

FINANCING THE TRANSITION: CAPITAL INVESTMENT



Two distinct forms of financial flow are required for the energy transition:

CAPITAL INVESTMENT

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CONCESSIONAL/ GRANT PAYMENTS

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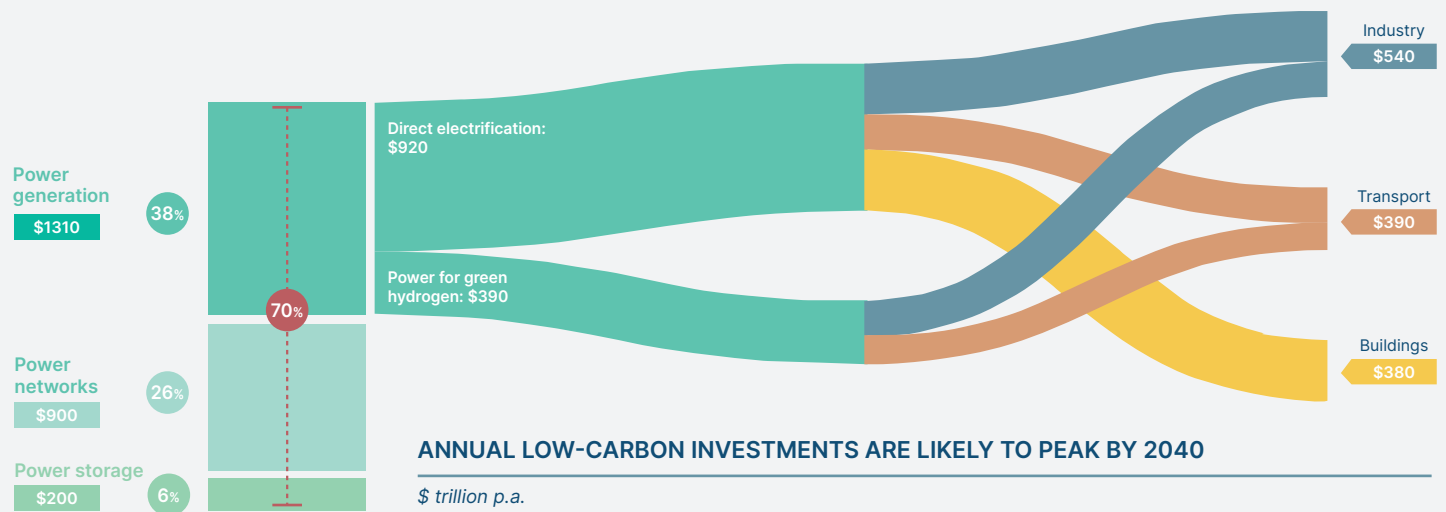
\$3.5 trillion a year to 2050 globally

>\$300 billion a year by 2030 in middle and low income countries

Capital investment: where should investment flow?

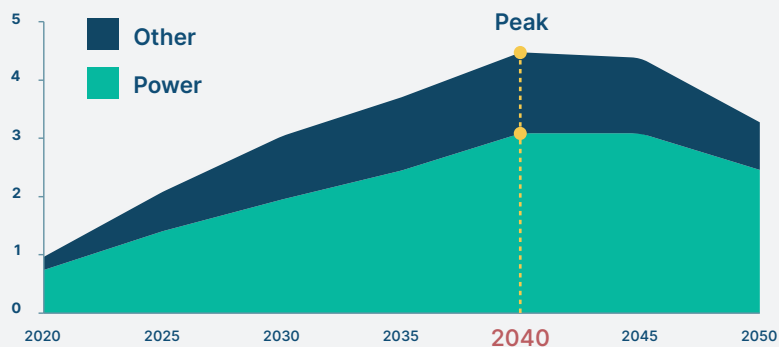
INVESTMENT IN LOW-CARBON POWER = 70% OF TOTAL INVESTMENT, SPURRING DECARBONISATION IN OTHER SECTORS

\$ billion p.a. 2021-2050



ANNUAL LOW-CARBON INVESTMENTS ARE LIKELY TO PEAK BY 2040

\$ trillion p.a.



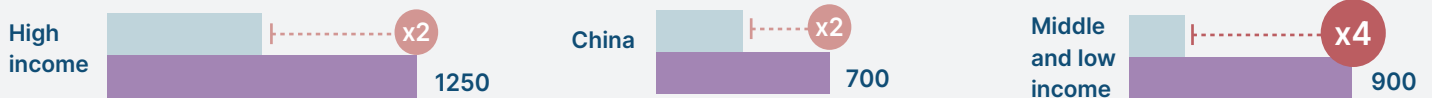
Other investments includes buildings, transport, removals, industry and hydrogen.

Power investment includes generation, networks and storage.

INVESTMENT IN MIDDLE AND LOW INCOME COUNTRIES NEEDS TO INCREASE 4-FOLD BY 2030

\$ billion p.a. in 2021 and 2030

2021 2030



\$3 trillion Clean investment (minus declining fossil fuel investment)

1.3% Equivalent to 1.3% of global GDP a year to 2050

x3 Scale up needed by 2030 globally

FINANCING THE TRANSITION: CONCESSIONAL/GRANT PAYMENTS



Two distinct forms of financial flow are required for the energy transition:

<p>CAPITAL INVESTMENT</p> <ul style="list-style-type: none"> Spending by businesses or public sector on assets, technology, infrastructure Delivers future returns 	<p>CONCESSIONAL/GRANT PAYMENTS</p> <ul style="list-style-type: none"> Required where there is no economic incentive Does not deliver a return or payback
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Concessional/grant payments: >\$300bn for 3 critical purposes

PAYMENTS REQUIRED TO ACHIEVE 3 CRITICAL OBJECTIVES BY 2030 IN MIDDLE AND LOW INCOME COUNTRIES (EX. CHINA)

EARLY COAL POWER PHASE OUT



Payments required where coal remains competitive with renewables

CO₂ p.a. avoided by 2030

\$ bn p.a.

2 Gt

\$25-50

AVOIDING DEFORESTATION



Payments required to protect the forest frontier and address root causes of deforestation

CO₂ p.a. avoided by 2030

\$ bn p.a.

4.6 Gt

\$130 at least

could be significantly higher without diet change

CARBON DIOXIDE REMOVALS



Removals only possible if someone pays for them

CO₂ p.a. avoided by 2030

\$ bn p.a.

3.6 Gt

\$100

to fund CDR through natural climate solutions (NCS)

IN HIGH INCOME COUNTRIES AND CHINA



Accelerated coal phase out in China could cost \$20-50bn a year over the next 10-15 years – but this cost will not be borne by external concessional/grant finance



Remaining tropical forest land exists almost exclusively in middle and low income countries



Payments for CDR from engineered and hybrid solutions (e.g., direct air capture) could reach \$50bn a year by 2030

Where will the finance come from?

OVER \$300BN A YEAR COULD BE RAISED THROUGH CARBON MARKETS, PHILANTHROPY AND INTERGOVERNMENTAL TRANSFERS

\$ billion p.a.

Carbon markets 80

Maximise participation of corporates in voluntary carbon markets – e.g., 1.7 Gt/year of credits at an average cost of \$45-50 tCO₂

Philanthropists 75

Mobilise more action from philanthropists – increasing share of philanthropic capital devoted to climate mitigation from 2% to 10%

Intergovernmental transfers 205

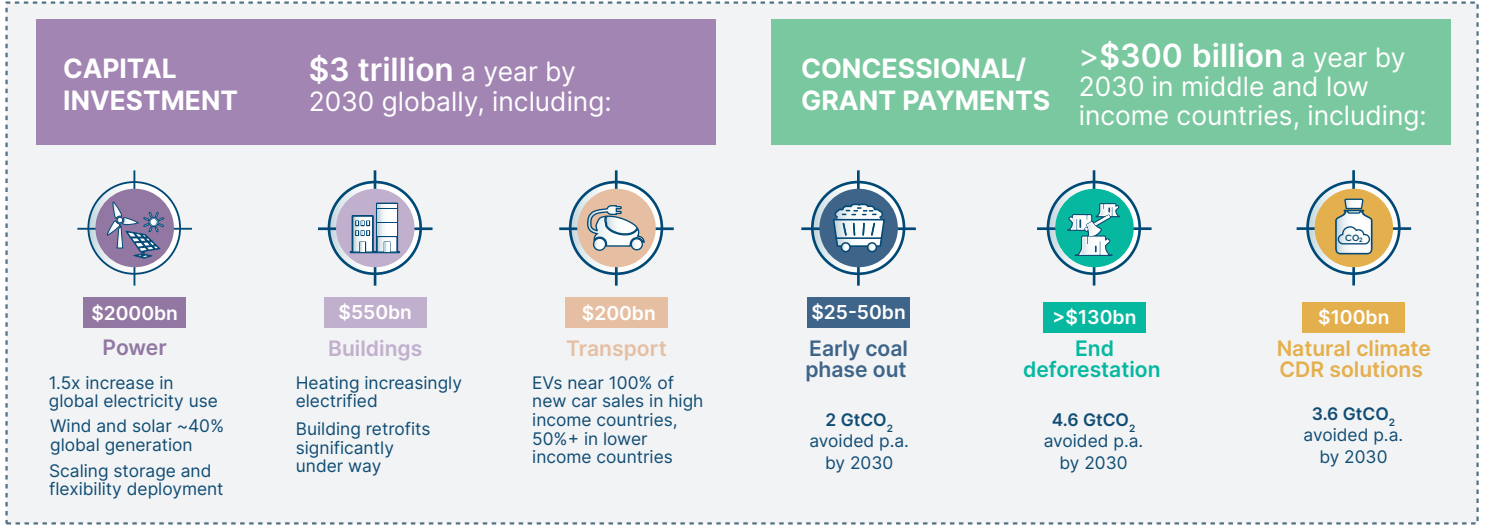
Intergovernmental transfers of climate-related funding – if high income countries met the UN's aid target (0.7% of Gross National Income) and devoted half to climate

Total 360

But without diet change, concessional/grant payments to end deforestation could be significantly higher



2030 TARGETS



Critical priorities to scale up capital investment

EIGHT ACTIONS FOR THE 2020s

ACTORS

Leading actors Supporting actors

