G20 Global Summit on Financing Energy Efficiency, Innovation and Clean Technology

12 June 2019, Tokyo, Japan

Tokyo Declaration on Improving the Visibility and Energy Performance of Asset Investments by Financial Institutions

As Summit participants, financial institutions, supporting networks and experts we declare to the G20 Ministerial Meeting on Energy Transitions and Global Environment for Sustainable Growth, that to increase the innovative financing and capital sources for our Energy Transition, we recommend:

1. Increased transparency of the energy performance of banks' assets through their accelerated tagging to nationally appropriate energy performance metrics, leading with buildings.
2. An exemplary role for public financial institutions in their consideration of energy performance in all new real estate lending activities, and as a priority to review and tag existing assets, leveraging digital innovation where relevant.
3. To promote best practices, and to track the commitments made to tag assets' energy performance through networks of leading financial institutions, like the UNEP FI Energy Efficiency Finance Platform, inter alia.
4. To consider smart enabling infrastructure in cities and the built environment that can yield important systemic efficiency gains, including efficient building design to reduce heating and cooling requirements, super-efficient cooling devices, electric vehicle charging and heat pumps in combination with smart renewable energy solutions.

These recommendations build on the recognition that:

The G20 Energy Efficiency Leading Programme (art 4.3.3.3) calls for the broadening and deepening of private sector engagement, including through the establishment of a Private Sector Energy Efficiency Investment Platform, and other work with long-term investors, banks and insurers with partner support;

The G20 Hamburg Climate and Energy Action Plan for Growth (art D.1) highlights the importance of frameworks to encourage necessary additional investments in technological innovation in energy efficiency as a driver for economic growth, and acknowledges the G20 Energy Efficiency Investment Toolkit, a set of voluntary options for participating countries to upscale energy efficiency in G20 economies, as an integrated approach to enhancing capital flows towards energy efficiency. Finally, it invites international organisations to provide regular updates on the global transformation of the energy sector and further investment needs;

The G20 Energy Efficiency Investment Toolkit (p.3) concludes that banks can increase their use of "green tagging" as a mechanism to better track and report on the energy and environmental performance of their assets, also giving them expanded access to new financing markets (like green bonds) and enabling greater levels of transparency and disclosure;

The voluntary Energy Efficiency Investment Principles for G20 participating countries (p. 1) call for further collaboration to build an awareness of energy efficiency (and its associated benefits) within public and private financial institutions;

The G20 Energy Efficiency Action Plan (art 2.13) called for the identification of issues for energy efficiency investment finance from the perspectives of both demand (borrowers) and supply (banks and investors); and (art 3.5) work on metrics to help gauge progress and identify opportunities for improvement in building energy performance;

The G20 Toolkit of Voluntary Options and Action Agenda for Renewable Energy Deployment call for exchange on experiences in the use of risk mitigation instruments as an efficient means for public sector finance to mobilize private sector investments and to develop a guide to the use of risk mitigation instruments within the G20 framework.

Latest data from the International Energy Agency (IEA) shows that growth in global energy efficiency investment stalled in 2018, despite the need for significant investment in the near-term to meet global sustainability goals and reduce the overall effort required from energy supply measures. A total of USD 240 billion was invested in energy efficiency across the buildings, transport, and industry sectors, the same level as in 2017. This resulted from lower spending on energy efficient buildings, while electric car sales continued to soar and air conditioner sales grew 16% in 2018 to their highest ever level, led by Asian and Latin American G20 countries where rising demand for space cooling is putting enormous strain on electricity systems and driving up emissions.

Global real estate is worth around US$ 280 trillion and represents around 30% of total bank assets, with buildings responsible for over 30% of global greenhouse gas emissions and at risk of climate-related losses relating to sea-level rise estimated over $2 trillion;

Cities have the power to implement complementary renewable and energy efficiency investments as illustrated in “Solutions to integrate high shares of variable renewable energy and Climate change and renewable energy – national policies and the role of communities, cities and regions”. Urban electrification can be combined with renewable power from surrounding areas to yield high overall efficiencies and deep decarbonisation enabled by innovative smart infrastructure investments.

One-hundred and thirty-six (136) parties have referenced action required by the buildings and/or construction sector in their Nationally Determined Contributions under the Paris Agreement; The G20 Energy Efficiency Finance Task Group has developed commitment tools that have enabled 122 private banks, six leading public financial institutions and more than USD 4 trillion of institutional investors embed energy efficiency considerations more deeply in their activities, supported by the networks of UNEP FI and other partners;

The material importance of up-scaling energy efficiency investments in global real estate as a core component of energy transitions and promoting sustainable growth as outlined in the Global Alliance for Buildings and Construction (GlobalABC) 2019 Global Status Report, and the key role sustainable and efficient buildings play in improving citizens’ local environments and the social and business innovations necessary to achieve them; and

UNEP FI’s role as a partnership between United Nations Environment Programme and the global financial sector created to promote sustainable finance with more than 230 financial institution members, including banks, insurers, and investors ;and

The role of a whole-of-government approach to strengthen domestic enabling conditions and unlock finance for energy efficiency, innovation and clean technology; and the readiness of the OECD to provide policy advice and support for implementation.