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Group Communications and Corporate Responsibility

Media Release

France takes the lead as top G20 market for renewable energy investments

- Allianz Climate and Energy Monitor 2018: European countries most attractive for investing in renewable energy, with China, India and Brazil in top 10
- Still, lack of long-term strategies for renewable energy in most G20 countries
- G20 countries need to invest USD 886 billion annually in power sector to meet Paris climate goals in power sector

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Most G20 countries including several of emerging countries enhanced their conditions for investments in low-carbon energy in the past year. Nonetheless, more renewable energy investments have to be undertaken in order to meet the Paris climate targets. In addition, the G20 would need to develop and implement more ambitious, consistent and transparent long-term strategies to improve the investment climate for renewable energies. These are the key findings of the Allianz Climate and Energy Monitor 2018, published today. For the third year, Allianz, Germanwatch and NewClimate Institute examined the investment climate and investments made for renewable energy in all G20 countries. “The development of the renewable energy sector is crucial for meeting the climate goals of the Paris Agreement“, says Katharina Latif, Head of Corporate Responsibility of Allianz Group. “These challenges can only be tackled by joint efforts of engaged governments, companies and civil society.”

Top group leads the way

France climbed two positions to the top, while Germany and the United Kingdom (UK) dropped to second and third place respectively. The top 3 currently provide the best policy and market environments, which are pivotal criteria for long-term investments and complex projects such as solar and wind farms. "Renewable energies in France, Germany and the UK are benefiting from good market and investment conditions in general as well as from a largely positive political environment. However, there are still weaknesses even in the best-performing countries: France's tenders for new plants, for example, do not have enough bidders, Germany’s investment in wind will drop due to new auctioning rules, and the solar energy market in the UK has collapsed following political reforms," says Professor Niklas Höhne, Managing Director of the NewClimate Institute. Top improvements were shown this year by Brazil and Italy, both reaching significantly higher ranks than last year. Over the last year, Brazil has notably increased its solar photovoltaic capacity additions, growing at a rate similar to other emerging economies like India, Turkey and China.

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China, India and US have highest investment needs

The US have fallen by two ranks to ninth position as a result of policy changes, cutting down the federal support for renewable energy policies. As a result, the number of new wind and solar installations has declined in 2017. In that period, the US invested USD 57 billion in renewable energy, only a third of the required capital of USD 158 billion to align to the goals of the Paris agreement. For comparison: The fifth placed China invested with USD 133 billion more than twice as much in 2017, but also here the demand is distinctly higher with required annually USD 314 billion in the power sector. In India, on position ten, the expansion of solar energy doubled, while wind power also rose. However, with investments of USD 11 billion in renewable energy in the last year, India has so far only reached a minimum of the required USD 160 billion per year to meet the climate targets in the power sector.

Only UK has long-term strategy of decarbonization

Only a few G20 countries follow a strategy of full decarbonization for the power sector. Almost all G20 countries (except the US) have agreed to limit their CO_2-emissions to net-zero by 2050, but only the UK has passed a binding and ambitious long-term plan to decarbonize its power system. However, even the UK has not developed short-term renewable energy targets. Only Brazil, France and Germany have short-term renewable targets in place, which ramp up renewables fast enough to be in line with what is requested by the Paris Agreement.

The Monitor finds that all countries show room for improvement for their policy framework to provide excellent investment conditions for renewables. “The question is not whether countries implement policies but how exactly they implement them”, says co-author Jan Burck from Germanwatch. The main challenges include

- On-and-off policy support,
- Sub-optimal enforcement of a support policy and
- Regressive policy design.

Important role of long-term investors

Insurance companies can play a crucial role in renewable energy projects, possessing the necessary risk management expertise as well as being well-capitalized investors with a long-term investment perspective. Allianz is one of the first insurance companies to set itself long-term climate goals which are linked to the two-degree target of the Paris Climate Agreement and supporting the transition to a climate-friendly economy per example by financing renewable energies. By 2040, in a step by step process, Allianz will have phased out both its proprietary investments in coal-based business and its insurance coverage of such risks.

About the Allianz Climate and Energy Monitor

The Allianz Climate and Energy Monitor 2018 ranks the 19 member states of the G20 (European Union as supranational body excluded) according to their attractiveness as potential destinations for investments in low-carbon electricity infrastructure. It further considers their current and future investment needs in line with a trajectory compatible with the well below two-degree Celsius limit of the Paris Agreement. Whether and where investors provide funds depends on a reliable climate and energy strategy in the country concerned, as well as on specific, transparent support mechanisms, fair competition with fossil energy sources, the influence of contrary lobbies, and market experience with renewable energy. These are in addition to general factors like inflation, openness to foreign investors, and legal certainty. www.allianz.com/en/monitor

About the authors

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The Allianz Group is one of the world's leading insurers and asset managers with more than 88 million retail and corporate customers. Allianz is one of the world's largest investors, managing over 660 billion euros on behalf of its insurance customers while our asset managers Allianz Global Investors and PIMCO manage an additional 1.4 trillion euros of third-party assets. Thanks to our systematic integration of ecological and social criteria in our business processes and investment decisions, we hold the leading position for insurers in the Dow Jones Sustainability Index. www.allianz.com

Germanwatch is an independent development and environmental organization that advocates for global equity and preservation of livelihood. They concentrate on politics and economies of the "global north" and its worldwide impacts. Starting point of the work are disadvantaged people from the "global south" and together with their members, sponsors and other actors from the civil society to lobby for sustainable development. Based on scientific analyses they inform the public sector, make educational as well as lobby work and demonstrate consumers how to act according their goals. www.germanwatch.org

The NewClimate Institute is a Germany-based research institute generating ideas on climate change and driving their implementation. They do research, policy design and knowledge sharing on raising ambition for action against climate change and supporting sustainable development. Their core expertise lies in the areas of climate policy analysis, climate action tracking, climate finance, carbon markets, and sustainable energy. https://newclimate.org

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About Allianz
The Allianz Group is one of the world's leading insurers and asset managers with more than 88 million retail and corporate customers. Allianz customers benefit from a broad range of personal and corporate insurance services, ranging from property, life and health insurance to assistance services to credit insurance and global business insurance. Allianz is one of the world's largest investors, managing over 660 billion euros on behalf of its insurance customers while our asset managers Allianz Global Investors and PIMCO manage an additional 1.4 trillion euros of third-party assets. Thanks to our systematic integration of ecological and social criteria in our business processes and investment decisions, we hold the leading position for insurers in the Dow Jones Sustainability Index. In 2017, over 140,000 employees in more than 70 countries achieved total revenue of 126 billion euros and an operating profit of 11 billion euros for the group.

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