



INTERNATIONAL ENERGY AGENCY



# **G8 Energy Ministerial Meeting Rome, Italy 24-25 May 2009**

## **The Impact of the Financial and Economic Crisis on Global Energy Investment**

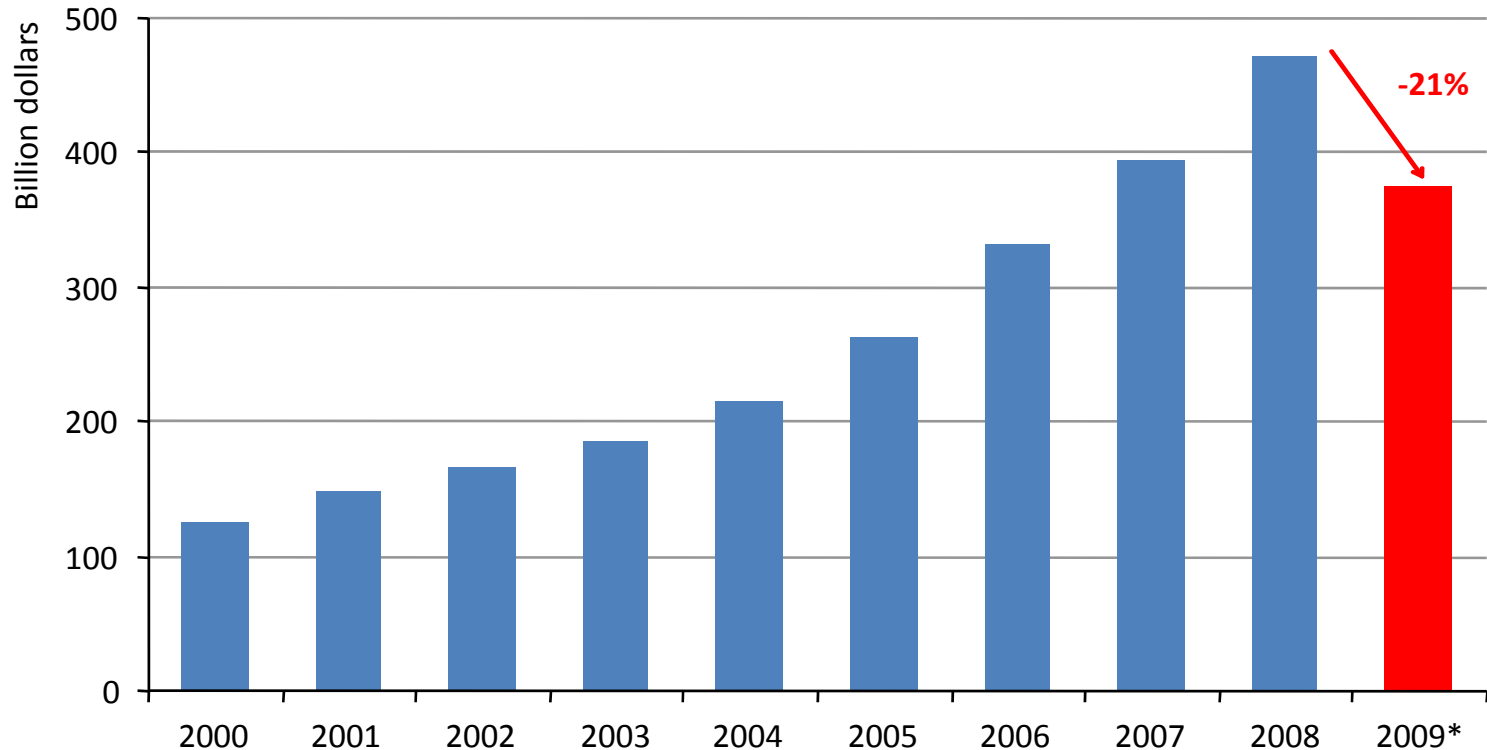
**Nobuo Tanaka  
Executive Director  
International Energy Agency**

# How is the financial & economic crisis affecting energy investment?



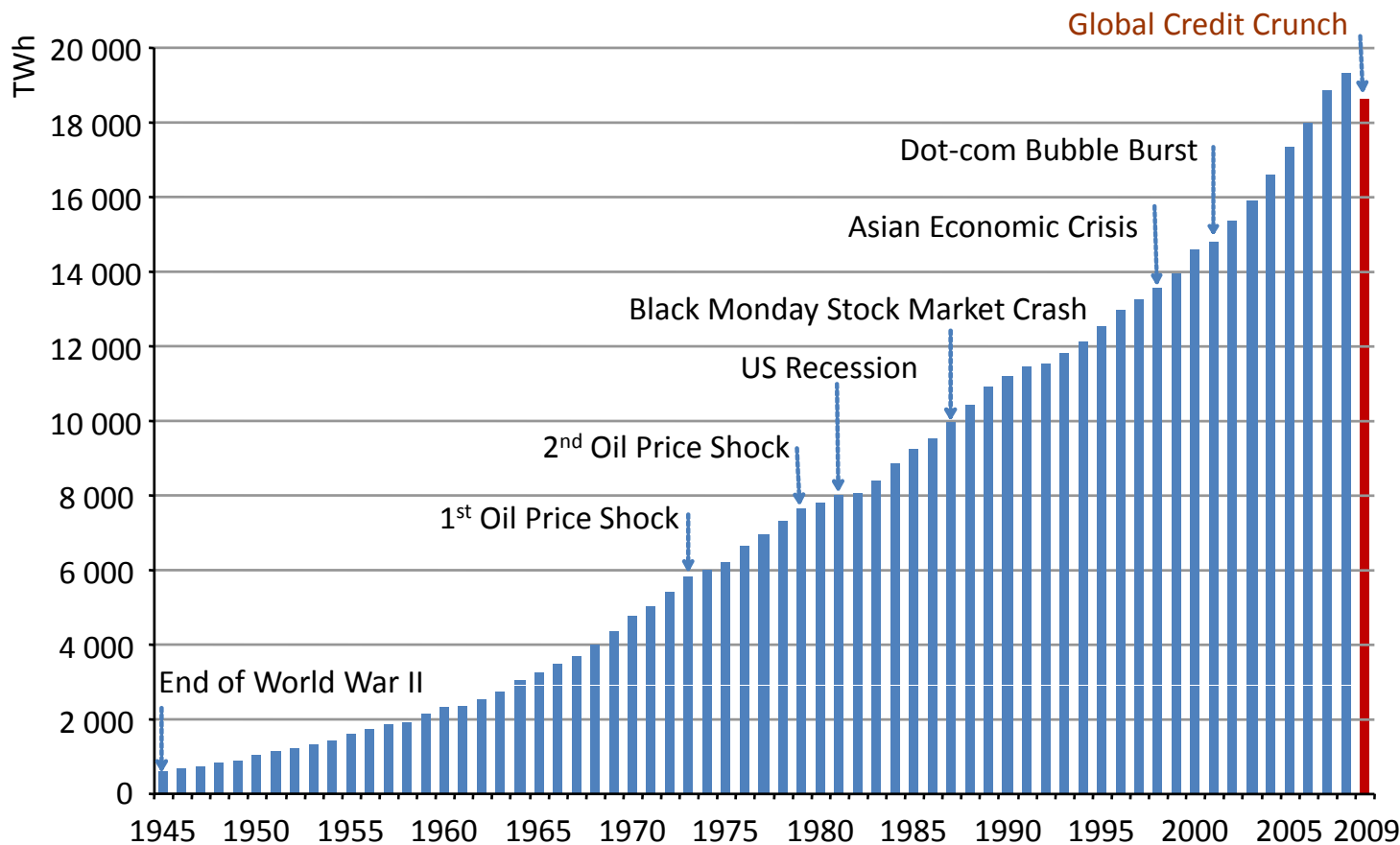
- **Difficulties in obtaining credit & higher cost of capital**
  - > **Increased aversion to risk**
  - > **Paralysed credit markets**
  - > **Plunging share values have increased debt-equity ratios**
- **Lower prices & cash flows have made new investments less attractive**
- **Falling demand caused by economic recession has reduced urgency & appetite for suppliers to invest**

# Worldwide oil & gas upstream capital expenditures



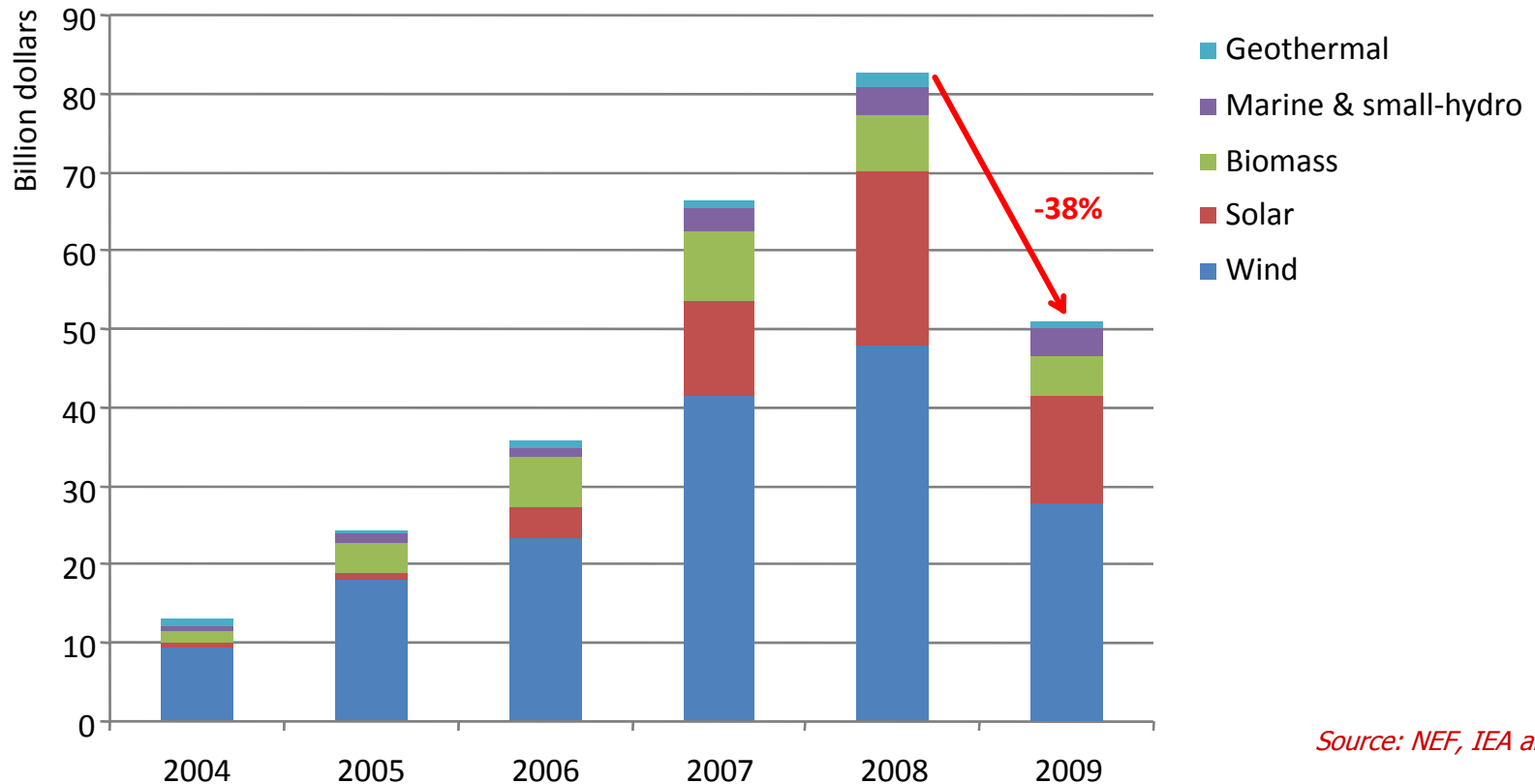
**Budgeted spending on exploration & production worldwide for 2009 currently totals \$375 billion, down about \$100 billion – or 21% – on 2008**

# Historical global electricity consumption



**Global electricity consumption could drop by as much as 3.5% in 2009 – the first annual contraction since the end of the Second World War**

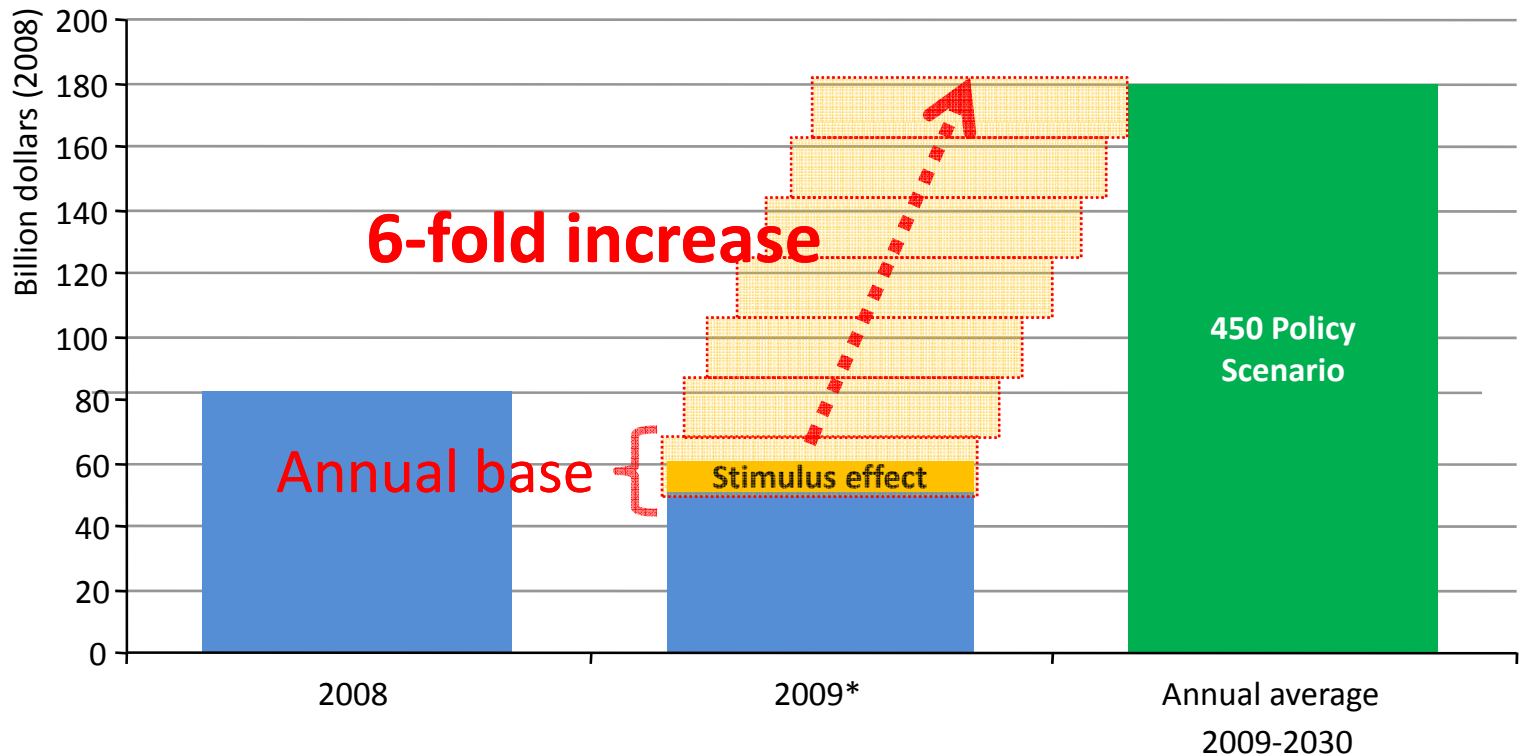
# Asset financing for new build renewable assets



Source: NEF, IEA analysis

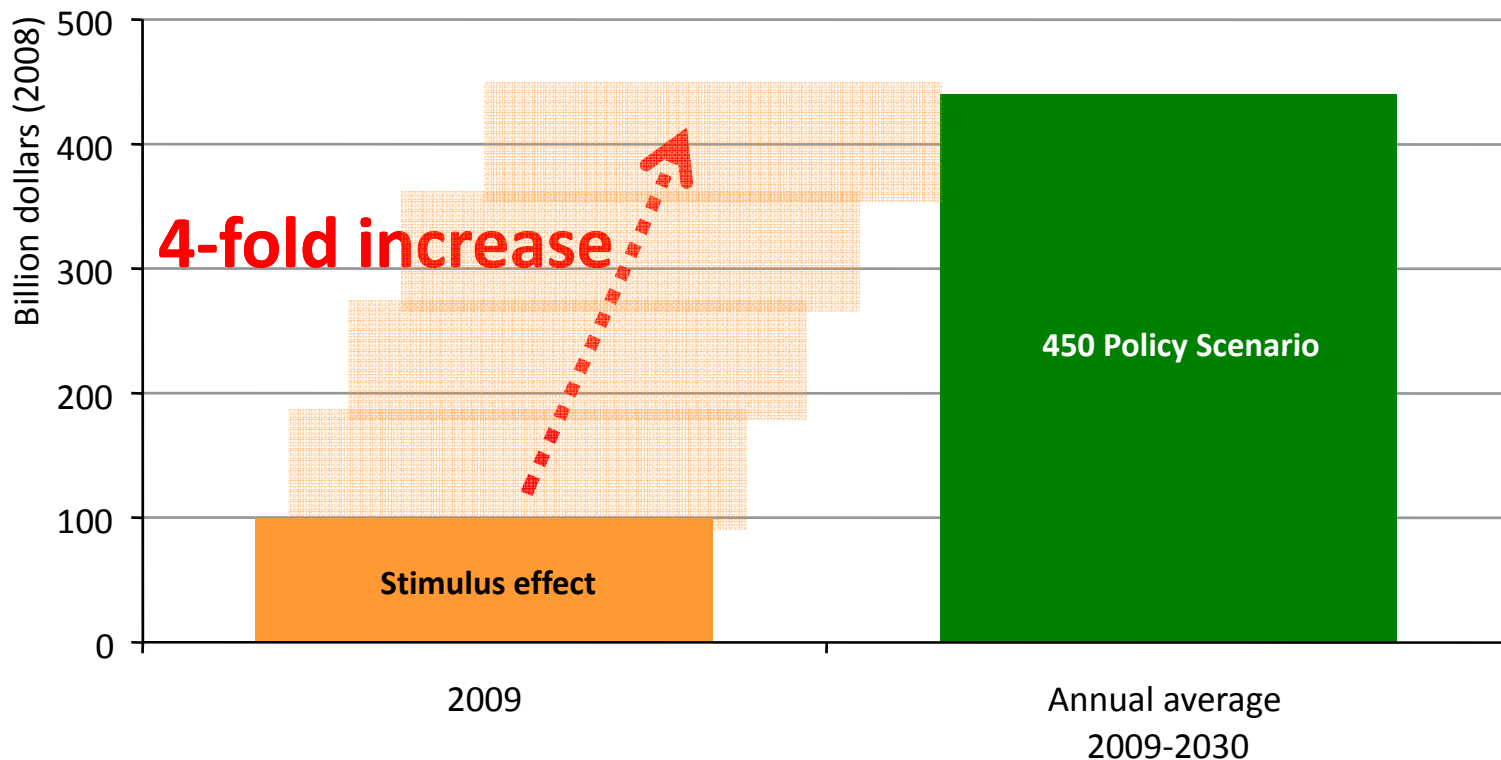
**Renewable energy investment has collapsed due to lower fossil-fuel prices and the financial crisis – which has dried up sources of project finance**

# Global investment in renewable power generation



**To achieve the 450 Policy Scenario, governments would need to increase funds committed to renewables 6-fold relative to their recent stimulus package**

# Incremental investment in the low-carbon sector



**To achieve the 450 Policy Scenario, governments would need to increase funds committed to the low-carbon energy sector 4-fold relative to their recent stimulus package**

# Conclusions



- ❑ The twin challenges of **climate change and energy security** are two of the key policy issues of our time
- ❑ The **economic & financial crisis** has sharply reduced investment all the way down the energy supply chain, from production to end use
- ❑ This will have far-reaching effects on **energy security, climate change and energy poverty**
- ❑ The current crisis is an **opportunity** to place a **Clean Energy New Deal** at the heart of stimulus packages everywhere