

CHART OF THE WEEK

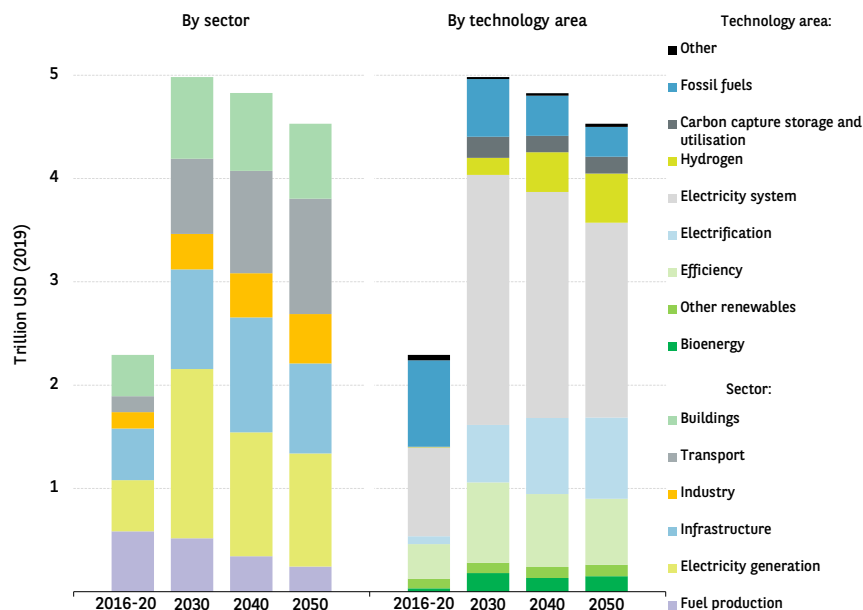


17 November 2021

COP26: INVESTMENT IN ENERGY SYSTEM SHOULD DOUBLE TO REACH ZERO CARBON BY 2050

Raymond Van Der Putten

Investment in the global energy system



At the closing of the COP26 on 13 November, the participating countries renewed their pledge to limit global warming to 1.5°C from pre-industrial times. In the run-up and during the conference, many countries promised to achieve zero carbon emissions by around 2050, although without proposing concrete measures.

The International Energy Agency has estimated that, to achieve this goal, investment in global energy systems has to be expanded from an average of USD 2 trillion over the last five years to almost USD 5 trillion annually by 2030 and to USD 4.5 trillion by 2050.¹ Annual investment in electricity generation has to rise from just over USD 500 billion over the last five years to more than USD 1 600 billion in 2030, before falling back as the cost of renewable energy technologies continues to decline. The renewable energy share in electricity generation should go up to almost 90% from 30% at the moment.

This can only be done by investing heavily in renewable energy sources and in saving energy. Financial markets have woken up to the challenge. Over the past decade, they have developed instruments to facilitate the energy transition, for example the creation of green bonds. Moreover, institutional investors have stepped up efforts to reduce the carbon footprints of their portfolios. As prices of renewables continue to fall relative to fossil fuels, political leaders might soon realise that investing in a cleaner environment is not a burden but an opportunity.

¹ IEA, "Net Zero by 2050: A Roadmap for the Global Energy Sector", Paris 2021.

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