investment Forum: Financing Energy Efficiency in
Spain and Portugal

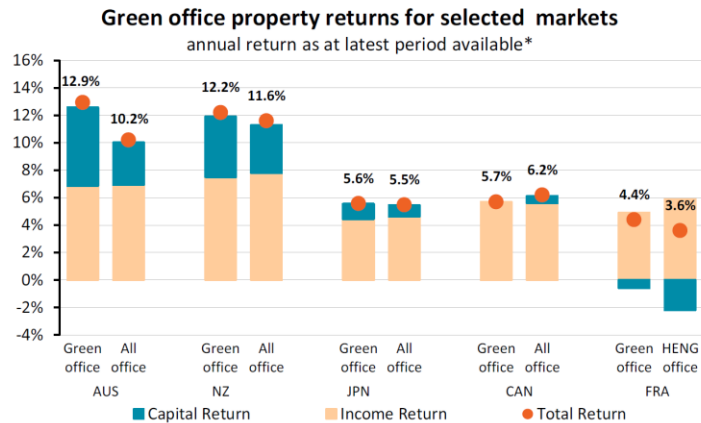
Martin Schoenberg, UN Environment Finance Initiative



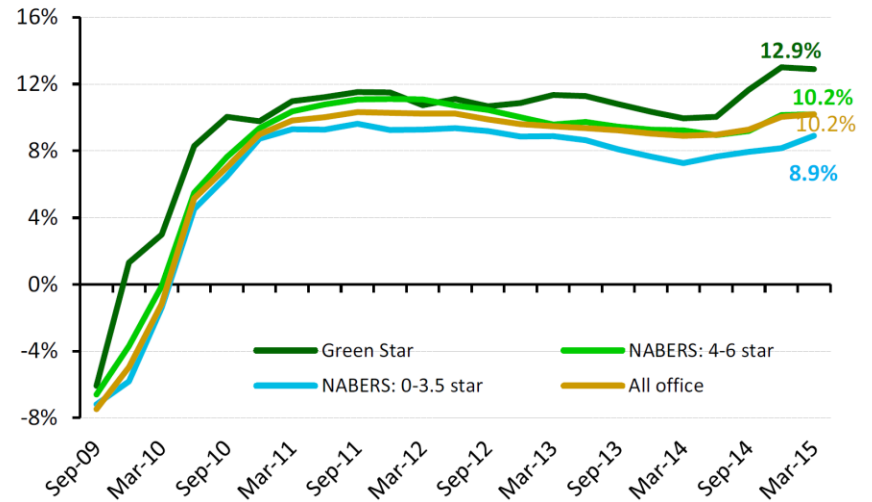
Impact to investment performance

MSCI green rated office performance – EE in buildings

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



Trends in return for various green rated offices
annualised total return to March 2015



* Australia Q1-2015, New Zealand Q1-2014, Japan M7-2014, Canada Q1-2015, France Q4-2013
 ** Green Offices defined as all office buildings with a third-party green building label: Australia (Green Star), NZ (Green Star), Japan (DBJ Green Building Certificate, CASBEE), Canada (BOMA BEST, LEED), France (HQE, BREEAM, LEED).



ENERGY EFFICIENCY BUSINESS CASE

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

30%

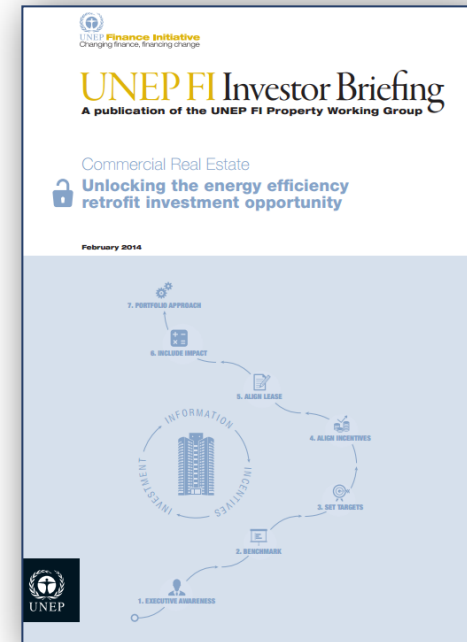
improvement in building efficiency has 28.6% 10-year IRR - US

30%

energy savings opportunity from buildings 1930s-1990s - France¹

17%

energy savings from a sample of post-retrofit buildings – Singapore²



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

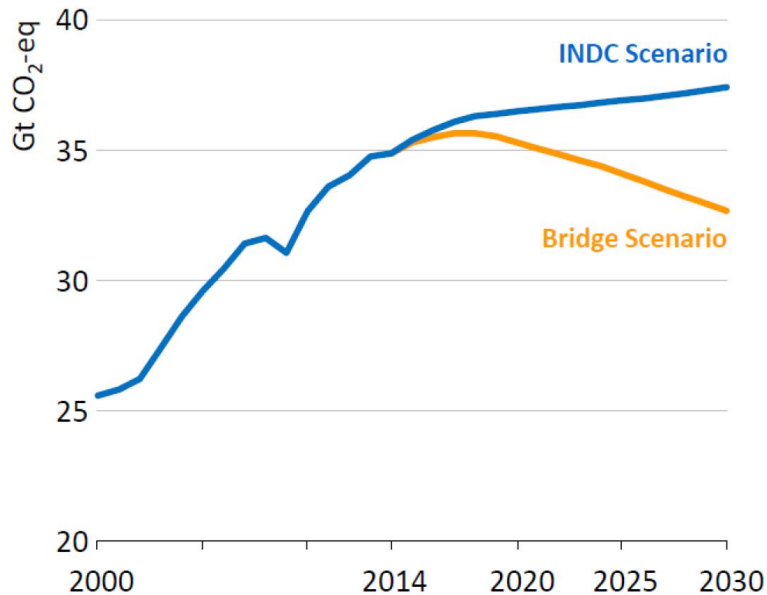
1. Kamelgarn, Y. & Hovorka F. (2013)
2. World Green Building Council (2013)



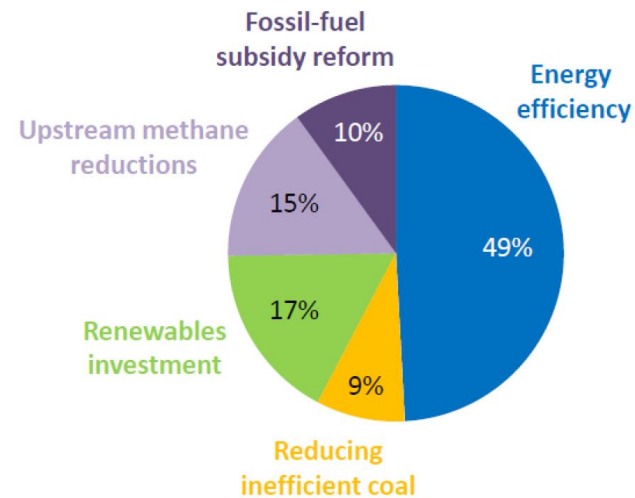
ENERGY EFFICIENCY AS FIRST FUEL

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



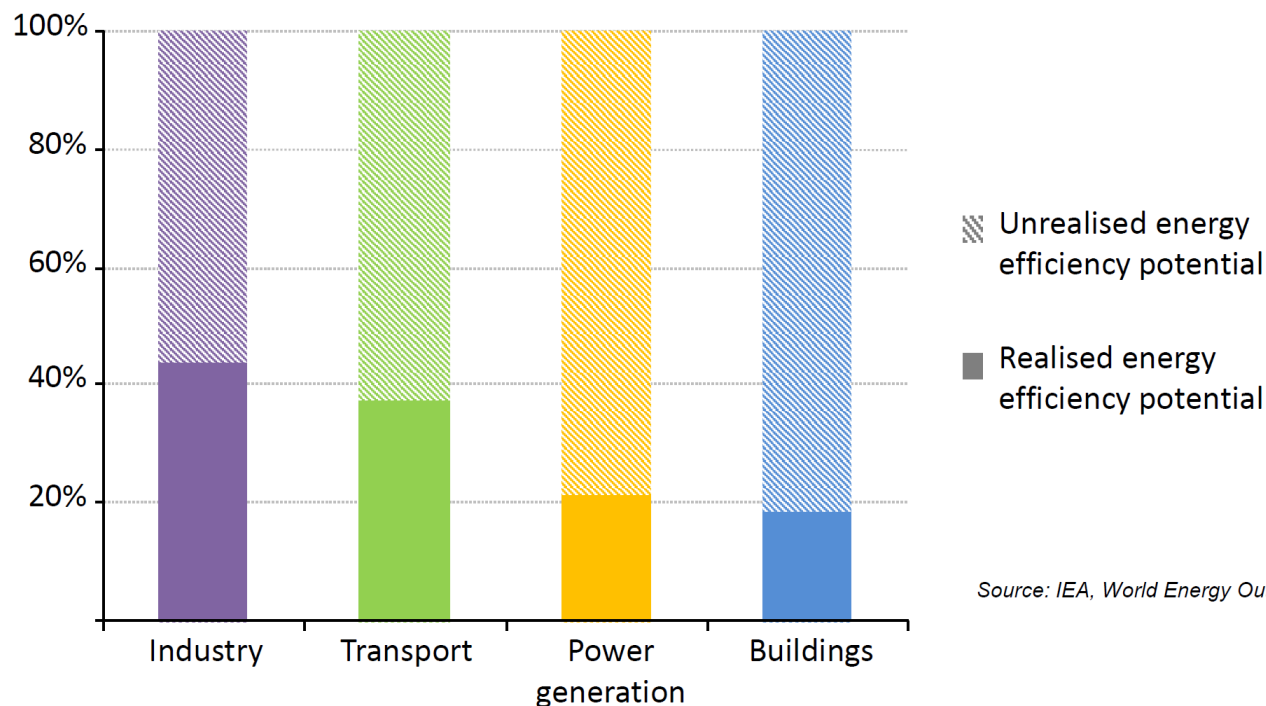
ENERGY EFFICIENCY COST EFFECTIVE MEASURES - 2/3 REMAINS UNREALISED!



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



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

2014 Ceres Global:

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

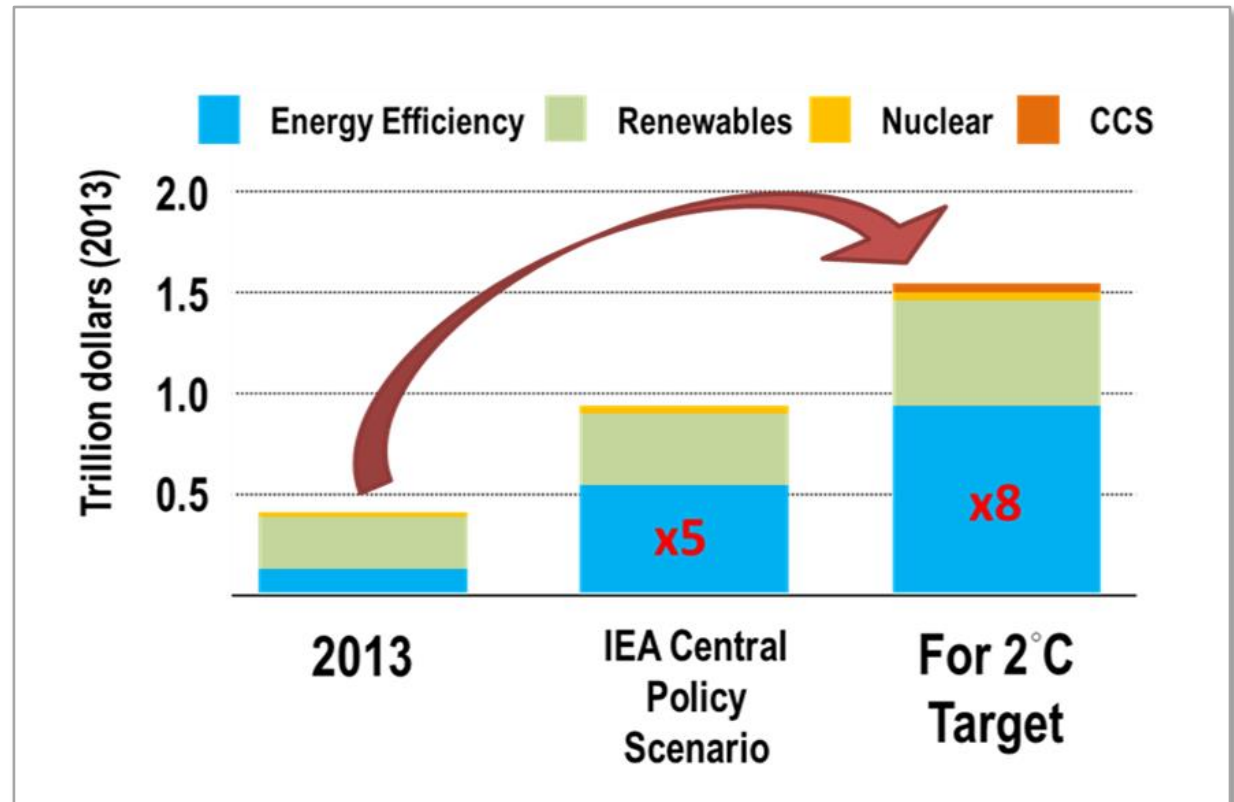
- \$300 billion in buildings' energy systems
- \$30 billion in industry

EU needs to invest:

(for 2°C 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

EEFIG's work has benefited from:

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**

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



Driving New Finance for Energy Efficiency Investments

Summary for Institutional Investors of the work of
the Energy Efficiency Financial Institutions Group (EEFIG)

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).



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 launched 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



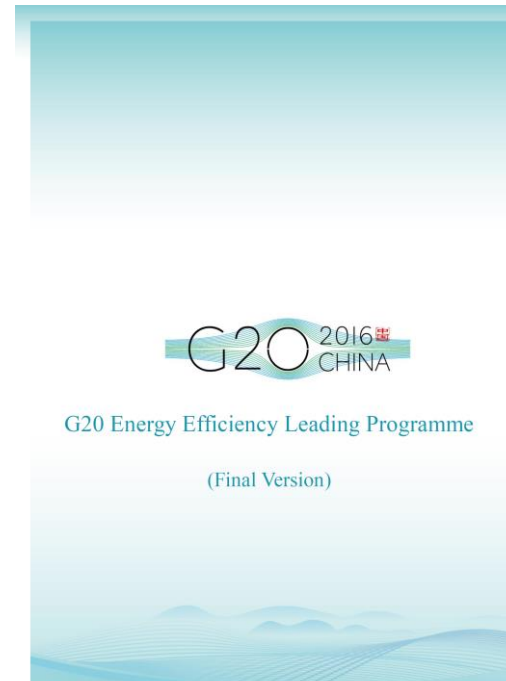
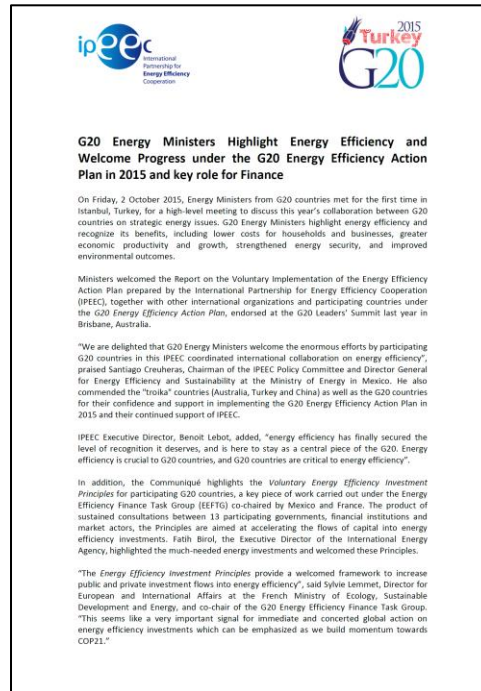
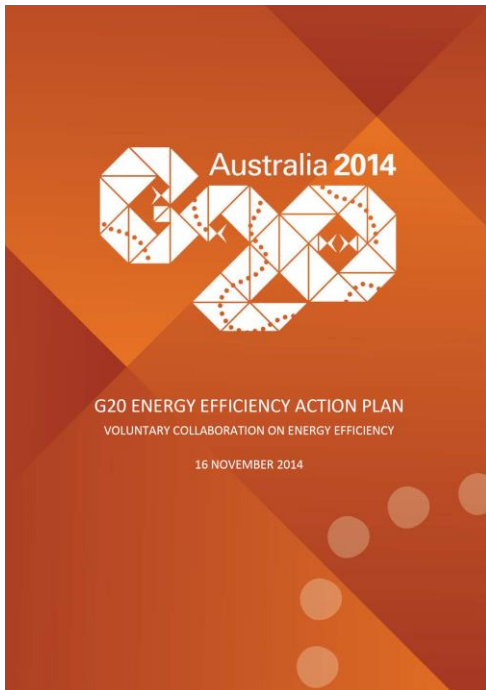
Additional activities made possible by Horizon 2020

- 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**



G20 Energy Efficiency Engagement

Action Plan – Communiqué – Leading Programme



G20 Energy Efficiency Finance Task Group



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	Crédit Foncier	Pireaus Bank
ACBA - Credit Agricole Bank	CREDO	Procredit Group
ACCESSBANK	Deqo Bank	Raffaelsen Bank Avai
Ajencijoni Per Financim NE Kosove	Demir Kyyiz International Bank	Raffaelsen Bank Bosnia and Herzegovina
AKBank	Demirbank	Raffaelsen Bank Romania
Ameriabank	Denizbank	SEF International Universal Credit Organization
Armswissbank	Desjardins Group	Sekerbank
ASN Bank	EcoBank	Shinhan Bank
Bai Tuzum & Partners	Erste & Steiermarkische Bank	Slovenska Sportna
Banca Intesa Serbia	Eurobank	Societe Generale Group
Banamex	Firstrand	Societe Generale Banka Beograd
Banca Transilvania	Garanti Bankasi	State Export Import Bank of Ukraine
Bancolumbia	Garanti Leasing	Sudameris Bank
Bancopariz	Halibank Slojve	Sumitomo Mitsui Trust Holdings
Bank Ekhata	Hana Bank	Tatra banka
Bank Millennium	HSBC Bank Armenia	Triodos Bank
Bank of Georgia	Humo MDO	TuranBank
Bank of India	IDLC Finance Limited	Türkiye İp Bankası
Bank of Valletta	Imon International	Türkiye Sınal Kalkinma Bankasi
Bank Republic	Industrial Bank	UK Green Investment Bank
Basiskbank	ING Group	Ukrssibbank
BBVA	KRK Kosovo	Unibank
Belgazprombank	Kyrgyz Investment and Credit Bank	Unicredit Bank Mostar
Belinvestcomobank	La Banque Postale	Unicreditbank Serbia
BMCE Bank of Africa	Megabank Public Joint Stock Company	Unicredit Bulbank
BNP Paribas	Microinvest	Unicredit Tiriac Banka
Bpifrance	Minsk Transit Bank	United Bulgarian Bank
BPS-SBERbank	Mobiasbanca	Vakiflar Bankasi
BRAC Bank Limited	Moldcombank	VTB Georgia
BRD - Groupe Societe Generale	Moldova Agroindbank	VUB Slovakia
CASA DE Economii SI Consumatului	Mutualista Pichincha	Xac bank
Centerinvest Bank	National Bank of Egypt	Yapp ve Kredi Bankasi
Cibanco	NLB Tutunska Banka Skopje	YES Bank
Connecticut Green Bank	NRW Bank	Zagrebicka Banka
Credit Agricole	Ohridska Banka Ohrid	
Credit Cooperatif	OTP Bank Romania	

2



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



THANK YOU VERY MUCH.



UNEP
FINANCE
INITIATIVE

