Scaling up Energy Efficiency Financing

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Here at COP17, some experts have said that the single most important outcome that can emerge from Durban is an agreement on the design of the Green Climate Fund – the new long-term mechanism for dispersing billions of dollars of climate finance for clean technology, adaptation, and capacity-building.

I'm interested in seeing a fair and equitable design for the fund. I'm also interested in watching how agreement on the fund can help bolster climate finance for energy efficient building projects – which so far occupy only a slim piece of international finance – yet offer the largest mitigation potential.

At a UNFCCC side-event on financing energy efficiency, panelists from the Global Environment Facility (the GEF), World Bank Group, and the Asian Development Bank presented a briefing note that summarized the results of an independent evaluation of these institutions' investments in energy efficiency. Unsurprisingly, the evaluation acknowledged that:

- Investments in energy efficiency are highly cost-effective
- Fossil fuel subsidies are hampering investment
- Current obstacles and perceived barriers can be overcome – and the financial sector can in fact be persuaded to invest further in energy efficiency

To underpin these findings, the World Bank Group's analysis offered some insightful statistics: Every $1 of GEF support for energy efficiency catalyzes a reduction of about 2.2 tons of CO2. The same investment in renewables catalyzes a reduction of 0.4 tons. Some energy efficiency investments, such as lighting, offer paybacks in a matter of weeks. Meanwhile, fossil fuel subsidies, which hinder efficiency investments by artificially lowering the cost of energy, remain larger than public spending on health in many countries.

This event made me realize that major international financial institutions do understand the environmental and economic benefits of energy efficiency. As President Obama recently said in his announcement of another $4 billion to improve commercial buildings and industrial facilities in the U.S.., "It is a trifecta." So what's standing in the way of global large-scale investment?

The panelists offered some suggestions. First, we need more data to help reduce the perceived risk. Second, we need capacity-building and technical assistance. Third, we need instruments such as loan guarantees from international institutions (and national governments) to catalyze investment in countries that are perceived as risky – especially the many in the developing world with poor credit ratings.

There are many drivers and varied approaches for financing green and efficient buildings. I am hopeful that the Green Climate Fund, which will oversee resources on the scale of $100 billion per year come 2020, can help with some of the above in order to leverage climate finance and spur even more investment in this "win-win-win" solution.

For more on how green buildings also improve lives, check out the COP17 legacy project spearheaded by the Green Building Council of South Africa.

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