



Energy Savings Insurance initiative moves forward in Latin America

Denmark has in cooperation with the Inter-American Development Bank developed an initiative to promote energy efficiency financing in developing countries. The initiative has now been endorsed by leading international actors in the Global Innovation Lab for Climate Finance, moving forward from a pilot project in Mexico to a regional facility covering Latin-America and the Caribbean. Denmark expects to support the facility with up to 40 million DKK (6 million USD).

Building on the important work of the Global Innovation Lab for Climate Finance (The Lab), the Danish Energy Agency and the Inter-American Development Bank have developed a new business model for energy efficiency financing, which is called the Energy Savings Insurance'. The model seeks to overcome barriers that companies encounter when considering investments in energy efficiency in developing countries by making it easier for local banks to borrow the money needed. This is achieved by introducing an insurance component underwriting minimum savings estimated for specifically defined energy efficiency measures. This in turn ensures the basis for green investments, which are profitable in the short run, while simultaneously reducing the risk for lender and investor.

40 million DKK from the Danish Climate Envelope

The Energy Savings Insurance is, through cooperation with the Inter-American Development Bank, being rolled out in a pilot project in Mexico. Supported by the Lab and other international partners, Denmark expects to back a new regional facility, which is also run by the Inter-American Development Bank. This facility will cover several countries and sectors in Latin-America and the Caribbean with up to 40 million DKK from the Danish Climate Envelope. Such partnerships can potentially play an essential role in mobilizing billions of dollars for funding energy efficient actions in the high-growth developing countries. The Asian development Bank and France have expressed an interest in examining whether the Energy Savings Insurance

model can be incorporated in specific energy programs in Asia and Africa. Also, several private members of the Lab, notably German insurance giant 'Allianz' and British underwriter 'Willis Group' have signaled strong interest in future collaboration.

The support from The Lab highlights promising perspectives for using the Energy Savings Insurance instrument in the Green Climate Fund.

On the Global Innovation Lab for Climate Finance

The Global Innovation Lab for Climate Finance was launched in Copenhagen by Germany, UK and USA in the autumn of 2013. The purpose of the Lab is to ensure private investments in climate action in developing countries. This is achieved by giving private actors from international banks, pension funds and insurance companies a say on selecting and evaluating new financing models and instruments that may help increase private investment in renewable energy, energy efficiency and climate adaptation in developing countries.

The private actors have their primary focus on the return of their investments. However, mostly it is not the size of the investment but rather the distribution of risk between public and private financiers that is essential for mobilizing private climate investments. The Global Innovation Lab for Climate Finance plays a crucial role in bringing the leading financial experts, capable of analyzing business models, together with public and private decision-makers.

Learn more about [the Global Innovation Lab for Climate Finance and Energy Savings Insurance](#).

View a fictive example of the model in praxis on the bottom left.

[A fictive example of the instrument in praxis](#)

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