



The ESI approach is raising interest in other regions such as Asia-Pacific with China and Vietnam. The French Agency for Development (AFD) is contemplating its replication to Mauritius, Turkey and India.

Energy Savings Insurance | ESI

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What is ESI?



The Energy Savings Insurance (ESI) Program overcomes these barriers to investment in EE through the implementation of risk mitigation instruments, its innovative approach is to provide an insurance product that covers projected energy savings for specifically defined and verifiable EE measures as agreed upon in a standard contract between SMEs and technology services providers (TSPs). Its risk-sharing mechanisms compensate firms in the event that promised financial flows associated with EE savings are not realized.

With its mechanisms deployed, ESI enhances: i) potential private sector investors to feel confident that their EE projects will generate enough energy savings to pay for the loans assumed and eventually make a profit; and ii) local financial institutions become more aware of the real risk and returns associated with these projects and hence increase their willingness to finance them.

Why ESI?

Barriers to investment in energy efficiency projects

- Lack of finance in energy efficiency (EE) and greener technologies.
- Assymmetric and imperfect information send erroneous signals to potential stakeholders.
- Performance risk, technical risk and uncertain returns among others.



Energy efficiency is a priority due to the substantial greenhouse gas (GHG) mitigation potential, and in particular due to its contribution to keeping the door open for meeting the global target of limiting the increase in global temperature to 2°C. According to the International Energy Agency (IEA), energy efficiency is the largest contributor to additional GHG emissions reductions, amounting to roughly half of the cost-efficient additional reductions needed by 2030.



Where is ESI being implemented?

The replication of the ESI Program to the region is overcoming the barriers in spite of the asymmetry of a multi-country body of cultures and regulations. The existing IDB Programs underway with FIRA in Mexico and BANCOLDEX in Colombia have been consolidated, already launched dedicated financing lines and related non-financial instruments and are starting to get traction in local markets, in the case of El Salvador with BANDESAL, the Green Climate Fund (GCF) approved the funding proposal to establish a concessional line of financing for private sector investment projects in EE. The Program is also being implemented in Brazil and Peru and currently taking into consideration a total of 8 beneficiary institutions aiming to support a considerable pipeline of EE projects.

