



## BACKGROUND NOTE

### **Workshop on Energy Efficiency De-Risking Instruments in India: The Role of Energy Savings Insurance and other Instruments**

**Tuesday 20<sup>th</sup> February 2024 from 9:00 – 16:00 hrs (IST)  
The Claridges Hotel, New Delhi, India**

#### **Background**

Energy efficiency is frequently highlighted as a key policy priority for the Government of India, first under the 2008 National Action Plan on Climate Change (NAPCC) and subsequently enshrined in the 2011 National Mission for Enhanced Energy Efficiency (NMEEE). In its latest Nationally Determined Contributions (NDC) submission, India has committed to 45% emissions intensity reduction of the economy by 2030 compared to 2005 levels<sup>1</sup>. Energy efficiency has also featured in India's multilateral engagements, notably as a key priority for its 2023 G20 Presidency, thus paving the way for emerging as a leader in innovative approaches for energy efficiency progress in the region and beyond.

While the government's past policy programmes have succeeded in advancing energy efficiency and delivering significant emissions reduction (e.g., 15% decline in energy intensity reduction and 178 million tonnes of annual CO<sub>2</sub> reduction through the NMEEE over 2011-2019)<sup>2</sup>, there remains great potential for further energy efficiency investments in India, to bring it on par with the investments seen in the United States of America and Europe. In its flagship report 'Unlocking National Energy Efficiency Potential (UNNATEE): Strategy Plan Towards Developing an Energy Efficient Nation (2017-2031)', the Bureau of Energy Efficiency (BEE) estimates the cumulative investment potential for energy savings measures across economic sectors to be between INR 1,002,329 and 1,320,630 crores (USD 121-160 billion) by 2031<sup>3</sup>. De-Risking Instruments for energy efficiency financing, especially the Energy Savings Insurance (ESI) were highlighted by the BEE in the same report.

De-risking instruments can help remove barriers and encourage investments that contribute to more efficient energy use, reduce the use of fossil fuels, and mitigate climate change. The public and private sector agencies and the financing institutions around the world have been developing and implementing various financial risk mitigation instruments for energy efficiency such as concessional loans, green bonds, insurance, partial risk guarantees, credit guarantees,

<sup>1</sup> <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1847812>

<sup>2</sup> <https://aeee.in/wp-content/uploads/2021/05/India%27s-Energy-Efficiency-Landscape-Report.pdf>

<sup>3</sup> [https://beeindia.gov.in/sites/default/files/UNNATEE\\_0.pdf](https://beeindia.gov.in/sites/default/files/UNNATEE_0.pdf)



contingent grants, performance contracts and project validation schemes. Efforts have been focused on promoting private investment, institutional strengthening and facilitating regulatory developments to deliver energy efficiency.

Among the available instruments, guarantees and insurance are two widely known de-risking instruments, applied in different contexts to support energy efficiency investments around the world. Out of them, guarantees have been in use most widely whereas insurance is a new product compatible with other energy efficiency instruments and can be supported by existing credit guarantees.

The ESI was featured as a promising tool in the G20 Energy Efficiency Investment Toolkit in 2016<sup>4</sup>. First developed by the Inter-American Development Bank (IDB) and Basel Agency for Sustainable Energy (BASE) in 2014, the ESI model has since been implemented with financial support from international donors in seven Latin American countries so far (Colombia, Mexico, Chile, El Salvador, Brazil, Peru, Nicaragua) and is now being replicated in selected European countries (Italy, Spain, Portugal, Slovakia, Croatia, Greece) and emerging economies (Morocco, Mongolia, Argentina, Paraguay). Previous ESI use cases have mainly been targeted for small and medium enterprises (SMEs) across sectors, notably healthcare, tourism, hospitality, agriculture, fishing, forestry, and industry.

To understand the supply, demand, and market conditions for financial de-risking instruments, the Asian Development Bank (ADB) is supporting a gap analysis and market scoping study in India. The scoping study is expected to identify and evaluate the sectors that are most promising for investments in innovative energy efficiency technologies and for the implementation of de-risking solutions. The scoping study is also expected to identify the entry points to remove the barriers and build the confidence of the BEE, financing institutions, SMEs, facility owners, technology providers and other potential borrowers that the estimated savings under the energy efficiency projects would be achieved.

The OECD Clean Energy Finance and Investment Mobilisation (CEFIM) programme is aiming to strengthen domestic enabling conditions and develop policies to attract finance and investments in renewables, energy efficiency and decarbonisation of industry (clean energy) in eight emerging economies, including India. Under the Clean Energy Finance and Investment Mobilisation Roadmap project for India, the CEFIM team held a series of stakeholder consultations, workshops, and bilateral meetings with government representatives, where ESI emerged as a key solution for scaling up finance and investment into energy efficiency projects, particularly for micro, small, and medium enterprises (MSMEs).

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<sup>4</sup> <https://www.unepfi.org/wordpress/wp-content/uploads/2017/05/G20-EE-Toolkit.pdf>



## The De-risking Instrument Workshop

To establish the case that how de-risking solutions can guarantee the estimated savings from energy efficiency projects, the Indian Bureau of Energy Efficiency (BEE), jointly with the Organisation for Economic Co-operation and Development (OECD) and the Asian Development Bank (ADB), are organizing a workshop on **“Energy Efficiency De-Risking Instruments in India”** on Tuesday 20th February 2024 in Delhi, India. The workshop will convene key public and market stakeholders to discuss energy efficiency de-risking instruments for India, particularly the use of energy savings insurance (ESI) to help finance energy efficiency in India.

The workshop aims to support BEE in enhancing the policy environment for energy efficiency investment, fostering dialogue, and building capacity to develop energy savings insurance in India in particular, accelerating India's National Mission for Enhanced Energy Efficiency (NMEEE) and meeting India's Updated First Nationally Determined Contributions (NDC).

BEE is currently engaging in discussions with key stakeholders, including Insurance Regulatory and Development Authority (IRDAI), to develop energy efficiency de-risking instruments aimed at further accelerating the uptake of energy efficiency investments in the country.

The outcomes of the workshop shall provide a deeper understanding of the needs and potential of the Indian market for energy efficiency de-risking instruments and identify immediate next steps for key sectors. By bringing international and local stakeholders for the discussions during workshop, it will facilitate global experience sharing and collaboration for local action. Similarly, the participation of ADB and other international donor organisations will help improve future leveraging of funds for setting up a pilot programme in India. The workshop thus aims to build a strong foundation and momentum for further activities related to pilot development.

## Background on ADB and Energy Efficiency De-Risking Instruments

The Asian Development Bank (ADB) is administering Technical Assistance Program on "Support for the Implementation of the [“Asia-Pacific Climate Finance Fund”](#) (ACliff), which is conducting the market scoping to understand the supply, demand, and market conditions for financial risk management instruments. ADB is exploring the design of pilots to facilitate the implementation of financial de-risking instruments to promote energy efficiency investments in the two selected developing member countries – India and the Philippines. This workshop will serve to kick-off ADB's market scoping study in India.

To deliberate on energy saving insurance as one of the key de-risking solutions, a webinar was organized by ADB in May 2022, where various experts presented the approaches and the learnings from initiatives in Europe and Latin America. The scoping study would consider the learnings and case studies presented during the webinar.



## Background on OECD and Energy Savings Insurance (ESI)

Launched in 2019, the OECD [Clean Energy Finance and Investment Mobilisation \(CEFIM\) Programme](#) works with selected emerging economies to strengthen domestic enabling conditions to attract and catalyse finance and investment in renewable power, energy efficiency and industry decarbonisation in eight emerging economies: Colombia, Egypt, India, Indonesia, the Philippines, South Africa, Thailand, and Viet Nam. The CEFIM Programme is entirely supported financially by grant funding from the Governments of Australia, Canada, Denmark, Egypt, and Germany. As part of the process to develop the [Clean Energy Finance and Investment Mobilisation Roadmap for India](#), the OECD CEFIM Programme held a series of stakeholder consultations, workshops, and bilateral meetings with government representatives, where energy savings insurance (ESI) emerged as a key solution for scaling up finance and investment into energy efficiency projects, particularly for micro, small, and medium enterprises.

A focus group discussion was organised by the OECD CEFIM Programme in August 2022 as a deep dive into the ESI potential for India, and key outcomes were highlighted in the roadmap published on 25 October 2022. While the discussion in August 2022 succeeded in establishing the potential and market barriers for ESI in India, the scope for further analytical development and experience sharing was also highlighted. The technical outputs from pursuing further work on ESI in India can be readily applied to other country context and can therefore be shared and further developed through the G20, as part of wider efforts to mobilise private capital towards clean energy investments. Based on the recommendations of the Roadmap, India's Bureau of Energy Efficiency (BEE) asked the OECD CEFIM Programme to organise a series of workshops on ESI, with the aim to facilitate development of ESI in India.

In March 2023, the OECD CEFIM Programme, along the Indian Bureau of Energy Efficiency and the Indonesian Government, held the first International Focus Group Discussion on energy savings insurance (ESI), during an international virtual [workshop](#) which provided a platform for the exchange of best practices and insights gleaned from global ESI experiences. This workshop showcased diverse models employed in various countries, shedding light on effective strategies [through the development of case studies](#) centred around key international examples including Colombia, El Salvador, and Mongolia.

