Energy Efficiency: Summary

- Energy efficiency (EE) is considered an abundant untapped "source" of energy supply (*'negawatts'*) and GHG abatement (as much as 50% contribution to limit concentrations at 450ppm)
- EE covers a significantly greater proportion of the "energy" mix than renewable Electricity (RE), applying also to Heating and Transport
- While closely associated with other cleantech subsectors (smart grid, sustainable transport …), EE is the most disaggregated cleantech subsector and offers many different investment opportunities
- Cash-strapped governments are gradually incentivising (relatively) low-cost energy efficiency programs, though incentive structures for EE are far more complex than for RE; the EU remains far behind its 2020 EE targets
- The availability of suitable financing mechanisms (*'no-first-cost'*) remains an impediment to EE projects in certain geographies, though funding solutions are emerging where pipelines can be bundled and securitised

- Commercial & Industrial segments are proving more conducive to private sector EE funding than is Residential
- Many established mid-market companies, especially in commercial building EE solutions & services, are becoming EE "plays", providing roll-up and private equity opportunities
- While some EE subsectors have already attracted significant VC investment (LEDs, smart grid, energy efficient semiconductors, fuel cells, energy management systems …) many do not meet typical VC criteria (technology-rich, large addressable markets, steep cost curves), e.g. insulation, building materials, CHP, heat pumps …
- Energy efficiency VC investment has proven to be more resilient than other subsectors in recent years, though the subsector mix has varied substantially