Financing Clean Energy Transitions in Emerging and Developing Economies

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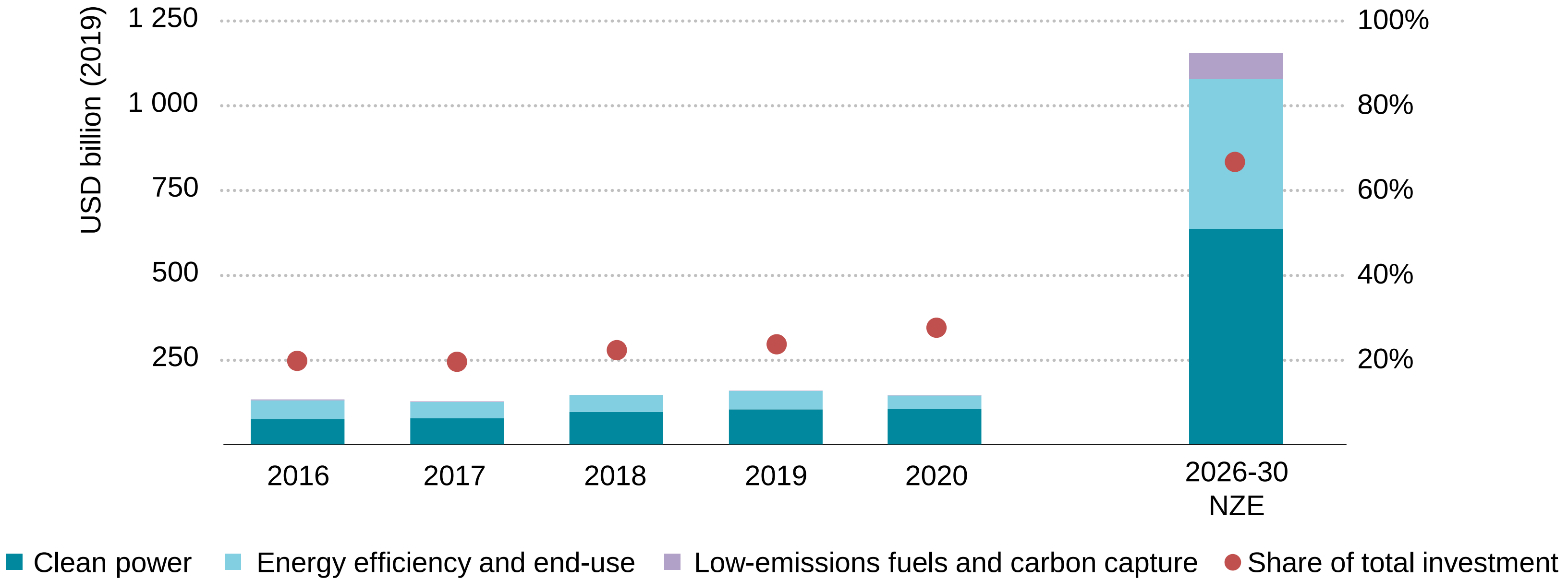
International Energy Agency

A surge in clean energy investment is needed to change course

Annual clean energy investment in emerging and developing economies compared with projections in the Net Zero Emissions (NZE) by 2050 Scenario



Clean energy investment has been stuck at less than $150 billion in recent years, but needs to expand by more than seven times, to above $1 trillion, in order to put the world on track to reach net-zero emissions by 2050

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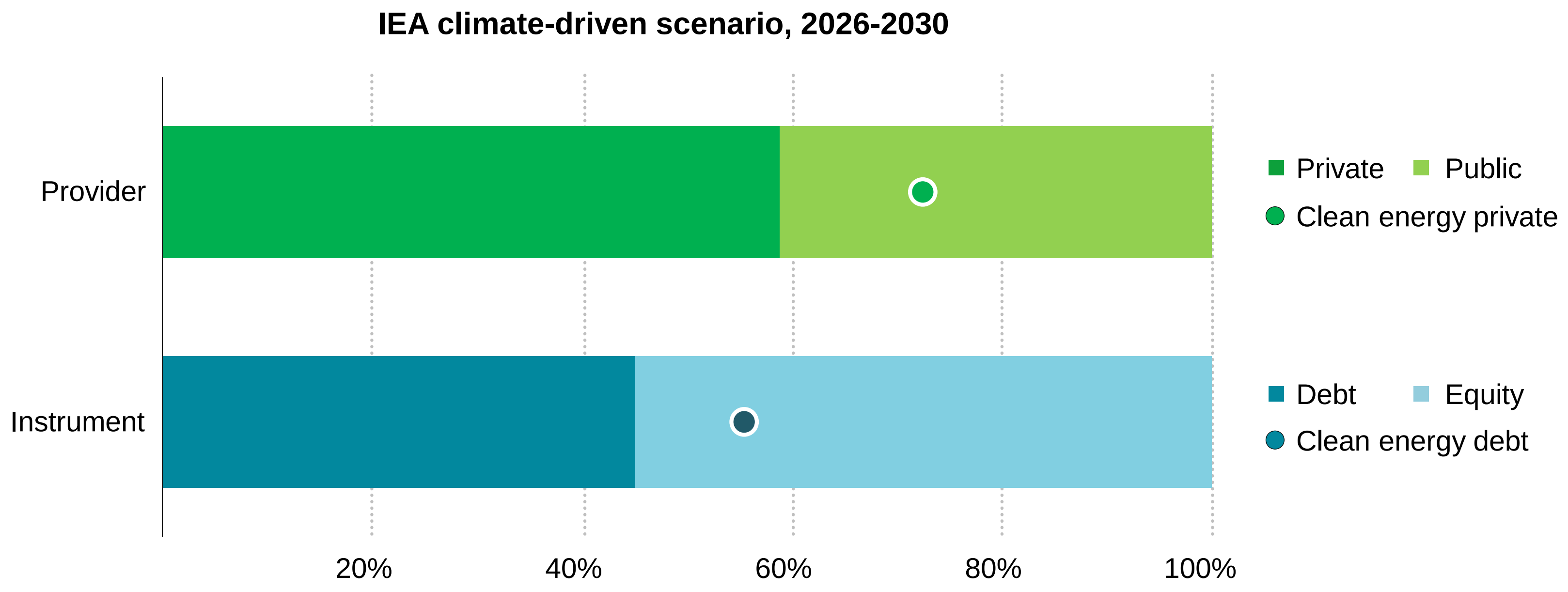
A dramatic mobilisation of private capital is needed for transitions

Primary sources of finance for energy investments in emerging and developing economies



While public sources are critical to catalyse investment, over 70% of clean energy investments are financed by private capital in climate-driven scenarios, as clean energy projects increasingly rely on availability of higher shares of debt

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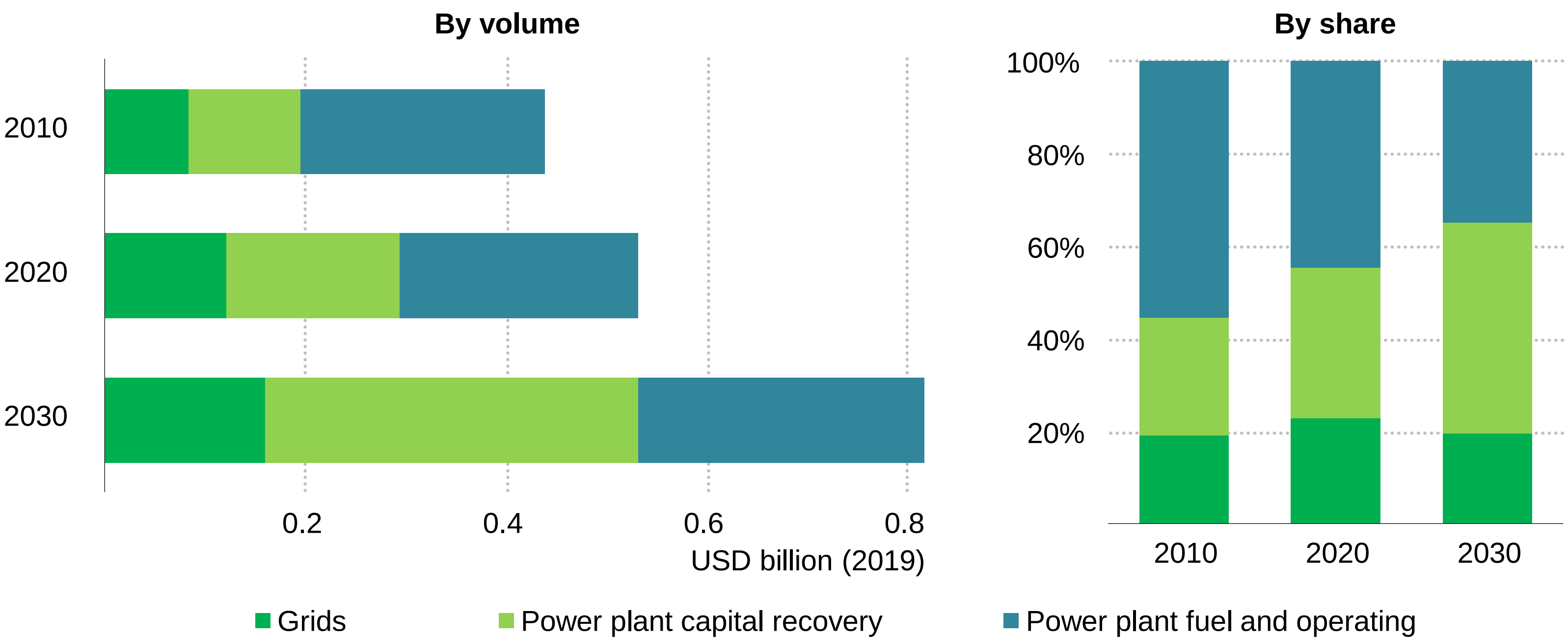
In transitions, a shift to more capital-intensive energy systems

Electricity supply costs in emerging and developing economies, historical and in IEA climate-driven scenario



In clean energy transitions, energy systems become more reliant on power and end-use technologies with higher upfront capital requirements but lower operating expenditures. Keeping financing costs low is critical to affordability

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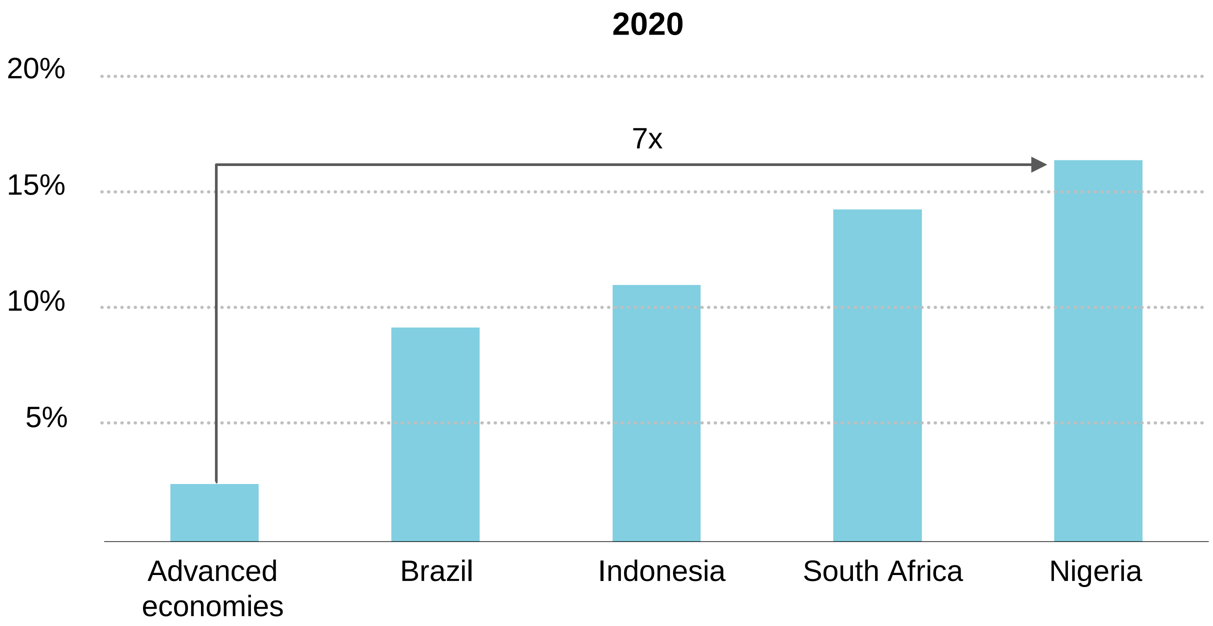
Capital is significantly more expensive for those areas most in need

Indicative cost of capital by economy (nominal base rates plus market risk premium)



Although financing costs have come down in many countries, the cost of capital is up to seven times higher in emerging and developing economies, raising the bar for projects to access debt finance and clear equity hurdle rates

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Priority actions to make the 2020s a decade of clean energy

Redouble international support

- Strong strategic mandate for public finance institutions
- Better use of blended finance
- Boost delivery of international climate finance
- Get international capital markets engaged in clean energy in emerging and developing markets

Tackle cross-cutting investment issues

- Better disclosure of climate risks
- Empower local entrepreneurs
- Put state-owned utilities on a firmer financial footing
- More robust banking and capital markets
- Get price signals right
- Make it easier to prepare clean energy projects

Push on clean power & efficiency

- Sustainable energy access for all
- More electrified and efficient mobility
- Harness investor readiness to back renewable power
- Embed efficiency in all new buildings and appliances
- Expand and modernise grids

Get to grips with the toughest tasks

- Prepare the ground for low-carbon fuels and industries
- Innovative strategies for cement, steel, chemicals
- Leave no one behind as countries leave coal
- A new development model for producer economies

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