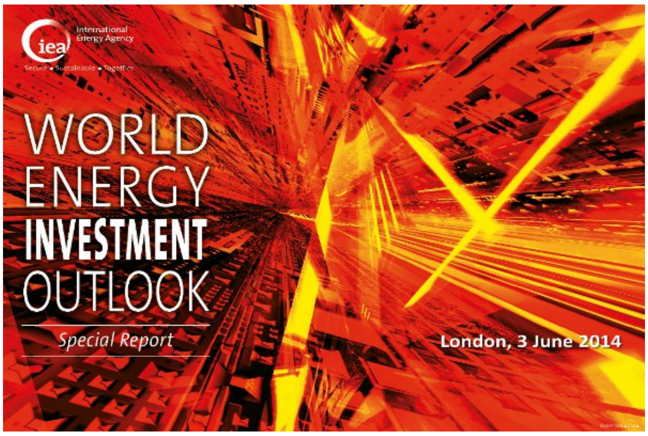

The IEA has outlined global energy investment requirements to 2035 in its World Energy Investment Outlook.

IEA: US$48 T required in energy investment to 2035

By Martin Kovacs, 5 Jun 2014

The International Energy Agency (IEA) has released its *World Energy Investment Outlook*, finding US$48 T will be required in investment over the period to 2035 to meet the world's growing energy demands.

Today's annual investment in energy supply of US$1.6 T needs to rise over the coming decades towards US$2 T, the IEA found, while annual spending on energy efficiency, measured against a 2012 baseline, needs to rise from US$130 B today to more than US$550 B by 2035.

“The reliability and sustainability of our future energy system depends on investment,” commented IEA Executive Director Maria van der Hoeven. “But this won’t materialise unless there are credible policy frameworks in place as well as stable access to long-term sources of finance. Neither of these conditions should be taken for granted.

“There is a real risk of shortfalls, with knock-on effects on regional or global energy security, as well as the risk that investments are misdirected because environmental impacts are not properly reflected in prices.”

Newly compiled data reveals annual investment in new fuel and electricity supply has more than doubled in real terms since 2000, the IEA stated, with investment in renewable energy sources quadrupling over the same period due to supportive government policies.

Investment in renewables in the European Union has been higher than investment in natural gas production in the United States, the IEA further stated, with renewables, together with biofuels and nuclear power, now accounting for around 15% of annual investment flows, with a similar share also going to the power transmission and distribution network.

The large majority of today’s investment spending, comprising well over US$1 T, is related to fossil fuels, whether it be extracting them, transporting them to consumers, refining crude oil into oil products, or building coal and gas-fired power plants.

Meanwhile, investment decisions are increasingly being shaped by government policy measures and incentives, such as encouraging low-carbon electricity sources, however the investment path traced in the report falls well short of reaching climate stabilisation goals.

The IEA found “today’s policies and market signals are not strong enough to switch investment to low-carbon sources and energy efficiency at the necessary scale and speed", adding that "a breakthrough at the Paris UN climate conference in 2015 is vital to open up a different investment landscape”.

“Policy-makers face increasingly complex choices as they try to achieve progress towards energy security, competitiveness and environmental goals,” commented IEA Chief Economist Fatih Birol.

“These goals won’t be achieved without mobilising private investors and capital, but if governments change the rules of the game in unpredictable ways, it becomes very difficult for investors to play.”

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Under the report's main scenario, of the cumulative US$48 T in global investment to 2035 around US$40 T is in energy supply and the remainder in energy efficiency.

The investment in supply is comprised of US$23 T in fossil fuel extraction, transport and oil refining, almost US$10 T in power generation (of which low-carbon technologies, renewables [US$6 T] and nuclear [US$1 T], make up the major share), and a further US$7 T in transmission and distribution.

More than half of the energy supply investment is needed just to keep production at today's levels, the IEA found, compensating for declining oil and gas fields and to replace power plants and other equipment that reach the end of their productive life.

The US$8 T of investment in energy efficiency is concentrated in the European Union, North America and China, with 90% spent in the transport and buildings sectors.

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