SHURA Energy Transition Center

SHURASTAT

Energy transition in numbers

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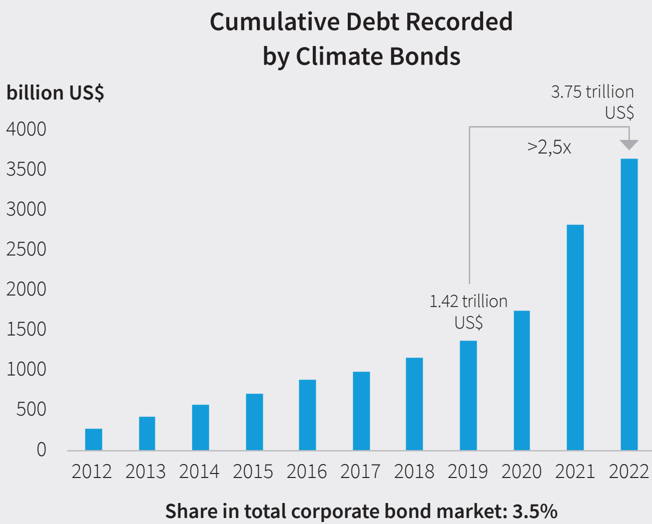
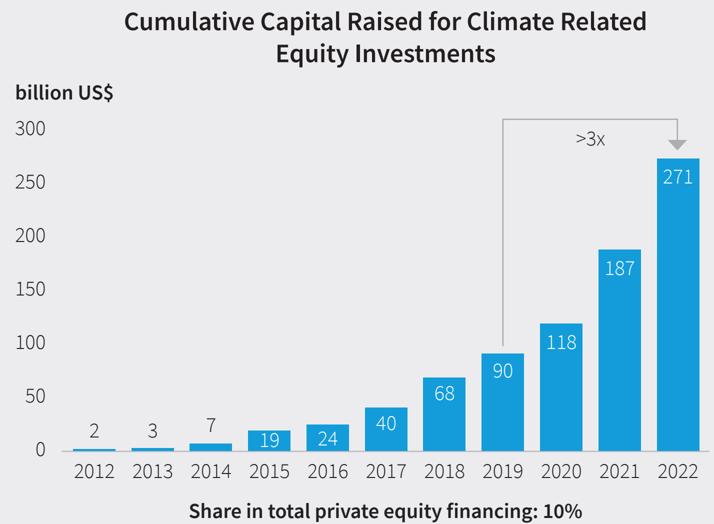
Issue-35

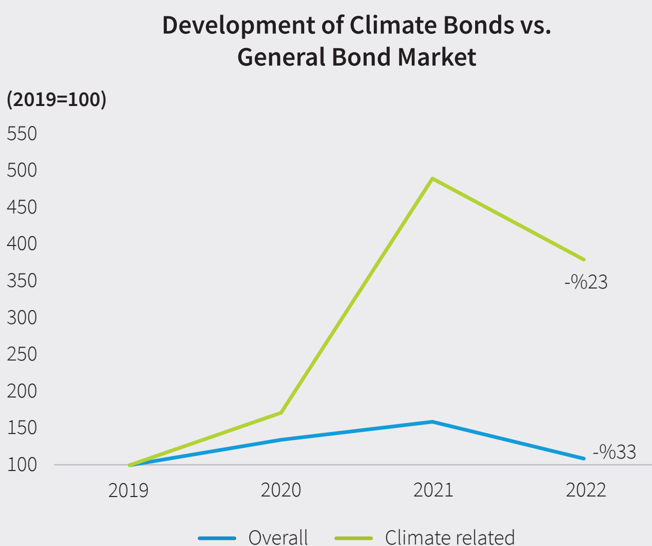
Climate-related green and sustainable debt and private equity instruments are growing rapidly and becoming an integral part of financing climate related investments. While they currently constitute a small share of overall financing, their share is set to grow with the progress toward net zero carbon emission targets.

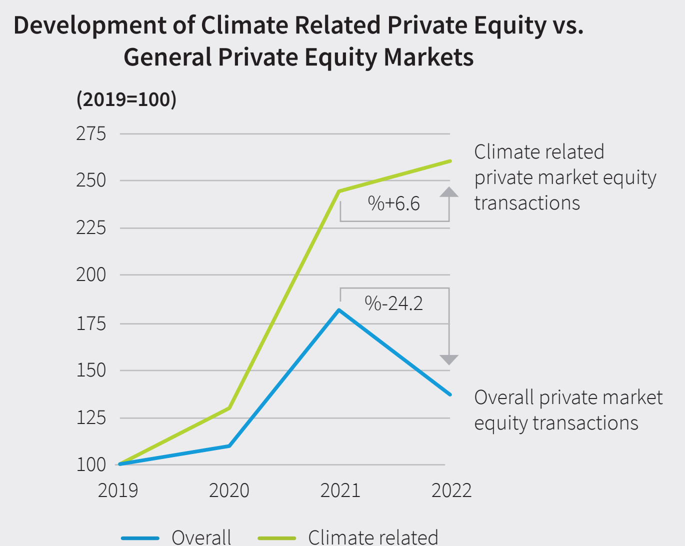




Source: Climate Bonds Initiative, 2023; McKinsey & Co.; 2023

Climate related financing instruments continue to grow despite the turbulence in international financial markets over the past few years.





Source: Climate Bonds Initiative, 2023; McKinsey & Co.; 2023

- Global energy transition investments need to increase by two to three-fold in order to reach net zero carbon emissions. In order to access the necessary financing, it is vital to direct resources to the right investments and diversify financial instruments.
- While bank loans are set to shift increasingly toward solely climate compatible areas in line with emerging taxonomies, development of non-bank loan capital market instruments, such as green bonds and green equity financing is expected to accelerate.
- Over the next ten years, as pressures for all investments to become climate compatible intensifies, yields of green bonds and similar corporate loan instruments, which are currently higher than the average, are likely to be reduced. Early movers will therefore have a distinct advantage.
- In private equity, on the other hand, green investments are expected to diversify and maintain their significance, increasing their share as they become mainstream overtime.