

Meeting Minutes

Financing for efficient buildings: Learning from G20 and Global ABC

High-level Round-table and EE Global Intensive Learning Session

21 May 2018

Welcome and Introduction

The **International Partnership for Energy Efficiency Cooperation (IPEEC)**, represented by **Ms. Jurei Yada**, Policy Advisor, welcomed participants and introduced the speakers on behalf of the event co-organisers: IPEEC, the Global Alliance for Buildings and Construction (Global ABC) and the United Nations Environment Programme Finance Initiative (UNEP FI), with the support of Climate Strategy & Partners.

As the coordinating organisation of the G20's energy efficiency activities under the G20 Energy Efficiency Leading Programme (G20 EELP), IPEEC has engaged closely on the topic of financing energy efficiency through its G20 Energy Efficiency Finance Task Group (EEFTG), co-led by the governments of France and Mexico with the support of UNEP FI.

The session moderator, **Mr. Peter Sweatman**, technical lead of the EEFTG and CEO of Climate Strategy & Partners, introduced participants to the EEFTG and outlined elements of discussion for the day's session. The EEFTG was established in 2015 under the G20 as a platform for structured dialogue between policy-makers and public and private financial institutions on the demand and supply of finance and investments into energy efficiency. In 2017, the EEFTG launched the landmark [G20 Energy Efficiency Investment Toolkit](#), which represents the culmination of three years of collaborative work by participating governments, international organisations, financial institutions and country experts on how to enhance capital flows for energy efficiency investments. The toolkit focuses on three areas: enabling policies; the role of private financial institutions; and the role of public financial institutions.

Several issues for consideration were highlighted by the moderator:

- Need to embed energy efficiency into operations to achieve a true scale-up of energy efficiency finance and investments;
- Crucial nature of long-term institutional investors such as insurance companies and pension funds to create pressure on originators of transactions to get more energy efficiency;
- Essential role of insurance companies in de-risking and pricing, for which the lack of data is a major obstacle; and
- Important role of public financial institutions in providing assistance and project finance to allow projects to come to the market.

The EEFTG is currently developing a work agenda for 2019 and participants were encouraged to share ideas.

Keynote address

Mr. Santiago Creuheras Diaz, Director General of Energy Efficiency and Sustainability at the **Ministry of Energy, Mexico** (SENER), and Co-Chair of the EEFTG, gave a keynote speech on the G20's activities on energy efficiency finance and relevant national developments in Mexico.

The EEFTG was created as a way for governments to address the question of how to scale-up finance for energy efficiency. The group began by developing a set of Principles, endorsed by the G20, for how to create a supportive policy environment for enhancing energy efficiency investments – the [Voluntary Energy Efficiency Investment Principles for G20 Participating Countries](#). These include: encouraging reform in countries, stimulating demand (e.g. incentives, developing capacity for data management and analysis, developing project pipelines), encouraging international collaboration to unlock barriers within countries, and developing capacity building for financial institutions. The Principles were welcomed by G20 Energy Ministers in 2015 and set the framework for the EEFTG's subsequent work, notably the development of the G20 Energy Efficiency Investment Toolkit.

The topic of energy efficiency finance remains a priority action area under the G20 Energy Efficiency Leading Programme adopted in 2016. The fundamental premise behind this work is threefold: that all energy efficiency projects must be bilaterally and multilaterally beneficial; that innovation must be encouraged within projects; and that inclusion of different parts of the market is essential.

Mexico has been applying the lessons learned from collaboration within the G20 nationally. Most recently, Mexico has developed a National Roadmap for Energy Efficiency, including one for buildings. The building roadmap involves four steps: i) planning and designing the development of regulations and standards; ii) considering the adoption and adaptation of these regulations and codes, i.e. institutional framework, capacity building, research and development; iii) enforcement and certification; and iv) monitoring, reviewing and updating them as necessary. Within this framework, the government has been working on several projects related to buildings, including on: existing housing; SMEs (loans with reduced interest rates and incentives for investments in technology, with payback through electricity bills); and a project for municipalities with the World Bank totaling USD 106 million. A new project is currently being developed with the World Bank – it will target hospitals and schools and amount to USD 50 million. It was noted that in general, financial schemes have followed capacity building and assessment in Mexico.

Achieving “Zero-emission, efficient and resilient buildings”

Mr. Mark Radka, Chief of the Climate and Energy Branch of **UN Environment**, presented on how to achieve zero-emission, efficient and resilient buildings on behalf of the Global ABC Secretariat. UNEP FI, which leads UN Environment's work on finance, is a platform for engaging financial institutions, to which expertise on energy is provided through UN Environment.

In broad terms, the Paris Agreement and Sustainable Development Goals (SDGs) have paved the way for increased momentum and made it easier for the financing of efficient buildings to gain traction. Public financial institutions are now increasingly thinking about how each project fits into these frameworks, which in turn gives political visibility to energy efficiency financing.

Regarding structuring engagement, involving broad constituencies on the question of financing efficient buildings is critical, since different actors take cues from different constituencies when making decisions on financing. Although motivations may differ, gathering property managers, investors, architects, and other members of the financial community is necessary. This is the purpose of the Global ABC, which is a supra-initiative launched by the French Government at COP21 to bring parties from the buildings and construction sector together to align broad interests and give a stronger global voice to the collective constituencies. The Global ABC is hosted at UN Environment in Paris, France. There are five Work Areas under the Global ABC, including one on finance co-led by UNEP FI and IPEEC. The Finance Work Area is considering ways to update the G20 Energy Efficiency Investment Toolkit for the buildings sector to maintain it as a living document.

Overall, broad cooperation is key to addressing the complex issue of financing energy efficient buildings.

Political call for “Zero-emission, efficient and resilient buildings”

Mr. Regis Meyer, Senior Policy Advisor at the **Ministry of Ecological and Inclusive Transition, France**, presented a political call for zero-emission, efficient and resilient buildings on behalf of the Steering Committee of the Global ABC.

The essential drivers of change are Values, Institutions and People (VIP). ‘Values’ bring people together, ‘institutions’ provide long-term vision and stability, and ‘people’ kick-start initiatives and sustain them in the long-term.

The purpose of the Global ABC is to provide a coherent identity for ‘buildings energy efficiency’ at the global level. Without an identity, it is challenging to achieve progress. The Global ABC enables interaction between different parties – for example, governments and multinational companies. National governments in particular have a critical role to play, since national strategies are what provide the context in which new business plans and models are developed. To provide a clear path forward, the Global ABC has produced a [Global Roadmap for the Buildings Sector](#). In addition, all levels of government must be taken into account and links must be made with the upstream sector, as energy efficiency in buildings is part of the wider energy system. Capacity buildings for financing energy efficient buildings is also essential, and to this end France and Germany have launched the PEEB programme: the Program for Energy Efficiency in Buildings.

Regarding raising visibility, France and the European Commission have launched a campaign on energy efficient buildings under the Clean Energy Ministerial. A call for government commitments will be launched on 24 May 2018 to bring more attention to the importance of efficient buildings.

Roundtable discussion

The roundtable discussion was moderated by Mr. Peter Sweatman and conducted under Chatham House rules.

Participants discussed the importance of convincing private financial institutions of the long-term demand for efficient buildings. This partly requires fostering confidence in the robustness of the supply chain and its ability to sustain a scale up in demand. In addition, competitiveness and peer

pressure were identified as triggers for financial institutions, in particular on-lenders in local jurisdictions, to develop new products – to this end, sharing best practices and success stories were noted as effective ways to create healthy pressure.

The work of EESL was highlighted as an instructive example. EESL has tackled the issue of financing by introducing a new business model focused on convincing building owners of the benefits of investing in energy efficiency. This has been made possible by deemed savings and detailed technical understandings of the technologies involved that are offered with payments deferred through on-bill mechanisms. The EESL model is noteworthy because it brings finance but also technical assistance and needs assessment. EESL will be implementing the India Energy Efficiency Scale-Up Program, which will be funded through a USD 220 million loan and an USD 80 million guarantee from the World Bank. The Program will help scale up the deployment of energy saving measures in residential and public sectors, strengthen EESL's institutional capacity, and enhance its access to commercial financing.

Participants noted the importance of knowledge sharing, as underscored by the panelists. They also emphasised the need to complement public finance with private finance, an approach taken by the World Bank in its buildings projects (TRACE tool highlight). At the G20 level, participants were informed that energy efficiency will remain one of the priority areas for the 2018 G20 Presidency of Argentina, which in addition to cross-cutting issues such as finance will also be considering the topic of behaviour change in triggering greater uptake of energy efficiency within societies.

Other issues raised during the discussion included how to maintain the efficiency of existing buildings, the need to clarify who the term 'policy-makers' refers to in conversations on creating enabling policy environments, and the problem of split incentives in rentals. Participants also noted the possibility of pairing energy efficiency investment with the supply investment chain, including work on distributed energy networks in California and by the C40 initiative.

On designing smart cities, participants observed the need to take a holistic approach involving lighting, buildings, and water pumps for instance. Data and analytics were highlighted as an area for consideration that would allow policy-makers to improve their decision-making and make grid management more effective (e.g. insights into energy use, peak load times and real savings). Participants flagged the importance of investing in research on big data.

A global "stock-taking" event for energy efficiency investments was suggested for consideration for the 2019 G20 agenda, potentially with a special focus on buildings.