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Construction

How can the Finance Sector Drive the Transformation to a Net-Zero Built Environment?

Build_ME IKI Workshop

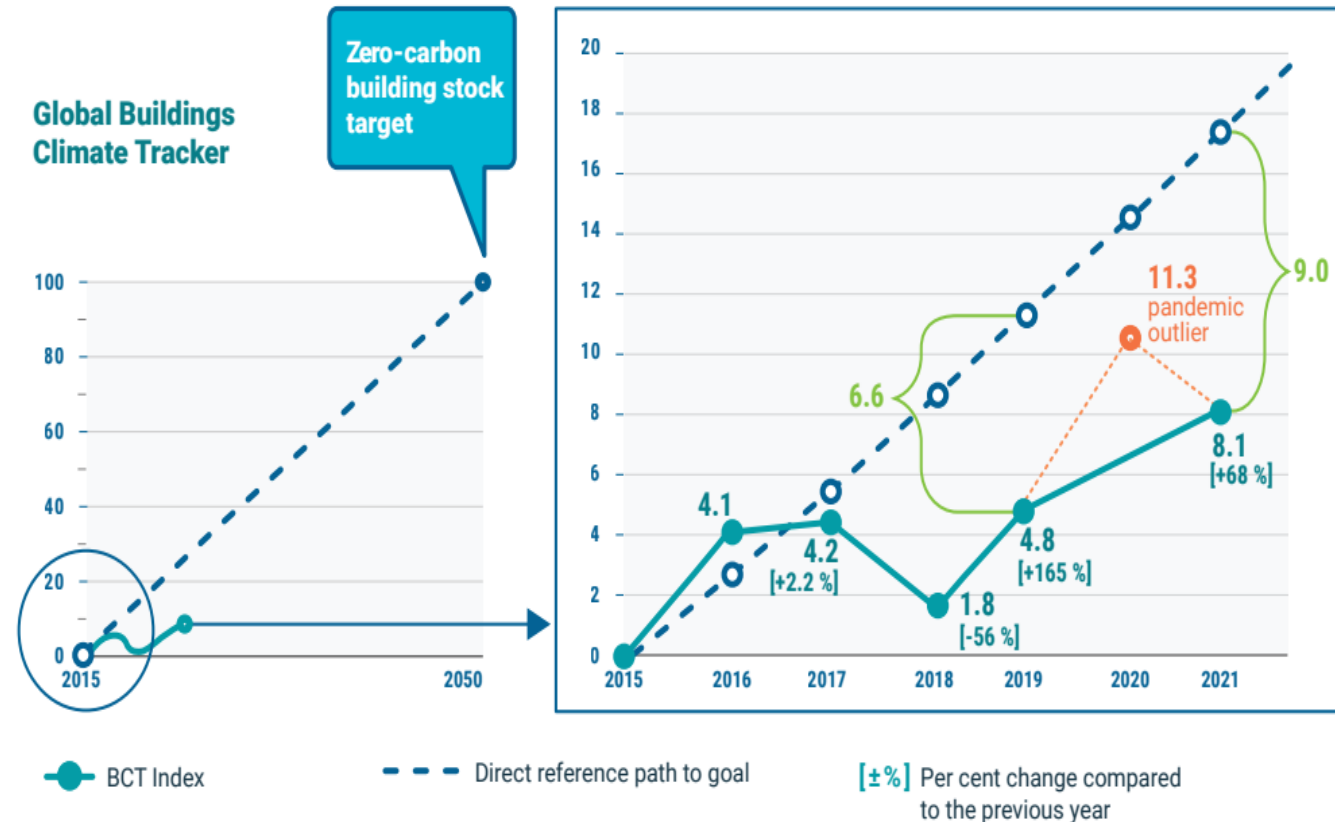
2nd March, 2023

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Findings of the Buildings Climate Tracker (BCT)

Components of BCT:

1. Incremental Energy Efficiency Investment in Buildings (USD bn)
2. Green Building Certification (Cumulative Growth)
3. NDC with Building Sector Action (Number of Countries)
4. Building Codes and Regulations (Percent)
5. Renewable Share in Global Final Energy Demand in Buildings (Percent)
6. Building Sector Energy Unit Intensity (kWh/m²)
7. CO₂ Emissions

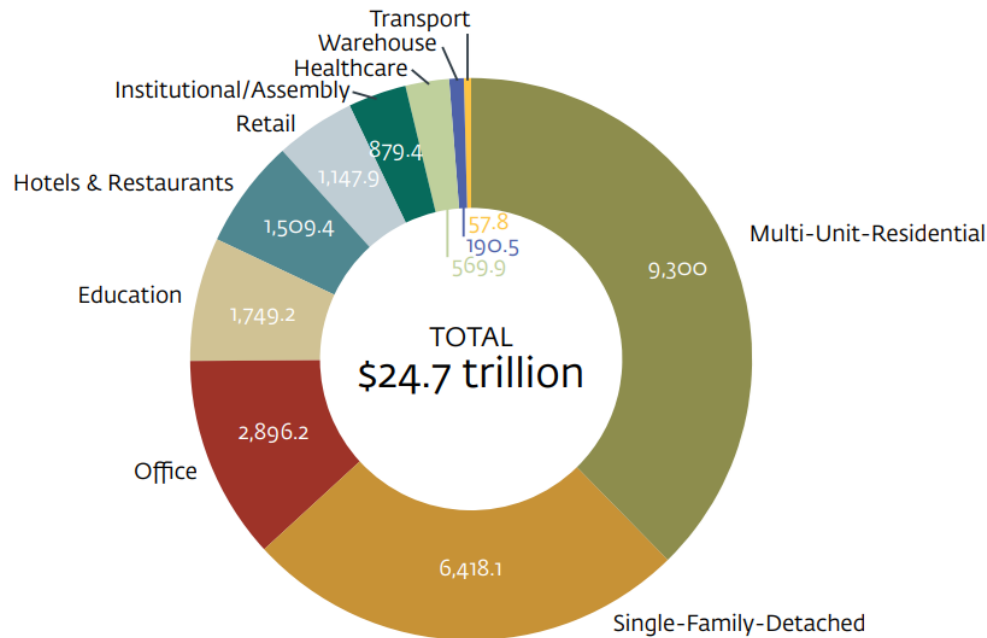


Source: GSR for Building and Construction, 2022.

The green buildings sector represents one of the biggest investment opportunities

The green buildings sector represents a **\$24.7 trillion investment opportunity** by 2030 across all emerging market cities. Most of this investment potential - \$17.8 trillion - lies in **East Asia Pacific and South Asia**

Figure 3: Total opportunity by building type (USD billions)

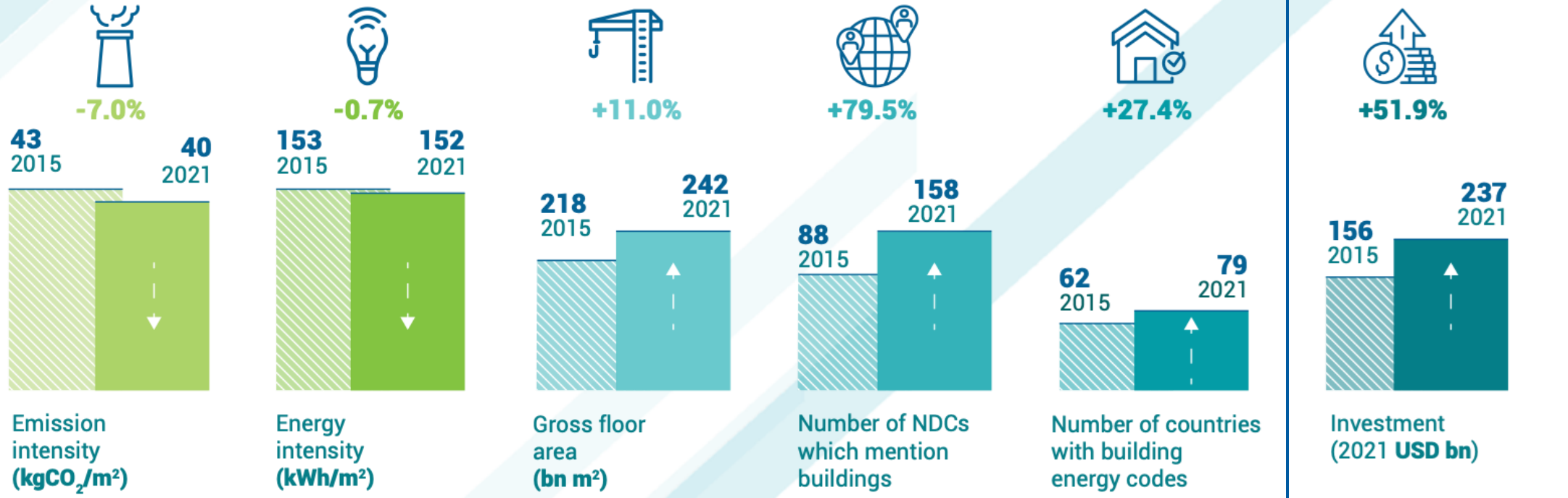


- The built environment is responsible for ca. **7% of global employment**, and accounts for 11-13% of global GDP.
- Between **9 and 30 jobs are created for every \$1 million invested** in renovation and new construction, one of the highest rates across all sectors

Despite this, less than \$3 of every \$100 spent on new construction goes to efficient buildings.

Source: International Finance Corporation, 2019

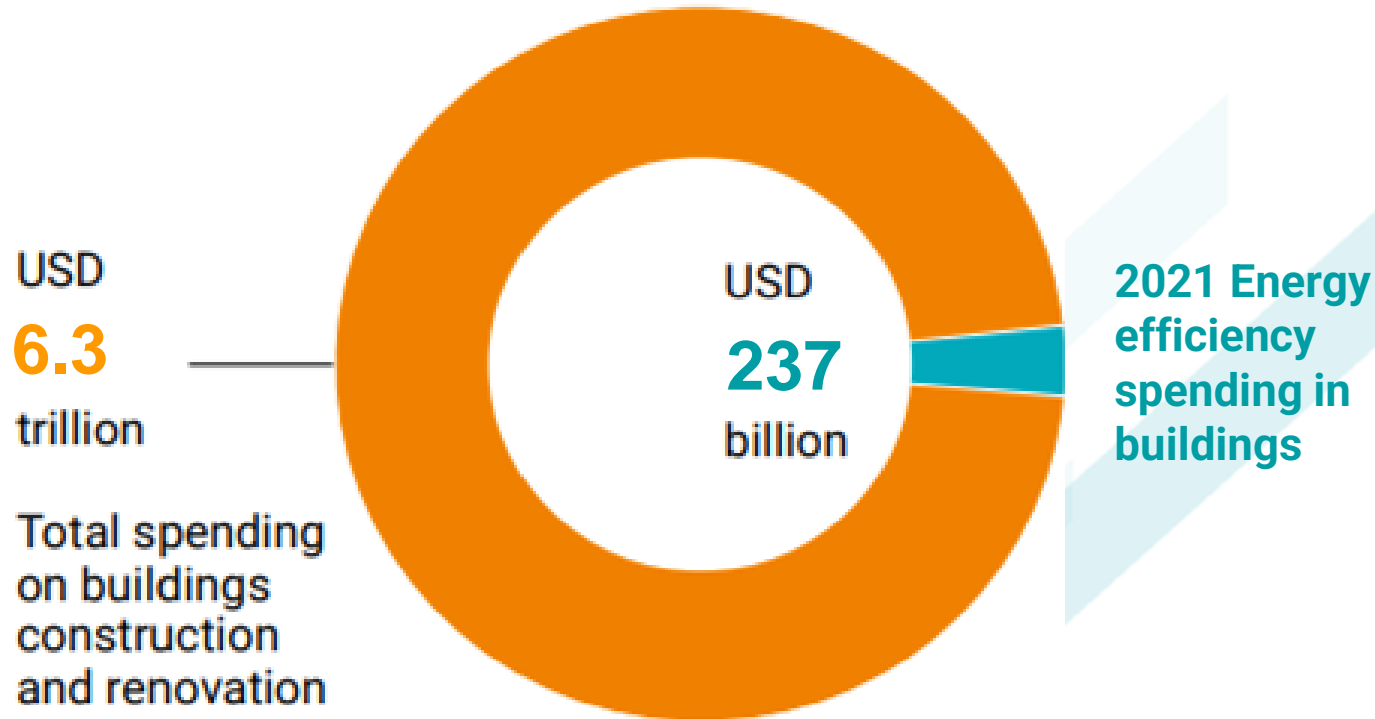
Global investments in energy efficiency in buildings have increased, but are dominated by investments from EU countries, USA, Canada and Japan



¹ Values included for the baselines have been updated from previous versions of the Buildings-GSR due to both historic input data updates for emissions and floorspace, and also deflation factors for USD. The proportional changes between previous years remains similar.

Source: United Nations Environment Programme (2022). *2022 Global Status Report for Buildings and Construction: Towards a Zero-emission, Efficient and Resilient Buildings and Construction Sector*. Nairobi
 Data sourced from International Energy Agency (2022). *World Energy Investment 2022*. Paris: International Energy Agency

However, global investments in energy efficiency in buildings are only a fraction of the total investments in the buildings sector.



For every \$1 spent on energy efficiency, **\$37 is spent on conventional construction approaches**

Investments in renewables and energy efficiency in buildings should account for at least **18% of the total investments** in the buildings sector by 2050 if we are to reach the Paris goals.

Adapted from United Nations Environment Programme (2022). *2022 Global Status Report for Buildings and Construction: Towards a Zero-emission, Efficient and Resilient Buildings and Construction Sector*. Nairobi
Data sourced from International Energy Agency (2022). *World Energy Investment 2022*. Paris: International Energy Agency

Initiatives for Sustainable Finance



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Glasgow Financial Alliance for Net Zero (launched at COP26)

Over **550 firms** from the leading net zero initiatives across the financial system and responsible for USD 70+ trillion assets have made public commitments to accelerate the transition to net-zero emissions by 2050 at the latest.

Net-Zero Banking Alliance (launched at COP26)

The industry-led, UN-convened Net-Zero Banking Alliance brings together a **global group of banks, currently representing over 40% of global banking assets**, which are committed to aligning their lending and investment portfolios with net-zero emissions by 2050.

Net Zero Asset Managers Initiative (launched in 2020)

International group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius; and to supporting investing aligned with net zero emissions by 2050 or sooner.

Institutional Investors Group on Climate Change (IIGCC)

European membership body for **investor collaboration on climate change**. IIGCC has more than 350 members, mainly pension funds and asset managers, across 23 countries, with over €51 trillion in assets under management. The IIGCC is a member of the BuildingToCOP Coalition.

Example of Policy Framework - the EU Taxonomy



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The regulation on the EU taxonomy provides a classification of activities in the buildings sector that can be considered “sustainable”. This will provide financial market players the basis to **identify which investments are sustainable** and can be marketed as such, increasing transparency.

Table 2. Technical screening criteria for the buildings sector under the EU taxonomy

| Type of activity | Technical screening criteria |
|--|--|
| Construction of new buildings | <p>Primary energy demand of new construction is at least 10 per cent lower than nearly zero energy building requirements in national measures.</p> <p>Energy performance is certified by energy performance certificate.</p> <p>For buildings greater than 5 000 square metres, life-cycle global warming potential is calculated, and the level of performance is tested post-construction, with both disclosed to investors and clients.</p> |
| Renovation of existing buildings | <p>As applicable in national regulations for major renovations, or reduction of primary energy demand of at least 30 per cent.</p> |
| Acquisition and ownership of buildings | <p>Buildings built before December 2020 are at least EPC class A, or within the top 15 per cent of national building stock expressed in primary energy demand.</p> <p>Buildings built after December 2020 meet criteria for “construction of new buildings”.</p> <p>Large non-residential buildings with HVAC output greater than 290 kilowatts are operated efficiently through energy performance monitoring and assessment.</p> |

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Find out more:

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