



E3G



BRIEFING PAPER SEPTEMBER 2021

OXFORD FUTURE OF COOLING: COOLING FOR COP26 WEBINAR SERIES

September 13, 2021: Finance, insurance, and sustainable cooling

Cooling is necessary for the quality of life of billions of people, whether in hot climates or temperate regions experiencing more frequent heatwaves due to climate change.

By 2050, the energy needed for air conditioning is projected to triple. This huge demand has the potential to drive up greenhouse gas emissions and exacerbate the very problem it is designed to alleviate. Countries can prepare for extreme heat by prioritising passive and energy efficient technology that use low global warming potential (GWP) refrigerants, shifting the trajectory of cooling growth towards sustainability.

As we move towards one of the most important rounds of the UNFCCC Climate Negotiations, the Oxford **Future of Cooling Programme** is hosting a series of online seminars leading up to COP26, linking to the programme's **framework on sustainable cooling**. The **first webinar in the series**, **Finance, insurance, and sustainable cooling**, engages in conversation with Jim Maguire, Partner at Sustainable Development Capital LLP and Richard Matsui, Founder and CEO of kWh Analytics.



E3G



Clean cold cash: how to finance a sustainable cooling sector?

In 2018, the **global cooling sector was valued at 135bn USD** and is projected to grow rapidly to 170bn USD in 2030 as incomes increase and the climate warms. To achieve **Net Zero Cooling by 2050**, financial institutions and insurance firms must overcome challenges such as data poverty, lack of standardisation and institutional inertia to shift their approach to this globally strategic sector.

- **Development Finance Institutions (DFIs)** can **play a role as investors of first resort** in the sustainable cooling economy, building a pipeline of projects which crowd in private sector capital. They are critical in managing risk modalities especially counter party risk management and the deployment of contingent capital. DFIs are instrumental as market makers and leaders in setting standards globally. Furthermore, DFIs support and advise governments on long-term decarbonisation strategies, including policies and institutional reforms required across the economy.
- **Investors/Private Finance Institutions** signal the future of the industry and, to meet climate targets, must divest from manufacturers of refrigerants containing F-gases, make pro-active investment in clean cooling companies to secure a share of the new, 170bn USD cooling sector in 2030. This trend is already on the way with Goldman Sachs investing 50m USD in a US-based, climate-friendly cooling technology firm and Sustainable Development Capital LLP deploying equity capital under Cooling as a Service models
- **Insurance & Re-insurance companies** have a critical role to play in underwriting companies producing high GWP F-gas refrigerants. Insurance firms who refuse to underwrite F-gas companies, **a precedent set in the coal sector**, will transform the cooling market. In addition to this policy shift, insurance and re-insurance companies can shift the sector through:
 - o **Real estate:** insurance/re-insurance sector have one of the largest collective holdings of real estate in the world. By ensuring their real estate holdings integrate sustainable cooling modalities, for example as a requirement or an incentive such as a premium reduction, these firms can shape the sustainable cooling market.
 - o **Investment:** as an institutional investor, insurance/re-insurance companies can commit to divest of companies involved in the manufacture of unsustainable cooling technologies, proactively invest in clean cooling companies and those providing tools and services to integrate retrofitted passive cooling modalities.

For questions on the policy recommendations above, please contact Anant Jani, Honorary Research Fellow at Oxford University (anant.r.jani@gmail.com) or Sindra Sharma, Policy Advisor at E3G (sindra.sharma@e3g.org).



E3G



Watch a recording of the webinar here.

About E3G

E3G is an independent climate change think tank accelerating the transition to a climate-safe world. E3G builds cross-sectoral coalitions to achieve carefully defined outcomes, chosen for their capacity to leverage change. E3G works closely with like-minded partners in government, politics, business, civil society, science, the media, public interest foundations and elsewhere.

More information is available at www.e3g.org

Copyright

This work is licensed under the Creative Commons Attribution-NonCommercial-ShareAlike 2.0 License. © E3G 2021