

Press release

Over USD 270 trillion in climate investments needed to meet 2050 net-zero targets, Swiss Re Institute reveals

- **Climate investment gap spans top four carbon emitting sectors: energy, transport, buildings and industry**
- **Identifying investment gap allows tracking of annual progress towards net-zero economy by 2050**
- **Decisive public-private action can seal deficit**

Zurich, 7 October 2022 – Climate investments must be made sooner and on a much larger scale if the world is to meet the Paris Agreement and 2050 net-zero targets. This is revealed by a new Swiss Re Institute study tracking progress on decarbonising the economy. Comparing the investments needed to reach net zero with spending to date shows a climate investment gap of more than USD 270 trillion in the energy, transport, buildings and industry sectors between 2022 and 2050. This gap can be closed through collective efforts by the public and private sectors.

Jérôme Haegeli, Group Chief Economist at Swiss Re, said: "Investments in decarbonisation have been growing by an average of 5% per year since 2016. To put this into perspective, if this trend continues, it means that the 2050 net-zero targets will likely be missed by 20 years. Identifying the climate investment gap makes it possible to track annual progress towards a net-zero economy. But change can only happen at the pace required if the public and private sectors work together to unlock capital and channel it in a targeted way."

The largest investment gap towards net-zero targets is in the transport sector, at an estimated USD 114 trillion, with most investments needed for electric vehicle infrastructure. In the energy sector, the investment gap is estimated to be USD 78 trillion, with the main shortfall in renewable energy and related infrastructure. The buildings and industrial sectors require estimated investments of USD 65 trillion and USD 14 trillion respectively, with energy efficiency as the main decarbonisation lever for both sectors.

If year-on-year investments would be gradually and consistently ramped up beyond the annual growth trend, the gap could close by mid-century. This could be achieved by increasingly aligning current capital spending with net-zero targets. The bulk of the investment needs to come from the

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private sectors. The public sector must create the framework for the private sector to redirect existing capital into climate investments.

Insurance industry plays vital role in green transition

Given the long-term horizon of their liabilities and the long-term capital they have available to commit, institutional investors such as pension funds or insurance companies are well positioned to play a role in the green transition. For example, the insurance industry can boost the market by financing emerging decarbonisation solutions such as carbon capture and removal technologies and investments in sustainable infrastructure. As a risk absorber, the industry can improve the risk-return profile of climate-friendly investment projects. By pricing risks and sharing risk knowledge expertise, the industry can enable market participants to make clear and informed investment decisions.

In addition to direct public investment in green projects, governments need to create confidence in key markets with a clear policy framework and incentives, while financial regulators have to set standardised rules to enforce targets.

Jérôme Haegeli said: "In fact, the green bond market still accounts for less than 2% of the value of the global bond market, meaning it is far too small. Stronger action is needed on reducing barriers to investment and international convergence on the taxonomy for climate and green investments."

How to order the publication: The English version of the study "*Decarbonisation tracker. Progress to net zero through the lens of investment*" is available in electronic format. You can download it here: <https://www.swissre.com/institute/research/topics-and-risk-dialogues/climate-and-natural-catastrophe-risk/decarbonisation-tracker.html>

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