

Towards an Energy Efficiency Finance Coalition

Ten-year anniversary of the European Energy Efficiency Financial Institutions Group (EEFIG)



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IN A NUTSHELL

- On 20 June 2023, during [European Sustainable Energy Week](#), DWS's Global ESG Client Officer, Roelfien Kuijpers¹ gave the following keynote speech (see video recording²), celebrating the 10-year anniversary of the Energy Efficiency Financial Institutions Group (EEFIG) and making recommendations for its future.
- The European Commission and the United Nations Environment Programme Finance Initiative (UNEP FI) established [EEFIG](#) in 2013 to help address barriers to financing through both policy design and market-based solutions to increase the scale of energy efficiency investments across Europe.
- As part of the EU's goal of ending reliance on Russian fossil fuels (REPowerEU) and to enable stronger climate action, in May 2022 the European Commission announced the intention to "launch, in cooperation with Member States, a high-level European Energy Efficiency Financing Coalition with the financial sector, based on the successful EEFIG"³.
- DWS has a long track record in energy efficiency primarily through our real estate business and managing the [European Energy Efficiency Fund \(EEEE\)](#) for the Commission since 2011.
- Murray Birt is a founding member of EEFIG, representing Deutsche Bank⁴ and then DWS. He was invited to join the first EEFIG Steering Committee in 2018 and was a frequent speaker at EEFIG events.
- The following speech celebrates EEFIG's work as a model for private sector collaboration with policymakers in other areas.
- Energy efficiency is a multi-asset class challenge and opportunity. We therefore recommend that the planned Coalition:
 1. Enable senior level dialogue with the Commission, Member States and internationally as well as deeper dialogue and action across the building sector supply chain and financial industry
 2. Collaborate with financial sector net zero alliances
 3. Improve sustainable finance policies: stronger stewardship and alignment with real estate
 4. 'Revenue for Retrofit': strengthen the business case for retrofits by rebalancing energy taxes and enabling utilities to procure energy efficiency savings through pay for performance contracts
 5. Help avoid real estate stranded asset risk by support system level change in commercial real estate
 6. Attractive consumer propositions: an EU supported renovation loan partnering with mortgage lenders

¹ See Roelfien Kuijpers bio at the end of this document

² See video recording of the session here: <https://interactive.eusew.eu/eusew-2023/sessions/3305191a-6c82-44c1-802f-145d622bfdc5>

³ European Commission (May 2022) [Save Energy Communication](#) COM (2022) 230

⁴ A Deutsche Bank [website article](#) written by Murray Birt, played a major role in promoting EEFIG's first report in 2015

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1 / Celebrating EEFIG's 10 years of progress

On behalf of DWS and the Steering Committee, I would like to congratulate all members of the EEFIG community for 10 years of excellent work!

We are honoured and proud to be a founding member of the Energy Efficiency Financial Institutions Group (EEFIG), represented by my colleague Murray Birt from our Research team, who is an active Steering Committee member.

Continued importance of energy efficiency

Energy security, extreme climate impacts, inflation and the cost-of-living crisis has made energy efficiency even more critical than it was a decade ago.

EEFIG accomplishments

The EEFIG community of 300 organisations has much to be proud of, (see **Figure 1** and EEFIG 10-year anniversary booklet⁵):

- Helping establish energy efficiency as the first principle of European energy policy⁶
- Being a model for the EU's Sustainable Finance Technical Expert Group⁷ and recent investor group on renewable energy⁸
- Supporting over 100 projects⁹ such as the Energy Efficient Mortgage Initiative¹⁰ and the science based real estate net zero tool CRREM¹¹
- 10 reports covering more than 1,000 pages as the formal output for market players to discuss detailed policy challenges with policy makers¹²
- The input collectively provided to Commission officials helped them shape multiple important policy documents and proposals that have significantly strengthened policies for energy efficiency, particularly in response to the war in Ukraine

European Commission: "EEFIG is a key driving force in accelerating finance mobilisation in energy efficiency...we count on EEFIG and its Steering Committee to continue to support the mainstreaming of energy efficiency investments"¹³

Thank you to the European Commission, UNEP FI, EEFIG's Rapporteur Peter Sweatman, all of you and many, many others for creating and supporting EEFIG!

⁵ https://eefig.ec.europa.eu/news/new-booklet-decade-achievements-2023-06-20_en

⁶ https://energy.ec.europa.eu/topics/energy-efficiency/energy-efficiency-targets-directive-and-rules/energy-efficiency-first-principle_en

⁷ https://finance.ec.europa.eu/publications/technical-expert-group-sustainable-finance-teg_en

⁸ https://energy.ec.europa.eu/topics/funding-and-financing/investors-dialogue-energy_en

⁹ European Climate, Infrastructure and Environment Executive Agency (CINEA) 2022 "Contribution of Horizon 2020 projects to the works of EEFIG"

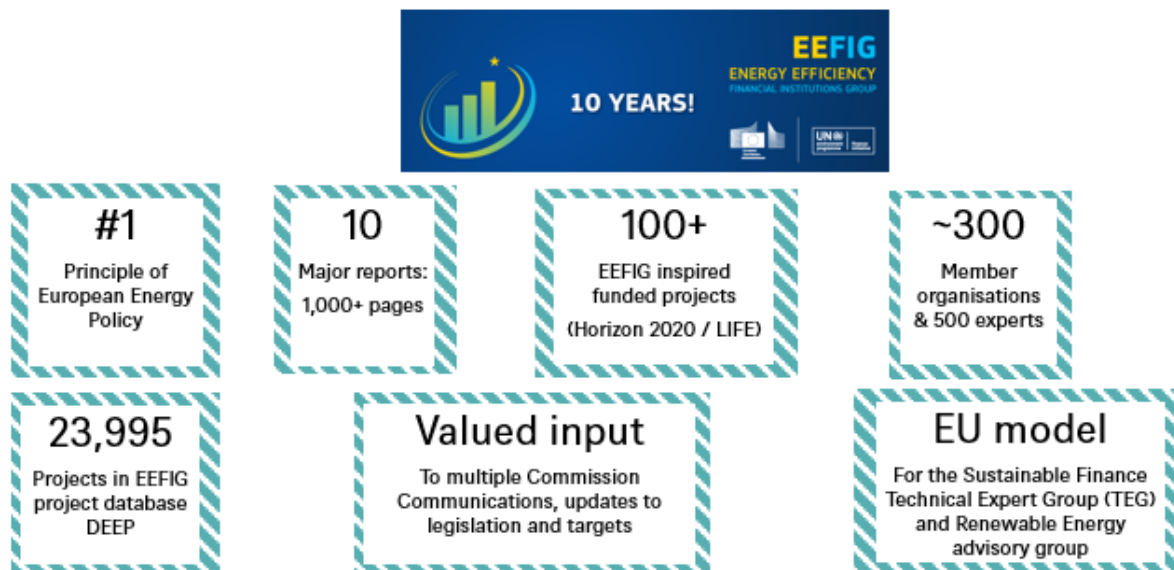
¹⁰ <https://energyefficientmortgages.eu/>

¹¹ www.crrem.eu

¹² https://eefig.ec.europa.eu/index_en

¹³ European Commission letter to EEFIG Steering Committee 2020

Figure 1 - Summarising EEFIG accomplishments



Source: EEFIG/European Commission 2013-2023

2 / Support for European Transformation

2.1 DWS Capital Markets Day and Annual General Meeting

In December last year at our Capital Markets Day when we updated stakeholders regarding our business strategy, DWS and our largest shareholder, Deutsche Bank Group announced a strategic focus on European Transformation¹⁴, which includes energy efficiency.

We set a goal of raising more than EUR 20bn into new and existing private markets funds.

For instance, we aim to provide loans to small and medium sized companies that focus on Europe's medical, technology and supply chain challenges¹⁵. A portion of a loan could help energy efficiency.

We also announced a research partnership with the University of Frankfurt's business school which will build on the reports published by the DWS research team¹⁶.

And last week at our Annual General Meeting¹⁷, our CEO Stefan Hoops restated our commitment as a company and as a fiduciary investor, to contribute to a more sustainable future.

We therefore strongly welcome the intent to evolve EEFIG into an Energy Efficiency Coalition.

¹⁴ DWS December 2022 www.dws.com/our-profile/media/media-releases/deutsche-bank-dws-set-european-transformation-as-strategic-priority/

¹⁵ DWS April 2022 www.dws.com/insights/global-research-institute/direct-lending-and-the-european-transformation/

¹⁶ www.dws.com/solutions/esg/research/

¹⁷ DWS June 2023 – AGM Speech Dr. Stefan Hoops <https://group.dws.com/ir/annual-general-meeting/>

2.2 Potential partners for the Energy Efficiency Finance Coalition

Figure 2 shows a range of energy efficiency related investor focused organisations that will be important to accelerate the transformation of Europe’s buildings, including several that DWS is a member of.

Figure 2 - Potential partners for the Energy Efficiency Finance Coalition



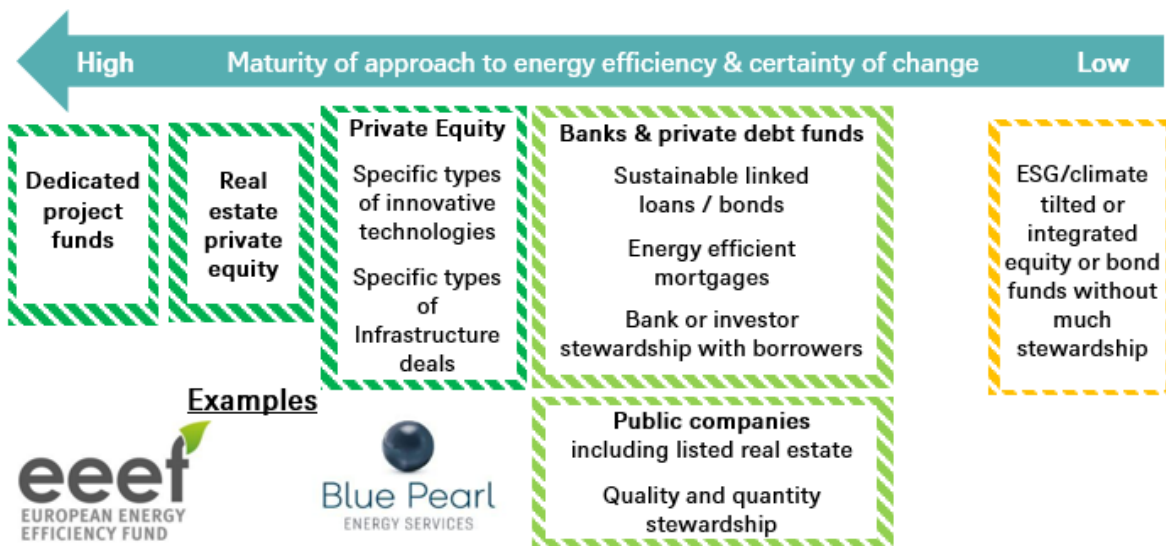
Source: BBP, GRESB, CRREM, INREV, SBTi, IIGCC, ULI, EPRA, NZAM, GREEN 2023. For illustrative purposes

3 / Energy efficiency as a multi-asset class challenge and opportunity

Energy efficiency should be understood by policymakers and financial institutions as a multi-asset class challenge and opportunity.

Different asset classes have different types of institutions, market rules and regulations that have different abilities and maturities to support create real world change such as efficiency, as shown in Figure 3.

Figure 3 - Energy efficiency as a multi-asset class challenge and opportunity



Source: DWS analysis 2023 based in part on University of Zurich 2020 www.csp.uzh.ch/en/research/Academic-Research/Investor-Impact.html EEFF 2023 www.eeef.eu; Blue Pearl 2023 www.bluepearlenergy.com/en/discover-blue-pearl/

3.1 Real estate and energy efficiency project funds

The most sophisticated asset classes on energy efficiency are real estate and energy efficiency project funds.

We are honoured to run the [European Energy Efficiency Fund \(EEEF\)](#) for the Commission since 2011.

- This fund has so far committed nearly EUR 200 mn to 43 public sector organisations, saving energy and carbon

Regarding real estate, institutional investors own ~30% of European commercial buildings and a small but growing number of apartment buildings¹⁸.

Real estate is either owned directly by investors, in private equity funds or in listed real estate companies.

It is encouraging that:

- Each year, thousands of real estate and infrastructure investors with trillions in assets are rigorously assessed by GRESB¹⁹
- The EU and investor funded CRREM initiative²⁰ is increasingly being used as a science-based guide to net zero and energy efficiency in real estate
- Infrastructure investors are also increasingly examining energy efficiency
 - For example, a DWS infrastructure fund owns Blue Pearl²¹, a company which has acquired 15 small energy service companies to help them expand

However:

- Real estate investors are not yet reducing energy use fast enough²²
- EU Sustainable Finance policies are not yet sufficiently aligned with real estate investor needs²³
- And certainty would be improved with an ambitious finalisation of the Energy Performance in Buildings Directive

3.2 Banks and private debt funds

It is encouraging that:

- Many banks are implementing net zero targets²⁴ while Investors have published net zero expectations for banks²⁵
- For instance, Deutsche Bank recently published its sustainable mortgage strategy²⁶
- And the Energy Efficient Mortgage Initiative²⁷ is also working with many banks
- EEFIF's report²⁸ also shows that energy efficient mortgages have lower financial risk

¹⁸ www.inrev.org/library/real-estate-real-economy

¹⁹ www.gresb.org

²⁰ www.crrem.eu

²¹ www.bluepearlenergy.com/en/discover-blue-pearl/

²² www.gresb.com/nl-en/2022-real-estate-results/

²³ www.inrev.org/sfdr-sustainable-finance-disclosure-regulation

²⁴ www.unepfi.org/net-zero-banking/

²⁵ www.iigcc.org/news/iigcc-tpi-centre-launch-net-zero-standard-for-banks-net-zero-banking-assessment-framework/

²⁶ www.db.com/files/documents/csr/sustainability/Residential-Real-Estate-Leading-to-Net-Zero.pdf

²⁷ <https://energyefficientmortgages.eu/>

²⁸ https://eefig.ec.europa.eu/news/new-report-final-report-risk-assessment-2022-05-09_en

- And there are more private debt funds lending to small and medium companies, real estate, and infrastructure assets.
 - Many of these funds increasingly aim to set sustainability goals for lenders with interest rate incentives

However, there are challenges:

- Bank and insurance regulations have not officially recognised the reduced risk from energy efficient loans and investments
- Mortgage Portfolio Standards will likely be necessary to strengthen all banks' efforts
- As well, the cost of living and interest rates impacts the ability of many people to take on new renovation loans

3.3 Shareholder, bondholder, and bank engagement with publicly listed companies and their supply chains

It is encouraging that

- More companies are setting Science based targets²⁹
- Investors and banks are increasingly engaging with companies, including the GREEN Engagement initiative³⁰ for listed real estate companies

However:

- The Climate Action 100+ Engagement initiative found that most carbon intensive companies are not aligning their capex or lobbying with net zero³¹
- Many oil and gas companies are weakening their climate targets
- As well, many sensible company Annual General Meeting (AGM) investor resolutions are not sufficiently supported by shareholders, which does not send a strong signal to companies³²

4 / Towards an Energy Efficiency Finance Coalition

4.1 Ambition

There is great potential for the Coalition. The aim should be to truly put Energy Efficiency 'First'³³:

- at the Regulatory level
- amongst financial institutions where possible
- at the energy system and infrastructure level
- and at the deal or asset level

²⁹ <https://sciencebasedtargets.org/>

³⁰ <https://green-engagement.org/>

³¹ www.climateaction100.org/net-zero-company-benchmark/findings/

³² Minerva Analytics 2023

³³ We thank Peter Sweatman, CEO Climate Strategy and Partners for this framing for ambition for energy efficiency. We cite his speech at the Concerted Action Meeting on the Energy Efficiency Directive, March 2023

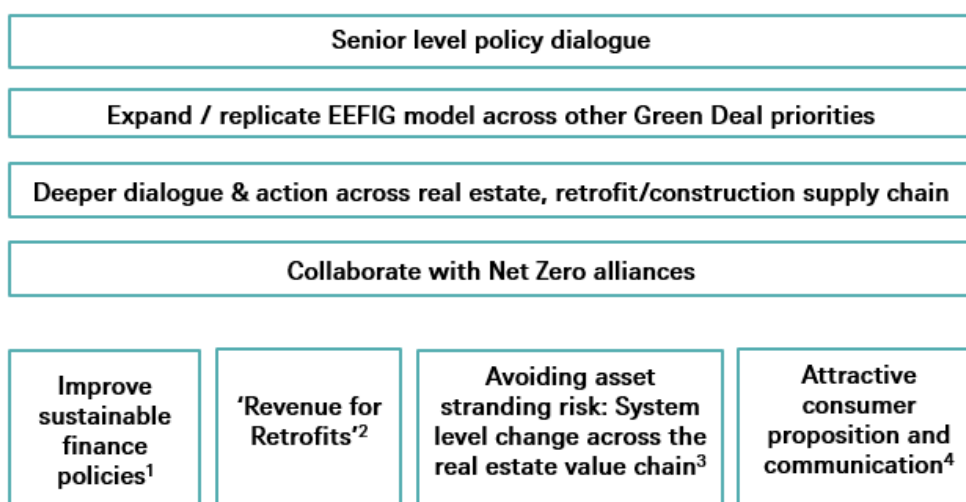
Essentially, we need to see:

- energy efficiency getting double the political and public capital,
- double the number of experts with double the cross ministerial government collaboration
- and this could help double private sector investments

4.2 Recommendations for the Energy Efficiency Finance Coalition

I have four overarching comments and four recommendations, as shown in [Figure 4](#).

Figure 4 – Recommendations for the Energy Efficiency Finance Coalition



Source: DWS 2023; 1 – INREV (2023) 2 – EEFIG Steering committee (2020) 3 – ULI (2023) 4 – Deutsche Bank 2023; Climate Strategy and Partners 2022

1. The Coalition is an opportunity for dialogue between senior financial institution representatives the European Commission, Member States and even Internationally.

For instance, the Coalition should create a partnership with:

- the Finance Ministers for Climate Coalition³⁴ and
- deepen the partnership with the International Energy Agency (IEA) to support the goal recently agreed by 45 countries, to double energy efficiency³⁵

The Coalition could be assisted by the Net Zero Asset Owner Alliance’s report stating that it expects asset managers to undertake climate policy advocacy, to “change the rules of the game”.

2. EEFIG’s model should be expanded to other Green Deal areas like industrial and agricultural policies
3. The Coalition is an opportunity for deeper dialogue and action across the real estate value chain.
 - For instance, how can banks and investors help ramp up supply chain capacity and building renovation skills in the context of the US Inflation Reduction Act
4. The Coalition should also collaborate with financial net zero alliances

³⁴ www.financeministersforclimate.org/

³⁵ www.iea.org/news/at-iea-conference-45-governments-endorse-goal-of-doubling-global-energy-efficiency-progress-by-2030

Four specific ideas:

1. There is a need to improve and reform **Sustainable Finance policies** and Paris Aligned Benchmark³⁶ rules to expect and require more and stronger investor stewardship and policy advocacy

For instance, real estate associations with input from DWS and others, recently made specific recommendations for SFDR³⁷.

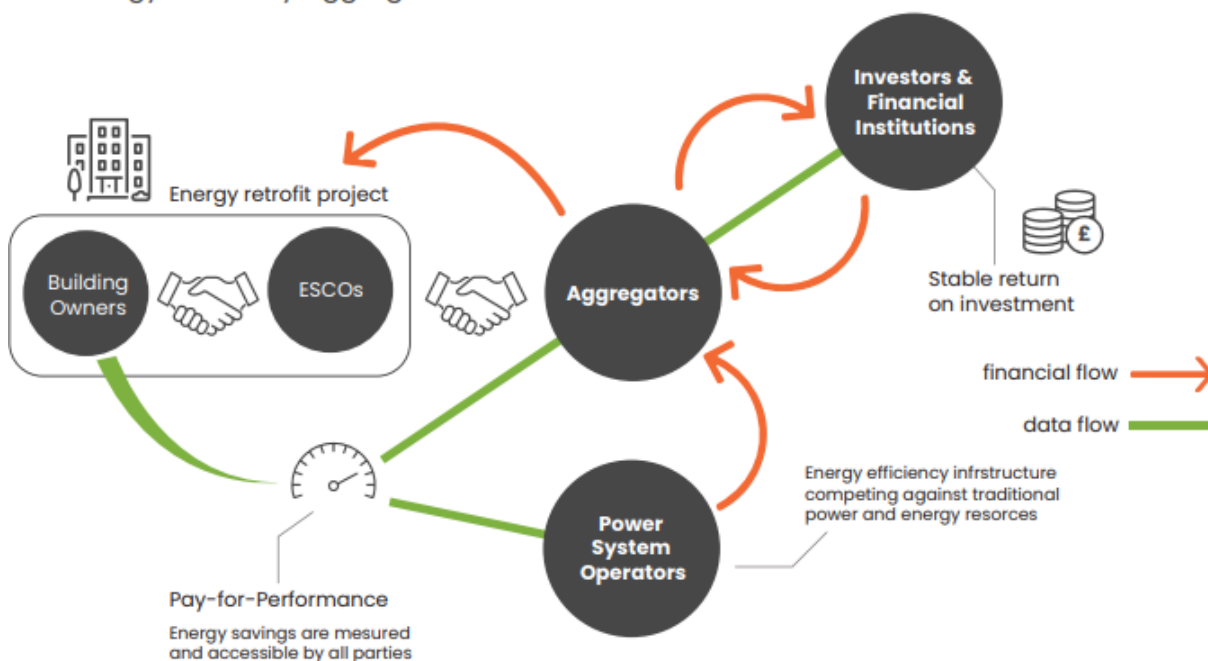
2. **Revenue for Retrofits** – means strengthening the economic case
 - In many countries, electricity is 3-4 times more expensive than fossil gas³⁸. The balance of Energy taxes need reform to improve the attractiveness of technologies like heat pumps.
 - As Member States are still debating energy tax reform³⁹, the Coalition could provide input towards a common position.

There should be a stronger link between **electricity market reform and efficiency** as shown in **Figure 5**.

- The EFIG private sector Steering Committee’s 2020 letter to Commissioner Simson, recommended learning from many US states⁴⁰ which enable utilities to procure energy savings.
- The Horizon project “SENSEI”⁴¹ concluded this idea could be applied in Europe.

Figure 5 Pay for performance market

The Energy Efficiency Aggregator Business model



Source: GFI 2021 based on SENSEI April 2021

³⁶ www.iigcc.org/media/2023/05/IIGCC-Enhancing-the-Quality-of-Net-Zero-Benchmarks.pdf

³⁷ www.inrev.org/system/files/2023-06/SFDR-Real-Estate%20Solutions-Paper-June-2023.pdf

³⁸ www.raonline.org/knowledge-center/aligning-heating-energy-taxes-levies-europe-climate-goals/

³⁹ www.euractiv.com/section/energy-environment/news/energy-taxation-directive-europes-key-climate-law-stuck-in-a-quagmire/

⁴⁰ SENSEI 2020 <https://zenodo.org/record/3887823#.XuCT6EX7SUK>

⁴¹ <https://senseih2020.eu/>

3. **Asset Stranding risk:** A group of major real estate investors concluded that there is a Stranded asset risk in real estate, partially due to the non-institutional real estate owners outside of 'prime' value regions, who have less climate expertise.
 - The Coalition could work with the Urban Land Institute⁴² to support their objective that

"We can no longer make the costs to decarbonise buildings a competitive part of transactions".

New market practices, data sharing and tools need to be developed to help all commercial building owners to fairly decarbonise.

4. **A compelling consumer proposition.** To address loan affordability challenges, there is a need for the EU to partner with banks to create a new way for homeowners to easily and cost effectively finance renovations with skilled, quality assured trades people

The elderly, those without savings and with tight budgets need help to make their homes energy efficient with long-term, affordable loans to scale up home renovation rates.

DWS and Deutsche Bank mortgage lending colleagues support the European Renovation Loan concept⁴³ as developed by Peter Sweatman in his capacity as CEO of Climate Strategy and Partners.

This idea should work alongside Mortgage Portfolio Standards and ambitious efficiency standards to make renovation simple and affordable.

We hope that these comments are useful.

Biography – Roelfien Kuijpers, Global ESG Client Officer

Based in New York, Roelfien Kuijpers is Global ESG Client Officer for DWS. She is co-chair of [DWS's external ESG Advisory Board](#), a member of the DWS Group Sustainability Committee, the DWS Global Leadership Team, and the DWS Reputational Risk Committee.

She previously held a variety of senior positions, including Head of the Client Coverage Division for Ireland, Scandinavia and the UK, Head of Responsible Investments, Global Head of Strategic Relationships, Global Head of DB Advisors, and Global Head of Strategy, Marketing and Communications. She was a member of the Global Operating Committee (2004-2012) and the Group Executive Committee (2017-2018). She worked in Deutsche Bank's Global Equity division in several senior roles (1995-2004) and served on the Global Equities Executive Management Committee (2002-2004).

She has served as Chairwoman of the Supervisory Board of Deutsche Asset Management Investmentgesellschaft Germany, Chairwoman of the Supervisory Board of DWS Investments France, and a member of the DWS Investment UK Ltd Board. She is a board member of the DB Americas Foundation and chairs its Investment Committee.

A strong supporter of diversity, Roelfien was chairwoman of Women on Wall Street for many years and helped establish Deutsche Bank's Women in European Business initiative, and the ATLAS program to develop senior female talent. She has served on the Americas diversity committee and sponsors the LGBTQQ network and the Black Leadership Alliance.

From 2019-2022, Roelfien was an elected board member of the Institutional Investors Group on Climate Change (IIGCC).

She has served on the Women's Leadership Board at Harvard's Kennedy School of Government, the President's Advisory Council at Oberlin College, the Young Associate Directors of the Metropolitan Opera, and the board of Sculpture Center NY.

In 2019, Roelfien was named one of the "25 Most Powerful Women in Finance" by American Banker magazine. In 2011, she received the One to World Fulbright Award for Global Business Leadership for building understanding and cooperation across cultures. A Dutch native, Roelfien received a Master's in History from Leiden University, Netherlands.

⁴² <https://europe.uli.org/research/c-change/>

⁴³ https://www.climatestrategy.es/en/informe_23.php

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