Climate-Smart Investment Opportunity after the Paris Agreement

IFC finds $23 Trillion in investment opportunity from emerging market countries' climate targets

The bulk of growth in greenhouse gas (GHG) emissions over the next 15 years is expected to come from emerging markets – which require $4 trillion per year to build and maintain critical infrastructure for development.

How these rapidly growing middle-income nations respond to their infrastructure needs will directly affect whether we can achieve the promise of the Paris Agreement.

To explore how to unlock private sector finance for climate-smart investment, IFC assessed the national climate change commitments and underlying policies in 21 emerging markets, representing almost 62 percent of the world's population and 48 percent of global GHG emissions.

Setting ambitious climate targets matters, which is why IFC has pledged to increase its climate investments to 28 percent of annual commitments by 2020.

Based on their policy commitments, IFC estimates that key sectors in these countries have an investment opportunity of nearly **$23 trillion** from 2016 to 2030.[1]

SHADES OF GREEN: INVESTMENT POTENTIAL BY REGION AND SECTOR ($ BILLION)

	Wind	Solar	Biomass	Small Hydro	Geothermal	All Renewables	Electric Transmission & Distribution	Industrial Energy Efficiency	Buildings	Transport	Waste
EAP	231	537	48	34	16	866	392	143	13,235	1,316	53
LAC	118	44	45	11	14	232	0	21	901	1,461	26
SAR	111	211	16	0	0	337	0	85	1,542	255	13
ECA	51	39	6	7	6	110	0	57	410	78	11
SSA	27	63	4	3	27	123	0	0	153	499	8
MENA	50	45	0	1	0	97	21	1	92	50	4
Total Climate-Smart Investment Potential by Sector ($ billion)	**589**	**939**	**118**	**56**	**63**	**1,765**	**413**	**308**	**16,332**	**3,659**	**115**

>1000
>500<1000
>250<500
>100<250
>50<100
>25<50
<25

[1] This estimate is for both public and private investment, and is based on sectors for which there is consistent bottom-up data available.

A total of 189 countries submitted national plans in December 2015 that target aggressive growth in climate solutions, including renewable energy, low-carbon cities, energy efficiency, sustainable forest management, and climate-smart agriculture. IFC finds strong investment potential in priority sectors in global regions, including:

Green buildings in East Asia

China, **Indonesia**, the **Philippines**, and **Vietnam** have a climate-smart investment potential of $16 trillion, most of which is concentrated in the construction of new green buildings.

Sustainable transport in Latin America

Argentina, **Brazil**, **Colombia**, and **Mexico** have an investment potential of $2.6 trillion, almost 60 percent of which is for transport infrastructure.

Climate-resilient infrastructure in South Asia

Bangladesh and **India** have an investment potential of about $2.5 trillion, which is concentrated in the construction of green buildings, ports and rail transport infrastructure, and energy efficiency.

Accessible, clean energy in Africa

Cote d'Ivoire, **Kenya**, **Nigeria**, and **South Africa**'s total investment potential is nearly $783 billion, which is spread across renewable energy generation ($123 billion) and buildings and transportation ($652 billion).

Energy efficiency and transport in Eastern Europe

Russia, **Serbia**, **Turkey**, and **Ukraine**'s estimated climate-smart investment potential is $665 billion, with over half focused on new green buildings. Energy efficiency is a priority sector, while renewable energy investments are only beginning to accelerate.

Renewables in the Middle East and North Africa

Egypt, **Jordan**, and **Morocco**'s total climate-investment potential is $265 billion, over one-third of which is for renewable energy generation ($96.7 billion), while 55 percent ($146 billion) is for climate-smart buildings, transportation, and waste solutions.

Of the $22.6 trillion in climate investment opportunities for the 21 countries assessed in this report, China alone represents two-thirds of the total sum. New construction of green buildings in China is expected to reach nearly $13 trillion by 2030.

Across all regions, climate-smart investments in transportation represent a $3.7 trillion opportunity by 2030.

IFC estimates that by 2030 investments in sources of renewable energy (excluding large hydropower) in the focus countries of this report is $1.8 trillion. Climate-smart solutions for industrial energy efficiency and solid waste management will offer $835 billion in investment by 2030.

NEXT STEPS: UNLOCKING PRIVATE INVESTMENT FOR CLIMATE-SMART SOLUTIONS

To unlock private investment, governments should prioritize the following actions:

- **Achieve NDC goals.** Countries should act quickly to integrate their NDC commitments into national development strategies and budget processes. Governments must put in place clear and consistent policies – such as carbon pricing, performance standards, and market-based support – and ensure that climate considerations are integrated into other sector policies.
- **Strengthen the private sector investment climate.** Attracting private investment will require a robust domestic enabling environment, with reduced risks, strong competition, and measures to promote investment and capital flows.
- **Strategically use limited public finance.** Government budgets will not be enough to address climate change. Governments should use public funds strategically to mobilize private capital by, for example, reducing risk and providing project support.

The Climate Investment Opportunities in Emerging Markets report also includes regional overviews – with policy and investment trends; 21 detailed country profiles that translate country NDC targets into sectoral investment opportunities, and includes policy recommendations to unlock investment; global thematic sections, highlighting the private sector investment opportunity for adaptation, cities, agriculture and others; case studies of successful IFC climate-smart investments; and recommendations and next steps for governments, business and other stakeholders to realize this investment potential.

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