



# CDC's Resource Efficiency Facility



### The resource efficiency challenge

Tackling resource efficiency at the operational level is an increasingly important component of addressing climate change and decoupling economic growth from excessive natural resource consumption. The importance of resource efficiency is further emphasised as we strive to achieve the Sustainable Development Goals (SDGs), in particular SDG 6 on Clean Water and Sanitation, SDG 7 on Affordable and Clean Energy, SDG 12 on Responsible Consumption and Production and SDG 13 on Climate Action.

CDC recognises that there is a market failure which limits investment into resource efficiency interventions, as the true cost of climate impact and waste water are not internalised to the business. Furthermore, the opportunity cost of capital means that a business will often prioritise other investment where returns are more attractive, over

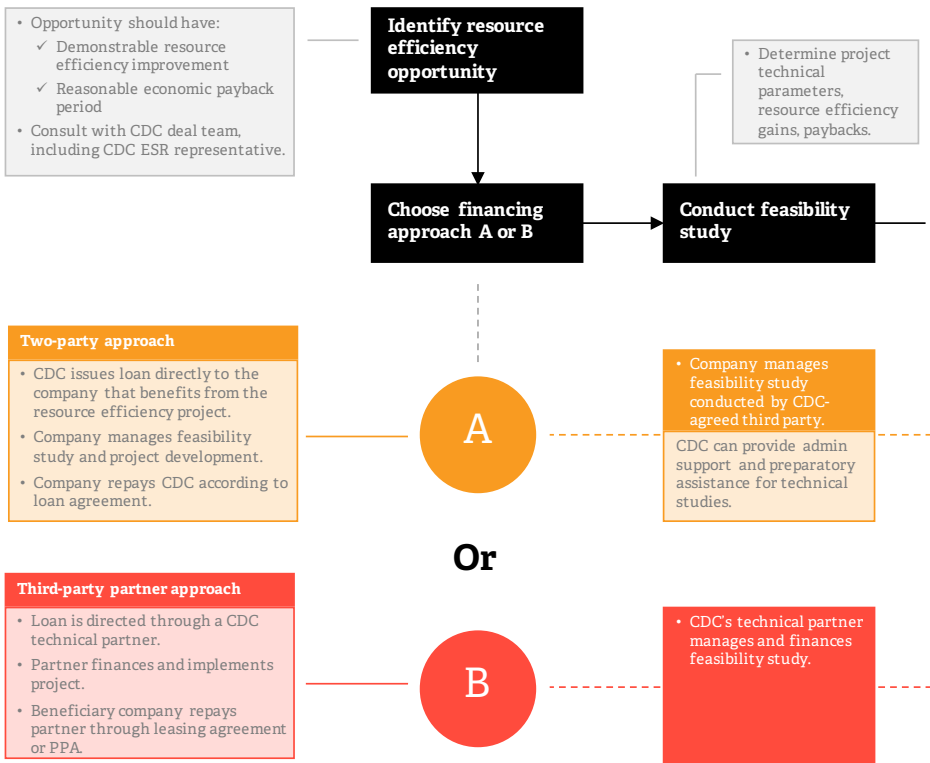
resource efficiency projects, where typically the returns, whilst positive, can be lower.

### CDC's approach

An important pillar of CDCs investment strategy is to maximize the development impact of our capital by assisting companies to improve their environmental and social performance. In keeping with this approach, CDC adopted a Climate Policy to identify key climate change risks for our investments and specify focus areas for incremental investment. A key element of this approach is to identify opportunities within companies to make efficiency gains and encourage the use of renewable energy.

CDC has developed a Resource Efficiency Facility (REF) which seeks to provide financing at concessional rates to support capital projects which would lead to resource efficiency gains.

REF is a mechanism to assist in delivering



tangible impacts in line with our Climate Policy objectives. The facility provides preparatory assistance and low-cost loans to incentivise companies to optimize resource use and in turn reduce their carbon and ecological footprint. Effectively, these low-cost funds will improve the short-term economics of these efficiency investments, bringing forward the point at which the company recoups its investment and starts seeing positive returns on the efficiency gains.

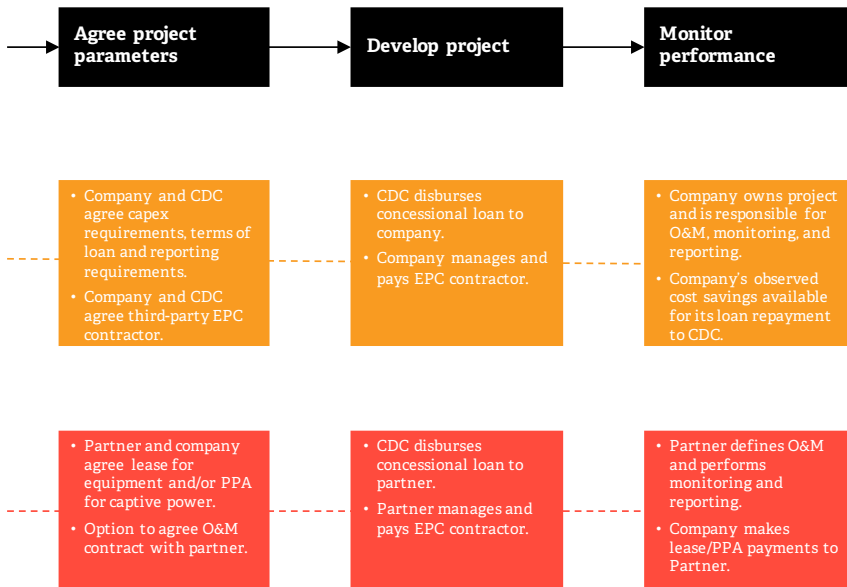
**How does REF work?**

CDC has two mechanisms for deployment of REF capital as outlined in the diagram below.

For both mechanisms the process begins by identifying an opportunity to improve resource use.

**Next steps**

If you have a potential opportunity to unlock resource efficiency savings from a business, the CDC investment management team would welcome a conversation to help shape the opportunity and understand whether REF capital could be deployed to assist in delivering the project.





## Get in touch

If you have any questions about this document and would like to get in touch with us, please contact:

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