



Creating Markets, Creating Opportunities

Path to Paris: Building Green

Philippe Le Houérou | October 12, 2018 | 4-Minute Read

Despite rapid population growth and urbanization, building green can help us achieve the goals of the Paris Agreement and reduce greenhouse gas emissions.

As the world is moving to implement the Paris Agreement, we are making slow but steady progress on incorporating renewable sources of energy into the global economy. However, with population growth, urbanization and a burgeoning middle class, the demand for energy continues to outpace our ability to change our energy mix, resulting in rising greenhouse gas emissions. The only way to achieve the goals of Paris is to bend the demand curve for energy through increased energy efficiency.



The Ecoloft Jababeka Cikarang serviced apartments are situated in Cikarang (Bekasi), which is becoming the new industrial hub in the greater Jakarta area. Ecoloft, which has been developed by Diener Syz Real Estate, has received final EDGE certification from the Green Building Council Indonesia.

buildings can help us achieve the double bottom line of reducing greenhouse gas emissions, while meeting the development requirements of fast growing economies.

To accomplish a true transformation of building practices, we must demonstrate a clear business case for building green based upon widely agreed standards and practices that is strongly linked to resource efficiency and reduced emissions.

According to the International Energy Agency, buildings account for 36 percent of final global energy use and more than 55 percent of electricity demand. To meet two-degree Celsius scenario targets, average building energy use per person globally needs to fall by at least 10 percent by 2025. Getting on that trajectory through energy savings in

At the International Finance Corporation (IFC), we have years of experience at setting environmental, social, and corporate governance standards that have been adopted globally. The IFC “Equator Principles” have been applied across export credit, development finance, and project finance markets.

Today, 94 banks in 37 countries adhere to the principles covering over 80 percent of project finance transactions and US\$5.5 trillion in investment in the emerging markets. It is a story of market creation, and it can be replicated for green buildings.

As global finance ministers and economic leaders gather this week in Bali for the 2018 Annual Meetings International Monetary Fund-World Bank Group, we must view standard setting for energy efficiency in the built environment as a key issue for energy security and economic growth. In 23 of the largest developing countries, IFC estimates the investment opportunity for green buildings alone will reach US\$6 trillion between now and 2030.

In Indonesia specifically, we see the potential of a US\$4 billion green buildings market over the next seven years. Indonesia started its journey to building green in 2012, when Jakarta authorities worked with IFC to draft the city’s first green building code under Governor Decree 38. As of last report, more than 15 million square meters of space are code compliant, generating US\$8 million in utility cost savings per year. This initial success is now being replicated across Indonesia.

After the government of Indonesia sent this signal to raise standards for building green, some developers went beyond the code to design buildings with higher efficiency requirements.

They used the IFC green building standard and certification process called EDGE (Excellence in Design for Greater Efficiencies). EDGE provides an achievable, affordable standard with a path to net zero carbon buildings, and is now available in 144 countries.



The Citra Towers Kemayoran are located in Jakarta and have received a preliminary EDGE certificate from the Green Building Council Indonesia. The mixed-use complex features a pair of 24-story office towers, a 23-story apartment building and a five-story retail podium.

Through the free online EDGE App, builders, owners, and financiers can easily calculate the return on investment from energy and water savings and are able to monetize the results.

In Indonesia, almost 1 million square meters of space is now under EDGE certification, with each building achieving at least 20 percent efficiency above the mandatory code. Seeing the impact of a clear, strong building standard in their communities, local governments have come on board to provide incentives through lower taxes, or additional floor space to enable faster market uptake. For example, the city of Bandung offers a lowered real estate tax for projects going beyond the code.

The banking sector is also becoming more proactive in bringing local impacts to national scale. IFC is working with

Indonesian local commercial banks to support more green financing. State owned banks and housing finance companies also have a role in moving their financing to a lower-carbon, sustainable path, particularly in affordable housing. IFC clients have shown that 1 to 2 percent additional capital costs in low-income residential buildings can result in 20 percent or more utility bill savings, which has a significant impact for lower income residents.

Investing in energy efficiency is a necessary part of achieving the Paris Agreement and keeping global warming to under two degrees. Capturing energy savings in our built environment requires clear building standards which focus on resource efficiency. As the leading multilateral development bank focusing on the private sector in emerging economies, IFC has channeled over \$US.5 billion toward greening the built environment through resource efficiency standards.

We must now come together with national governments, other multilateral developments banks, and other financial institutions to adopt such standards that can truly transform the real estate market. We also should follow the lead of Indonesia, which is at the forefront of this global green building movement, and help all countries scale energy efficiency in their built environment.

This piece was first published in The Jakarta Post.



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