

## Green investment

# IEA warns developing nations need more clean energy funds

RACHEL MILLARD — LONDON

Investment in clean energy in developing economies needs to rise seven-fold by the end of the decade, the International Energy Agency has warned, as it called for “urgent action” to raise cash.

Less than a fifth of the roughly \$1.7tn of investment expected to go into clean energy this year is set to be spent in emerging and developing economies excluding China, according to estimates by the group.

The sum will need to rise from about \$260bn this year to \$1.4tn-\$1.9tn per year by the early 2030s in order to hit climate goals and meet energy demand, the IEA said, but there is rising competition from richer nations.

“Today’s energy world is moving fast but there is a major risk of many countries around the world being left behind,” Fatih Birol, executive director of the IEA, said.

His comments came as the IEA published a report on Tuesday arguing that about 60 per cent of the required investment would need to come from the private sector, but that investors were being put off by the higher cost of capital reflecting “real and perceived risks”.

“For the moment, the cost of capital

for a typical utility-scale solar project can be two or three times higher in key emerging economies than in advanced economies or China,” the report said.

Policies that attract investment to Europe and the US are boosting innovation but also “making it more challenging” for emerging markets to compete for private capital, the IEA added.

Birol told the Financial Times that he hoped Joe Biden’s Inflation Reduction Act, which includes \$369bn in subsidies to boost clean energy in the US, would prove a global stimulus. “I very much hope that this will not be a burden for other countries around the world and there will be some flexible mechanisms, providing incentives for others.”

He noted clean energy investment in developing countries was “almost flat” since the Paris Agreement in 2015, which committed countries to limit global warming to 1.5C above pre-industrial levels. “It is not enough. For me, this is the faultline of reaching our energy and climate goals.”

The IEA said that action aimed at boosting investment could prove to be a “huge opportunity” for growth and employment, which would be “pivotal . . . to the world’s energy and climate future”.