GERMANWATCH

Fact Sheet # 1

# Multilateral Development Banks' Contribution to the COP28 Energy Consensus

# Tripling Renewables

## The COP28 Energy Consensus

At the COP28 climate conference in Dubai, countries agreed on a historic 'beginning of the end' of fossil fuels. Parties called on governments to contribute to the following efforts:

- 'Transitioning away from fossil fuels in energy systems, in a just, orderly and equitable manner, accelerating action in this critical decade, so as to achieve net zero by 2050 in keeping with the science' (UNFCCC, 2023a, art. 28d).

- 'Tripling renewable energy capacity globally and doubling the global average annual rate of energy efficiency improvements by 2030' (UNFCCC, 2023a, art. 28a). This translates into 11.2 TW of renewable energy (RE) capacity installed by 2030 (up from 3.9 TW in 2023) and energy efficiency (EE) improvement rates doubling from 2% to 4% every year until 2030.

Multilateral Development Banks (MDBs) are important financiers in their partner countries' energy sectors. They have a key role in closing the investment gap for the global energy transition.

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# Key Facts

## State of global renewable energy progress and financing

- **Progress:** Countries' current energy plans would result in only 7.4 TW of RE capacity installed globally by 2030 – a shortfall of 34% (3.8 TW) of what is needed for a successful energy transition. To reach the COP28 energy consensus goal, solar PV needs to grow 1.6 times, geothermal and Concentrated Solar Power by more than 26 times, and marine energy by 2,500 times to reach the necessary contribution until 2030 (IRENA, COP30, and GRA, 2025).

- **Finance:** The private sector plays an increasingly significant role in RE investment, but public finance continues to be essential. Even where renewables have achieved cost parity, renewables are often still less profitable than fossil fuels. State-Owned Enterprises (SOEs) and State-Owned Financial Institutions (SOFIs) play a much more important role for energy financing in developing than in advanced economies.

### Global RE investments

- **Solar PV:** on track
- **Geothermal:** underfunded, but potential to attract private investment from oil and gas companies and utilities – clear national pathways and regulation needed for this
- **Wind, hydropower, bioenergy, CSP, marine energy:** underfunded, need public support, particularly in Emerging Markets and Developing Economies (EMDEs)

## Regional needs

- RE capacity needs to grow the most in the Middle East and North Africa (MENA), followed by Sub-Saharan Africa (SSA) and Asia as well as Eurasia (Climate Analytics, 2024). Still, projections for Africa do not reflect what would be needed for the region to achieve energy consumption levels similar to OECD countries (see table 1).

- In all EMDE regions, there is a lack of transnational systems to balance and trade variable renewable sources across borders.

## MDB renewable energy financing

- Between 2018 and 2024, MDBs invested USD 138.3 billion in RE.

- Of this, 90% were provided as loans. Guarantees remain underutilised and fragmented.

- MDBs estimate their climate finance to developing countries to reach USD 120 billion by 2030 – almost a doubling from 2022 levels. A doubling of MDB RE investments can be expected to lead to more than a doubling of MDB-prompted renewables generation, owing to falling costs of renewables and increased momentum of risk-mitigating measures for crowding in private finance.

**But from 2023 to 2024, MDB RE investment has stagnated – and more can be done.**

| | SSA | MENA | Latin America | Eurasia | Asia | OECD | World |
|---|---|---|---|---|---|---|---|
| Renewable capacity needed in 2030 (relative to 2022) | X 6.6 | X 11.8 | X 2.3 | X 3.6 | X 3.6 | X 3.1 | X 3.4 |
| 1.5°C-compatible investments needed over 2024 to 2030 (billion USD) | 630 | 710 | 920 | 560 | 4,500 | 4,600 | 11,920 |

*Table 1: Regional breakdown of renewable capacity growth and 1.5°C-compatible investment needed by 2030; Source: Grant et al., 2024*

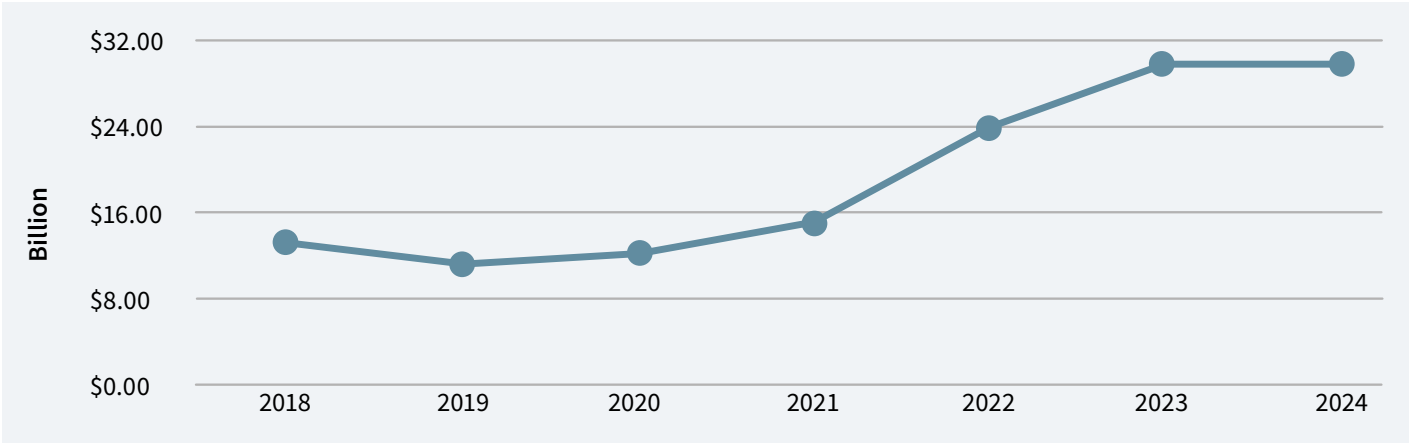
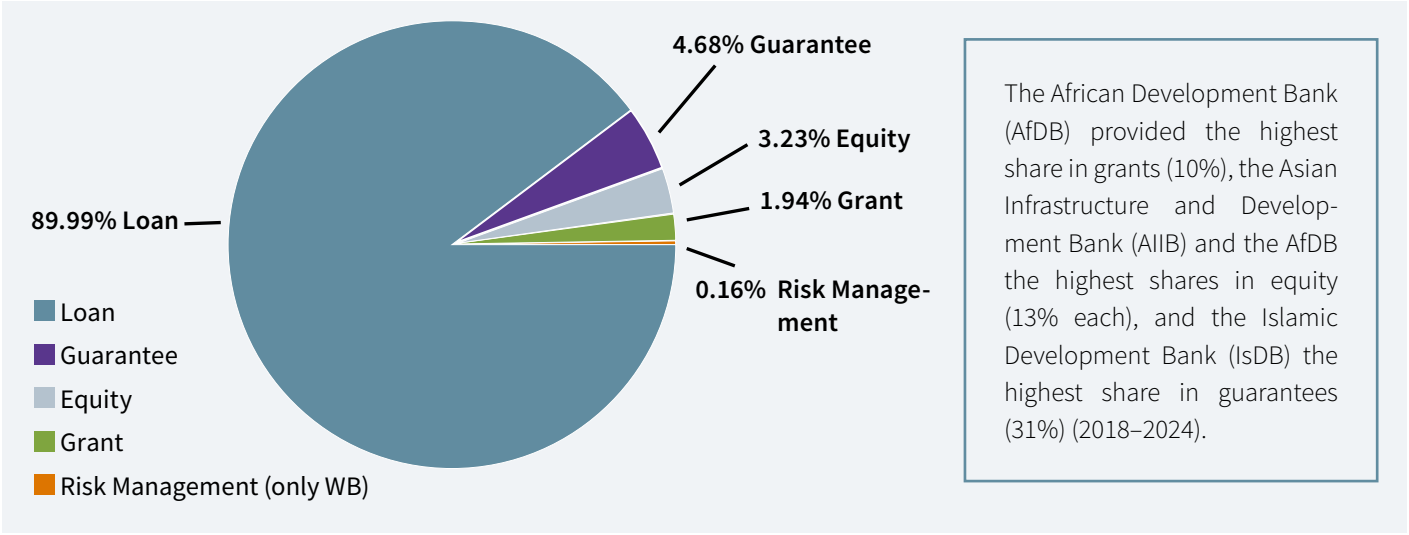
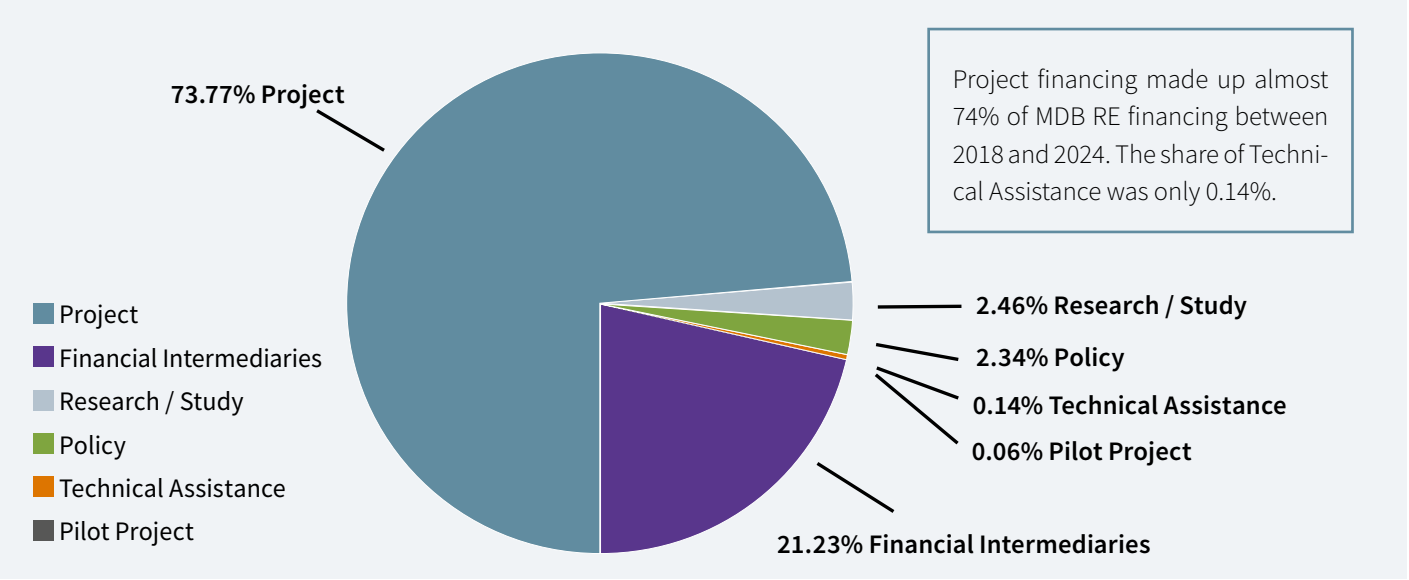



*Figure 1: MDB investments in RE, per year, 2018–2024*




The African Development Bank (AfDB) provided the highest share in grants (10%), the Asian Infrastructure and Development Bank (AIIB) and the AfDB the highest shares in equity (13% each), and the Islamic Development Bank (IsDB) the highest share in guarantees (31%) (2018–2024).

*Figure 2: MDB investment in RE, by instrument, 2018–2024*




Project financing made up almost 74% of MDB RE financing between 2018 and 2024. The share of Technical Assistance was only 0.14%.

*Figure 3: MDB investments in RE, by type of support, 2018–2024*

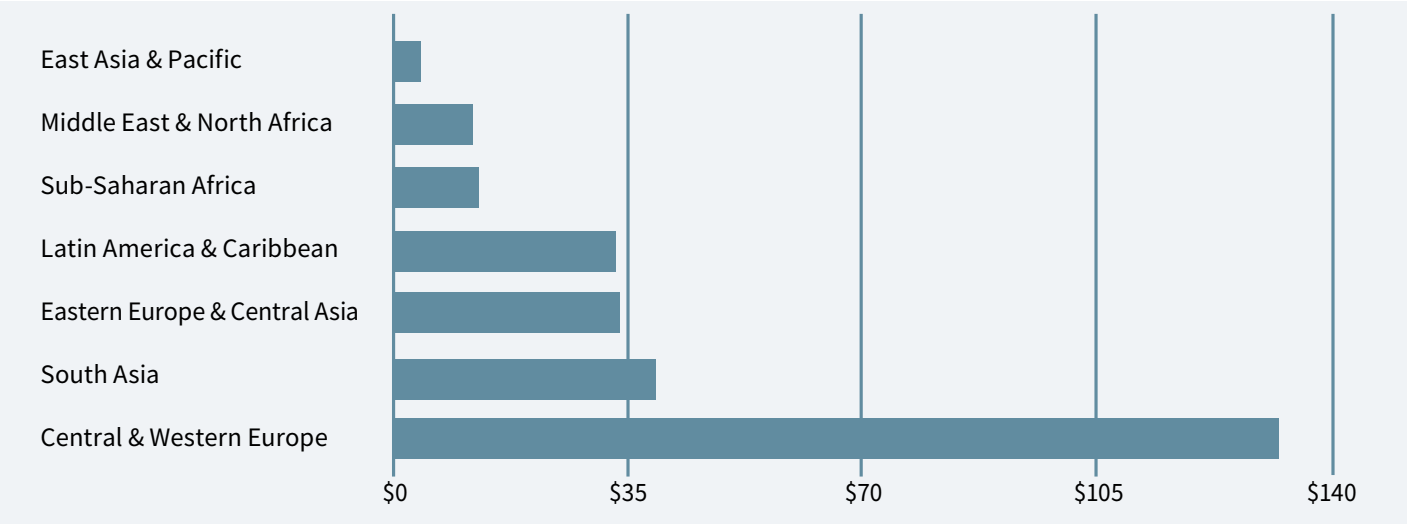



*Figure 4: MDB per capita investment in RE, per region, 2018–2024*

## MDBs' regional flows for RE

- The European Investment Bank (EIB) provides by far the largest share of renewable financing: its investments in Western and Central Europe accounted for 40% of all MDB investments in RE from 2018 to 2024. This shows a continuing role for MDBs even if renewable markets develop in EMDEs.
- Despite its needs, SSA receives relatively little per capita investment in renewables from MDBs.

## MDB governance

- Apart from the New Development Bank (NDB), all MDBs have Key Performance Indicators (KPIs) on RE capacity enabled.
- No MDB systematically applies circular economy criteria to all its energy operations.

## MDBs' policy approach

- In the MDBs' energy sector strategies, regulatory and directive approaches to steer private sector activities receive less emphasis than incentives-based approaches.
- The MDBs' partly privatisation-heavy policy reform strategies in the energy sector (e.g. Mission 300) raise concerns about their ability to deliver affordable and reliable RE, particularly to last-mile communities.

## Lack of transparency and data availability

A lack of data and transparency emerged as an overarching finding. MDBs should

- report disaggregated data on their investments in different RE technologies, EE per sector and technology, grids, storage, green hydrogen, just transition, carbon pricing, and LTS to better understand their engagements and be able to track gaps and identify room and priorities for improving engagement.
- evaluate climate impact by instrument and include this in their Common Approach to Measuring Climate Results and the respective reporting procedures – in order to craft more transformational operations.

# Recommendations for MDBs and shareholders

## Adjustments to internal governance

- All MDBs should adopt their peers' best practice KPIs on
  - → clean energy capacity for cross-border power trade installed,
  - → number of legal / regulatory / institutional frameworks improved in the area of RE (if applicable),
  - → number of private sector clients with improved climate corporate governance.

- All MDBs should adopt sectoral metrics on the decarbonisation of the energy system and work with countries on sectoral strategies for scaling up RE and decarbonising the energy system.

- In line with the MDBs' Common Approach to Measuring Climate Results, the NDB should follow its peers and adopt an indicator on RE capacity enabled.

- MDBs should apply circular economy criteria to all their energy operations to make their RE (and EE) investments truly sustainable.

## Financial focus

- MDBs should make efforts to provide more grant-based climate finance to highly indebted Low-Income Countries (LICs) that urgently need to scale up RE for energy access.

- Highly concessional financing is particularly relevant for countries that face decisions between leapfrogging with high upfront costs, or tapping instead into newly discovered national fossil resources.

- MDBs should implement, over the next four years, the recommendations of the Green Guarantee Group, to scale up their guarantee business.

- MDBs should systematically evaluate their experiences in equity for RE and prove options for upscaling it in higher-risk contexts.

- MDBs should strengthen their efforts regarding debt-for-climate swaps to create fiscal space for highly indebted countries to invest in renewables. They should engage with their shareholders to explore options for participating in direct debt relief measures for highly indebted countries.

- MDBs should seek to intensify their work with state-owned financial institutions to increase public RE financing in partner countries.

## Regional focus

- Applicable MDBs should enhance their renewables support for Sub-Saharan Africa – technically, policy-wise, and financially, at affordable rates.
  - → This means enhanced support for governments in adjusting the regulatory environment and building institutional capacity, and contributions towards overarching and individual debt solutions.

- Relevant MDBs should also provide more support to the MENA region for scaling up renewables. Highlighting stranded asset risk in diagnostics and country dialogues and continuing to set incentives for scaling up renewables can be a way forward in fossil-rich countries. In Syria and Libya, building distributed renewables might be a way to restore and improve energy access in selected areas where circumstances allow for MDB operations.

- Given EIB's financial power, EIB Global should use more of it for supporting the energy transition in Africa.

## Policy focus

- All MDBs should support partner countries to include clear, quantifiable renewable capacity targets in their Nationally Determined Contributions (NDCs).

- MDBs should substantially widen their support for regional energy integration as a crucial lever for effective renewables expansion.

- Policy-based lending and innovative instruments such as the Biodiversity and Climate-Linked Mechanism for Ambition (CLIMA) approach from the Inter-American Development Bank Group (IDB) and the Program-for-Results Financing from the World Bank should be used more extensively to adjust countries' policy frameworks for supporting RE.

- MDB RE investment must be closely aligned with the Sustainable Development Goals (SDGs). Any incentivising of the private sector needs to come with measures to protect the public interest and ensure equitable approaches. Essential infrastructure such as grids for distribution and transmission should remain under public control or be subject to strict regulation. Public subsidies and incentives should only be granted to companies that demonstrably address the energy access needs of the most vulnerable and foster local green value chain development.

## Technical support

- Where energy access in rural areas is low, MDBs need to increase support for distributed solar, wind, and grid infrastructure, but also provide more technical support to build investable projects or help identify specific energy needs and options. For the latter, they should look into options to provide grants and increase cooperation with multilateral climate funds.

## Technology focus

- In countries with poorly developed markets for renewables, MDBs need to support market development for solar and wind via equity and concessional financing for new RE companies and green tech start-ups.

- In regions where renewables are becoming the prevalent technology, MDB support is needed for early-stage and innovative RE technologies (such as floating solar PV, CSP, special geothermal technologies, floating offshore wind, and marine energy) – for example, via equity and grants for Research and Development.

- Based on its expertise with supporting emerging technologies in Europe, there is potential for the EIB to take on a pioneering role as a supporter of these technologies also in regions outside of Europe.

This fact sheet is part of a series which is based on this larger publication: Gebel, A. C., 2025, Multilateral Development Banks' Contribution to the COP28 Energy Consensus. You will find more details, figures, and all sources here:

**https://www.germanwatch.org/en/93332**

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