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‘Investing in energy efficiency makes economic sense’

70 financing institutions pledge to scale up energy efficiency investment as the financial industry meets in Istanbul ahead of G20 and COP21 summits

At a conference which started in Istanbul today, 70 financial institutions – ranging from regional and microfinance institutions to national and global banks – from over 20 countries have vowed to step up financing for energy efficiency investments and develop business strategies that save energy and reduce carbon emissions.

The two-day event, “Building a Global Energy Efficiency Financing Alliance”, is being held by the European Bank for Reconstruction and Development (EBRD) jointly with the United Nations Environment Programme Finance Initiative (UNEP FI) in the run up to the G20 summit and COP21 climate talks in Paris, with the support from Turkey’s Garanti Bank, the Climate Investment Funds and MWH Global, a water and natural resources firm.

The event was designed specifically to engage the financial industry in energy efficiency opportunities. Participating institutions have also endorsed a declaration pledging to further engage in financing energy efficiency.

Opening the conference, Josué Tanaka, Managing Director for Energy Efficiency and Climate Change at the EBRD, said: “Investing in energy efficiency makes economic sense and the current financing gap represents a huge business opportunity.

“The financial sector is uniquely placed to channel finance to energy-saving opportunities and address the current investment gap. Our aim is to make sure the financial community can tap into this potential by forging links with the most up-to-date expertise and technology.”

Eric Usher, acting Head of UNEP FI, added: “Mobilising the private finance sector to tackle the investment gap means working with financial institutions not only to address their internal barriers but also involving policy-makers in an open dialogue on how external barriers can be overcome.”

Energy efficiency has been recognised as one of the most economically effective means of combatting climate change. According to scenarios from the International Energy Agency, more than 40 per cent of the greenhouse gas emission reductions required to limit increases in the global average temperature within two degrees Celsius by the end of the century will have to come from increases in energy efficiency.

At the same time, according to the Global Tracking Framework, the financing needed to achieve the efficiency objectives already pledged by major economies around the world account to some US\$ 560 billion. Energy efficiency investment needs to increase four-fold from current levels.

Participating financial institutions in today's conference have pledged to further integrate energy efficiency finance into their operations, guide clients towards enhanced energy saving and to track investment in the sector. They were also willing to intensify their cooperation with development institutions, like the EBRD and UNEP FI, in financing measures which tackle climate change.

The EBRD has played a pioneering role in driving private sector funding to this crucial sector. Its Sustainable Energy Finance Facilities (SEFFs) – especially designed to support financial institutions fund energy efficiency in corporate, municipal and residential sectors – have been successfully implemented in 22 countries and attract significant levels of demand.

Today the EBRD works with over 100 banks, leasing companies and microfinance institutions, reaching over 1,000 enterprises and 15,000 households annually. Since the launch of the Bank's Sustainable Energy Initiative in 2006, over €3 billion has been committed to SEFFs, resulting in over 80,000 loans. These credit lines are being supported by 16 donors including the EU and the Austrian government.

Over the past 10 years, the Bank has invested a total of €13 billion in energy efficiency both through direct deals and in partnership with commercial banks, encouraging third party investment for projects worth a total of €84 billion and estimated to reduce greenhouse gas emissions by over 60 million CO₂ tonnes per year.

UNEP FI, as the 20-year old partnership of the United Nations Environment Programme with the financial sector, sees energy efficiency financing as a good example of what positive impact finance can have in terms of strong climate change action and enabling the sustainable development of more resilient economies. UNEP FI works with its members to scale up investment and raise the visibility of energy efficiency. This includes being the partner of countries and policy-makers to enable a constructive dialogue with the financial sector. This was successfully initiated with the European Commission and now with the G20 Energy Efficiency Finance Task Group.

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