

Fifteenth session of the Assembly
Abu Dhabi, 12-13 January 2025

Background Note

Ministerial Dialogue on Innovative Sustainable Finance

Background

1. The UAE Consensus, adopted at COP28 of the United Nations Framework Convention on Climate Change (UNFCCC), represented a pivotal milestone by outlining a bold yet achievable path to maintain the 1.5°C target. This includes tripling global renewable energy capacity and doubling the global average annual rate of energy efficiency improvements by 2030. These ambitious targets are underpinned by IRENA's 1.5°C Scenario, a cornerstone of its flagship annual publication, the World Energy Transitions Outlook (WETO).
2. In 2023, global investment in renewable energy capacity and energy efficiency reached only USD 0.9 trillion, far below the USD 3.8 trillion annual requirement through 2030. A significant scale up of investment is needed, especially in Emerging Markets and Developing Economies (EMDEs). IRENA data shows that on a per capita basis, EMDEs excluding China attracted 18 times less investment per capita over 2020-2023 than advanced economies. Most utility-scale renewable energy projects in EMDEs are funded under a project financing structure. The non-recourse nature of project finance makes investors in EMDEs susceptible to real and perceived risks, requiring innovative project level financing and risk mitigation.
3. An analysis of 85 projects submitted to IRENA's ETAF platform between December 2022 and October 2024 shows that although many projects ranked high in terms of the potential positive impact they can have on communities and society in terms of improved energy access, affordability, and other socio-economic benefits, many have yet to progress to commercial close because of their low bankability.
4. There is a need for innovative project funding, especially during the preparation and development stages. Affordable and meaningful options are urgently needed to spur project development that would increase the pipelines of bankable projects for investors and financiers.
5. Significant progress on carbon markets was achieved at COP29, marking the culmination of nearly a decade of work to operationalize country-to-country trading and a centralized carbon crediting mechanism under the Paris Agreement. Decisions under Article 6.2 clarified how countries can authorize carbon credit trades and established guidelines for registries, with transparent technical reviews ensuring environmental integrity. Additionally, the adoption of standards for the UN's centralized carbon market (Article 6.4 mechanism) on day one of COP29 opens new financial flows for developing countries and provides capacity-building support to least developed countries, enabling their effective participation in the market.

Objectives of the session

6. This session will be organized as a dialogue that convenes ministers, policymakers, and developers to explore advanced strategies for financing the development of renewable energy. The central focus is leveraging innovative financial instruments. Discussions highlight the potential of carbon credit markets as a mechanism to incentivize emissions reductions, allowing developers to access financing while countries and companies offset carbon footprints. The dialogue aims to identify scalable solutions, foster partnerships, and mobilize public and private capital to accelerate the shift toward sustainable energy and climate resilience.

Guiding Questions

- What are the key barriers to financing renewable energy projects?
- How have green bonds and ESG financing impacted the development and scaling of your projects? Which stakeholders see the final impact of financing through green bonds?
- How can Article 6 of the Paris Agreement, particularly its provisions for cooperative approaches to transfer mitigation outcomes (TMOs), be leveraged to mobilize funding for renewable energy projects and enhance cross-border collaboration?

Associated publications

[World Energy Transitions Outlook 2024: 1.5°C pathway](#)

[Delivering on the UAE Consensus: Tracking progress toward tripling renewable energy capacity and doubling energy efficiency by 2030](#)

[Sub-Saharan Africa: Policies and finance for renewable energy deployment](#)

[Global landscape of renewable energy finance 2023](#)

[Renewable energy finance: Green bonds](#)

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