Voluntary **Energy Efficiency Investment Principles for G20** participating countries

The Energy Efficiency Finance Task Group (EEFTG) was established as one of the six work streams of the G20 Energy Efficiency Action Plan to address the urgent need for increased investments in energy efficiency. Led by Mexico and France, the Task Group brings together 13 countries of the G20, and 6 international organisations[1].

Until now, energy efficiency investments have been diffuse and hard to track, despite large annual global energy efficiency investments[2]. Yet, these investments have delivered substantial positive economic, social and environmental benefits to G20 countries[3].

The Task Group was formed precisely to:

1. Enhance capital flows for energy efficiency investments in participating countries; and
2. To provide G20 policymakers with a forum for engaging directly with members of the private and public finance community, industry and international organisations.

In 2015, the Energy Efficiency Finance Task Group produced significant work, and led five technical engagement workshops and individual meetings with over 180 expert contributors. These workshops have formed the evidence basis for the Voluntary *Energy Efficiency Investment Principles for G20* participating countries (overleaf), a key deliverable for this year.

To address existing barriers in G20 countries and enhance capital flows to energy efficiency, the Principles seek G20 Energy Ministers and Leaders' commitment to:

- recognise the important economic, social and environmental role energy efficiency plays in G20 economies;
- encourage energy efficiency to be systematically considered alongside other supply-side energy investments; and
- review and consider country-led and/or regional measures and policies which stimulate demand for and supply of energy efficiency investments.

The Principles also call for further collaboration to identify and unlock barriers to energy efficiency investments; as well as to build an awareness of energy efficiency (and its associated benefits) within public and private financial institutions[4].

All G20 countries participating in the Task Group have provided input to, and found a progressively built consensus around the Voluntary *Energy Efficiency Investment Principles for G20* participating countries. These countries have also provided important case studies which support the Principles, alongside further evidence detailed in the 2015 EEFTG Activity Report and the G20 Energy Efficiency Action Plan Report prepared by IPEEC.

These Principles are welcomed by G20 Energy Ministers following their full presentation to the 3rd G20 Energy Sustainability Working Group (ESWG) and subsequent discussion and form an excellent platform for 2016 activities of the G20 Energy Efficiency Finance Task Group.

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[1] G20 countries that directly support the initiative: Australia, Argentina, Canada, China, European Union, France, Germany, India, Mexico, South Korea, Russia, United States and UK. International organisations include: the Organisation for Economic Co-operation and Development (OECD), European Bank of Reconstruction and Development (EBRD), United Nations Environment Programme Finance Initiative (UNEP FI), Sustainable Energy for All (SE4All), the Energy Charter and the Clean Energy Solution Center of the Clean Energy Ministerial (CEM).

[2] Estimated by Bloomberg New Energy Finance (2014) at US$300 billion for 2014, which is equivalent to the annual investment levels of clean energy globally for 2014.

[3] Since the 1970s, the energy efficiency performance of white goods, automobiles, buildings and industrial processes has increased up to five times the output per unit of energy used – according to IEA.

[4] Furthermore, an Energy Efficiency Investor Statement to the G20 has also been drafted with the participation of UNEP FI, and proposed to investors to endorse with the support of the Principles for Responsible Investment (PRI), with 1,400 investor members. This shall contribute to establishing a good working base to facilitate continued dialogue with the financial sector and its mobilisation.

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Sharing a common understanding of the positive economic and societal benefits of public and private energy efficiency investments, we agree to collaborate and work together, on a voluntary basis, to:

1. Recognise the importance of energy efficiency considerations in all relevant decision making to significantly increase and strengthen energy efficiency investments in our economies in the context of a balanced progression of the three dimensions of sustainable development;
2. Encourage energy efficiency investments and their positive impacts to be systematically considered alongside supply-side investments relating to our energy systems. This can be achieved through consideration of possible reforms relating to decision-making, planning, pricing and regulation of energy and infrastructure investments;
3. Country-level review and consideration of measures and policies which will stimulate demand for energy efficiency investments, including the following:
    a. The provision of clear regulatory and investment signals to encourage the uptake of energy efficiency investments within the development and upgrade cycles of our infrastructure, consistent with national development priorities and strategies;
    b. Appropriate national and regional incentives and mechanisms that: stimulate improved energy management; support energy efficient investment choices; and improve awareness of the value of energy efficiency investments with key decision-makers;
    c. Contribute to and facilitate national and, where appropriate, regional mechanisms that make the data needed for energy efficiency measures and investments easily accessible to market participants involved in the development of these investments considering in-country communication protocols and clear systems of labels and certificates;
    d. Support for the appropriate development, packaging, aggregation, standardisation, bundling and provision of tailored financing for energy efficiency investments through multiple national, regional or local retail channels (such as utilities, financial institution branches, and other retail distribution networks), to deliver a change of scale for consumer and SME energy efficiency investing;
    e. Review and identify policies at the national and local level that help to accelerate the replacement cycle for “worst in class” facilities and buildings with respect of their relative energy performance;
    f. Build a pipeline of bankable and replicable energy efficiency projects.
4. Encourage collaboration to identify and explore how to unlock barriers preventing the supply of and access to finance for energy efficiency investments in local markets including:
    a. Reviewing accounting and regulatory treatment for energy efficiency investments, where appropriate, to fairly reflect the net benefits and business risks of these investments;
    b. Developing national and/ or regional standards and policies that will support energy efficiency investment processes in key market segments consistent with regional and national priorities and conditions;
    c. Developing finance mechanisms, where relevant, that can enhance the creditworthiness of the repayment streams to energy efficiency investments, such as including these repayments within existing payment collection mechanisms;
    d. Simplifying public support programmes, where relevant for energy efficiency, to enable their efficient combination with and mobilisation of private finance streams to maximise overall funding flows and delivered benefits;
    e. Involving public financial institutions, where appropriate, to help formulate lending policies to prioritise and mobilize private capital toward energy efficiency investments in the respective countries.
5. Build greater internal energy efficiency investment awareness within public and private financial institutions, expand their use of tailored approaches to structure and facilitate energy efficiency investments, and develop their capacity through the pro-active sharing of good practice. This can be achieved through support for financial institutions which adopt their own systems based upon voluntary energy efficiency investment commitments. These would aim to appropriately govern their own internal decision-making processes, investments in, and interventions to mobilise greater investment in energy efficiency.