



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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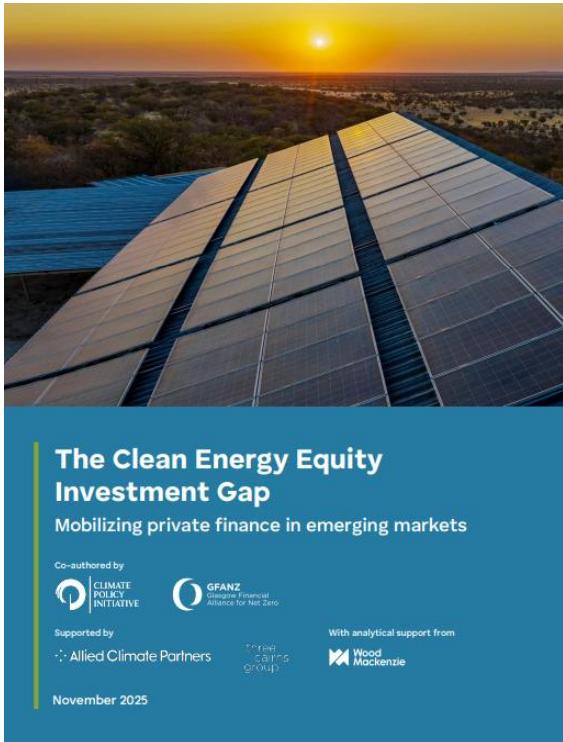
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Equity is a critical yet underutilized part of capital formation

- 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



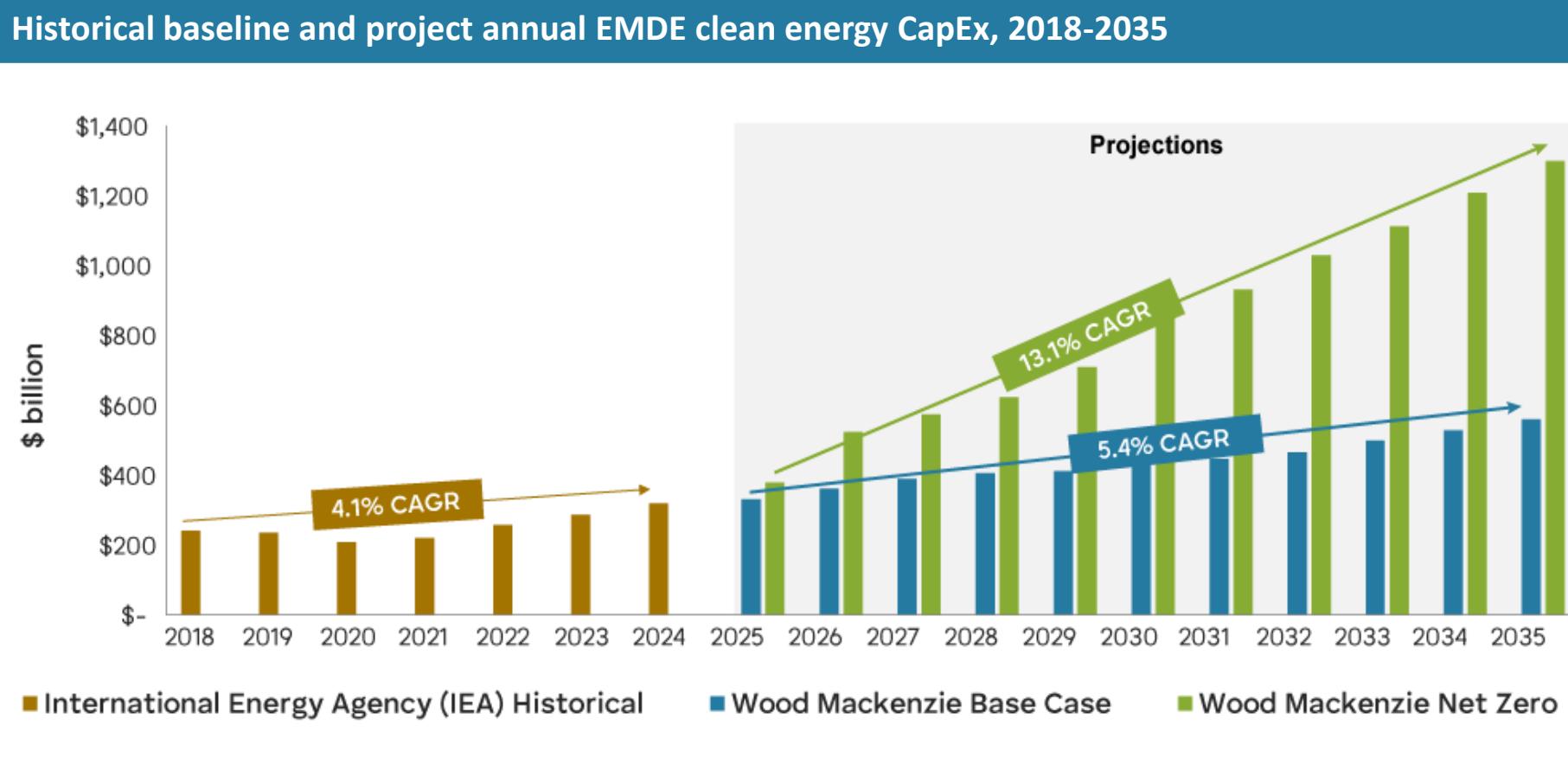
This report:

- 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

Takeaways

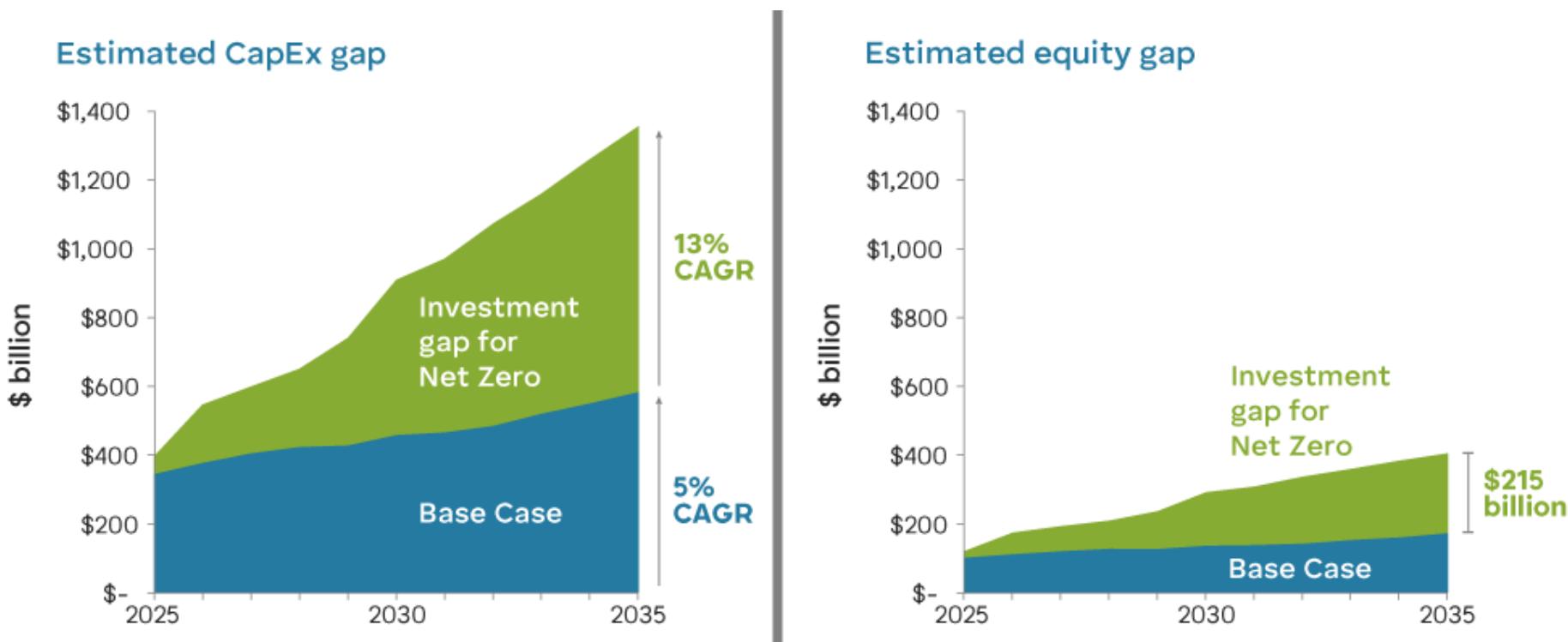
- To align with net zero scenarios, **CapEx investment would need to rise at a 13.1% CAGR**
- The required CAGR for a net zero scenario is **more than double** the Base Case growth rate



Equity investments need to grow fourfold under Net Zero

Takeaways

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

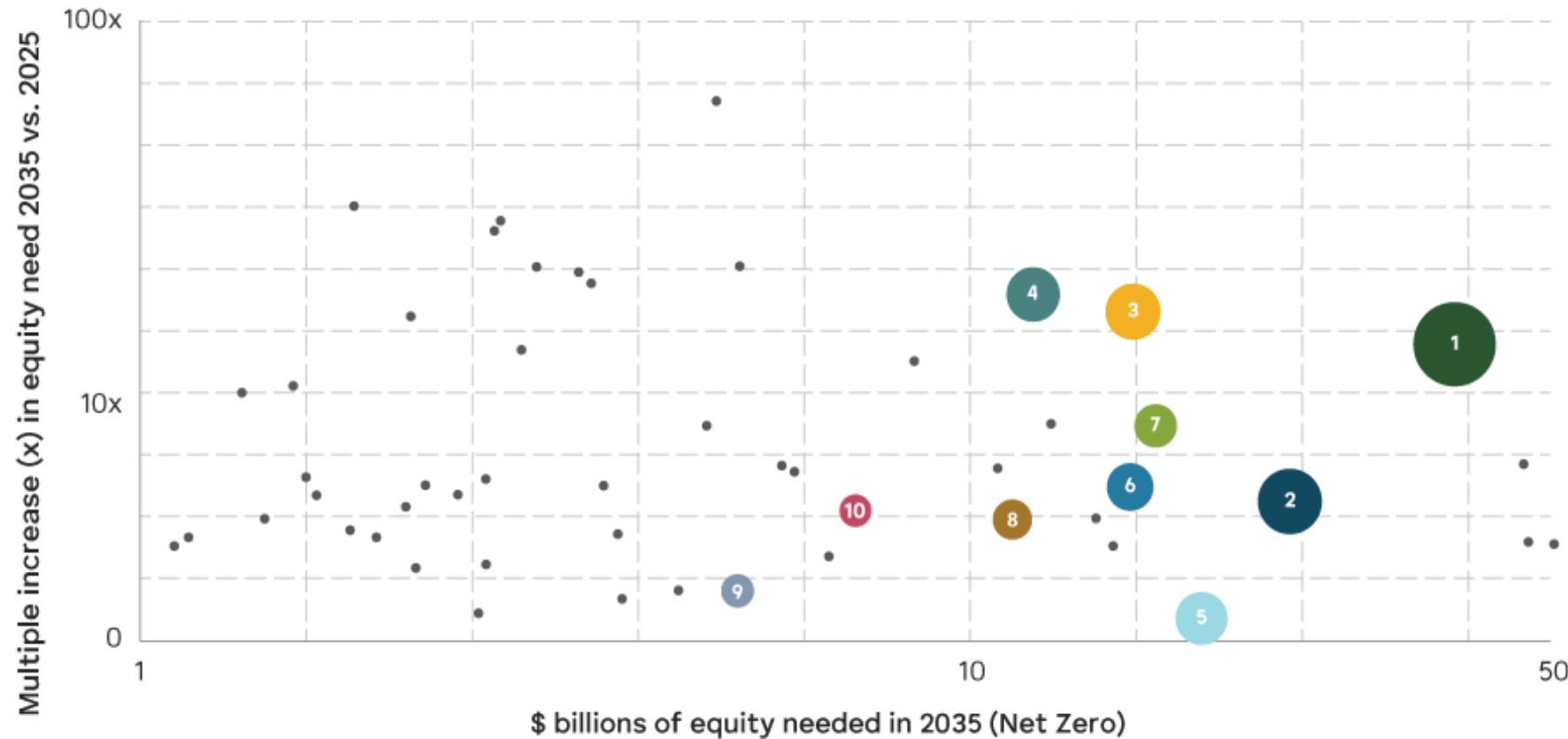


- A net zero scenario requires \$375 billion in annual equity investments, leaving a **\$215 billion annual equity gap**
- Total equity needs in 2035 represent a **4x increase from today's levels** (~\$100 billion)

Opportunities to close the 'equity gap' are concentrated

Takeaways

Growth and needs in EMDE sectors and regions, 2035

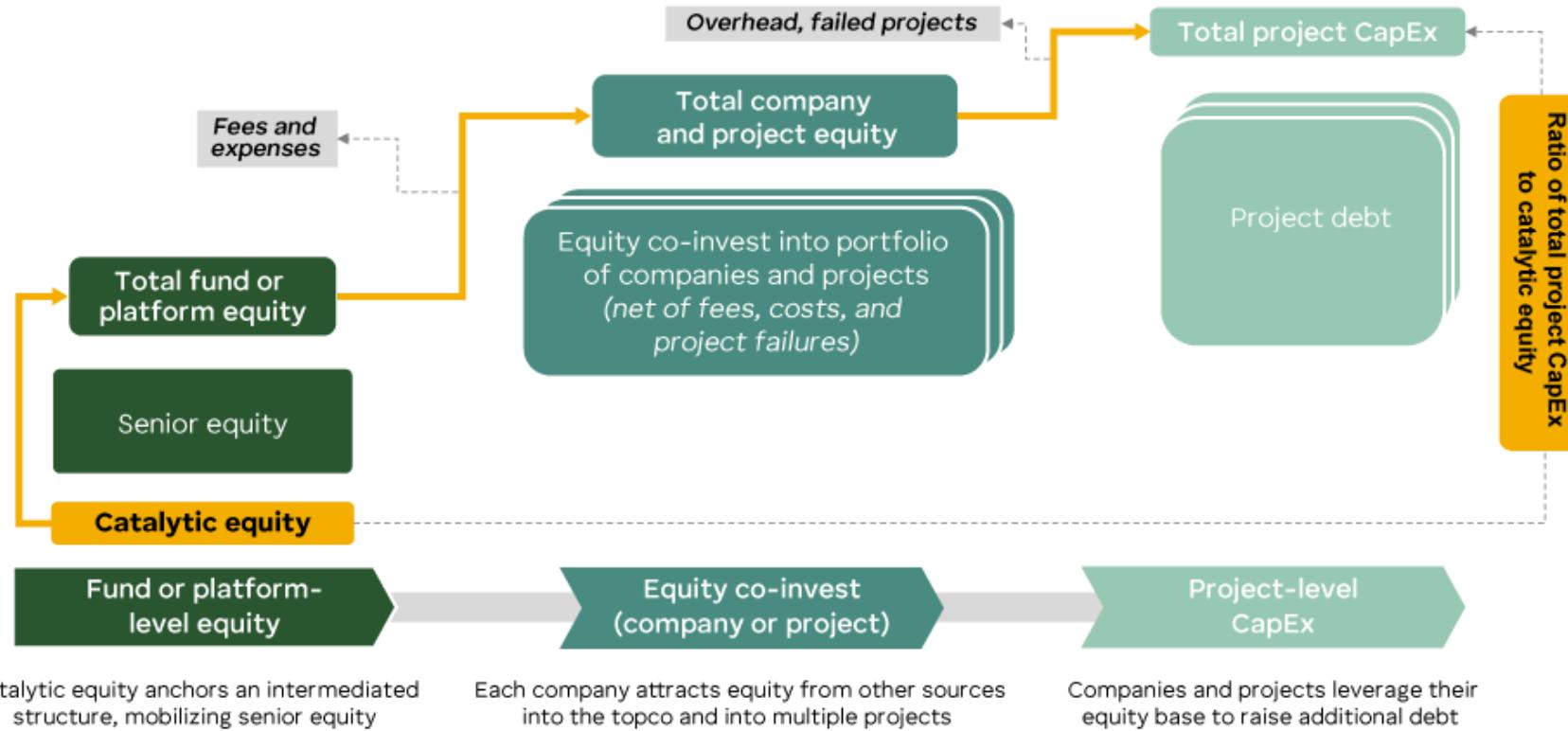


- Of the 90 region-sector pairs we model, the **top 10 account for nearly half of the equity gap**
- Three sectors in India – power generation, buildings, and transport – **represent nearly one quarter of the equity gap**

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

Takeaways

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

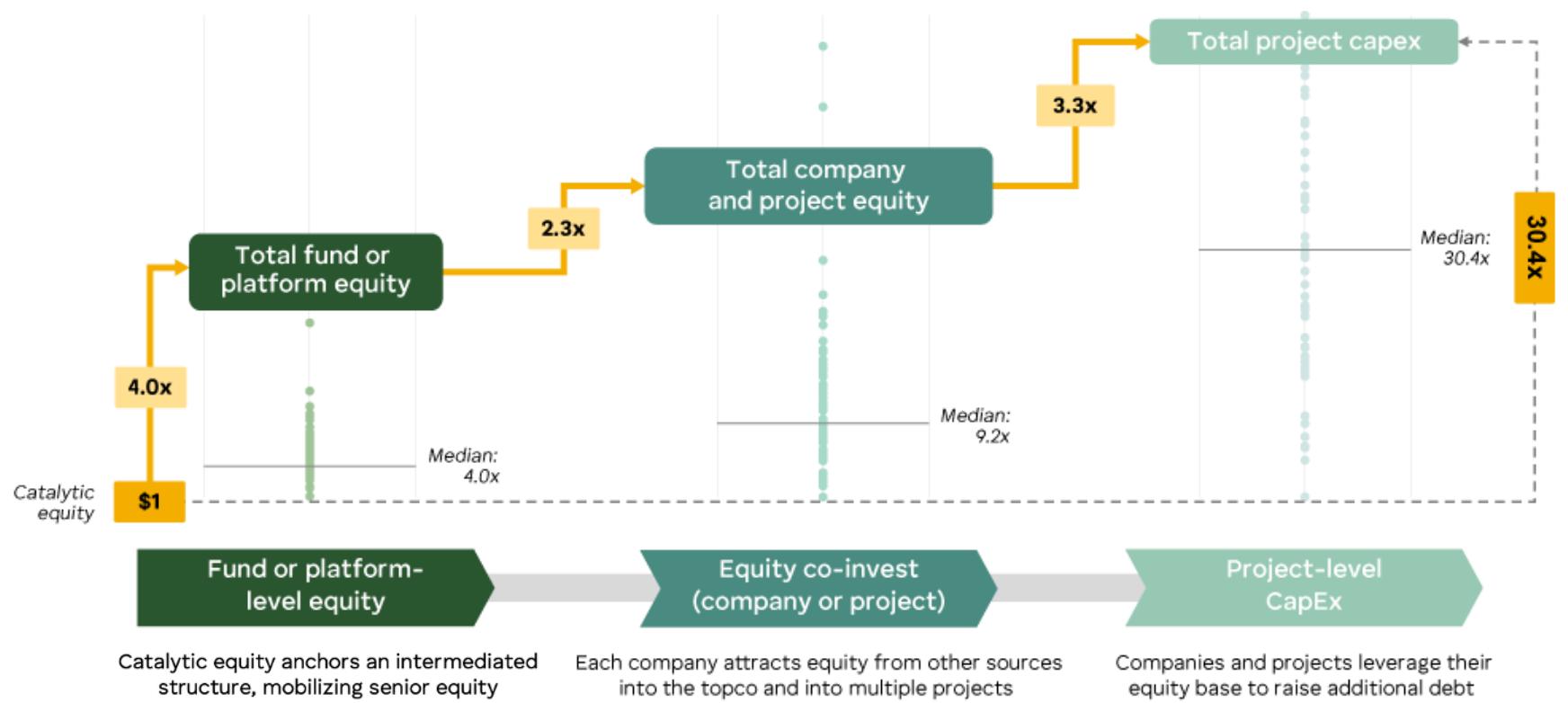


- By crowding in additional capital, catalytic equity **accelerates capital formation**
- Successful examples **create a demonstration effect and build confidence** among commercial investors.

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

Takeaways

Estimated multiples from 70 sample transactions employing catalytic equity



\$1 of catalytic equity could unlock:

~\$4
intermediated equity

~\$9
project equity

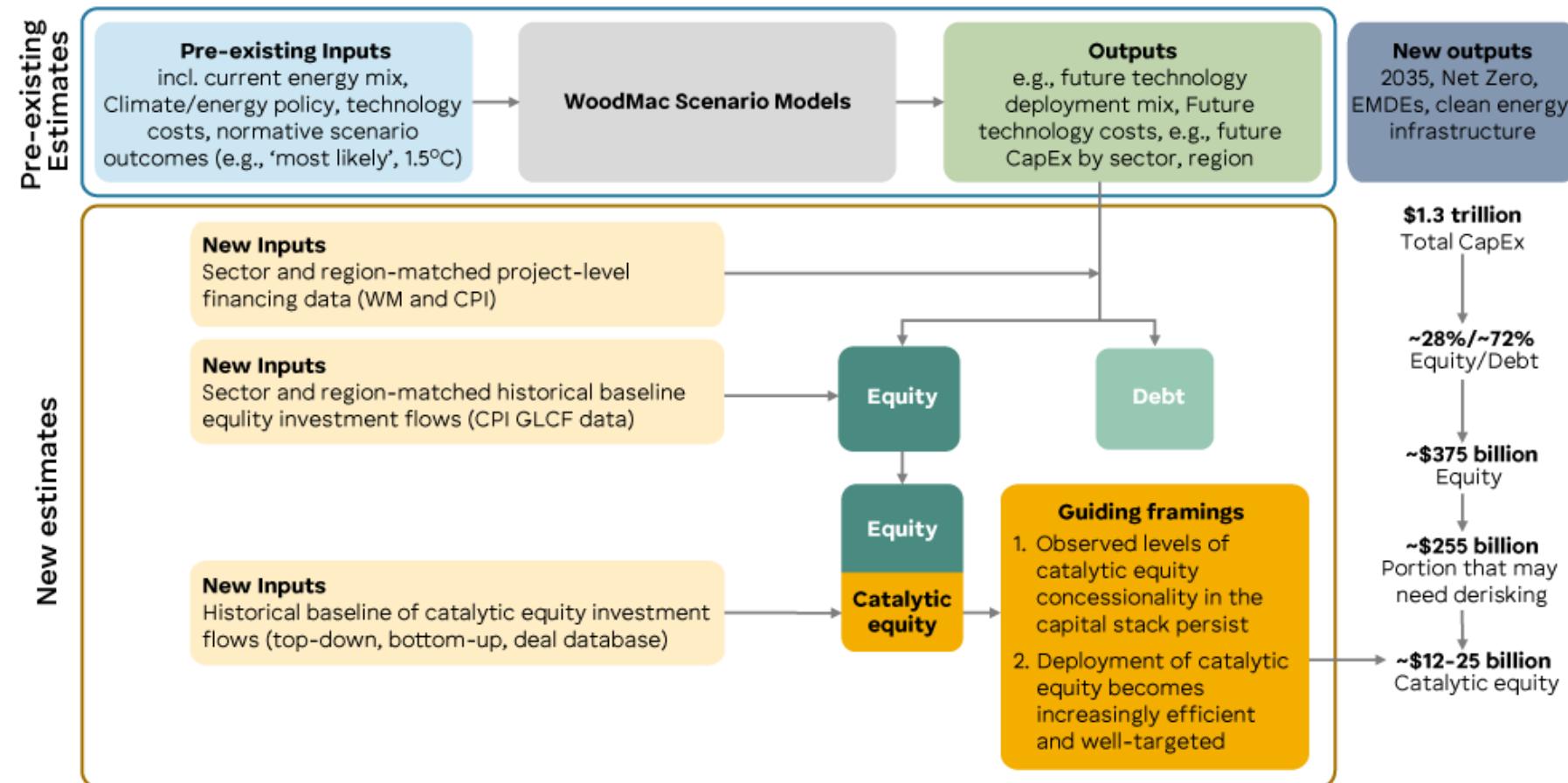
~\$30
total CAPEX

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

Our Approach

Takeaways

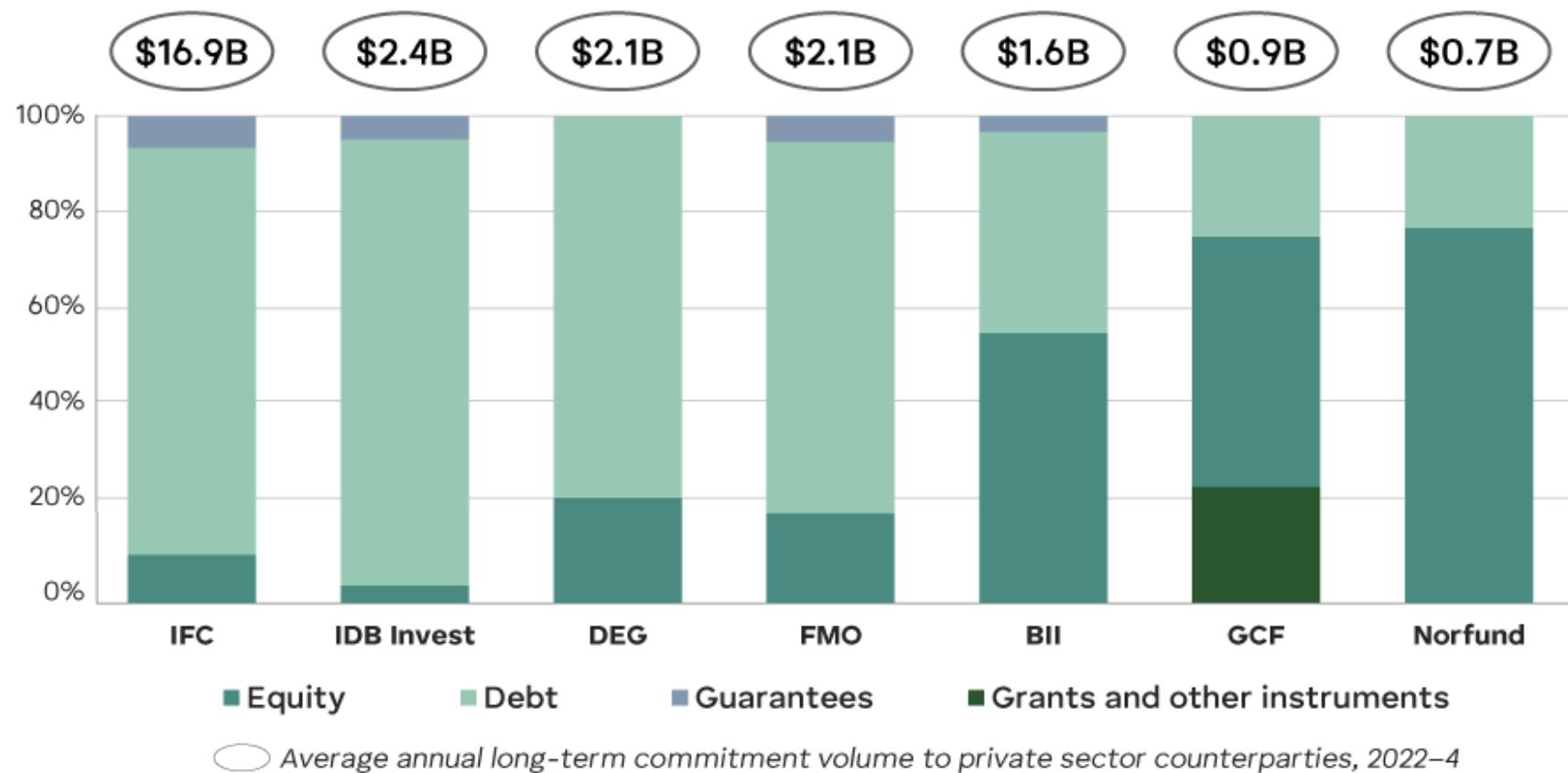
Overview of methodology and inputs



- 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

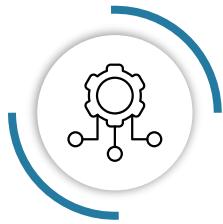
Proportion of Equity in annual private sector commitments across key development finance providers



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



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Policy Initiative
(Moderator)*



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Thank you!



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