



CLINTON **CLIMATE** INITIATIVE

Q&A – Energy Efficiency Building Retrofit Program

Q. What is the Clinton Climate Initiative?

A. The Clinton Climate Initiative (CCI) is a project of the Clinton Foundation that is dedicated to making a difference in the fight against climate change in practical, measurable, and significant ways. Its aim is to initiate programs that directly result in substantial reductions in greenhouse gas emissions around the world.

Q. What is the C40?

A. The C40 is an association of large cities that have pledged to accelerate their efforts to reduce greenhouse gas emissions and so provide global leadership in this arena. CCI is serving as the exclusive implementing partner to the C40.

Q. What is the Clinton Climate Initiative announcing today?

A. The Clinton Climate Initiative is announcing the first of many programs that will make energy saving products and services easier, cheaper, and faster to deploy.

Four of the largest energy service companies (ESCOs) in the world have agreed to do audits of municipal and large private buildings in participating cities, to identify opportunities to make them more energy efficient, and to guarantee the energy savings that will come from retrofit projects that they manage.

Five major global banks have committed \$1 billion each to finance cities and private building owners to perform these retrofits at no net cost, with paybacks for the loans plus interest coming from the energy savings over several years.

Sixteen cities will be the first to participate in the Energy Efficiency Building Retrofit Program, and will put up their own buildings for retrofit, to streamline permitting requirements, and provide incentives for private building owners to do the same. With technical assistance from CCI, the U.S. Green Building Council (USGBC), the American Society of Heating, Refrigerating and Air Conditioning Engineers (ASHRAE), and ESCOs, they also may initiate programs to train local workers on the installation and maintenance of energy saving products.

Q. How will the Energy Efficiency Building Retrofit Program affect climate change?

A. The Energy Efficiency Building Retrofit Program will result in significant and measurable reductions in energy consumption and in the heat-trapping greenhouse gas emissions that further climate change, while lowering energy bills for major cities and private building owners. Buildings account for over half of urban greenhouse gas emissions and, in older cities such as New York and London, this figure can be more than 70 percent. These building retrofits can reduce energy use by 20 to 50 percent in existing buildings, which comprise the bulk of the building stock in cities. Thus, retrofits of existing buildings play a crucial role in helping to reduce energy use and emissions from buildings in cities.

Q. Why focus on existing buildings as opposed to new buildings?

A. A number of progressive cities have already enacted policies, including green building codes and standards that reduce energy use and greenhouse gas emissions in new buildings. CCI will help to share these best practices with partner cities through our information network as well as to provide expert technical assistance to help cities green their building codes and standards. Existing buildings in most cities are responsible for almost all greenhouse gas emissions from buildings and nothing is currently being done on a significant scale to improve energy efficiency in existing buildings. This will be the first large scale, global program that will address the larger problem of energy use in existing buildings.

Q. Aren't cities already doing building retrofit projects?

A. While some cities are already doing building retrofit work, these are typically small in scale. In the US, where a market for energy efficiency retrofits for municipal buildings and infrastructure has existed for 25 years, less than 1 percent of the potential market is being tapped. Retrofit programs are even less common in the EU and Japan, and they hardly exist in the rest of the world. The Energy Efficiency Building Retrofit Program represents a significant opportunity to catalyze the development of this market. We will more than double the existing global market in our cities alone with the financial commitments made today.

Q. What does the Energy Efficiency Building Retrofit Program do for cities?

A. As part of the program, both the cities and private building owners are able to borrow the necessary funds to make building retrofit investments and to pay back the loans using the initial energy savings that will be achieved. Practically, this means the retrofits can be financed by bringing forward the future income streams that will arise from energy savings, rather than by requiring upfront payments from capital budgets or increases in operating budgets. Cities and building owners will start to realize part of the cost savings of reduced energy use early on, and once the loans for the retrofits are paid off, they will realize the entirety of the savings.

Q. Why have the CEOs of major global energy service companies and banks agreed to participate in the Energy Efficiency Building Retrofit Program?

A. The Energy Efficiency Building Retrofit Program will double the size of the market for energy service companies within the next 18 months and will ensure significant additional growth in subsequent years. The program will significantly reduce their cost of doing business by streamlining approvals processes, shortening project lifecycles, concentrating work in target cities, staging projects, and reducing the cost of the energy efficient and clean energy products used in the retrofits.

As for the banks, the market for building retrofit work will be large and profitable, and participating banks will lend their voice to the development of a new international financial market for this activity. Our financial institution partners will gain market share and credibility from their early perspective on pricing of this market's risk and reward.

Q. Will participation be limited to the companies and banks announced today?

A. It will be a priority to also engage local banks and companies, who will be invited to contribute to the funding pool and expand the list of products and services used in the building retrofits. The guidance of our partner cities will be critical in engaging local banks, ESCOs, and contractors who can strengthen our efforts.

Q. What is the exact nature of the financing available to participating cities?

A. The exact nature of the financing available will be developed over the coming months by these corporate partners together with CCI and our partner cities. It will be designed to achieve reductions in energy use of 20-50% from existing baselines with no capital investment or net additional operating budget required by cities or private building owners. The financing structure is being designed to allow any provider of finance the ability to engage, and in the medium term to allow this market to be securitized to facilitate reductions in the cost of finance.

Q. How will the program affect existing procurement and tendering rules?

A. The Energy Efficiency Building Retrofit Program will be consistent with, and work within, city procurement and tendering rules. Our aim is to develop this market quickly and to deliver increased levels of service to cities, not to set up preferential deals.

Q. How long does it take to do a building retrofit project? What is the payback period?

A. This varies significantly. For a single building, it can take a few months to complete a project, while an order for a number of large buildings can take a few years to complete. We hope to meaningfully cut this time by standardizing forms and processes to secure permitting, financing, and arrangements with product suppliers. Also, because of the large number of orders that we are staging in cities, ESCOs will be able to scale up their capacity to operate more efficiently. The typical payback periods also vary significantly and can range from 3-4 years for smaller projects to 7-10 years for larger projects.

Q. Can other cities join the Energy Efficiency Building Retrofit Program?

A. At present, CCI is focused on providing programmatic support to the C40. However, other cities throughout the world will be welcome to join our broader purchasing consortium for energy saving and clean energy products as well as the information network that we will be building. We will provide you with more information about these opportunities once they have been established.

Q. How will emission reductions be measured?

A. CCI is developing common measurement tools that will allow cities to establish a baseline of their greenhouse gas emissions and to forecast and compare outcomes of their emissions reduction programs. CCI will deploy these tools and initiate data collection systems in partner cities, which will allow us to measure the effectiveness of the various projects that we help them to implement.