



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

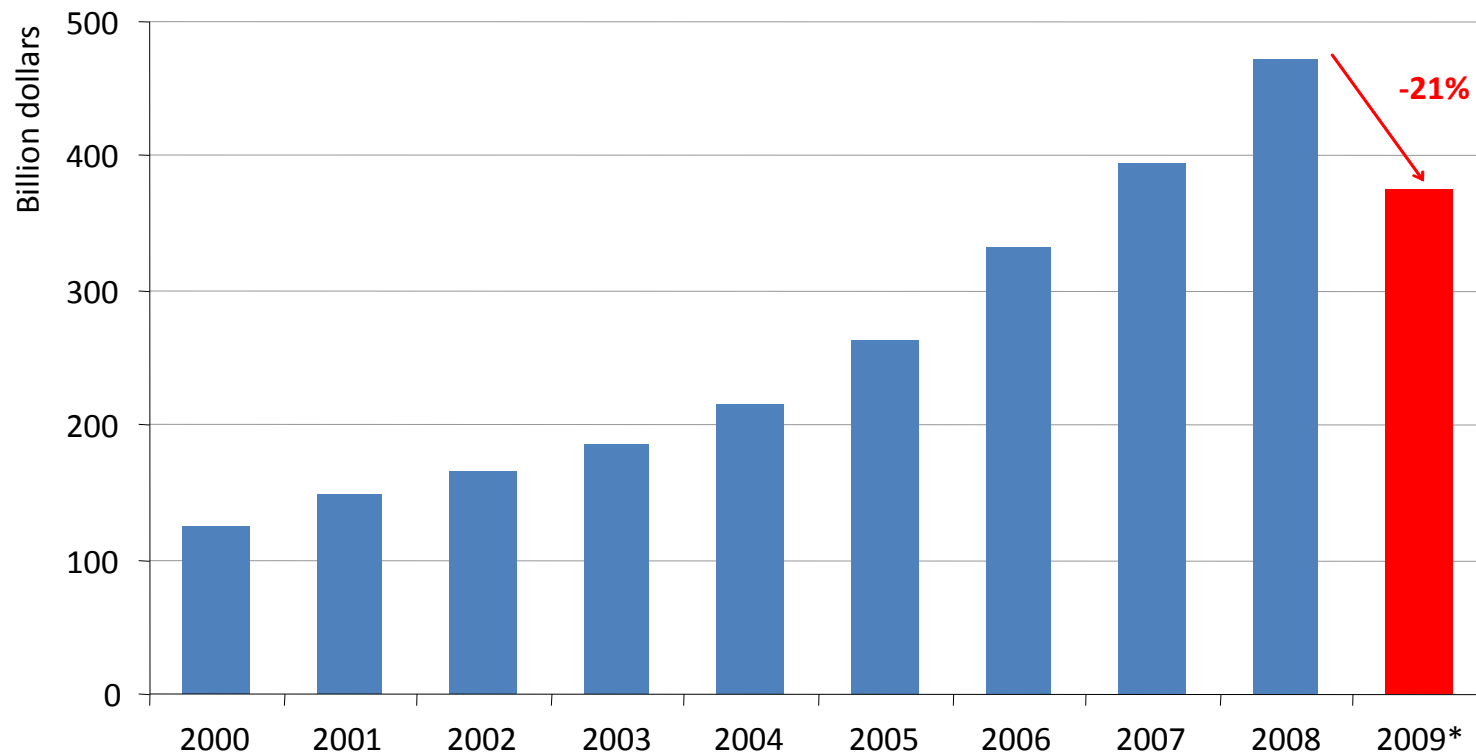
**Nobuo Tanaka
Executive Director
International Energy Agency**

How is the financial & economic crisis affecting energy investment?



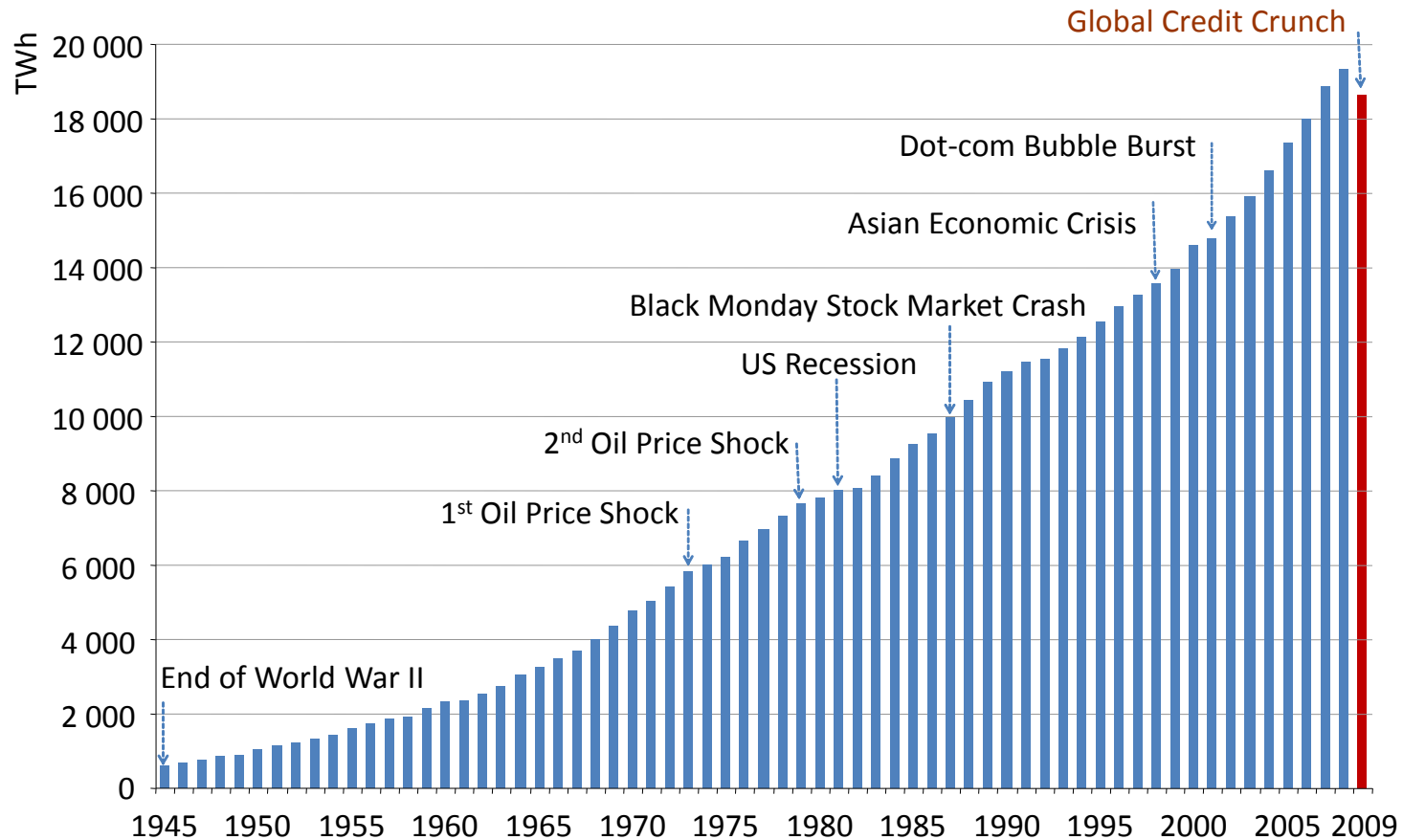
- **Difficulties in obtaining credit & higher cost of capital**
 - > Increased aversion to risk
 - > Paralysed credit markets
 - > Plunging share values have increased debt-equity ratios
- **Lower prices & cash flows have made new investments less attractive**
- **Falling demand caused by economic recession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

Worldwide oil & gas upstream capital expenditures



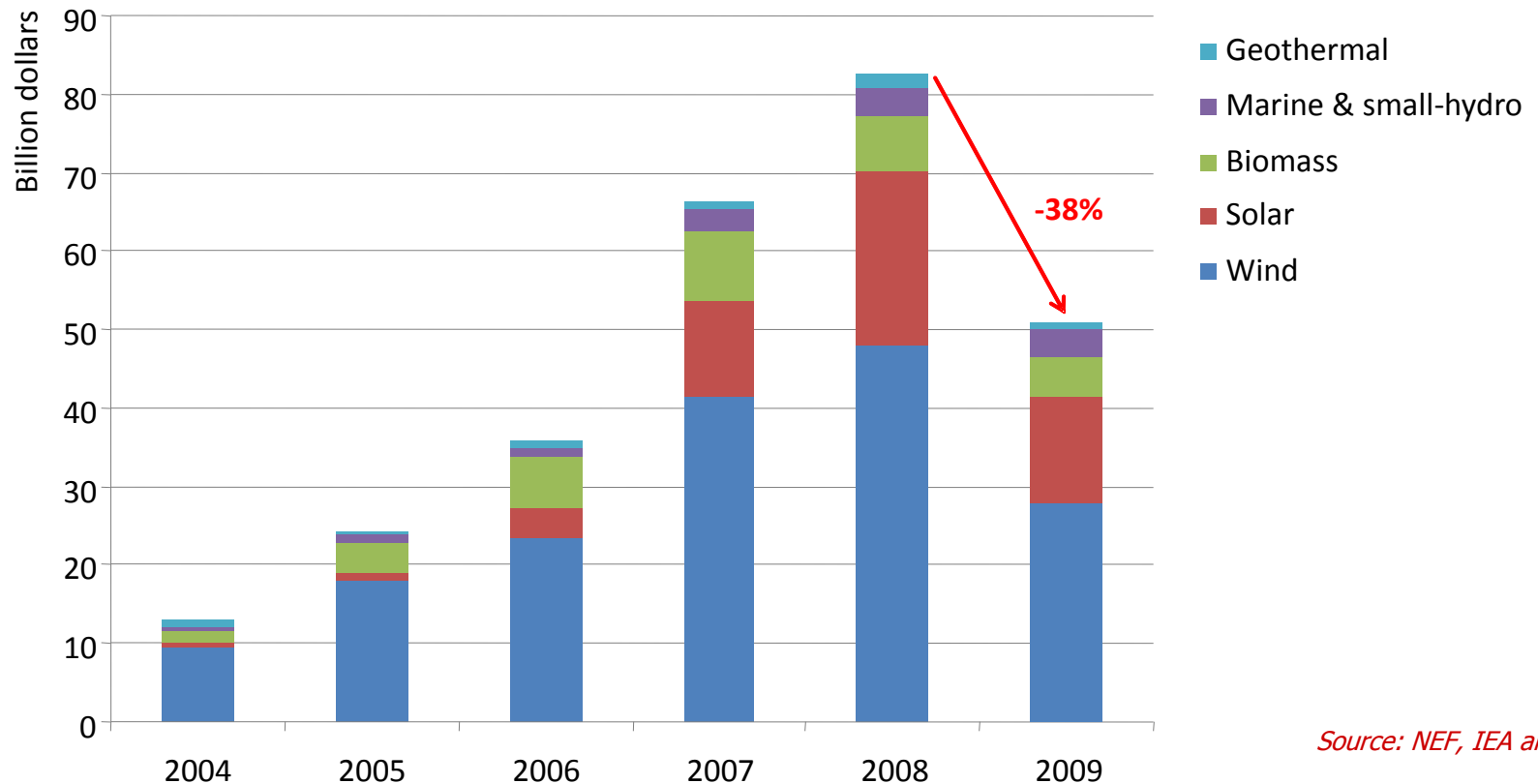
Budgeted spending on exploration & production worldwide for 2009 currently totals \$375 billion, down about \$100 billion – or 21% – on 2008

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

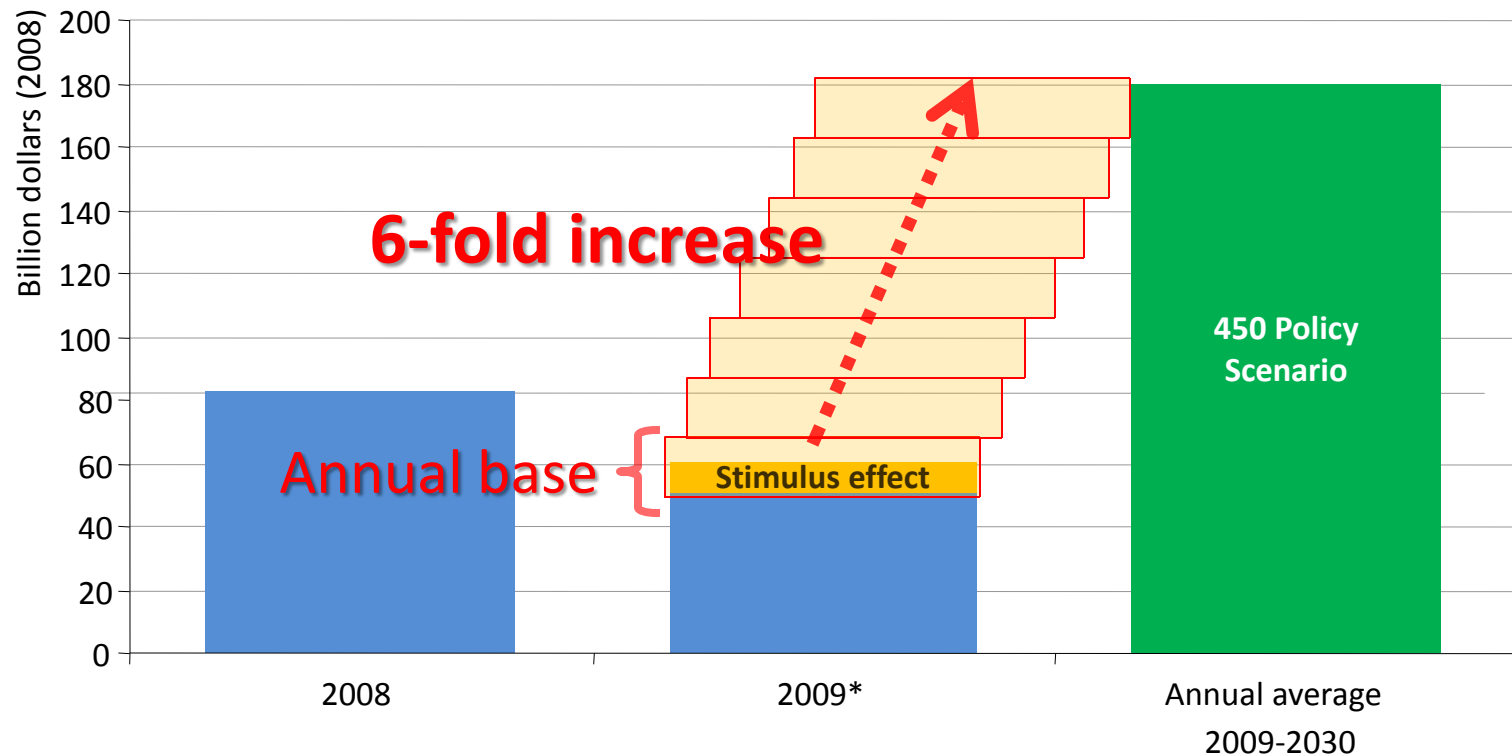
Asset financing for new build renewable assets



Source: NEF, IEA analysis

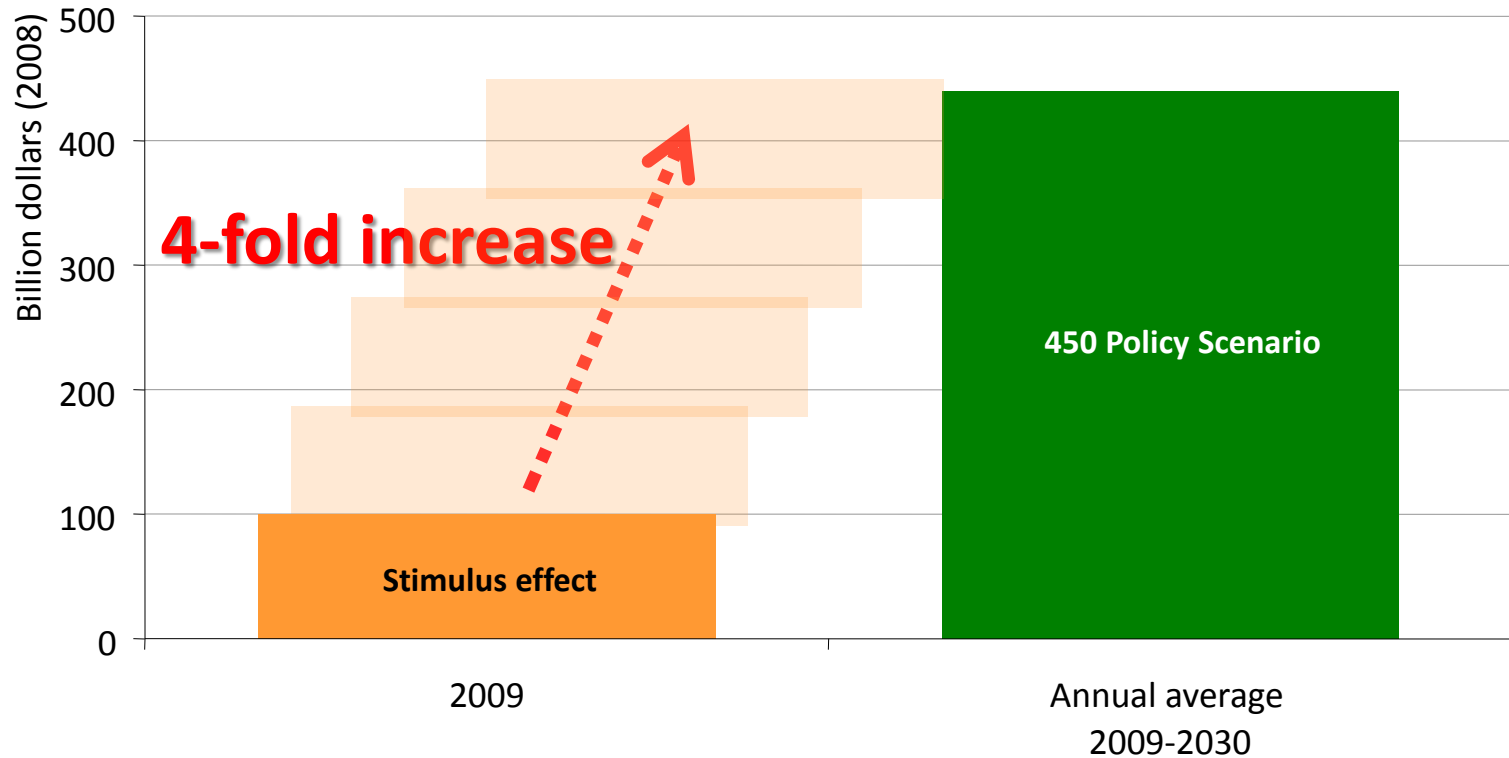
Renewable energy investment has collapsed due to lower fossil-fuel prices and the financial crisis – which has dried up sources of project finance

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