



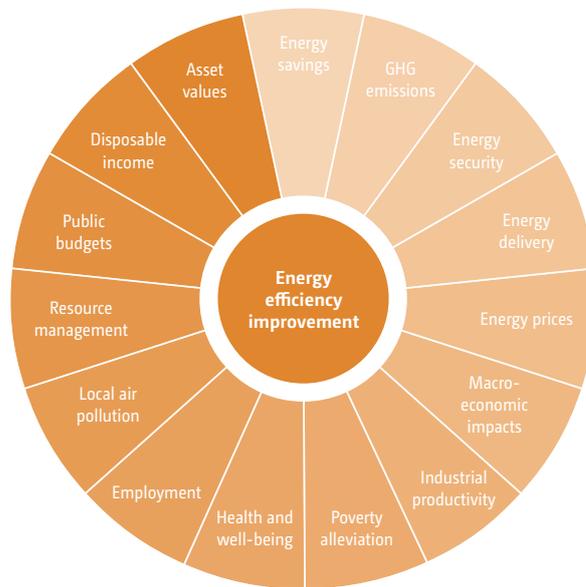
# EXECUTIVE SUMMARY FOR FINANCIAL INSTITUTIONS

## Industrial Energy and Material Efficiency in Emission- Intensive Sectors

Accounting for over one third of global final energy consumption, the worldwide industrial sector consumes more energy than any other end-use sector. Various energy and material efficiency measures can reduce energy consumption and related greenhouse gas emissions significantly, thereby also offering great cost saving potential and a number of environmental and social co-benefits, such as reduced air pollution and improved working conditions. Despite the high potential for industrial energy efficiency, a number of challenges and unaddressed needs remain, among which lack of awareness of energy efficiency potential, limited access to financing and the need for capacity-building are the prime ones.

### ROLE OF FINANCIAL INSTITUTIONS

Financial institutions (FIs) are of great importance to increasing energy efficiency in industry as they play a major role in addressing all three of the main barriers listed above. First, they can help raise awareness about energy efficiency among their clients through information campaigns and demonstration projects. Moreover, to channel activities of FIs towards energy efficiency, awareness should also be raised within their own institutions and for the information of other FIs. Multilateral development banks can sensitize national FIs in the context of international project work and also contribute to the capacity-building of national FIs. Furthermore, by providing financial support programmes for energy efficiency measures, FIs can address the lack of financial resources.



Multiple benefits of energy efficiency

Source: OECD/IEA 2014

### POSSIBLE OPTIONS FOR ACTION

#### IN GENERAL:

##### Public and private FIs

In order to increase investment in energy efficiency projects in industry, it is important that FIs in general **consider energy efficiency** when making investment decisions and guide their clients towards energy efficiency oriented financing decisions. In addition to that, public as well as private FIs can take an active role in developing and testing **new financing instruments** and insurance and risk mitigation products that address energy efficiency in particular.

To further enhance the quality of their financing products, it is recommended that FIs assess the possibility of further improving the **monitoring and reporting** of their energy efficiency financing activities.

International and national, and public and private FIs can benefit from participating in structured **knowledge exchange**. This way they have the possibility to share and be inspired by best practices, innovative financing mechanisms, and eligibility criteria to ensure energy efficiency performance standards in different countries and subsectors, etc.

Limited access to financing is a particular challenge for small and medium-sized enterprises and start-ups in developing countries, which are often not able to meet the requirements of financial products. It is therefore highly recommended for FIs to consider providing **tailored financing programmes for such enterprises and start-ups** that are active in the development of new energy efficiency technologies.

#### IN PARTICULAR:

##### International FIs and the donor community

International FIs and the donor community can **support local banks** in the implementation of energy efficiency financing instruments, such as grant schemes, loans, guarantees, performance-based instruments and risk capital. They are well positioned to provide guidance on developing tailored financing programmes for different target groups, particularly for small and medium-sized enterprises, to increase access to finance. It is important that financing measures are adapted to the context of the respective country in order to ensure their successful implementation.

In order to raise awareness and to support technology development, the donor community can provide direct funding for **pilot projects** and technology demonstration projects.

To make energy efficiency investment programmes more visible, it is recommended to expand **distribution activities** via local partner banks and other channels.

**Technical assistance** is a crucial instrument for building the capacities of local partner banks and enabling them to evaluate and select profitable energy efficiency projects. International FIs and the donor community can support this by increasing the availability and accessibility of technical assistance for local banks and documenting the outcomes in order to draw conclusions for future projects.

For more information, please read the [TEC Brief on energy and material efficiency in emission-intensive sectors](#)

