



**Energy Efficiency Global Forum
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**Statement by Christiana Figueres, Executive Secretary
United Nations Framework Convention on Climate Change**

Mr. Emiliano Pedraza, General Director, National Energy Efficiency Commission of Mexico, representing Latin America,
Former Governor of Colorado Bill Ritter, now the Director of the Center for the New Energy Economy at Colorado State University, representing the United States,
Members of European Parliament Bendt Bendtsen, Lena Ek, Peter Liese and Claude Turmes representing Europe,

It is a pleasure to be here at EE Global. I am honoured to accept this award on behalf of the United Nations Climate Change secretariat and alongside so many distinguished names. While accepting the award, we at the secretariat are very aware of the fact that we still need to do much to promote energy efficiency as a full-fledged mitigation tool.

In the past, when I spoke and wrote about energy efficiency, I sometimes felt like a broken record. But then, they say that repetition is a sign of conviction - and I have always been deeply convinced that using energy efficiently will make a huge contribution to a climate-safe world. Energy should be treated as our most precious asset - as an asset that need not, cannot, should not be wasted.

I wouldn't say that my past work on energy efficiency landed on deaf ears, but for a long time, energy efficiency was the forgotten fuel, the less glamorous cousin compared to calls for breakthroughs in new technologies.

So how can we move to making energy efficiency the glamorous fuel that it needs to be? And, perhaps on a more basic level, what could function as a key driver for that?

Let me begin in Cancun.

The Cancun Agreements include a comprehensive package to help developing nations deal with climate change. These include:

- A Technology Mechanism, which will be fully operational in 2012 and which will support the innovation, development and spread of new technologies.
- A Green Climate Fund, to provide long-term financing to projects, programmes, policies and other activities in developing countries via thematic funding windows.

Importantly, the Cancun Agreements provide the strongest signal countries have ever given to the private sector that we are moving toward low-carbon economies, by committing to a maximum temperature rise of 2 degrees, and a consideration of a maximum of 1.5 degrees in the near future.

All industrialized countries officialized their emission reduction pledges under the Cancun Agreements. So far, 37 developing countries have officialized their nationally appropriate mitigation actions referred to as NAMAs, which seek a deviation from business-as-usual emissions by 2020 with technological and financial support.

Additionally, industrialized countries agreed to develop low-carbon strategies, while developing countries were encouraged to do so.

The Cancun Agreements provide an important step forward in international climate change abatement - but an urgent need to raise the level of ambition remains.

Assessments show that the sum total of official pledges amount to only 60 percent of what is needed to limit the temperature increase to 2 degrees Celsius. As a result, every effort needs to be made to find a realistic way to increase the level of ambition to close the 40 percent gap.

Energy efficiency offers outstanding options for a considerable contribution to closing the 40 percent gap. The mitigation potential from energy efficiency promises to be high. A study by McKinsey showed that energy efficiency measures alone would in 2030 reduce emissions by 14 percent under a BAU baseline.

In 2007, McKinsey also found that by 2050, energy efficiency could reduce United States carbon dioxide emissions by 40 percent.

Next to their significant mitigation potential, energy efficiency options are also cost-effective. In fact, studies show that energy efficiency measures are at negative-cost, and their savings over time offset or subsidize more expensive measures needed later. Many of these measures would have net economic benefit over their lifetime.

Increasingly, the private sector is looking towards energy efficiency. The energy efficiency solutions market is growing and is projected to be one of the biggest business growth areas through 2020. Energy efficiency was the leading beneficiary of venture capital and private equity investments, attracting USD 2.8 billion in 2010. By comparison, wind energy attracted USD 1.5 billion.

Slowly, energy efficiency is making its appearance on the agendas of a growing list of countries:

- Among G20 countries, of the stimulus funds spent to date, 37 percent has been allocated for energy efficiency programmes.
- The European Union's 20 percent emission reduction target includes a 20 percent target for increasing energy efficiency.
- The United States attracted two-thirds of all G20 investment in energy efficiency in the last year, in part because its efficiency level trails that of European and other G-20 members.
- And China in particular, is showing the world what can be achieved by energy efficiency measures in terms of reducing carbon emissions, and a host of other benefits.

This is encouraging - but not enough. These are steps in the right direction - but not yet direction-setting steps. Why is that?

For all the good intentions and first steps that I have just outlined, the reason that energy efficiency isn't the name of the game is the continued existence of multiple barriers.

Barriers come in many shapes and sizes and have not been sufficiently addressed. To my mind, these are the top 5 barriers that continue to prevent the world from using energy efficiently.

1. **Market imperfections**, in particular split incentives. Split incentives can theoretically be overcome through creative ways to incentivize and finance the additional upfront expenditure, or ensure saved GHG emissions or future costs accrue to the investor. Other market imperfections include imperfect competition, externalities, high transaction costs and organizational failures. Especially smaller firms are often constrained by a lack of resources.
2. Energy efficiency projects in the Kyoto Protocol's **clean development mechanism** have faced similar barriers. This includes the fact that energy efficiency projects present unique methodological challenges for measuring emissions. Additionally, energy efficient projects have high transaction costs because they are typically spread across large numbers of scattered end-users and programmatic CDM is still in its infancy.
3. Energy efficiency improvement measures are **widely-dispersed**. The widespread geographical locations, multiplicity of small end-users and differing technological and knowledge levels of end-users make control and management difficult and costly. Immense effort to achieve a small efficiency gain hampers the willingness of owners and financial institutions to start energy efficiency projects.
4. **Access to technology** is another barrier, particularly for developing countries. The industrial base in many developing countries does not have sufficient energy efficiency technology capacity, capacity for designing and manufacturing EE products. There is also a lack of information on energy efficiency, which leads to an inability to deploy energy efficiency products and practices.
5. This leads us to **institutional level barriers**, which stem from governments that have limited capacity to design and implement energy efficiency policies and programmes. In many cases, it is the private sector that implements and implementation often needs to occur at the local level. Yet implementation often fails precisely at the local level. From what local government representatives have told me, this often happens because there is a lack of understanding and collaboration between local government and the private sector.

There would be a higher interest to overcome all these barriers if there were more effective billing structures. Let me illustrate this: let's assume that a truck delivers all your food every month for three months. After three months, you get one big bill that does not detail the cost of each food item, meaning that you have no incentive to look for food items that might provide better value for money.

Taking this to back to energy efficiency, the question is: would consumers not be more motivated to save energy if they had more visibility of the energy consumption of their individual appliances, possibly through a changed billing structure?

If we want to realize the full potential of energy efficiency, it needs to be recognized, financed and delivered on the basis that it is a power system resource. In fact, it is the first fuel we should reach for.

One broad, yet key element for overcoming barriers includes better information on energy efficiency choices. Such information needs to be made widely available to consumers, producers, individuals and commercial end-users. Information is critical for optimal, economically-rational decisions.

Ideally, there also needs to be an active and open exchange between policy-makers at all levels of government and the private sector. In energy efficiency, government policy and private sector need to go hand-in-hand.

Efforts are also underway to increase the share of energy efficiency projects in the CDM, including through the improvement of methodologies to measure emissions.

Beyond that, efforts are underway to step up the use of programmatic CDM, by which many small activities can be implemented as part of a lower approach, thereby lowering the transaction costs.

Lastly, governments have directed that energy efficiency projects be incentivized under the CDM.

Ladies and gentleman, it's time for a concerted global effort to harvest this low-hanging fruit and to utilize it to the fullest extent for the benefit of the climate.

There is vast untapped potential in energy efficiency, in Europe and around the world. Tapping it can drive further ambition, which would then channel investments and resources to where they are needed to decouple emissions from economic growth. This would create a virtuous cycle, a race to the top.

The Cancun Agreements offer the opportunity to drive such a cycle by embarking on a much more concerted effort towards energy efficiency. Additionally, the agreements can help overcome some of the access barriers to energy efficiency, especially in developing countries, where the potential for energy efficiency is unthinkable high.

The newly created Technology Mechanism will offer the opportunity to spread energy efficiency solutions much wider once it is up and running in 2012.

Nationally appropriate mitigation actions by developing countries will offer an even more targeted way for increasing energy efficiency solutions in developing countries. A number of developing countries have already developed energy efficiency-related NAMAs, while others are in the process of doing so. NAMAs will provide huge, targeted investment opportunities for the private sector and investors.

But to my mind, the most important driver is the need to close the 40 percent gap that will enable the world to limit the temperature increase to 2 degrees Celsius.

As an Annex I Party, the European Union is required to take the lead in emission reductions. Lately, there has been much discussion on whether to increase the EU's target to 30 percent.

At the beginning of March, the European Commission tabled an energy efficiency plan, which sets out in detail how the 20 percent target for increasing energy efficiency can be achieved in the EU.

The full delivery on current policies related to the 2020 target, together with the full implementation of the energy efficiency plan, means that the EU could achieve a 25 percent reduction by 2020. This would translate into a cost-effective, no-regrets increase in the level of ambition and a show of real leadership internationally.

Ladies and gentlemen,

Energy efficiency needs to become a new norm, beyond light bulbs, energy efficient appliances and stars and ticks - though these are of course important elements of end-use efficiency.

It is very rewarding to be at this juncture, and on this side of the fence, so to speak, and to witness how the policy space for energy efficiency is beginning to grow amid the evolution in the way the world perceives, uses and treats energy. This offers the best condition for turning energy efficiency into a new norm.

As part of this, and in the larger context of international climate change action, it needs to take its rightful place as the world's fifth fuel, a no-regrets, jump-cable, rainmaker of all other sources of low-carbon development.

On behalf of the climate change secretariat, I once again thank you for bestowing this award upon us.

Thank you.
