

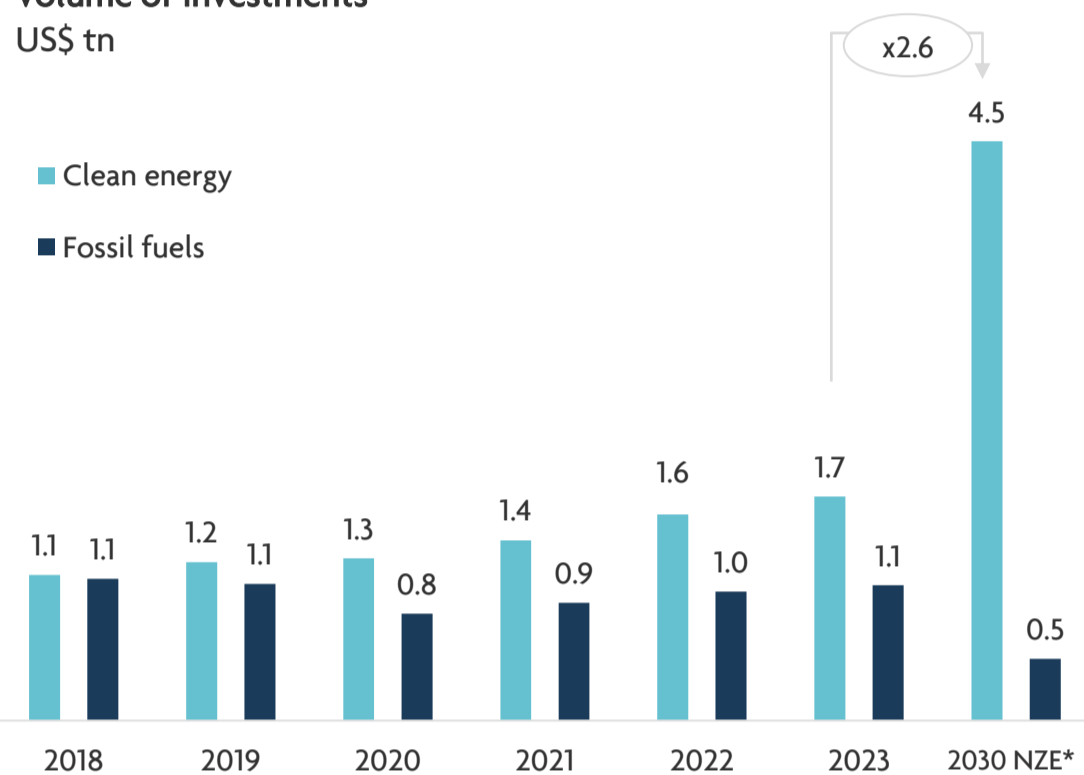
SCALING UP FINANCE FOR THE ENERGY TRANSITION



Global climate discussions have, so far, focused on the pathways to put the world on track with 1.5 °C. More than 80%¹ of emission reductions needed in 2030 come from known technologies, although at different maturity levels. Yet, uncertainty remains on the pace of implementation and funding. Scaling up finance for the energy transition will be a central issue at COP29 and a priority theme of G20

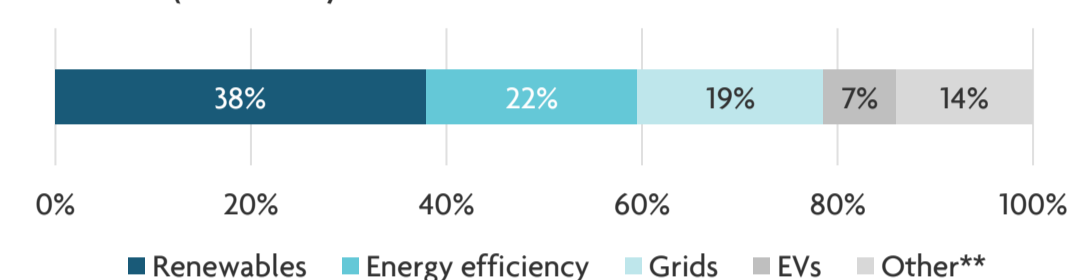
Investments in clean energy are on the rise, but they still lag behind what is needed in a 1.5°C scenario for 2030

Volume of investments²
US\$ tn

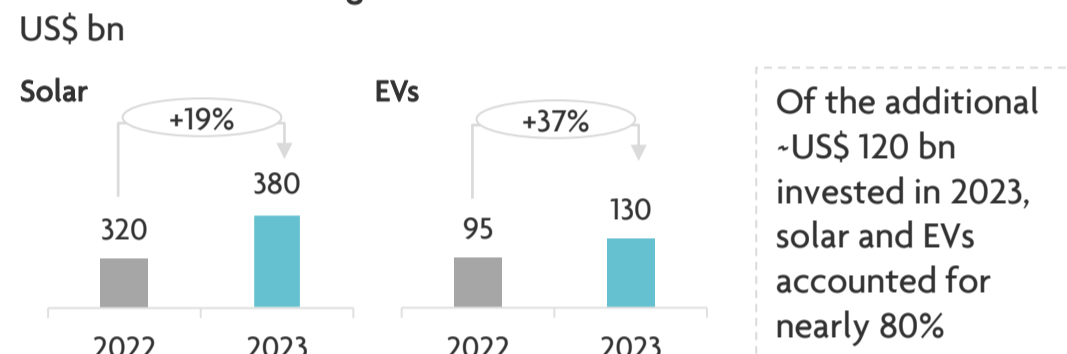


These are concentrated in more mature technologies, such as renewables, energy efficiency and grids

Share of clean energy investments²
% in 2023 (US\$ 1.7 tn)

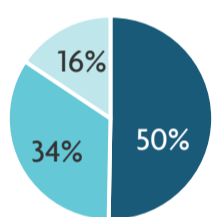


Solar and EVs led the growth in investments in 2023 vs. 2022^{2,3}

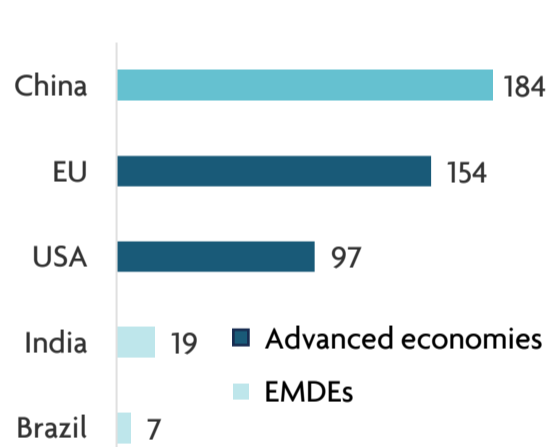


Advanced economies and China account for more than ¾ of the total clean energy investments

Concentration of clean energy investments⁴
% in 2023 (US\$ 1.7 tn)



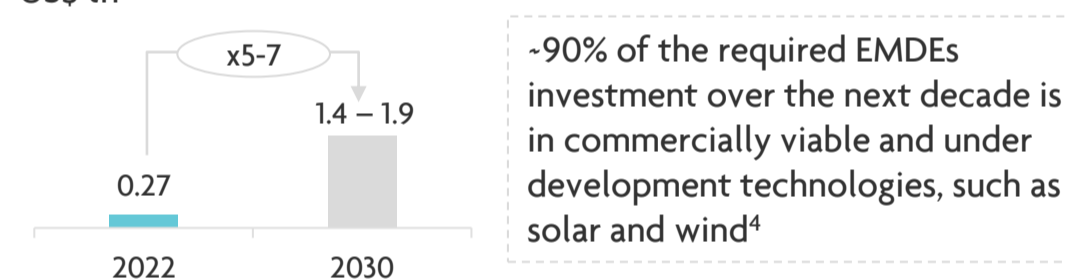
Increase in annual clean energy investment, cumulative 2019-2023²
US\$ bn – selected countries



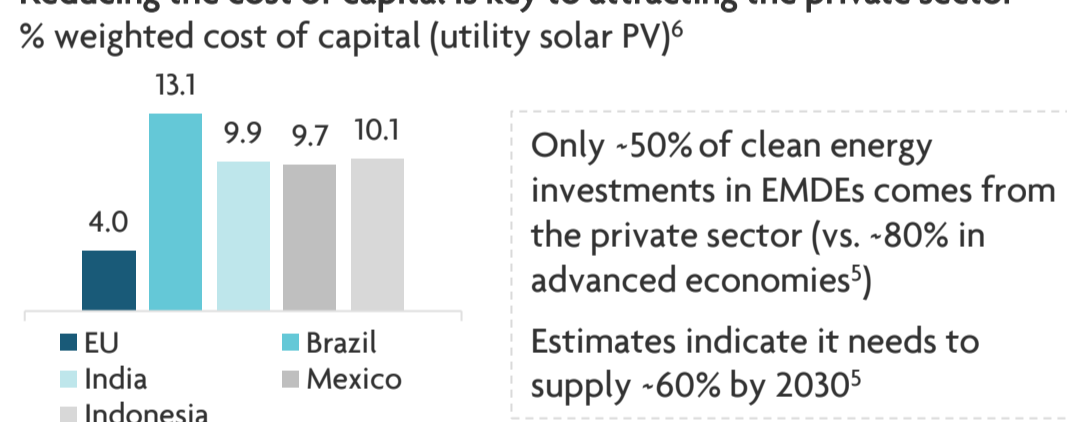
In 2022, as an example, China installed 100 GW of new solar PV capacity. This is 10x the total operating solar PV capacity of 11 GW across the entire African continent⁵

EMDEs face challenges in scaling up finance for the energy transition given investors' high-risk perception

Clean energy investments in a 1.5 °C scenario in EMDEs⁵
US\$ tn



Reducing the cost of capital is key to attracting the private sector



Therefore, it is critical to develop viable alternatives to attract private capital, specially in EMDEs



Improving risk-return profile – public policies are required to reduce risks, guarantee a stable business environment and make projects more profitable (e.g. carbon pricing, mandates)



A new role for MDBs – innovative mechanisms can lower the cost of capital of projects, including blended concessional finance, grants, exchange rate hedging and guarantees



Clear taxonomies – to increase confidence and legal certainty, robust criteria is fundamental to clarify what can be considered energy transition finance or not



Capital markets – developing domestic markets in EMDEs is critical to promote scale, including through climate bonds, transition-focused funds and voluntary carbon markets



Climate-related bills under discussion – different proposals under analysis by the Congress include a possible cap-and-trade system and a mandate-based biofuels policy⁷



Eco Invest program – in partnership with the IDB and the World Bank, more than US\$ 5 bn was announced to mobilize external private capital and foreign exchange hedging⁸



Sustainable finance taxonomy – Brazilian financial regulator (CVM) is supporting ongoing public consultations for a national taxonomy, including energy-related investments⁹



Local market strength – Brazil is well positioned due to the robustness of its financial market (-50% of renewables investment was led by domestic institutions between 2018-22)¹⁰

* IEA's Net Zero Scenario; ** Includes battery storage, nuclear, low-emission fuels, CCUS and other end use; *** Emerging markets and developing economies ex-China; **1** / IEA. [World Energy Outlook 2023](#). 2023; **2** / IEA. [World Energy Investment 2023](#). 2023; **3** / IEA. [Solar PV – Tracker](#). 2024; **4** / IEA. [Reducing the cost of capital](#). 2024; **5** / IEA. [Scaling up private finance for clean energy in emerging and developing economies](#). 2023; **6** / Avinash Persaud. [Unblocking the green transformation in developing countries with a partial foreign exchange guarantee](#). 2023; **7** / Câmara dos Deputados. [Projeto de Lei nº 528, de 2020](#). 2024; [Projeto de Lei nº 2148, de 2015](#). 2024; **8** / Ministério da Fazenda do Brasil. [Eco Invest Brasil - Programa de Mobilização de Capital Privado Externo e Proteção Cambial para a Transformação Ecológica](#). 2024; **9** / Ministério da Fazenda do Brasil. [Taxonomia Sustentável Brasileira - consulta pública](#). 2023; CVM. [Finanças sustentáveis - plano de ação da CVM](#). 2023; **10** / BNEF. [Mobilizing Capital in and to Emerging Markets](#). 2023