World Energy Investment 2021

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Global energy investment is set to rebound in 2021

While the volume of investment is expected to return to near the pre-crisis level, the composition of energy investment has shifted towards the power and end-use sectors, and away from fuel production.
Power, led by renewables, remains the largest part of supply spend

Global power investment is set to increase by around 5% in 2021, with renewables accounting for 70% of generation spending, and rising spending on grids and storage, while midstream infrastructure grows fastest in fuel supply.
Upstream oil and gas investment is set to rise about 10% in 2021, but spending remains well below pre-crisis levels; while cost control is pervasive, some NOCs are looking to invest counter-cyclically and gain oil and gas market share.
While coal is down, it is not out of the investment picture

Final investment decisions (FIDs) for new coal fired-power plants

While FIDs for coal-fired power plants are down 80% from 2015, there was an uptick in go-aheads for new plants in 2020, largely due to a lowering of restrictions in China as well as several projects elsewhere in Asia.
Clean energy investment is on a moderate upswing

The impact of stimulus plans is increasingly visible in buildings efficiency, low-carbon hydrogen and CCUS, while electrification, especially EVs, remains a major driver; but, clean energy spend is well short of a sustainable recovery.
Strong performance of clean energy in financial markets

Renewable power companies have outperformed fossil companies and the wider market, and sustainable finance has boomed; but such trends have not spurred a corresponding acceleration of spending on clean energy projects.
Clean energy spend by oil and gas companies is starting to pick up

Emerging oil and gas company transition strategies include a wide range of approaches; project commitments for 2021 point to a share of capital investment in clean energy rising to more than 4%, if maintained through the year.
Support for innovation is a key pillar of net-zero plans

Public spending on energy R&D continued to rise in 2020, with the share of low-carbon at 80%, but corporate spending on energy R&D dropped by 2% as the pandemic weighed on budgets or led to underspending on projects.
Conclusions

• Global energy investment is set to rebound by around 10% in 2021, reversing most of the shock from pandemic – but the composition of spending has shifted more towards power and end-use

• A shift in upstream oil and gas investment towards state-owned companies is raising the prospect of greater market influence, or more risky assets in the future – depending on the speed of transitions

• Clean energy investment has been more resilient during the crisis and is set for a moderate upswing in 2021, with the impacts of recovery plans becoming more visible in some markets and sectors

• Despite strong momentum, climate pledges and sustainable finance are not, for the moment, translating into an acceleration of clean energy capital spend at the scale needed to meet climate goals

• Meeting longer-term climate ambitions will depend on the evolution of corporate strategies, including in traditional oil and gas, with support for innovation a key pillar of government net zero plans

• The gap between investment trends and a sustainable pathway is largest among emerging market and developing economies – financing transitions in these areas is critical to meet climate goals
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