Financing Energy Efficiency

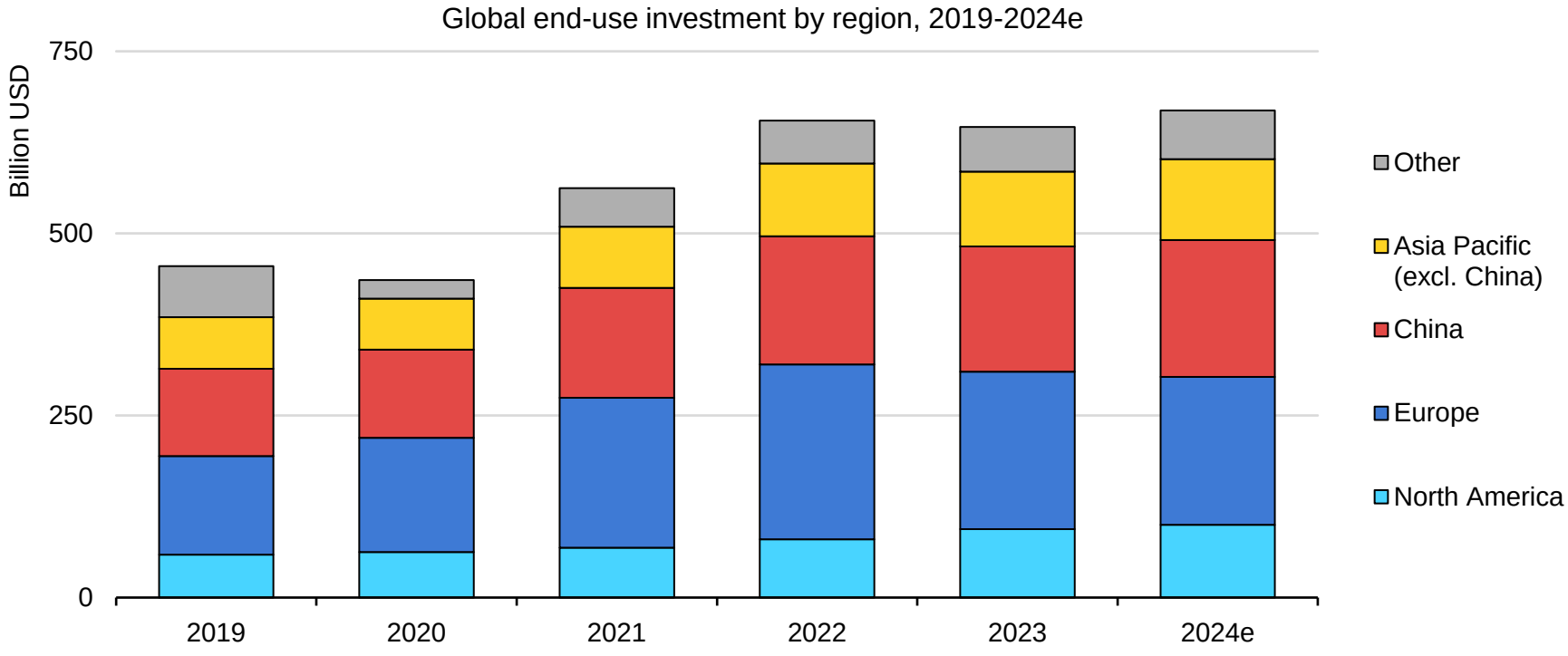
Jérôme Bilodeau

Office of Energy Efficiency and Inclusive Transitions

Berlin, March 17 2025

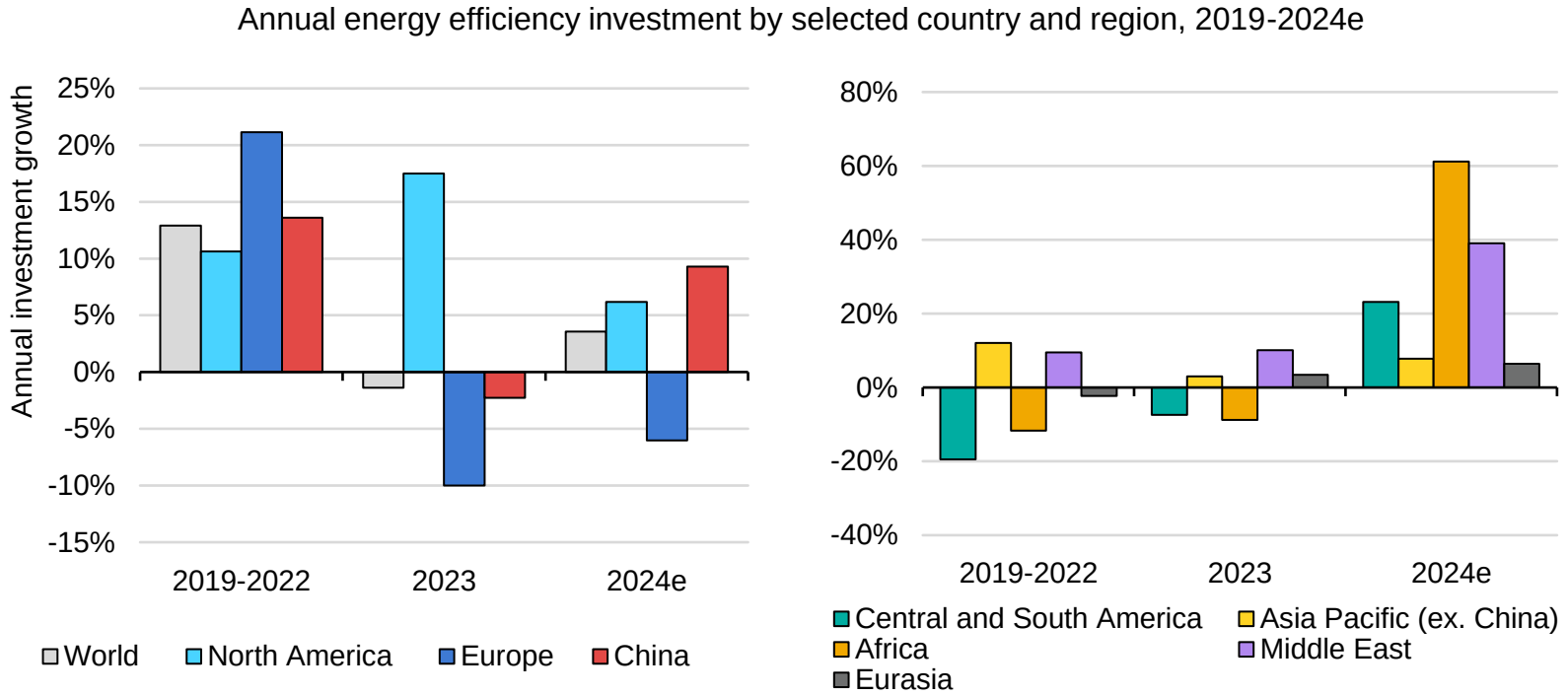
International Energy Agency

Efficiency-related investment has remained stable in recent years



End-use sector investment in efficiency and electrification is expected to increase by around 4% in 2024

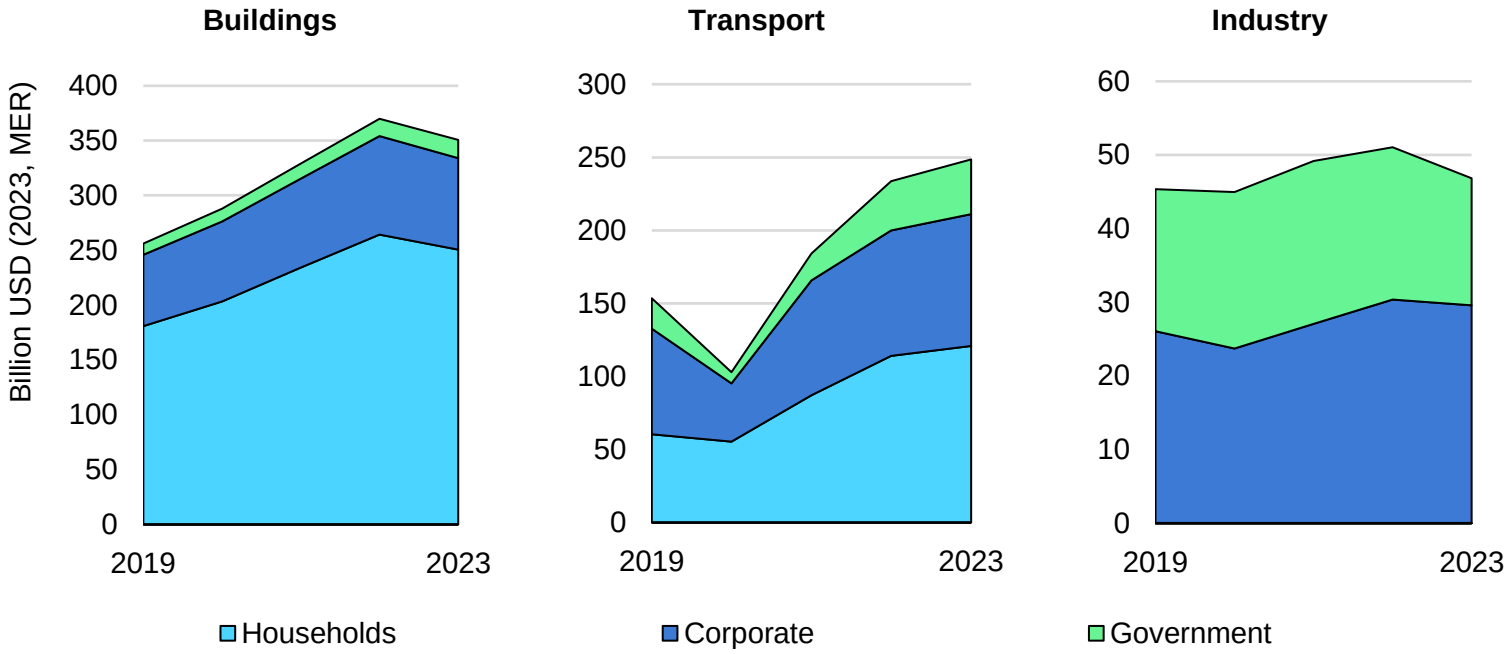
Emerging economies are set to see fast growth in investment in 2024



However, they represent a small part of the global total, with most investments in China, Europe and North America

What are the key sources of investment in energy efficiency?

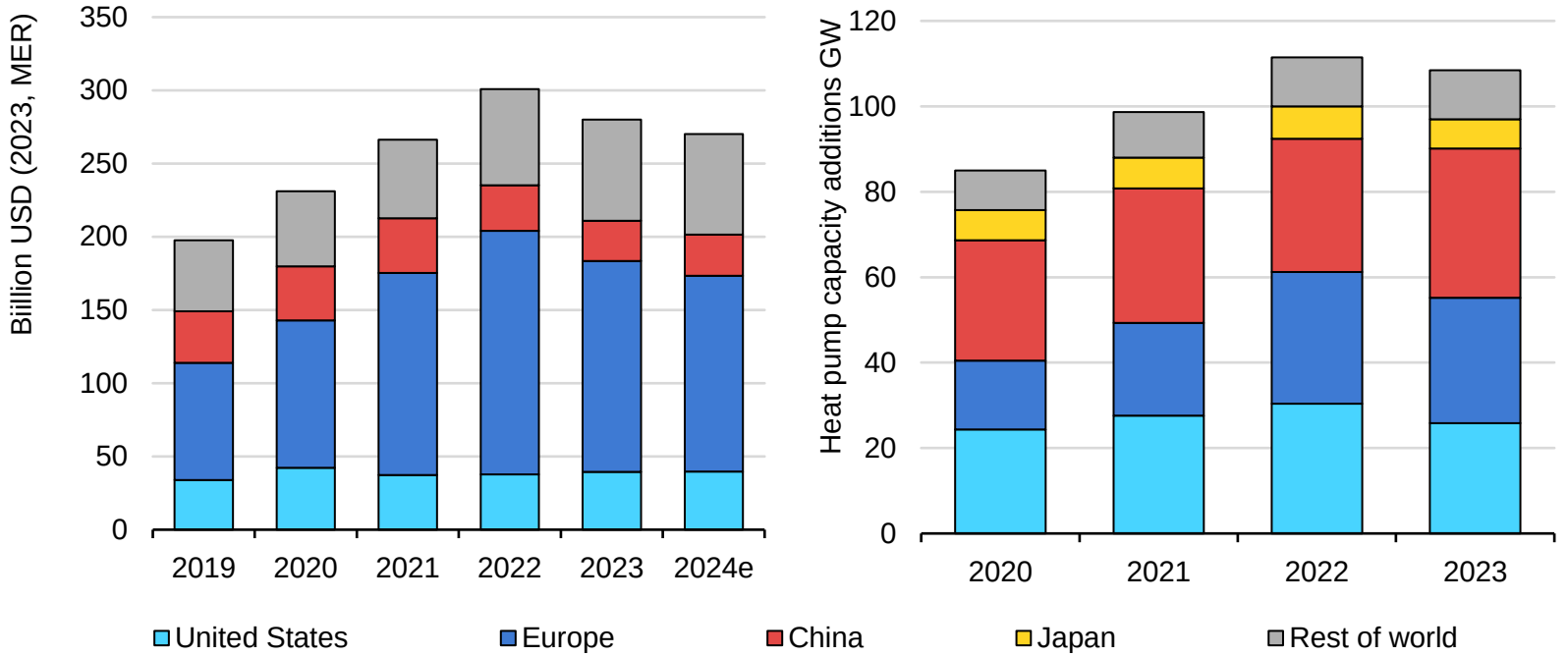
Energy efficiency investment in the buildings, transport and industrial sectors, 2019-2023



Households provide the majority of efficiency investments, which is unique compared to other clean energy spending

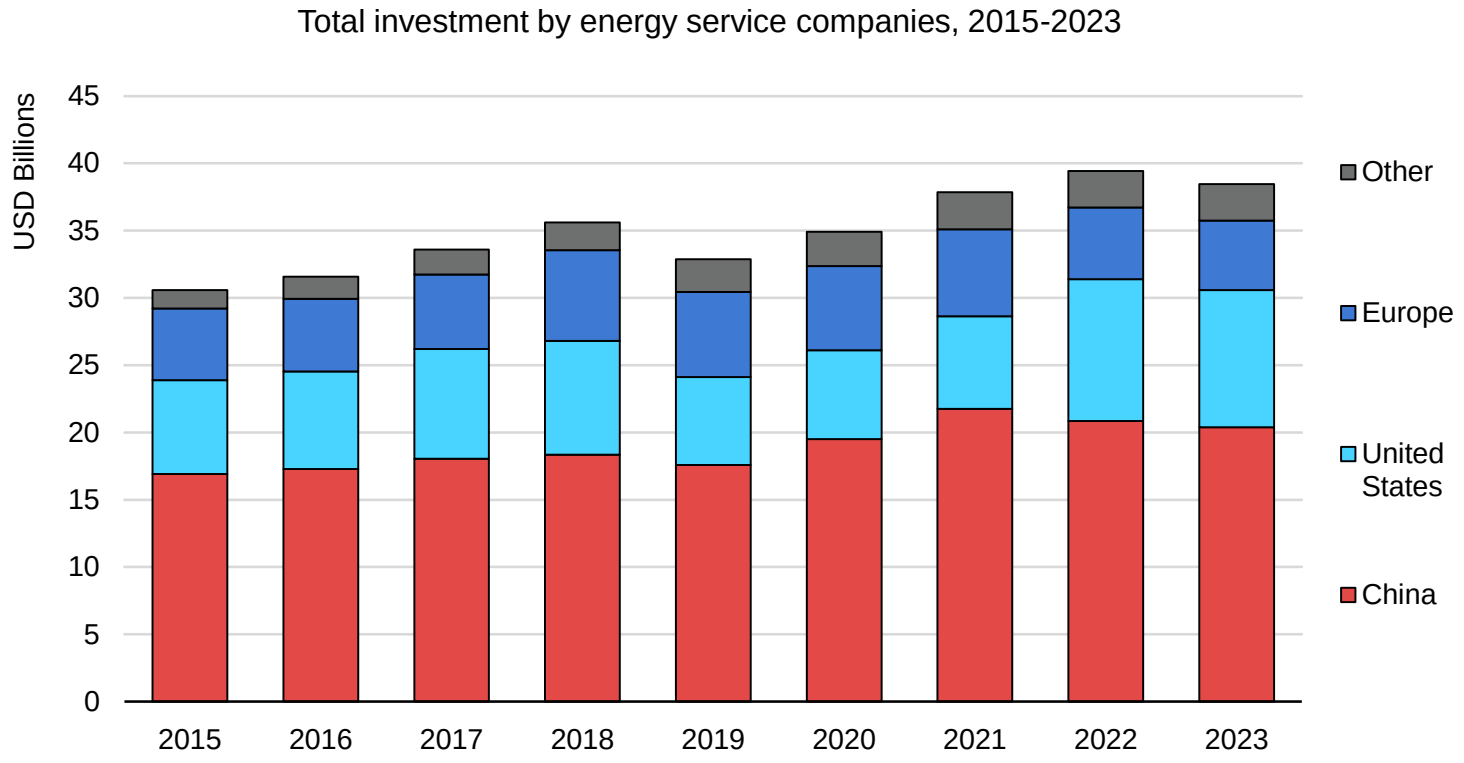
Efficiency investment in buildings is slowing down after record highs

Energy efficiency investment spending in the buildings sector, 2019-2024e, and heat pump capacity additions, 2020-2023



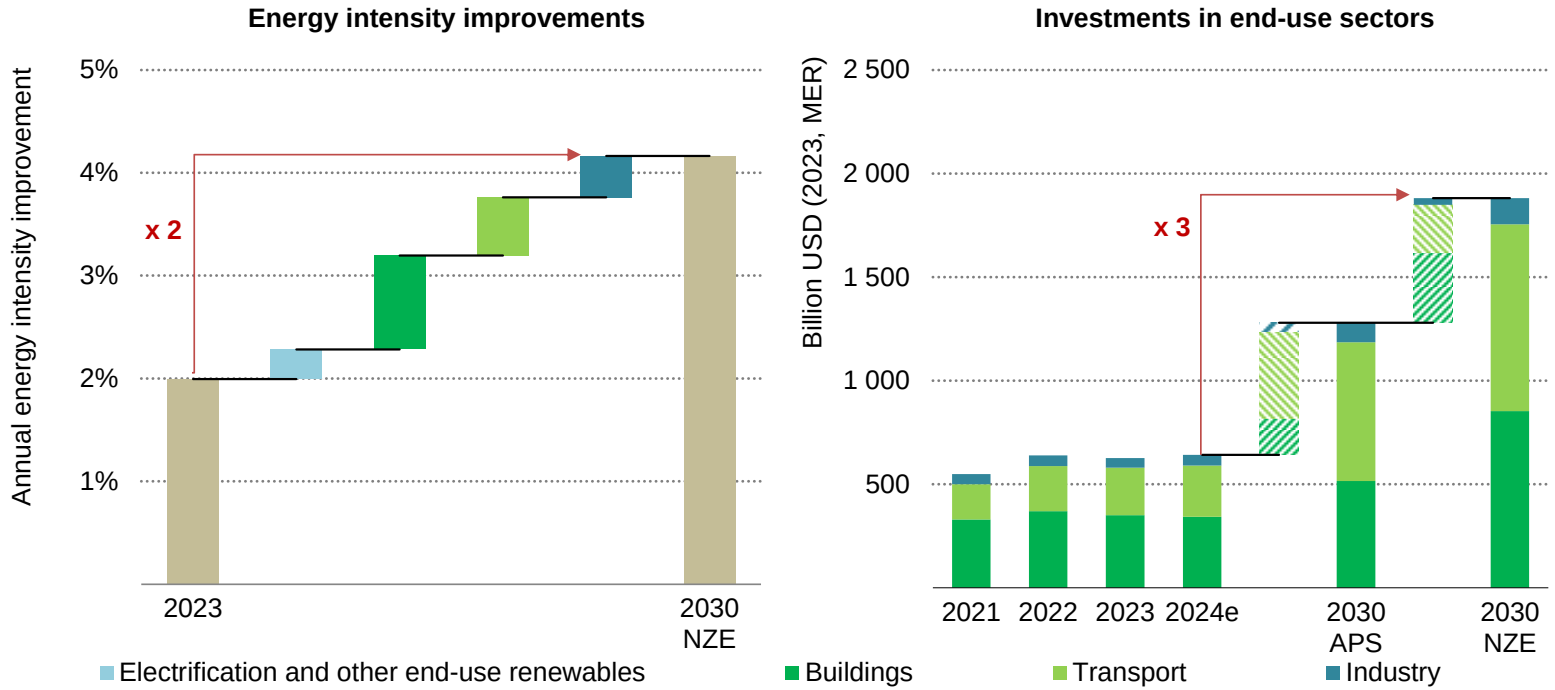
Heat pump sales ease back from recent highs during the global energy crisis

The market for energy service companies decreases slightly in 2023



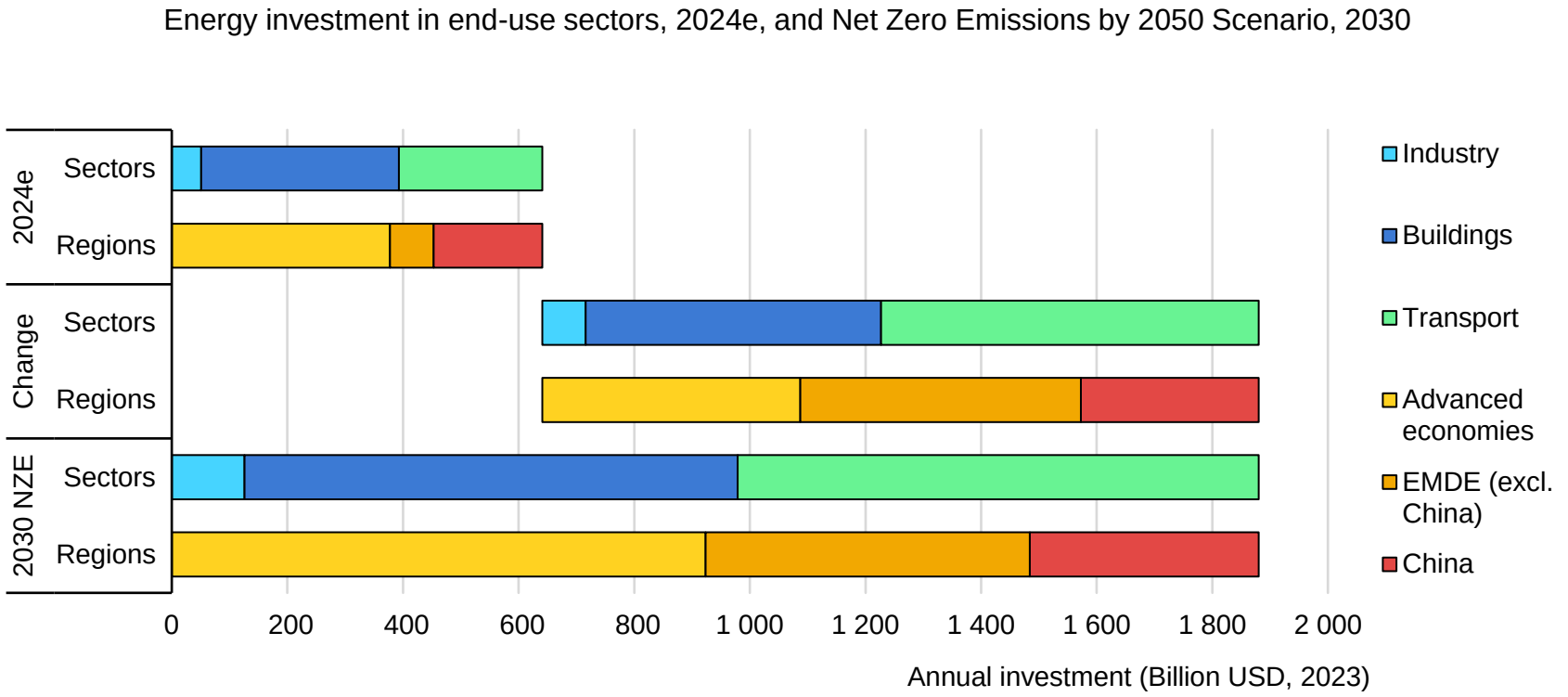
This is partly driven by cuts in public subsidy programmes

Doubling energy intensity progress requires a tripling of investment



The IEA Net Zero Emissions by 2050 Scenario sees end-use investments rise across all sectors by 2030

Which sectors and regions are key for increasing investment?



While investment in efficiency has risen by 50% compared to 2019, spending has not been evenly distributed

What are the solutions to support greater efficiency investment?

Selected financing solutions and business models to scale up energy efficiency investment

Financial instrument	Primary application	Usage
Credit lines	Residential and light industry	Credit lines aggregate small projects that might otherwise not qualify for commercial finance. By standardising the project appraisal and loan processing, they reduce transaction costs. Governments can enable credit lines through robust policies and regulation and encourage retail banks to invest in efficiency.
Sustainability-linked loans	Commercial, municipal and utility services	Loan instruments where borrowers receive preferential terms depending on sustainability performance objectives are called sustainability-linked loans. Governments can bolster this instrument by setting standards for transparency and address greenwashing.
Green leasing	Commercial buildings	Green leasing includes dedicated clauses covering the building's environmental performance and the obligations of tenants and landlords to reduce energy use and waste. Green leases are used in both advanced and emerging economies.
Green Social Sustainability bonds	Commercial and public buildings, heavy industry, municipal and utility services	Green Social Sustainability bonds are a fixed-income investment instrument to fund projects that provide positive environmental and social benefits. Reduced transaction costs and improve transparency are required to scale up use of this instrument.
Energy service companies	Light industry	ESCOs provide comprehensive energy saving solutions, including arranging or securing any required finance. A healthy ESCO market requires policies that incentivise energy efficiency and a robust legal system for resolving disputes.

Increasing investment on energy efficiency can be supported by a variety of financial instruments