

Market opportunities and financing needs

Market opportunities:

1. The incorporation of ESCOs in Nationally Determined Contributions
2. National Build Back Better strategies post Covid-19



Nationally Determined Contributions

By 2030, in order to achieve the Paris Agreement's goals

- annual emissions must be 15 GtCO₂e lower than current unconditional commitments for a 2°C goal (=3000 1000 MW coal plants (- there is only 2000))
- 32 GtCO₂e lower for the 1.5°C goal.
- Current policies do not even meet commitments (3 GtCO₂e short)

(UNEP: 2020 Emissions GAP Report)



Market opportunity:

Close the gaps with Energy Efficiency gains!

- regulatory intervention
 - EE doesn't happen sufficiently quickly by itself
 - Dynamic EE gains are slowing (IEA)
 - Avoid single tech interventions
- Use the ESCO industry actively as implementation partner



National Build Back Better strategies post Covid-19

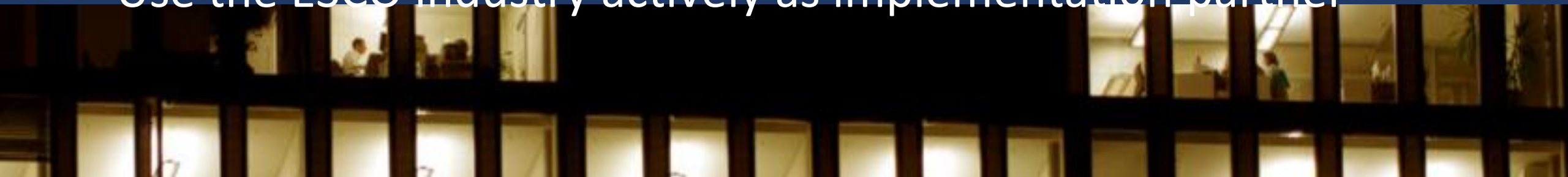
- Job-creation effects of energy efficiency investments is 50% higher than the 2nd best choice
- Payback on energy efficiency investments is (at least) 50% higher than the 2nd best choice



Market opportunity:

Re-ignite economic growth with energy efficiency renovations!

- regulatory intervention
 - Use mandatory energy audits with targets (India) - for industry
 - Consider Super ESCOs an entry point for public sector building renovations
 - Challenge: Split incentives in private rental buildings - but consider 1st bullet
- Use the ESCO industry actively as implementation partner



Financing needs:

Government support programmes traditionally focus on asset owners

- with no expertise in energy efficiency
- liable to tech providers and single tech solutions
- rushing for grants without considering relative profitability

Government support programmes are temporary

- which sets no long term standard,
- creates no stable market
- and run out of money



Financing needs:

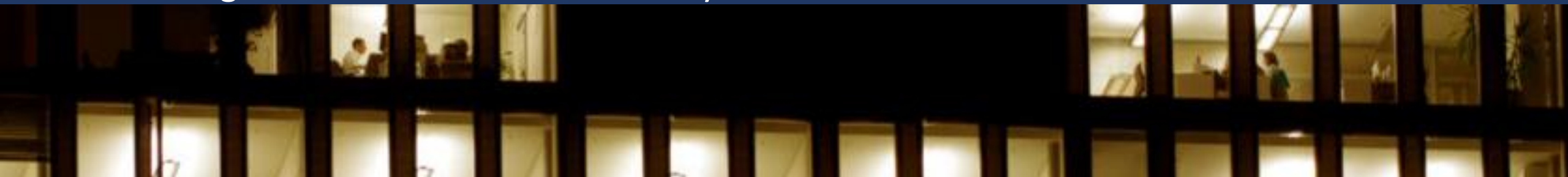
Link two challenges and create energy efficiency momentum

Government support programmes must

- focus on the energy efficiency expertise that rests with the ESCOs
- seek to capitalize the ESCO industry, which is capital constrained
- As a minimum include ESCOs as (preferred) suppliers

In that way,

- long-term finance is secured for the ESCo industry
- the best RoI becomes a central driver for energy efficiency investments
- single tech solutions are less likely



Invitation to development banks:

Establish dedicated ESCO investment vehicles with built-in guarantees to safeguard against cash-flow risks

Engage with governments to support the development of an ESCo ecosystem

Invitation to all:

Engage with the ESCo industry - either the national ESCO associations in Asia, the Asia-Pacific ESCO Industry Association (APEIA), or the Global ESCO Network



Thank you for your attention!

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