



UNDP's Approach to Market Transformation for Energy Efficiency

Session "Unleashing Energy Efficiency in Cities: A role for National Policies"

Marcel Alers

Head Energy, Infrastructure, Transport and Technology, UNDP

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UNDP-GEF Work on Energy Efficiency

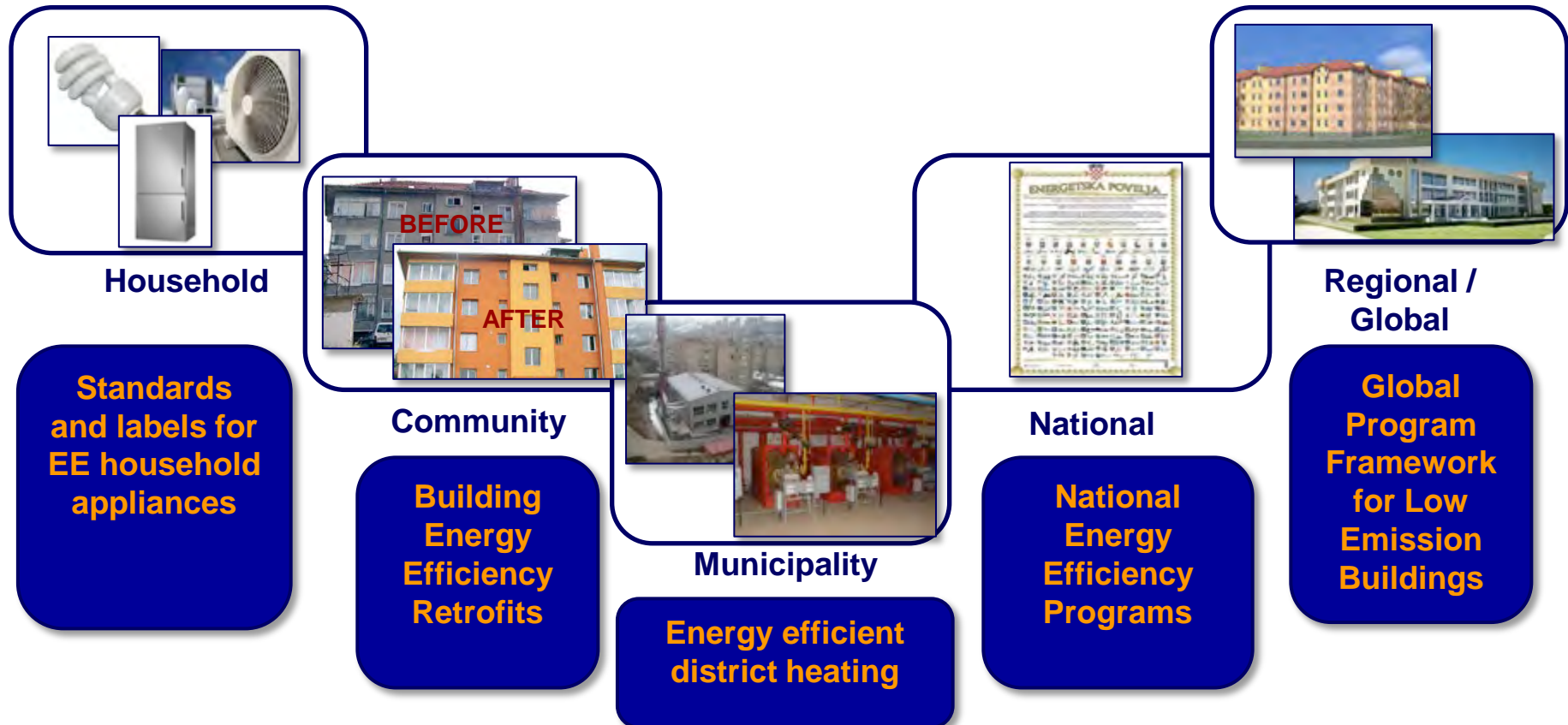


- \$ 800 m (\$150 m from GEF) for 45 projects
- Over 40 countries and **more than 1,000 municipalities and cities** across the world



Energy Charter of Croatia signed by ALL cities and counties

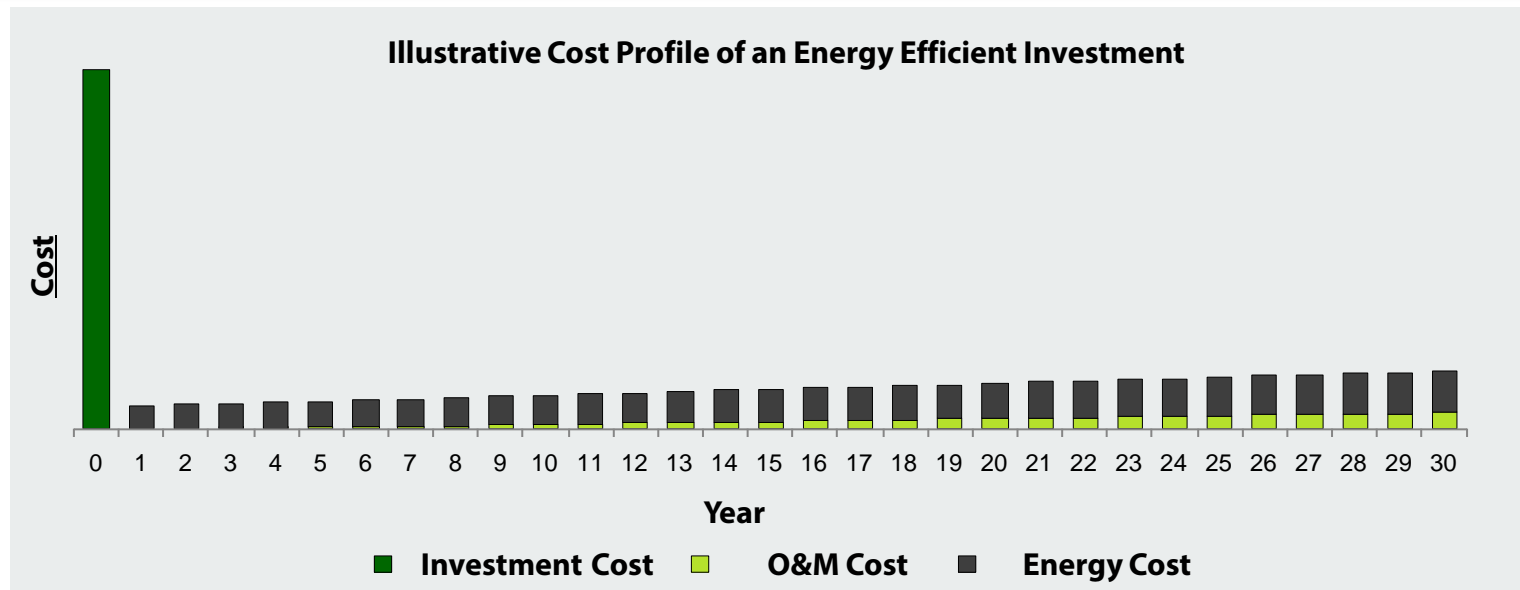
Energy Efficiency at Local, National, Regional Level



Objective: achieve market transformation and increase uptake of energy efficient technologies and practices at household, community, municipal and national level

UNDP's Approach to Market Transformation Energy Efficiency's Financial Profile

A key characteristic of energy efficient investments are their high upfront capital intensity, and therefore their sensitivity to financing costs. **Access to large quantities of low-cost financing** will be critical to cost-effectively transform energy efficient markets.

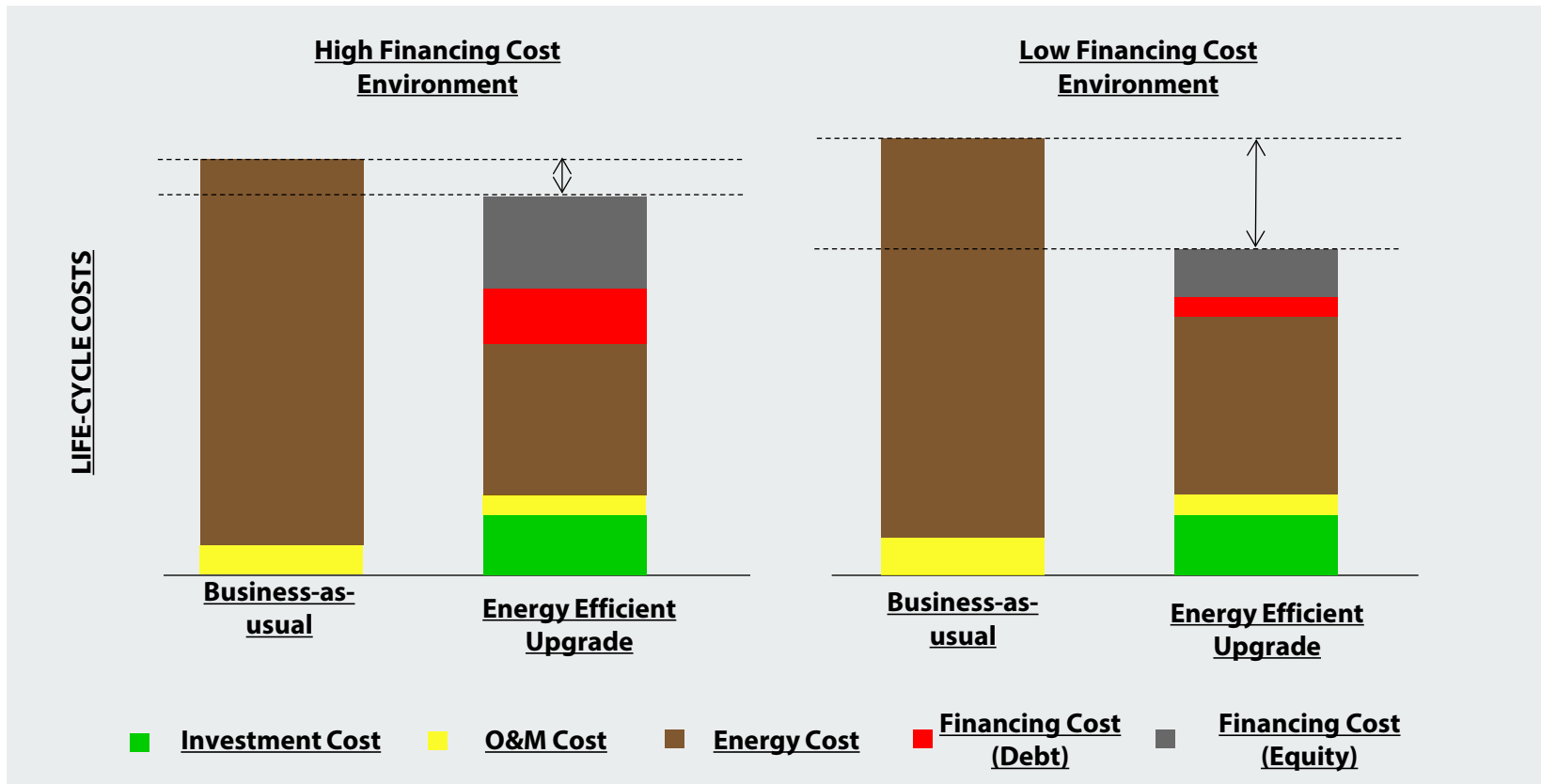


Source: UNDP

UNDP's Approach to Market Transformation

Energy Efficiency's Financial Profile

A key characteristic of energy efficient investments are their high upfront capital intensity, and therefore their sensitivity to financing costs. Access to large quantities of low-cost financing will be critical to cost-effectively transform energy efficient markets.



UNDP's Approach to Market Transformation Addressing the Risk/Return of Investments



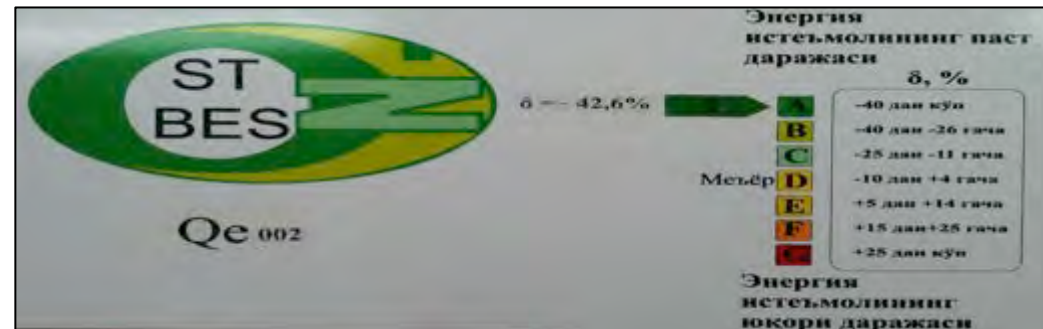
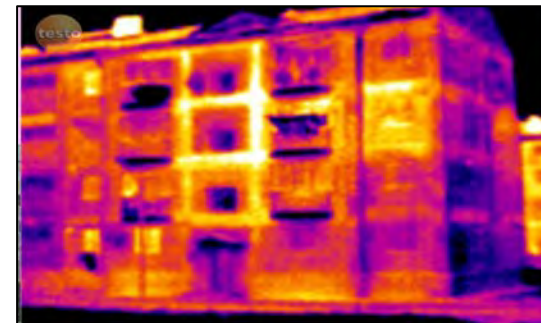
UNDP seeks to support governments to put together public instrument packages that:

- (i) Address the non-financial barriers that block **demand for investment in EE**
- (ii) Create attractive risk/return profiles by **reducing, transferring or compensating for risk**

Cornerstone Policy Instrument: EE Building Codes

- ✓ EE Building codes are most appropriate public policy instrument to achieve massive market transformation at low cost
- ✓ Enforcement is critical at design and construction stage, but require A LOT of capacity building, especially at local (city) level
- ✓ Energy rating system is an effective tool to facilitate compliance check and create wider market awareness

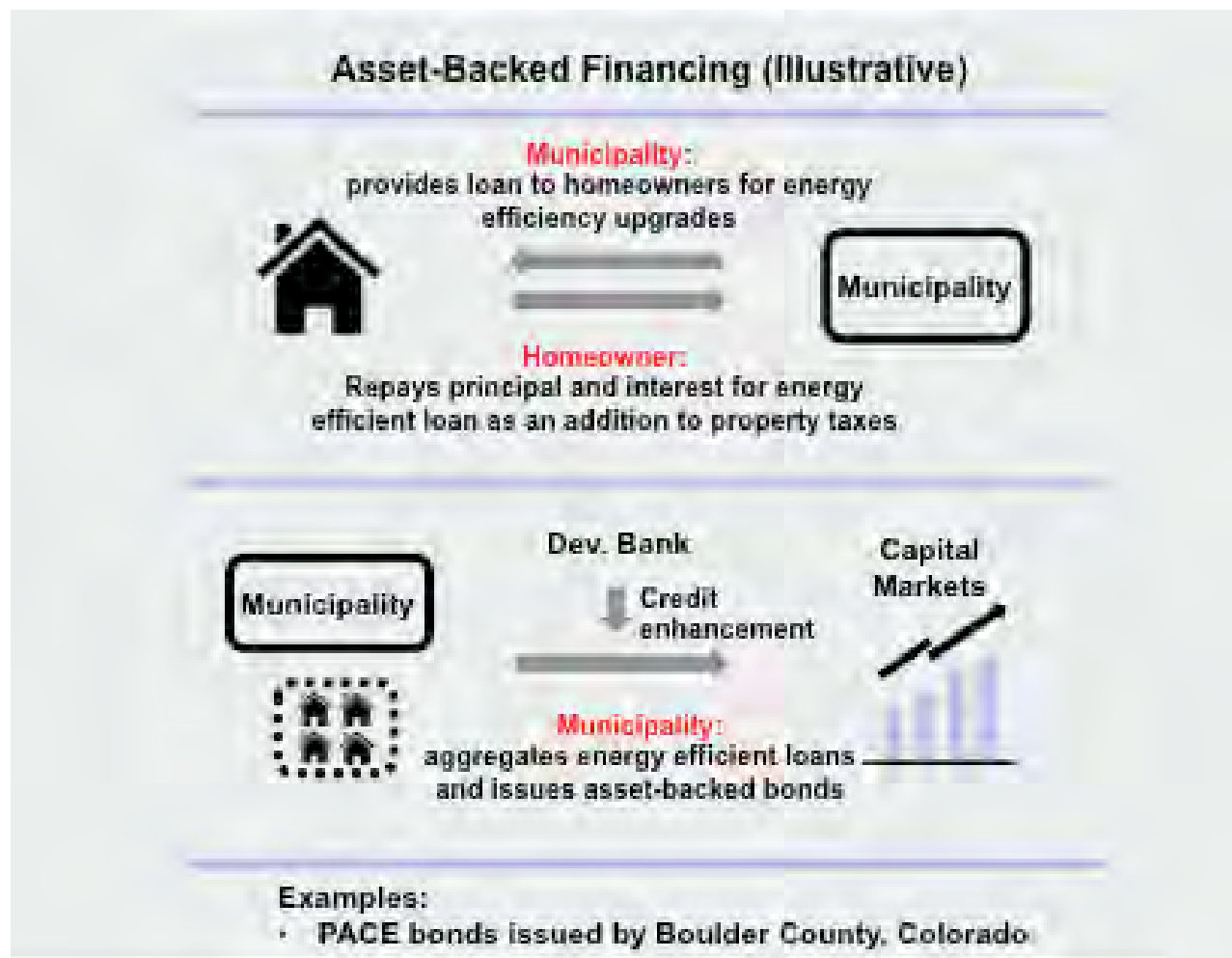
New Building Codes in Uzbekistan/Kyrgyzstan “Thermal Performance of Buildings” entered into force in 2010-2012: **require on average 40-50% less thermal energy consumption in buildings** as compared to current practice, i.e. 60-90 kWh/m²/year compared to 120-150 kWh/m²/year



Innovative Sources of Low-Cost Financing

The opportunity is to promote business models and financial products which allow municipalities and businesses to access progressively more low-cost forms of capital, with the ultimate objective to access the bond capital markets

Kazakhstan: National Modernization Fund provides interest-free loans (7-10 years tenure) to association of apartment owners and ESCOs for EE retrofits: 640 mln US\$ till 2020



Creating Demand for EE in Cities

The role of central and local government is **to lead by example**



Croatia President Ivo Josipovic consults “200 Energy Efficiency Tips”



Visit of Kazakhstan President Nazarbaev at pilot energy efficient building in Karaganda, KAZ



National Program “Put Your House in Order” – for all public buildings in Croatia

	Scale		

Role of Central Government in Unleashing EE in Cities

Adopt and enforce national policies - Cornerstone policy instrument

- Mandatory EE Building Code, Standards & Labels and their systematic enforcement
- Other important policies and regulations: tariffs, housing relations, budget code (to unlock EE potential in public sector), rules for public procurement, etc.

Facilitate access to EE financing

- Central Government is much better positioned to attract large quantities for low-cost financing than city authorities (with a few exceptions)
- Setting robust and credible MRV system, like Energy Management System, is essential to ensure access to EE finance

Set a public example

- Political commitment at the highest national level is critical to inspire and motivate local actions

Thank you