Huge private sector investment puts Paris climate target in reach, says report

Global investment could hold the key to fighting climate change, with one trillion dollars already invested in solutions such as renewables and energy efficiency, says International Finance Corporation

Fiona Harvey

Thu 2 Nov 2017 05.30 GMT

Last modified on Wed 14 Feb 2018 16.55 GMT

A solar plant with wind turbines in the background in El Bonillo, Spain. Photograph: Pablo Blazquez Dominguez/Getty Images

At least one trillion dollars are being invested globally in ways to reduce the threat of climate change, including renewable power, energy efficiency, and public transport around the world.

The sums involved are likely to make it possible in future for the world's governments to meet their commitments under the Paris agreement on climate change, provided the investment continues and is directed to the right ends, according to a new report.

The World Bank Group's subsidiary, the International Finance Corporation(IFC), said on Thursday that the investment could hold the key to fighting climate change. Governments will meet in Bonn next week to discuss the next steps in implementing their pledges made at the 2015 Paris conference on climate change.

Philippe Le Houérou, chief executive of the IFC, said: "The private sector holds the key to fighting climate change. We can help unlock more private sector investment, but this also requires government reforms as well as innovative business models, which together will create new markets and attract the necessary investment. This can fulfil the promises of Paris."

The IFC report, entitled Creating Markets for Climate Business, found that governments could work with businesses by fostering renewable energy as an alternative to fossil fuels. For instance, IFC provided $653m (£492m) in debt financing to fund the construction of 13 solar plants near Aswan, in Egypt. Such financing can result in lower electricity costs for local people, as well as reducing carbon dioxide emissions and cutting down on air pollution from coal-fired power plants.

People in developing countries can also benefit from renewable energy installations, such as solar panels and wind turbines, that provide local power, removing the need for them to be connected to a national electricity grid to receive power – a distant dream in some countries, where the national grid is under-developed or prone to breakdown. The availability of power generated locally has multiple benefits, including safety and education, as it enables emissions-free light and power late into the night, instead of people being forced to rely on expensive and polluting kerosene burners.

The authors of the report estimated that investments in energy storage and off-grid solar of $23bn a year could be possible by 2025, if national governments favour renewable energy over fossil fuels.

However, in many countries, developed and developing, fossil fuel companies have the incumbent advantage, and in some cases policies have been developed to suit them. The International Energy Agency estimated fossil fuel subsidies at $325bn a year in 2016.

Making buildings more energy efficient could also reduce carbon emissions dramatically, according to the IFC report, but only if countries adopt better building codes and higher standards. Public transport is another area ripe for investment, which could yield billions of dollars in greater efficiency, and improve the quality of lives of people around the globe, but which has been held back by poor government involvement.

Christian Aid, the development charity, called on the World Bank Group to stop lending to fossil fuel projects. Funding by the group's members for fossil fuel projects has increased to $4.7bn in 2016, according to the charity.

Fran Witt, senior climate change adviser at Christian Aid, said: "Despite aiming to champion clean energy, the World Bank Group actually continues to finance large volumes of dirty energy projects, which are driving climate change around the world. It is staggering that even after the Paris agreement the group is still investing most of its energy portfolio in dirty energy."