



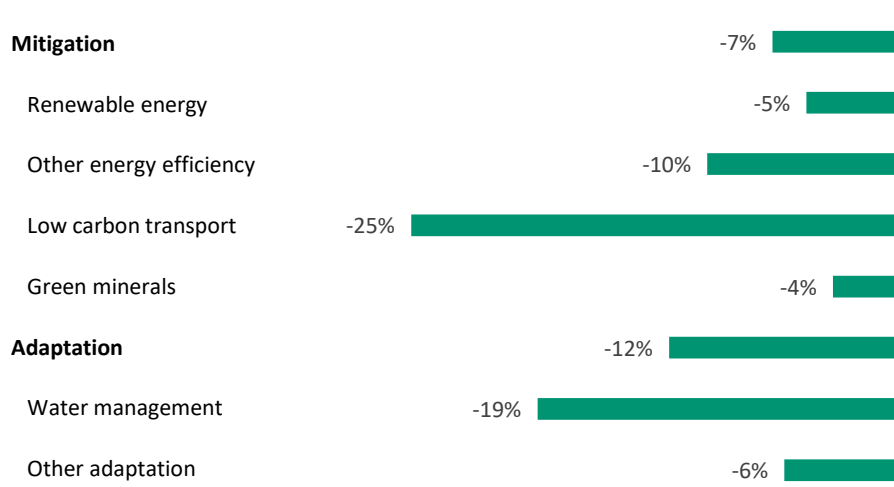
INVESTMENT TRENDS MONITOR



CLIMATE CHANGE INVESTMENT AFFECTED BY THE ENERGY CRISIS – RISK OF A TEMPORARY SLOWDOWN

- *Global foreign direct investment (FDI) flows in the second quarter of 2022 were down 31% from the first quarter and 7% less than the quarterly average of 2021 (see UNCTAD's Global Investment Trends Monitor no.42 issued last week). The negative trend reflects a shift in investor sentiment due to the food, fuel and finance crises around the world, the Ukraine war, rising inflation and interest rates, and fears of a coming recession. Expectations for the full year are for a marked slowdown.*
- *In line with the downshift in global investment, cross-border investment in climate change mitigation and adaptation is likely to decline in 2022. The number of new project announcements in the first 3 quarters of 2022 was 7% lower than in 2021 in mitigation, and 12% lower in adaptation sectors (figure 1).*
- *Climate change investment showed an upward trend after the adoption of the SDGs in 2015, and a strong acceleration in 2021, especially in renewable energy. The boom was supported by post-COVID stimulus investment packages, especially in Europe, and loose financing conditions for international project finance worldwide. Total project values in 2021 were twice the pre-pandemic level. This momentum is now at risk.*

Climate change investment trend, Q1-Q3 2022 vs 2021, greenfield project announcements and international project finance deals (project numbers)



Source: UNCTAD, based on information from the Financial Times Ltd, fDi Markets (www.fDimarkets.com) for announced greenfield FDI projects and Refinitiv SA for international project finance deals.

Note: Numbers for 2022 are projected based on the first three quarters for international project finance deals and the first 8 months for greenfield projects.

- *Mitigation projects account for the lion's share (94%) of international climate investments.* Adaptation projects continue to lag far behind. Most mitigation investments are in renewable energy and, to a lesser extent, in various energy efficiency projects. (See UNCTAD's *World Investment Report 2022* for details on the relative propensities for international investors to participate in different types of climate change projects.)
 - *Developed economies account for two thirds of international project finance deals and greenfield investments in renewables.* Europe alone accounts for more than half of renewables projects, with more than 700 projects in the first three quarters of 2022. North America and developing Asia attracted about 200 projects each, Latin America and the Caribbean about 150, and Africa about 100.
 - *The shift from fossil-fuel to green investments to support the energy transition risks a setback due to the loss of momentum in renewables and high oil and gas prices.* For now, the downward trend in investment is also affecting extractive industries and fossil-fuel-based energy generation, with project numbers in these sectors about 16% lower in the first 3 quarters of 2022. But high profits of multinationals in these sectors combined with the energy crisis could lead to a renewed push for investments in dirty energy. An early indication is the value of cross-border M&As in the extractive industry, which rose six-fold in the first three quarters of 2022 (see GITM42).
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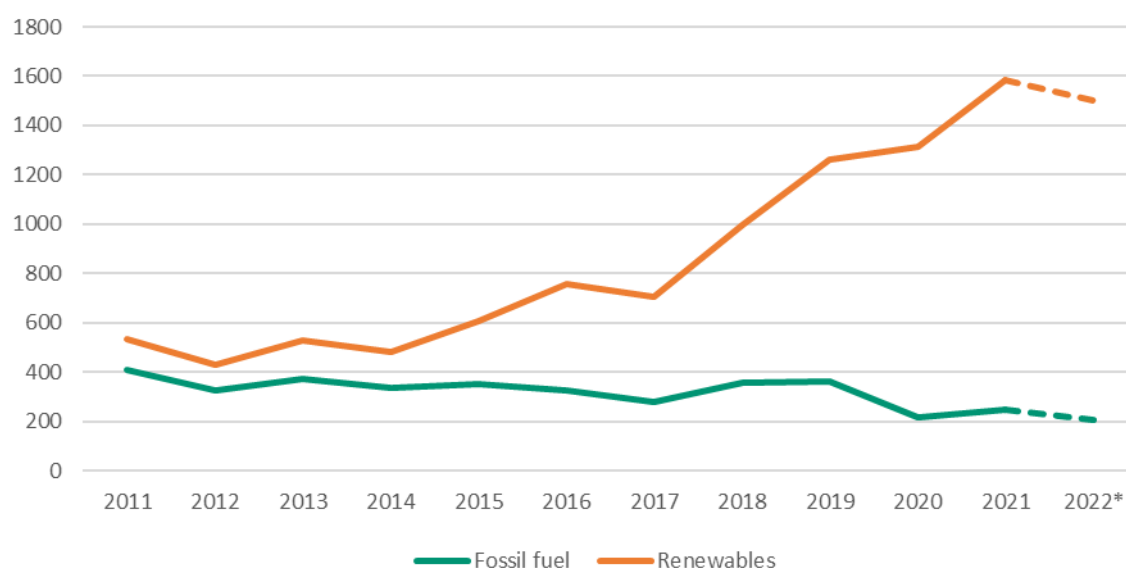
Table 1. Announced greenfield projects and international project finance deals in climate change sectors and fossil fuel energy, 2020–2021 and partial year data for 2022
(Millions of dollars and number)

Climate change-relevant sector	Greenfield projects				International project finance deals			
	2020	2021	2022:Q1-Q3	2021–2022 Growth rate (%)	2020	2021	2022:Q1-Q3	2021–2022 Growth rate (%)
Mitigation								
Value	120 705	155 953	240 641	131	226 005	558 982	264 598	-37
Number of projects	732	984	630	-4	840	1 273	868	-9
Renewable energy								
Value	96 750	97 584	169 078	160	189 153	413 374	199 653	-36
Number of projects	525	486	327	1	786	1 098	759	-8
Other energy efficiency								
Value	23 705	58 212	71 064	83	16 639	134 561	61 749	-39
Number of projects	197	486	294	-9	42	153	100	-13
Low carbon transport								
Value	250	156	500	379	20 214	11 047	3 196	-61
Number of projects	10	12	9	13	12	22	9	-45
Adaptation								
Value	736	4 448	2 904	-2	3 834	10 035	8 128	8
Number of projects	25	68	35	-23	23	22	20	21
Water management								
Value	613	4 039	2 574	-4	3 834	9 998	8 128	8
Number of projects	8	21	5	-64	23	21	20	27
Other adaptation								
Value	122.87	408.71	330	21	-	38	-	..
Number of projects	17	47	30	-4	-	1	-	..
Green minerals								
Value	1 037	5 083	5 522	63	9 552	22 007	12 665	-23
Number of projects	11	38	28	11	17	32	19	-21
Fossil fuel energy^a								
Value	47 550	16 234	52 197	382	84 371	179 761	49 136	-64
Number of projects	91	67	48	7	123	181	102	-25

Source: UNCTAD, information from the Financial Times Ltd, fDi Markets (www.fDimarkets.com) for announced greenfield FDI projects and Refinitiv SA for international project finance deals.

Note: Fossil fuel investments include power generation and extraction of oil, gas and coal.

Figure 1. Announced greenfield projects and international project finance deals in renewables and fossil fuels, 2011–2022 (Number)



Source: UNCTAD, information from the Financial Times Ltd, fDi Markets (www.fDimarkets.com) for announced greenfield projects and Refinitiv SA for international project finance deals.

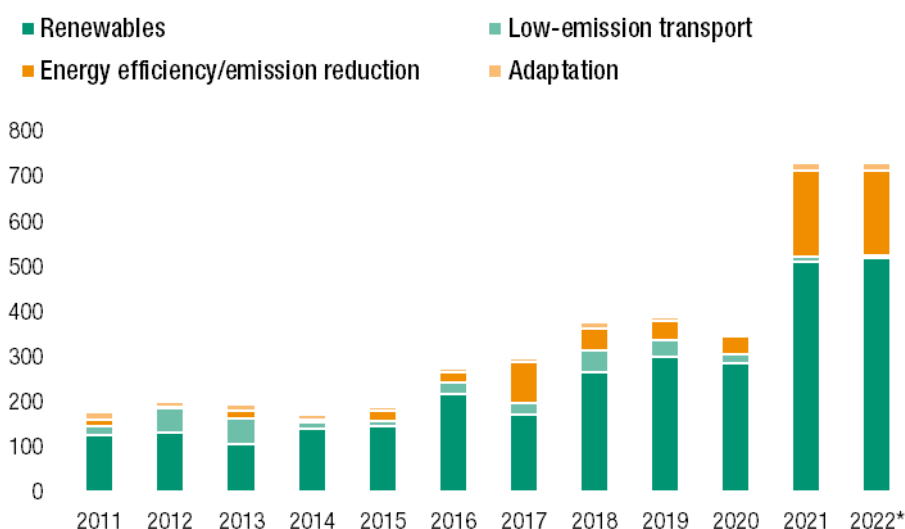
Note: Fossil fuel investments include power generation and extraction of oil, gas and coal. Numbers for 2022 are projected based on the first three quarters for international project finance and 8 months for greenfield projects.

Table 2. Announced greenfield projects and international project finance deals in climate change mitigation, 2020–2021 and partial year data for 2022 (Number)

Region / economy	Greenfield projects				International project finance deals			
	2020	2021	2022:Q1-Q3	2021–2022 Growth rate (%)	2020	2021	2022:Q1-Q3	2021–2022 Growth rate (%)
World	732	984	630	-4	840	1 273	868	-9
Developed economies	483	724	449	-7	549	865	592	-9
Europe	343	514	305	-11	336	543	405	-1
European Union	275	410	215	-21	274	409	317	3
Other Europe	68	104	90	30	62	134	88	-12
North America	92	157	111	6	130	203	116	-24
Other developed economies	48	53	33	-7	83	119	71	-20
Developing economies	249	260	181	4	291	408	276	-10
Africa	40	48	46	44	43	44	47	42
North Africa	5	6	30	650	9	7	10	90
Other Africa	35	42	16	-43	34	37	37	33
Asia	99	138	93	1	108	187	120	-14
Central Asia	3	10	2	-70	8	9	3	-56
East Asia	25	42	19	-32	11	35	15	-43
South-East Asia	30	31	27	31	47	58	38	-13
South Asia	16	15	16	60	28	69	57	10
West Asia	25	40	29	9	14	16	7	-42
Latin America and the Caribbea	110	73	42	-14	139	175	109	-17
South America	82	59	25	-36	122	150	98	-13
Central America	25	13	15	73	13	15	5	-56
Caribbean	3	1	-	..	4	10	6	-20
Oceania	-	1	..	..	1	2	-	..

Source: UNCTAD, information from the Financial Times Ltd, fDi Markets (www.fDimarkets.com) for announced greenfield FDI projects and Refinitiv SA for international project finance deals.

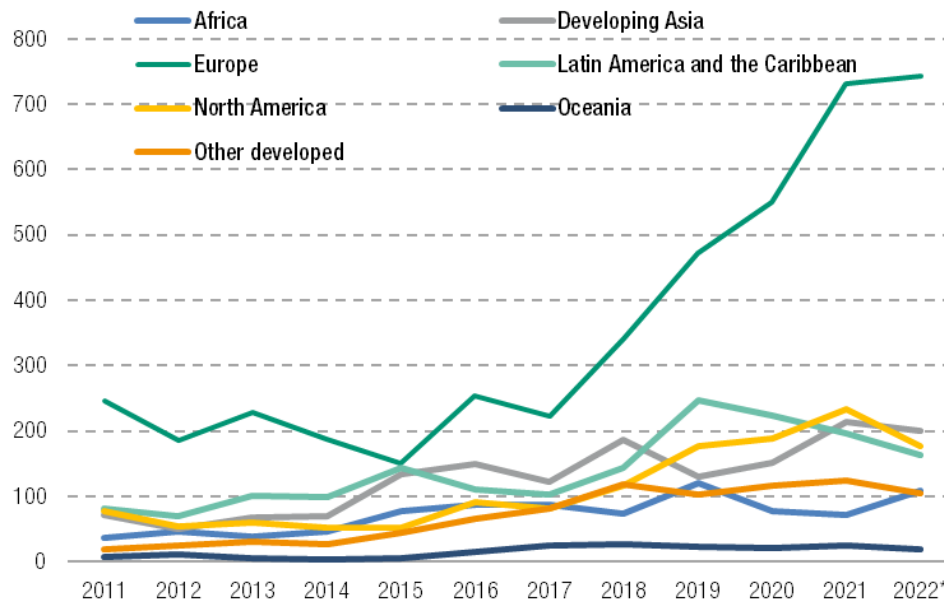
Figure 2. International mitigation and adaptation investment projects, 2011–2022
(Billions of dollars)



Source: UNCTAD, information from the Financial Times Ltd, fDi Markets (www.fDimarkets.com) for announced greenfield FDI projects and Refinitiv SA for international project finance deals.

Note: Values for 2022 are projected based on the first three quarters for international project finance deals and 8 months for greenfield projects.

Figure 3. International renewable investment projects, 2011–2022 (Number)



Source: UNCTAD, information from the Financial Times Ltd, fDi Markets (www.fDimarkets.com) for announced greenfield FDI projects and Refinitiv SA for international project finance deals.

Note: Values for 2022 are projected based on the first three quarters for international project finance deals and 8 months for greenfield projects.



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