Opportunities and Barriers in Sustainable Energy Finance (SEF)

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Impacts of Climate Change

State of the Science (IPCC 5th Assessment Report)

• Climate change unequivocal
  - Between 1880-2012, average warming of 0.85 degrees C
  - Sea level rise of 19 cm since 1901
  - More frequent, intense storms, fires and droughts in the last 50 years

• We’ve spent 53% of our Carbon budget
  - We’ve used up more than ½ of the amount of CO2 we can emit
  - Our current path locks in 2 degree warmer world by 2044

• Threat of accelerating change
  - Climate inertia → warming in the pipeline
  - Tipping points → could lose control
What challenges are we facing?

- 10 billion tonnes of CO2 to be reduced by 2020 in order to stay within the magnitude of 2 degree warming.

- US$140 billion needed each year for wind and solar power investments
- US$450 billion needed per year in green buildings investments
- US$170 billion needed per year in energy productivity/efficiency improvements

- 1.3 billion people without access to electricity
- 2.5 billion people without sanitation facilities
- 780 million people with unsafe drinking water
- 400 million new homes to be built in emerging markets by 2020
Sustainable Energy Finance (SEF) presents huge business opportunities ...

Projected industrial energy consumption to 2030

Annual investments needed to capture energy productivity opportunity to 2020 ($ bn)

...but highly dispersed ($97 bn/$1m = 97,000 investment decisions)
What’s in there for FIs and their clients?

For FIs:
- Expanded market share through a new business line:
  - Innovative product - First mover advantage/differentiation
  - Sell on value to customer, not pricing
  - Monetize existing client base - Attract quality new clients
  - New marketing channels through vendor partnerships
- Improved risk profile of portfolio:
  - Cost efficient clients = Better performing clients
  - Energy cost savings as a part of cash-flow
- Positive social and environmental impacts:
  - Enhanced brand reputation, PR opportunities

For FIs clients:
- Cost savings - Improved Productivity/ Quality of Output - Competitiveness
- Reasonable pay-back period - Investments recovered from energy cost savings
- Reduced footprint - Sustainable access to global supply chains
Key Barriers block investments and financing

- Not core business
- Widely dispersed: Where to start?
- Information support
- Underestimated Savings
- Underfinanced
- Unfamiliar market players
- Competing interests
- Transaction costs / risk perceptions
- Skepticism: Commitment / Product understanding
IFC’s support to Climate Change Mitigation through SEF

IFC provides financial products and advisory services to FIs in following areas:

• **Energy Efficiency (EE):** Investing into fixed asset to reduce energy bill of end-users through increased efficiency of energy use

• **Renewable Energy (RE):** Investing into technologies generating power or heat from renewable resources

• **Resource Efficiency (Ref):** Investing into technologies minimizing water, raw material, waste and emissions from industrial processes and maximizing product output
Thank you very much for your attention!

For any questions, please contact:

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