

Climate Change and Energy Transition Pathways

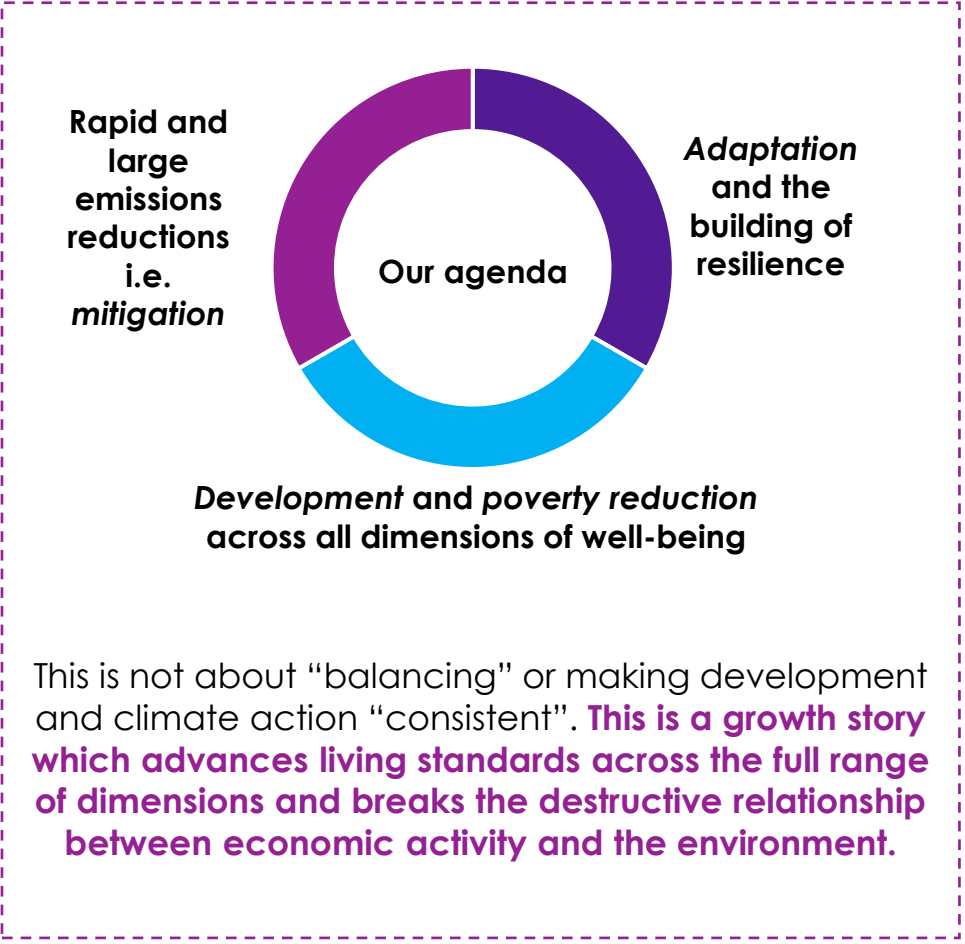
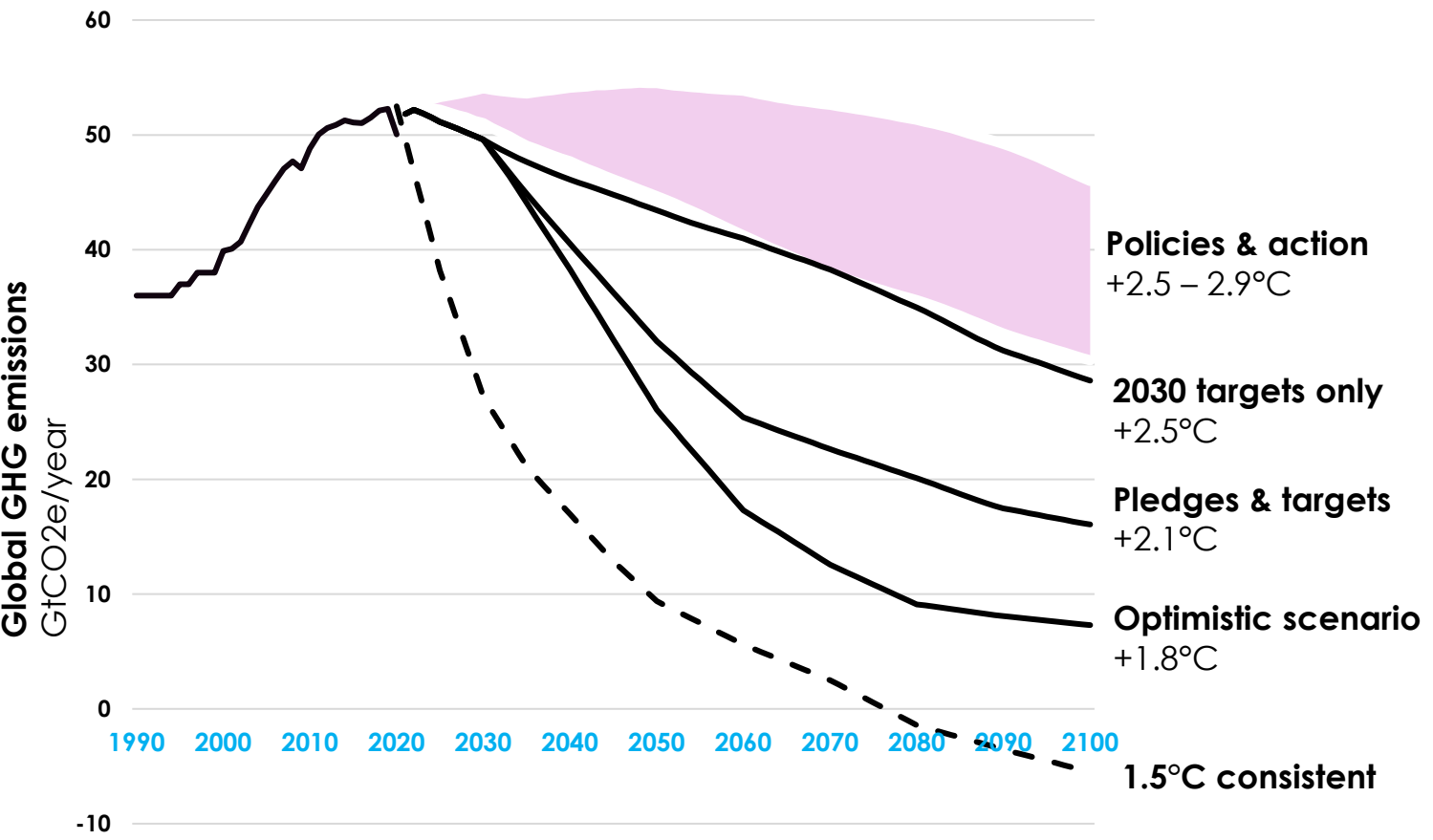
G24 Technical Group Meeting

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The agenda for action is determined by both the urgency and by the scale of action necessary to tackle the immense risks and to embrace the opportunities for a new form of growth

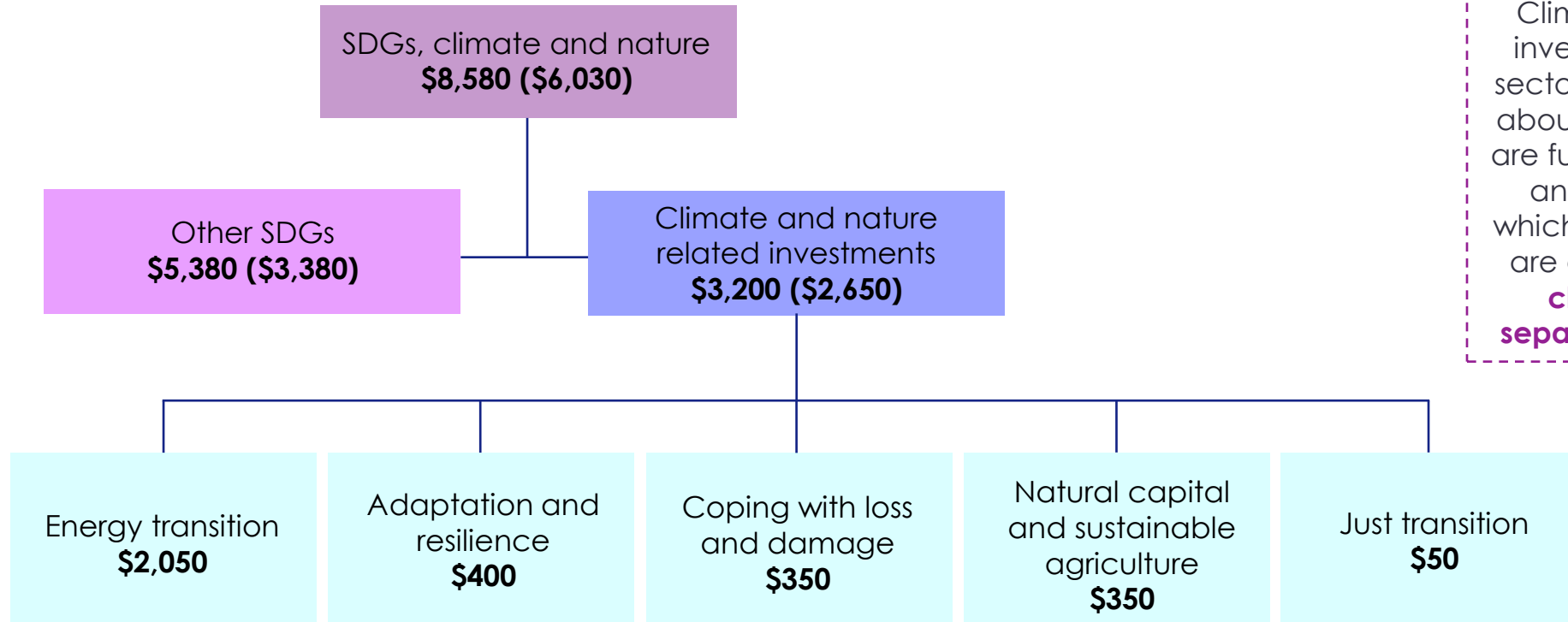
Projected temperature increases



Source: Climate Action Tracker (2023), December 2023 update

The investment imperative - 2035

Investment / Spending Requirements for Climate and Sustainable Development
(\$ billion per year by 2035, increment from current in parentheses)



Climate action requires substantial investment across all countries and sectors. These investments are not just about meeting climate targets – they are fundamental to economic growth and progress on the SDGs, within which the Paris Agreement objectives are embedded. **We cannot think of climate and nature finance as separate from development finance.**

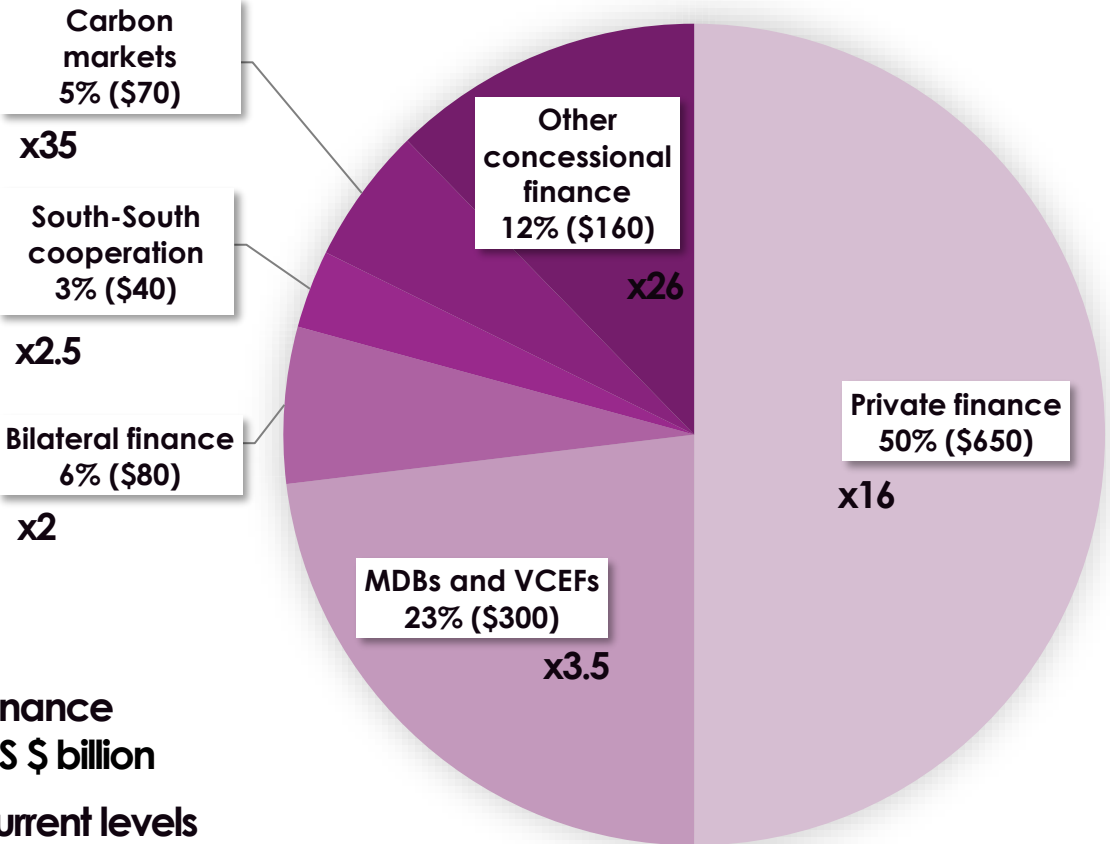
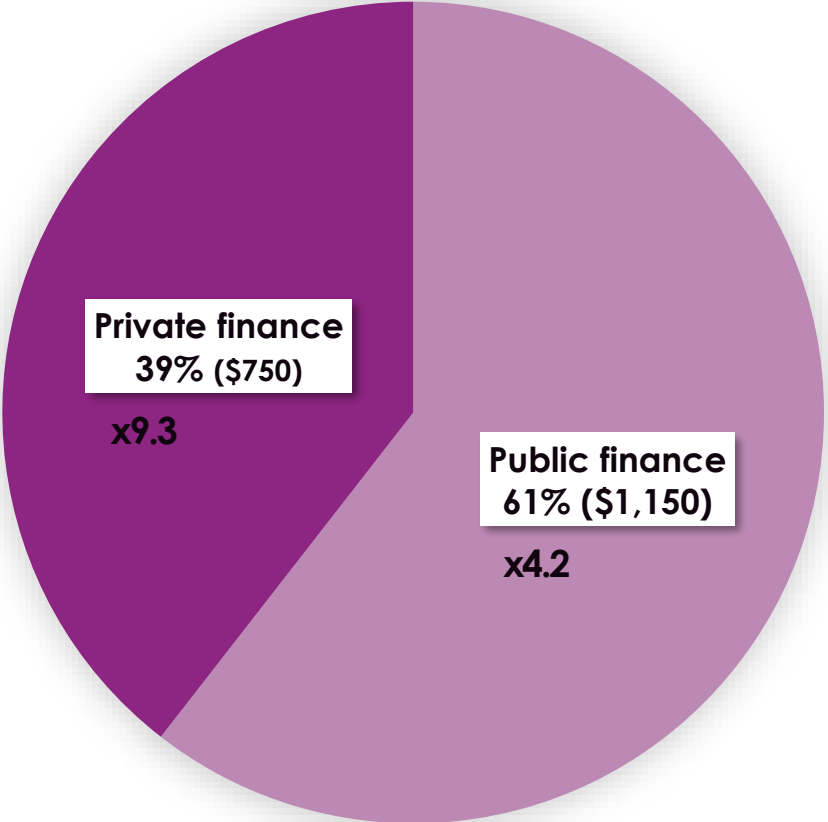
Sources: Bhattacharya et al. (2023), G20 IEG Triple Agenda Report (2023)

Mobilising the necessary financing to \$1.3 trillion for EMDEs (ex. China) by 2035

Climate- and nature-related spending requirements
\$3,200

Domestic resource mobilisation
\$1,900

External financing
\$1,300

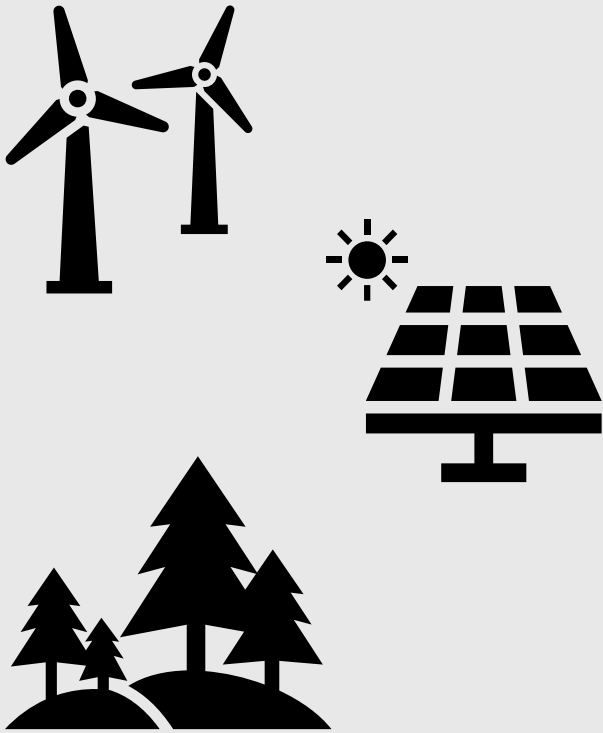


Sources of finance
2035 flows in US \$ billion
Increase from current levels

Source: Bhattacharya et al. (2025)

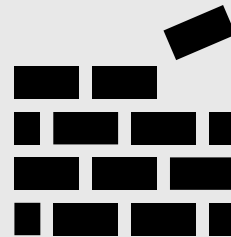
An integrated climate finance agenda

1. Recognise and identify investments and technologies as drivers of transformative change



2. Foundations for the \$1.3 trillion target

- a) **Country-led** investment frameworks and country platforms
- b) Tackling **debt and fiscal space**
- c) Boosting **domestic resource mobilization**
- d) Ensuring a **just transition**



3. Delivering on the \$1.3 trillion in external finance

- a) Mobilizing **private finance** at scale and reducing cost of capital
- b) An **MDB and DFI system** that works for climate action and sustainable development
- c) Tapping the potential of **carbon markets**
- d) Delivering and expanding options for **concessional and low-cost finance**
- e) Aligning all finance with **sustainability** and improving the **regulatory** framework

The clean energy transition

Opportunities and challenges

Key opportunities are emerging in clean energy:

- 91% of new renewables cheaper than fossil fuels (2024)
- Solar PV ↓ ~90%, batteries ↓ 93% since 2010
- EMDEs hold most global potential (Africa ~60% of solar)
- Cuts fuel imports, air pollution and fiscal risk
- ~30m jobs globally by 2030; 40m by 2050

But finance and infrastructure are not flowing to where the potential is despite rapid technological developments:

- EMDEs (ex-China) get only 17% of global clean energy investment; Africa ~2%
- Investment in EMDEs (ex-China) must rise 7-fold to ~\$2.05trn/year by 2035
- 1,650 GW of renewables stuck in grid queues globally
- Cost of capital for renewables in Africa and South Asia 2–3× higher than in advanced economies
- Weak grids, utilities, permitting and fossil-biased incentives still block projects

The policy and finance agenda

Policy priorities:

1. Create a coherent enabling environment.
2. Establish clear strategies and predictable regulation.
3. Modernise infrastructure and institutions.
4. Build resilient supply chains and an inclusive workforce.
5. Align incentives and strengthen domestic capital markets for an equitable transition.

Implications for finance:

1. Unlock scalable pipelines of investable projects
2. Strengthen domestic financial foundations and attract institutional investors
3. Enhance scale and lower the cost of capital as the decisive priority