Mobilising Investment for Energy Transition in Emerging and Developing Economies

July 2025

Productive Collaboration

Recently, the International Forum of Sovereign Wealth Funds (IFSWF) and Ninety One co-hosted *Mobilising Investment for Energy Transition in Emerging and Developing Economies*. The conference, convened in London, brought together a diverse group of investors, policymakers, development finance institutions, advisors, and experts to address the challenges of financing the global energy transition. Over two days, speakers explored a wide spectrum of issues, focusing specifically on energy project lifecycles in Africa, Latin America, and Asia and ranging from upstream policy and regulatory frameworks to capital structuring models to carbon market innovation.

An important goal of the conference was to promote a more complete understanding of mandates, roles, and objectives among actors in transition finance to expand collaboration and enhance the process of capital mobilisation. Day 1 of the Conference featured a combination of panel and guided table discussions precisely to foster dialogue and deeper institutional awareness. Rachel Kyte, UK Representative for Climate, joined the conversation as Day 1 keynote to spotlight several key issues plaguing the current state of transition finance, while also offering examples of workable financing solutions.

Overall, a key insight to emerge from Day 1 discussions was that transition projects often fail not because of a general lack of funding, but rather because structural barriers inhibit sufficient "de-risking" that would align investor interests. The problem frequently begins upstream. For example, many countries still lack integrated renewable energy strategies. Moreover, project developers frequently encounter fragile or ambiguous regulatory environments. Both disincentivise early-stage engagement by both public- and private-sector investors.

Such challenges persist across project lifecycles, as investor mandates often fail to align effectively with the risks and capital requirements of individual projects. International development capital remains insufficient, while the scale of private capital is inherently dependent on early-stage funding from governments and DFIs to lower project risk thresholds. Attendees unpacked these nested issues in detail, calling for a clearer identification of institutional roles and stronger collaborative action, including through co-financing or blended finance models that effectively allocate risk among project stakeholders. Governments, in particular, were called on to engage earlier and more actively, not only to set policy direction but critically to expand participation in guarantees and to facilitate pre-financing arrangements—such as customer prepayment schemes—to de-risk projects for commercial investors.

Key Challenges Across the Project Lifecycle

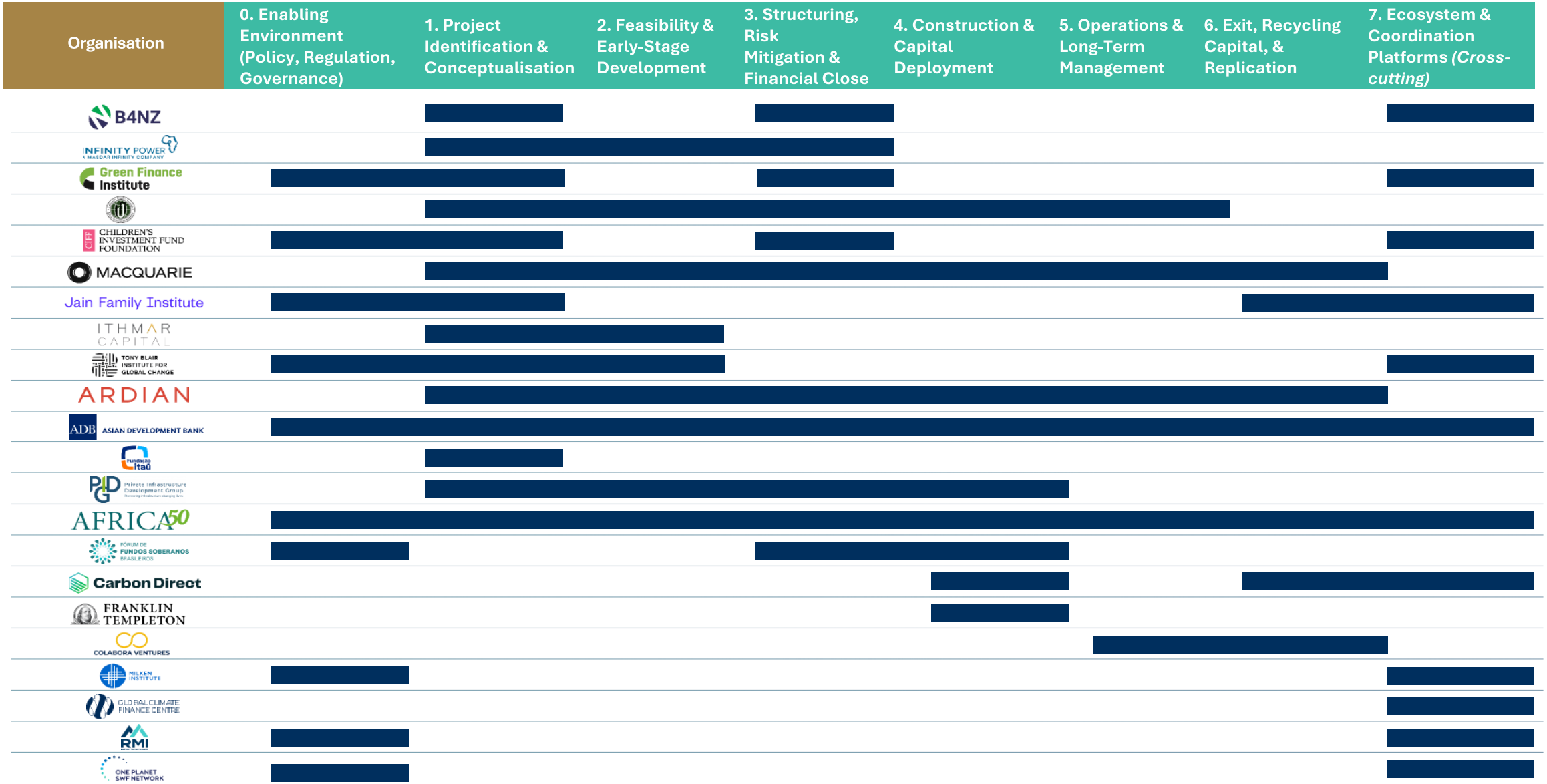
0. Enabling Environment (Policy, Regulation, Governance)

- Lack of clear national energy plans and renewable targets
- Weak institutional capacity to originate or coordinate projects
- Complex and non-transparent permitting and licensing regimes
- Regulatory uncertainty deterring long-term investment

1. Project Identification & Conceptualisation	2. Feasibility & Early-Stage Development	3. Structuring, Risk Mitigation & Financial Close	4. Construction & Capital Deployment	5. Operations & Long -Term Management	6. Exit, Recycling Capital, and Replication	7. Ecosystem & Coordination Platforms *(Cross-cutting)*
Identifying credible local partners and viable land	High costs and risks of early-stage development-Limited access to concessional or risk-tolerant capital.	Complexity in blending concessional and commercial capital	Delays in disbursement from public financiers	Inadequate local O&M capacity or skilled workforce	Thin secondary market for clean energy assets	Fragmented initiatives duplicating efforts-Lack of shared platforms for project tracking and matchmaking
Lack of integrated national energy plans	Insufficient data on grid capacity, demand, or resource (e.g. solar, wind)	Currency and political risk mitigation gaps	Difficulties importing equipment or getting tax/ duty exemptions	Grid reliability issues impacting project output - Tariff disputes or payment arrears from off-takers	Regulatory uncertainty deterring long-term investors	Insufficient engagement of African financial institutions-Weak feedback loops between project-level insights and policy reform
Limited pipeline visibility or bankable projects	Environmental and social permitting bottlenecks	Lack of sovereign guarantees or payment security mechanisms	Cost inflation and FX volatility during construction	Limited use of digital tools for monitoring performance	Cost inflation and FX volatility during construction	
Difficulty navigating local policy and regulatory uncertainty		Misalignment between investor timelines and developer readiness	Underdeveloped local supply chains and logistics		Challenges in scaling standardised project templates	

Source: Global Climate Finance Centre

Where our Participants Fit into the Project Lifecycle



Source: Global Climate Finance Centre, International Forum of Sovereign Wealth Funds

Innovative Solutions

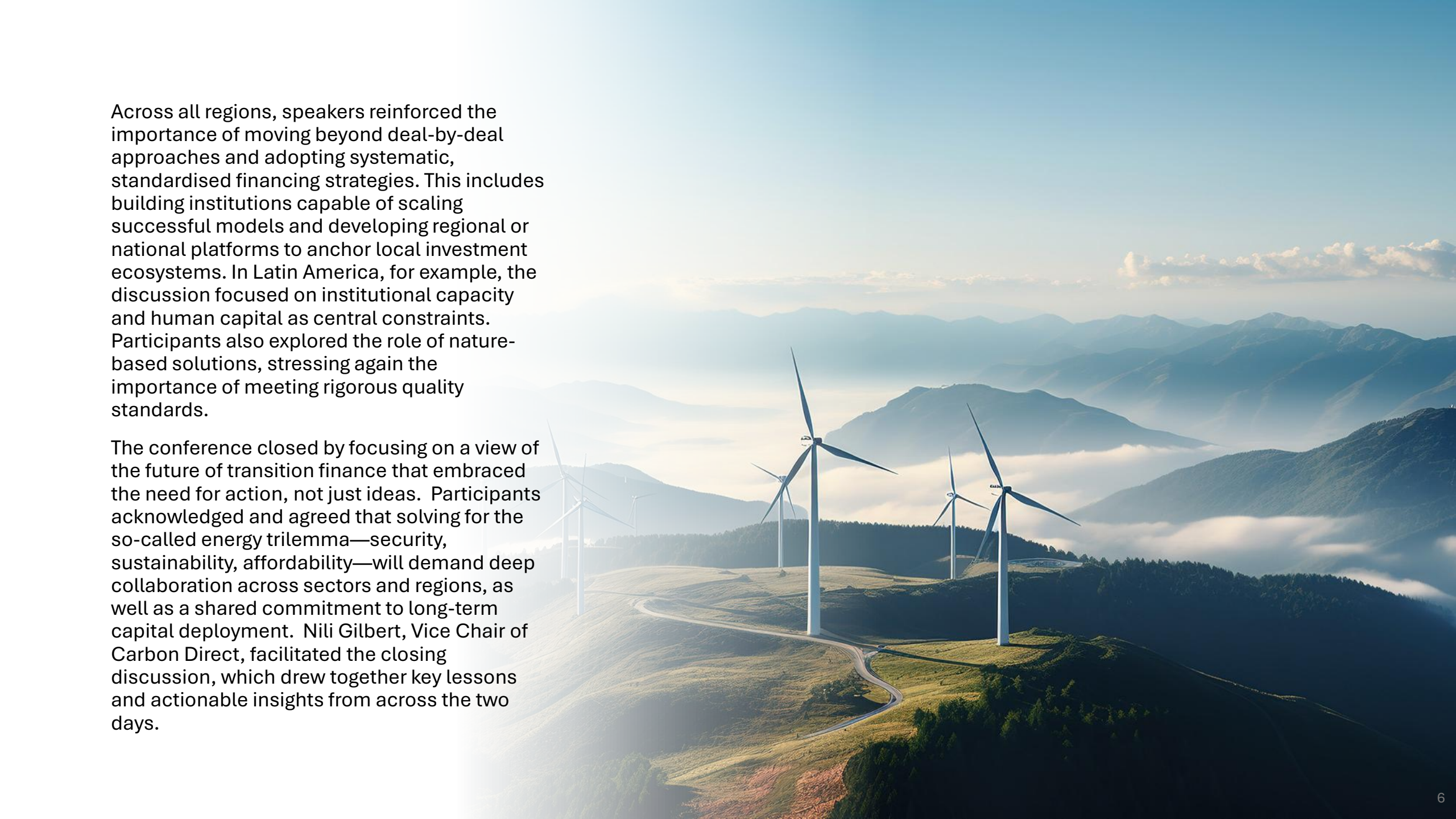
In the pre-launch phase of projects, a central focus among all participants was the importance of project preparation to anticipate downstream risks, particularly in frontier markets. Export credit agencies, multilateral lenders, and sovereign funds were called on to join project developers to design and execute robust feasibility studies and to structure early-stage capital plans of sufficient scale for projects to reach commercial viability. In Sub-Saharan Africa, the role and attributes of local sovereign wealth funds were highlighted in project origination, undertaking due diligence, sharing local market expertise, liaising with local government counterparts, and managing foreign currency exposures, all to reduce early-stage project threats and to enhance opportunities to mobilise capital for later project phases.

The role of carbon markets as emergent capital market innovations featured prominently throughout the Conference as essential to financing the energy transition. Panellists and discussants focused on both the promise and pitfalls of carbon credits, acknowledging that carbon credits could reduce investment risk and enhance project returns. However, ongoing issues of market fragmentation, credit quality, pricing transparency, product standardisation, and the real risks associated with greenwashing require leadership and concerted global collaboration to promote carbon market integration. Participants called for more robust regional frameworks and the development of a global market architecture for carbon trading that would increase liquidity, improve price discovery, lower trading costs, and enhance overall market efficiency, leading to an exponential scaling of the role of carbon credits.

The opening keynote on Day 2 featured Frederick Teo of GenZero, who offered a sharp focus on Asia, the region most likely to define the pace and scale of global decarbonisation. While accounting for over half of global CO_2 emissions, Asia still has per capita energy consumption far below the OECD average. With demand expected to surge by 2050, regional leaders face the twin challenges of maintaining affordable but reliable energy access while reducing emissions. Teo introduced the concept of “transition credits” as a practical tool to facilitate coal phase-out projects, compensating power plant owners for early retirement, funding renewable replacements, and supporting social programmes for affected communities. He emphasised that successful transition projects must finance not just energy replacement, but the full suite of activities—including grid upgrades and worker retraining—that underpin a just transition.

Across all regions, speakers reinforced the importance of moving beyond deal-by-deal approaches and adopting systematic, standardised financing strategies. This includes building institutions capable of scaling successful models and developing regional or national platforms to anchor local investment ecosystems. In Latin America, for example, the discussion focused on institutional capacity and human capital as central constraints. Participants also explored the role of nature-based solutions, stressing again the importance of meeting rigorous quality standards.

The conference closed by focusing on a view of the future of transition finance that embraced the need for action, not just ideas. Participants acknowledged and agreed that solving for the so-called energy trilemma—security, sustainability, affordability—will demand deep collaboration across sectors and regions, as well as a shared commitment to long-term capital deployment. Nili Gilbert, Vice Chair of Carbon Direct, facilitated the closing discussion, which drew together key lessons and actionable insights from across the two days.



Key Lessons

1. Investors and governments must coordinate across the entire lifecycle of transition projects.
2. Local capacity, early-stage development support, and policy clarity form an essential core for bankable projects.
3. De-risking mechanisms—including guarantees, insurance, and blended finance—must be employed to balance the return and risk objectives of capital providers.
4. To build momentum, stakeholders must prioritise pipeline development through robust project preparation and collaborative engagement with investors across the capital stack.

Actionable Insights

1. Establish clear and predictable regulatory frameworks that provide investors with long-term confidence and stability.
2. Create and adopt standardised solutions for carbon market development to improve the quality and pricing transparency of credit and the scalability of trading.
3. Encourage innovative financing instruments such as transition credits to accelerate coal phase-outs in Asia and other high-emission regions. Develop blended finance structures that distribute risk appropriately between public and private investors.
4. Support sovereign wealth funds and wider private capital participation by offering credit and currency guarantees to engage them as early-stage co-investors.
5. Invest in project preparation, including robust feasibility studies, to build credible, bankable pipelines.
6. Build local institutional capacity, particularly in project origination and management.

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