Innovative Energy Efficiency Finance

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Hammamet

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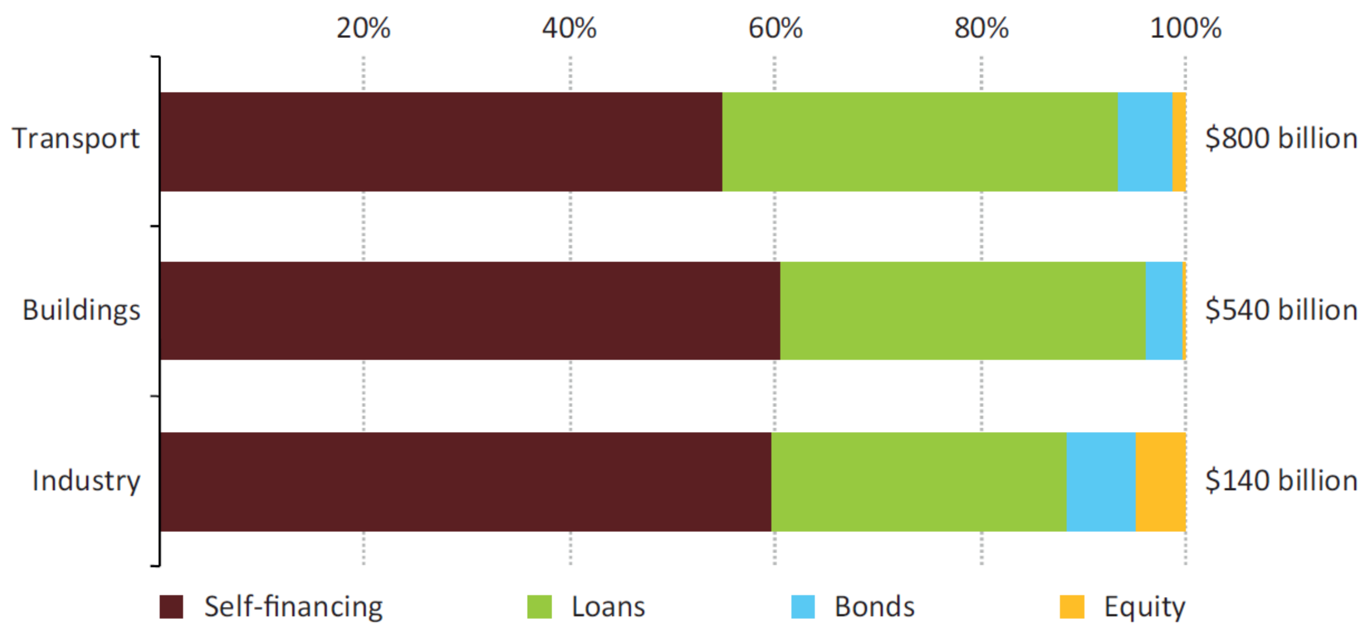
Why do we need to think innovatively?

- Almost 60% of energy efficiency investment is self financed



Source: IEA: World Energy Investment Outlook 2014.

Energy Savings Insurance

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

Target Sectors	Target Regions	Private Finance Targets	Proponent	Other Key Stakeholders
Energy Efficiency	Emerging markets *Pilot: Mexico*	SMEs in selected sectors (industry, services, agroindustry)	Danish Energy Agency	Nat. Dev. Banks, Reg. Dev. Banks, EE contractors, local commercial banks, insurers.

Barriers Addressed

The Lab
The Global Innovation Lab for Climate Finance

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

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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 $MtCO_2$

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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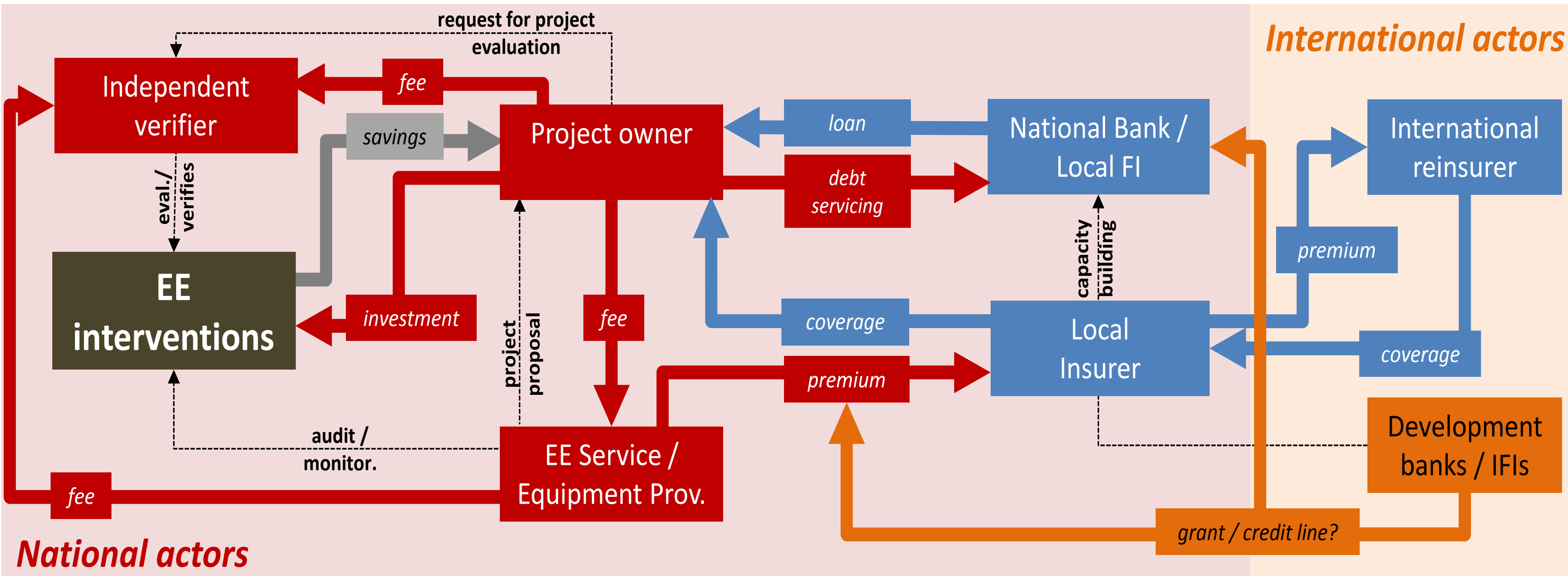
Instrument Structure



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