Innovative Energy Efficiency Finance

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Why do we need to think innovatively?

- Almost 60% of energy efficiency investment is self financed

Energy Savings Insurance enhances investor’s trust in the viability of energy efficiency projects through:

- **A risk mitigation instrument** ("insurance") that covers the projected value of energy savings
- **A package of complementary measures** such as credit lines to provide long-term capital and grants

### Table: Target Sectors, Regions, Private Finance Targets, Proponent, Other Key Stakeholders

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<th>Target Sectors</th>
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<td>Pilot: Mexico</td>
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Barriers Addressed

Addressed by Energy Savings Insurance:
- Uncertain financial returns
- Technology risk

Addressed by the package of complementary measures:
- Investors’ creditworthiness
- The availability of long-term debt
- Inertia on the demand side for energy efficiency

The ESI is innovative in enhancing investor confidence and trust in the financial viability of EE investment
Implementation Challenges

- Market entry challenges for banks and local insurers, as well as technical / EE service providers
- Defining new types of guarantee contracts may take time
- Transaction costs can limit application to large initiatives
- Package of measures adds complexity for arrangements

Identifying local implementing institutions in replication phase is key
Potential and Next Steps

Potential

• Beyond the pilot phase (BRICs and Next 11 countries):
  – USD 10-100 billion of private finance in dev. countries
  – Emissions reductions of 27-234 MtCO2

Advancing innovation through the Global Innovation Lab for Climate Finance

• Piloting. Proponent underway with planning pilot in Mexico
• Evaluating. Assess the initial performance of the business model
• Replicating. Support pilot investments in other regions
Thank you

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http://climatefinancelab.org/
Instrument Structure

LEGEND: private actors, bank / insurance, international public institutions.