The economic case for climate finance at scale

Kaibiao ZHU, Hongyue WU, Rongjia XU

Executive Summary

IT WILL BE impossible to contain the global temperature rise to 1.5 to 2 degrees Celsius above pre-industrial levels unless emerging market and developing economies (EMDEs) decarbonise much more rapidly. This policy brief examines the economic case for advanced-country financial support for replacement of coal with renewable energy sources in EMDEs.

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1 Introduction

Global carbon emissions are at a historic high. Emissions in 2023 consumed 10.67 percent of the remaining carbon budget consistent with limiting global warming to 1.5 degrees Celsius compared to pre-industrial levels.

2 The desirability of climate finance at scale

We use a dataset of estimates of the costs and benefits of phasing out coal use the largest single source of carbon emissions and replacing the phased-out coal energy with renewable energy.

2.1 The global net benefits to decarbonisation are very large

Table 1 sets out the global costs and benefits from a gradual coal phase-out, consistent with achieving net-zero emissions by 2050.

Table 1: The global costs and benefits of Paris Agreement-consistent coal phase-out

	2024-2030	2024-2050	2024-2100
Costs (in $ trillions)	12.2	23.5	36.0
Advanced countries	3.8	6.9	10.5
EMDEs	8.5	16.6	25.4

3 Conclusion

Our results imply that there is a strong economic case for wealthy countries to provide climate finance at scale, beyond their moral obligations under the Paris Agreement.