



The Clean Energy Equity Investment Gap

Launch Webinar

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Opening Remarks: The Clean Energy Equity Investment Gap



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Technical Presentation of Findings



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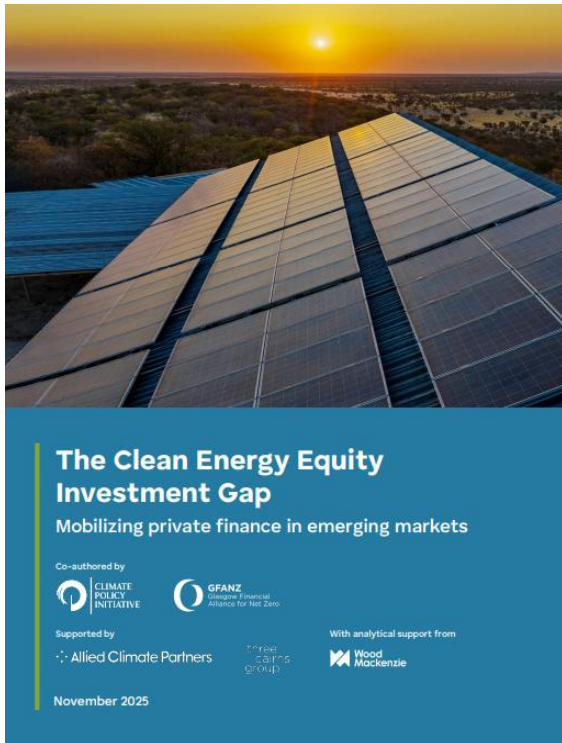
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for Net Zero*



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Equity is a critical yet underutilized part of capital formation

- Equity is essential for scaling projects and companies, raising debt, closing financial structures, and developing projects
- Yet equity represented **less than 15% of climate finance** from MDBs in 2023

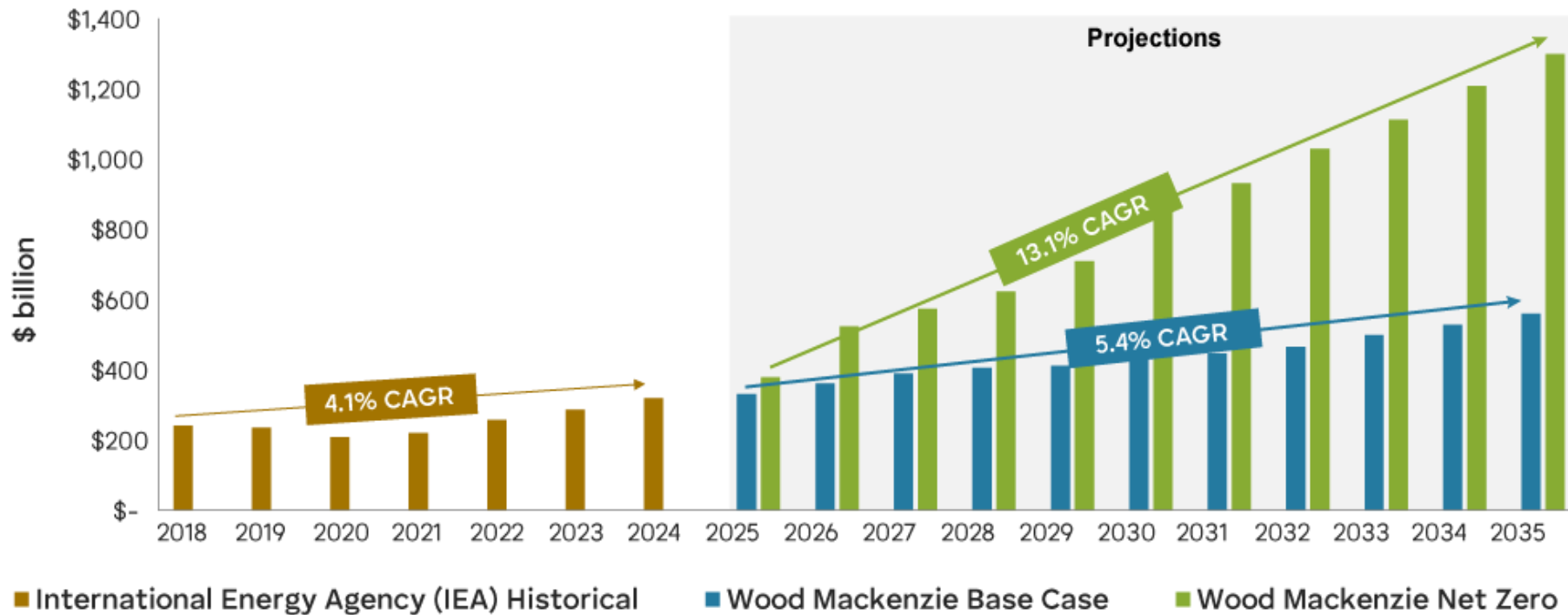


This report:

- Provides detailed **estimates of equity and debt investment needs** by technology and region
- **Sizes the gap** between equity investment required under a Net Zero scenario and a Base Case scenario
- **Defines the role of “catalytic equity”** in capital formation, and provides an initial estimate of the volume of this capital required

Clean energy infrastructure development in EMDEs requires a significant acceleration of both debt and equity capital

Historical baseline and project annual EMDE clean energy CapEx, 2018-2035



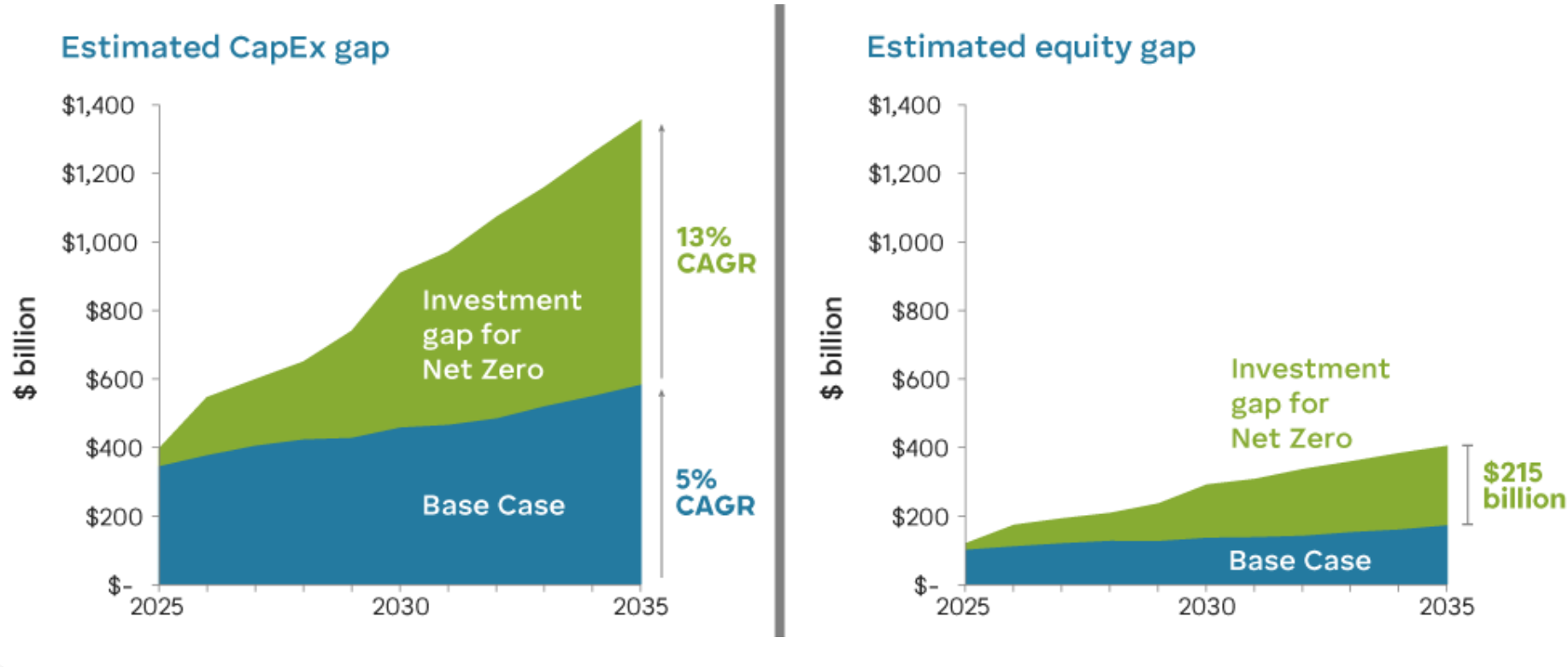
Takeaways

- To align with net zero scenarios, **CapEx investment would need to rise at a 13.1% CAGR**
- The required CAGR for a net zero scenario is **more than double** the Base Case growth rate

Equity investments need to grow fourfold under Net Zero

Takeaways

Annual CapEx and equity gaps in EMDE clean energy infrastructure (2025-2035)

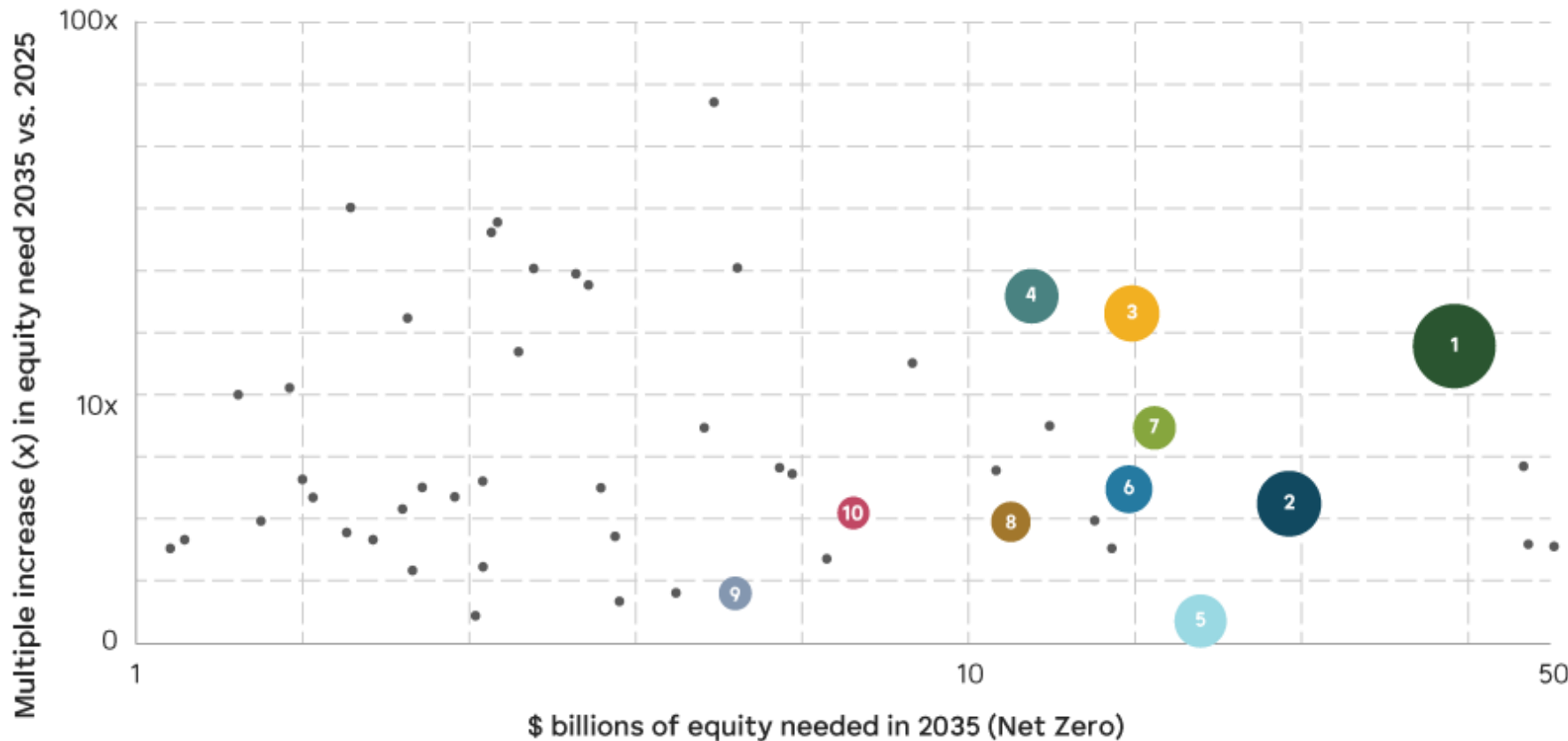


- A net zero scenario requires \$375 billion in annual equity investments, leaving a **\$215 billion annual equity gap**
- Total equity needs in 2035 represent **a 4x increase from today's levels** (~\$100 billion)

Opportunities to close the 'equity gap' are concentrated

Takeaways

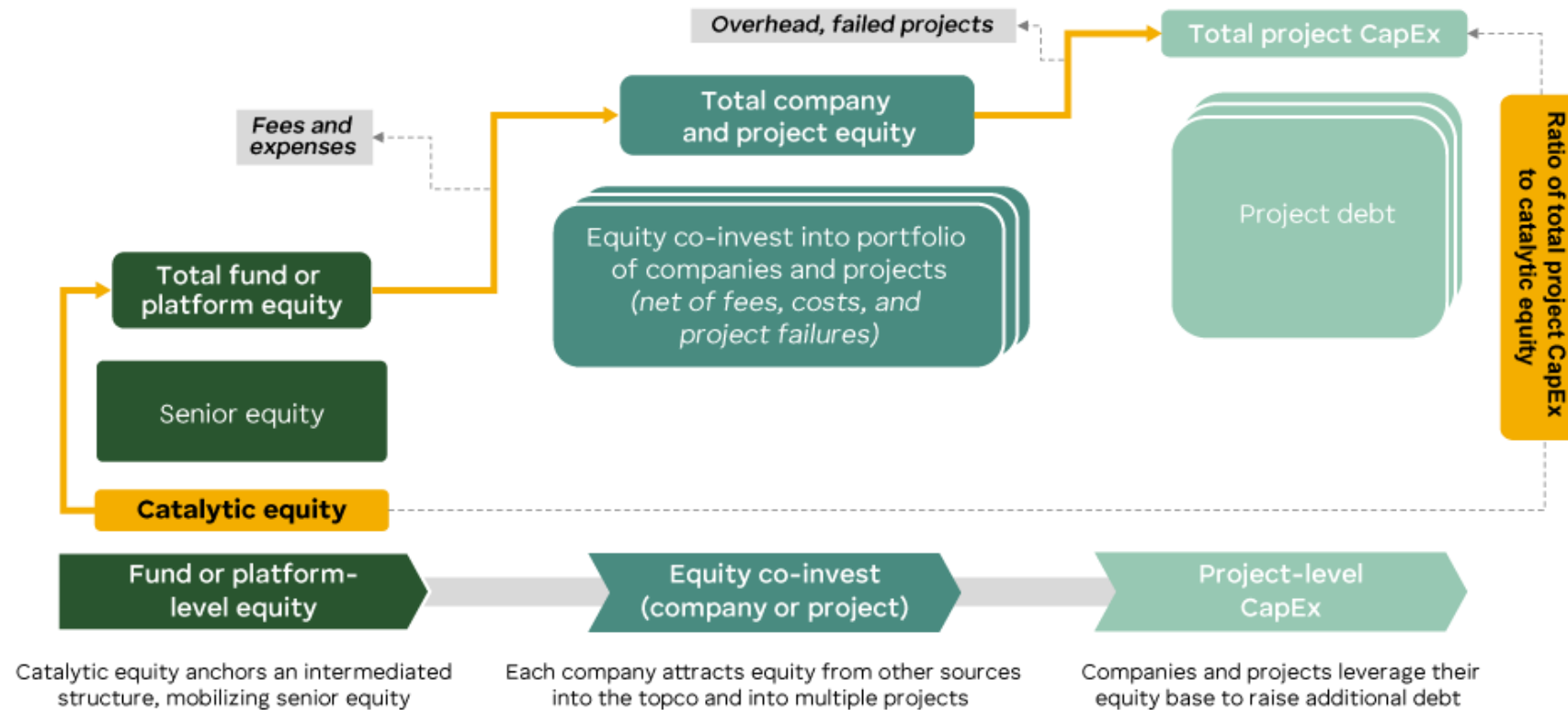
Growth and needs in EMDE sectors and regions, 2035



- Of the 90 region-sector pairs we model, the **top 10 account for nearly half of the equity gap**
- Three sectors in India – power generation, buildings, and transport – **represent nearly one quarter of the equity gap**

Early evidence suggests 'catalytic equity' could be a powerful tool for mobilizing capital

Catalytic equity is capital that mobilizes other investors by reducing risk or enhancing returns



Takeaways

- By crowding in additional capital, catalytic equity **accelerates capital formation**
- Successful examples **create a demonstration effect and build confidence** among commercial investors.

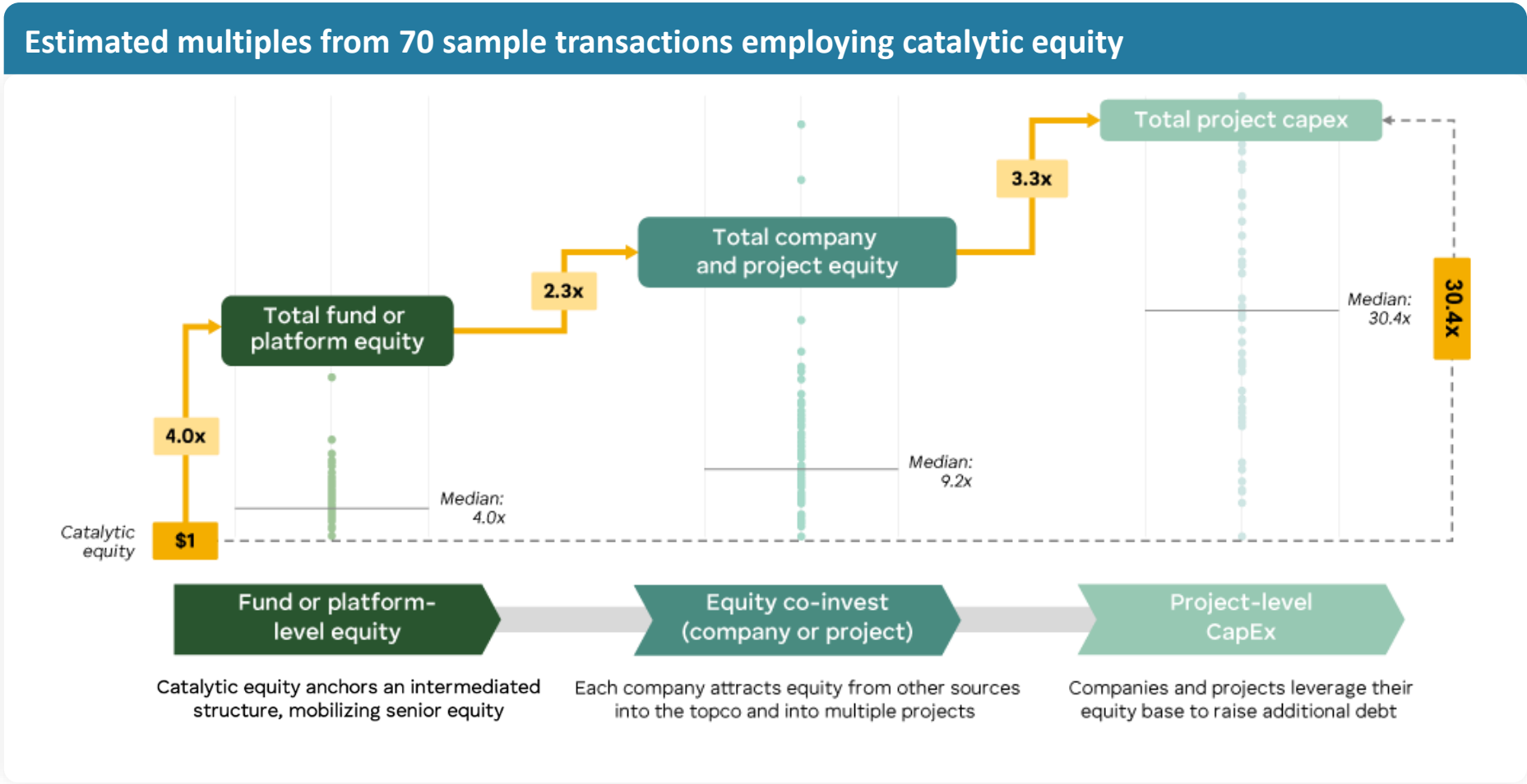
The mobilization power of catalytic equity implies modest volumes could help address the equity gap

Takeaways

\$1 of catalytic equity could unlock:

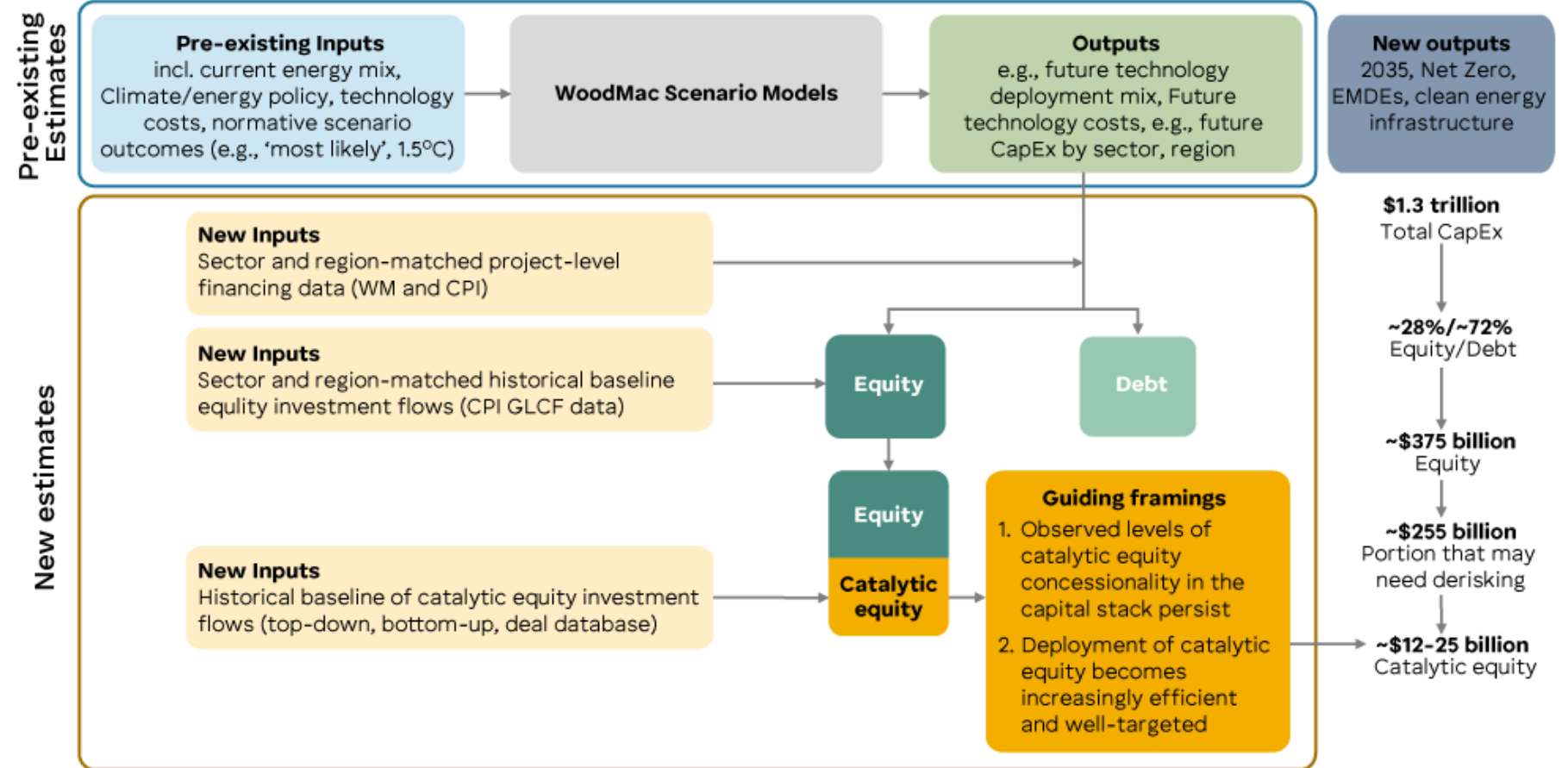
- ~\$4 intermediated equity
- ~\$9 project equity
- ~\$30 total CAPEX

By 2035, ~\$12-25 billion of catalytic equity annually could help close the equity gap, alongside other measures.



Our Approach

Overview of methodology and inputs

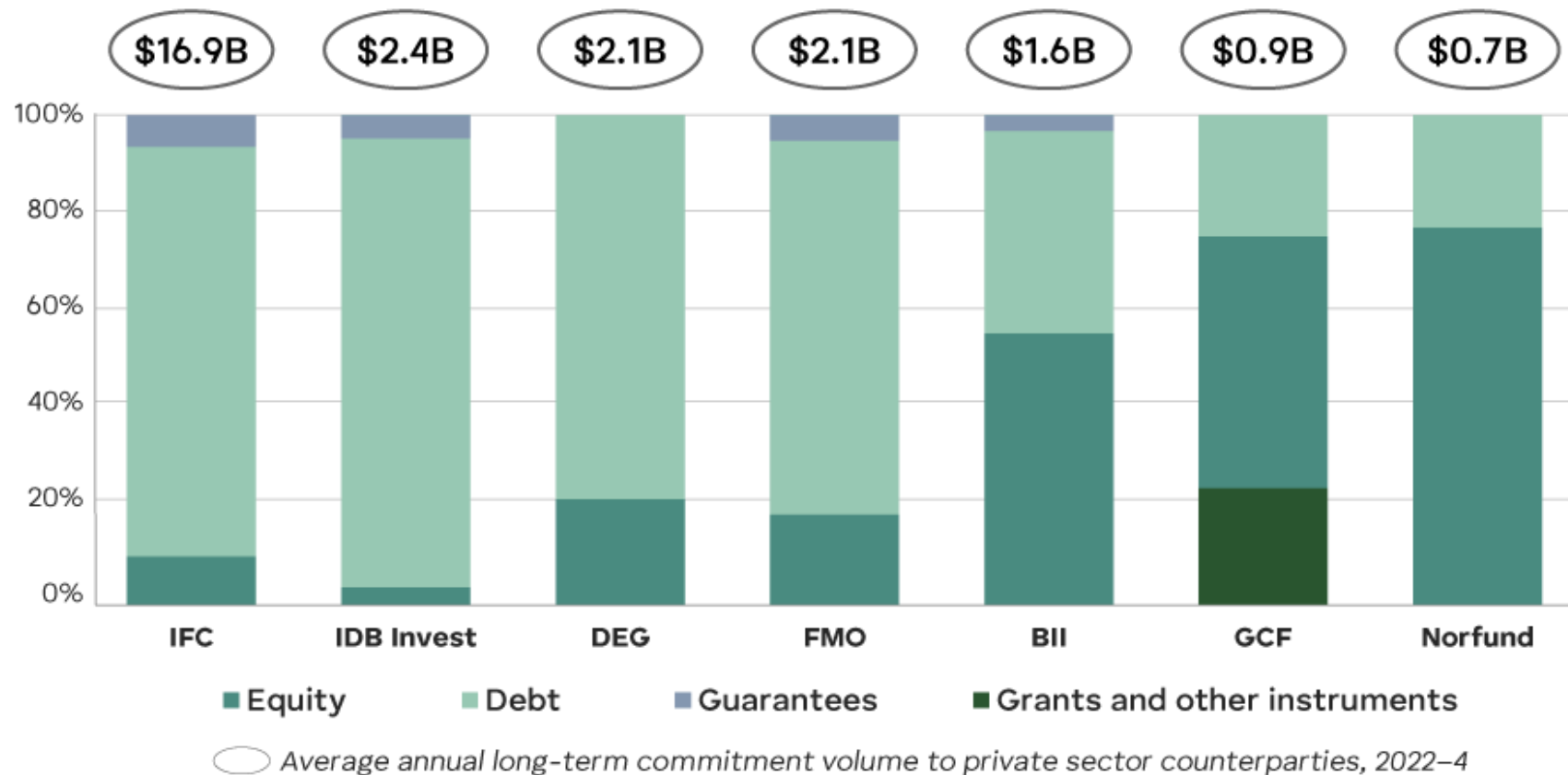


Takeaways

- Projected **Deployment x cost = CAPEX**
- Current and future D/E ratios follow **projected market and technology maturity**
- Catalytic equity roughly estimated at **current and more optimal** levels of concessionality

Equity and Catalytic Equity are underutilized parts of the development finance toolkit

Proportion of Equity in annual private sector commitments across key development finance providers



Takeaways

- **85%** of total MDB commitments are debt
- In 2022-4, climate-related Equity from MDBs, DFIs, and VCEFs totaled **~\$3 billion annually**
- Annual commitments of catalytic equity were just **~\$650 million**
- Development finance institutions' **ability to deploy equity and catalytic equity depends on several factors**

Recommendations to climate and development finance practitioners



Increase equity deployment for clean energy infrastructure in EMDEs

- Consider trade-offs between capital intensity and capital mobilisation impact
- Create opportunities for private sector investors to participate on commercial terms



Unlock greater sums of catalytic equity

- Deploy relatively small amounts of equity in deeply subordinated positions
- Engage with Treasury & Risk Functions and shareholder governments



Make most effective use of equity and catalytic equity as tools to mobilize private capital

- Work across providers to increase speed of deployment and reduce frictions
- Support data sharing and analyses to demonstrate the effects of catalytic equity

Areas for future work

- **Engage with potential providers** on how to take these recommendations forward
- **Map additional catalytic equity sources**
- Develop an **approach to appropriately size levels of catalytic equity** in transactions
- **Understand how catalytic equity interacts with other tools**

Moderated Panel Discussion



**Dr. Barabara
Buchner**
*Global Managing
Director at Climate
Policy Initiative
(Moderator)*



Rodrigo Salvado
*Global Head, Strategic
Financing Partnerships
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Marco Serena
*Chief Sustainable
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Private Infrastructure
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Dario Traum
*Head of the Climate
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Thank you!



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