Climate investing: myths versus realities

Climate crises demand urgency and accountability. Forget myths; here's the reality of investing in a decarbonised future and the hard challenges that lie ahead.

By *Pierre Abadie*

The IPCC has warned us since the 1990s. Now, climate crises and catastrophes are daily headlines. Global shocks, from COVID-19 to inflation and geopolitical tensions, are no excuse to sideline climate action. This article dives into the real data, market dynamics and actionable solutions, stripping away illusions to get to the core of the climate investment reality.

Myth #1: 'Only new technology will save us'

One of the biggest misconceptions is that we need a game-changing technology to address climate change. While innovation can help, we already have all the tools required to drive major emissions reductions. Insulating buildings, electrifying heating and transport, and generating low-carbon electricity aren't futuristic dreams – they're achievable today with existing technology. What's needed is large-scale implementation, which relies on engineering, manufacturing and local labour, not a technological miracle.

Myth #2: 'Low-carbon investment is too small'

The notion that climate-friendly investments are small or niche is outdated. In 2023, investments in low-carbon energy surpassed $ 2 trillion, doubling what's spent in fossil fuels and more than doubling 2018's decarbonisation investments.[1] This is no minor shift. It's a systemic overhaul on par with the Industrial Revolution. And it's only growing. The IEA projects that by the next decade, this investment level will double again, with two-thirds of energy spending directed toward low-carbon solutions.[2]

Myth #3: 'Emerging economies are the problem'

Blaming emerging economies for climate issues misses the point. Historically, Europe and the US are the biggest cumulative carbon emitters. While China is a significant contributor, it primarily produces goods for Western markets. Immediate action must target the carbon footprint of existing assets in the US, Europe and China, where the majority of decarbonisation investments are already directed. Helping emerging economies transition directly to low-carbon energy is a future challenge, but not the immediate crisis. The current emergency lies with reducing the carbon footprint of developed economies.

Myth #4: 'Decarbonisation requires massive subsidies'

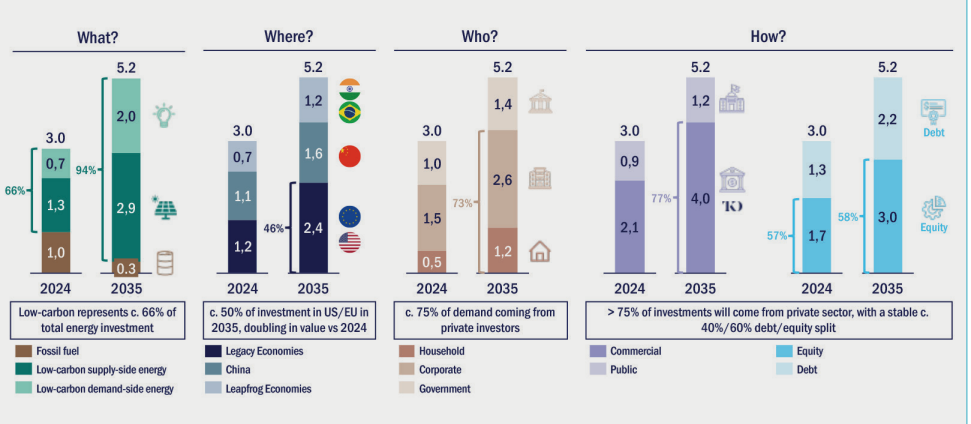
Another misconception is that decarbonisation will only happen with substantial government subsidies. Today, fossil fuels receive more subsidies than renewables, reflecting the fossil industry's current 80% energy share.[3] Yet, the private sector drives 75% of the demand for decarbonisation services, with corporations accounting for half[4]. This shift isn't about altruism – it's about resilience, energy security and cost reduction. In a world where fossil fuel production will inevitably decline, decarbonisation makes economic sense, not just environmental sense.

Myth #5: 'Government must fund the transition'

There's a belief that

'Circularity will be crucial in the next phase, as limited planetary resources demand sustainable economic models.'

FIGURE 1: ANNUAL ENERGY SECTOR INVESTMENTS ($ TRILLION) IN 2024 AND IN 2035 UNDER A PARIS-ALIGNED SCENARIO



Source: Tikehau Capital, based on IEA – World Energy Outlook 2024, World Energy Investment 2024 and Net Zero by 2050, 2023

‘The actual barriers to decarbonisation lie in workforce shortages and mineral availability, not ambition or investment.’

government funds are essential to financing the transition. The reality? Private sector financing already accounts for three-quarters of low-carbon investment.[5] Companies are investing not for the planet but because it aligns with their profitability objectives. Equity funds serve as enablers, while debt financing supports reductions in businesses’ carbon footprints. Decarbonisation is increasingly a market-driven necessity, demonstrating that sustainable practices are financially positive without government intervention.

Myth #6: ‘Geopolitical tensions are a barrier’

Instability often gets blamed for slowing climate action, but it’s actually driving the decarbonisation agenda. The Ukraine war exposed Europe’s heavy reliance on imported fossil fuels, leading to urgent energy sovereignty efforts. In the US, a surplus of fossil domestic production enables decarbonisation while boosting exports. China, with scarce oil and gas resources, is going electric to reduce dependency on imports. The global trend is toward energy sovereignty, which inadvertently fuels the shift to low-carbon systems.

Real challenges: workforce and critical mineral supply

The actual barriers to decarbonisation lie in workforce shortages and mineral availability, not ambition or investment.

Workforce shortage:
The climate transition isn’t just theory, it’s a massive, practical overhaul of our system. Electrification, retrofitting and infrastructure projects all require skilled workers. Meeting demand will require tripling current capacity, especially in the US and Europe. Focusing on abstract solutions won’t meet this need. We need to invest in the people on the ground - those installing cables, retrofitting buildings and maintaining infrastructure.

Critical mineral supply:
Decarbonisation requires significant amounts of critical minerals, such as copper, which is essential for power lines and electrification. Tripling infrastructure capacity could mean doubling global copper production, a feat that took centuries to reach current levels. Expanding this capacity is slow, costly, and logistically complex, and it’s one of the largest bottlenecks to rapid transition.

Moving forward: practical action, not wishful thinking

Facing reality means recognising the risks of falling short on workforce and minerals. A 3°C climate drift outcome would normalise extreme weather events, shifting focus from mitigation to adaptation.[6] To keep progress on track, actions must be grounded in feasibility, not hopeful promises.

The transition of our entire system from fossil fuels to electricity fundamentally represents a shift from mining fossil fuels to mining critical minerals. Circularity will be crucial in the next phase, as limited planetary resources demand sustainable economic models. Meeting this challenge won’t be easy, but it’s possible through grounded, practical steps. ■

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1 International Energy Agency. ‘World Energy Investment 2023: Overview and Key Findings.’ May 2023.
2 International Energy Agency. World Energy Investment 2024: Overview and Key Findings. IEA, 2024.
3 International Monetary Fund. Energy Subsidies: Fossil Fuel Subsidy Tracker. IMF, 2023.
4 United Nations Framework Convention on Climate Change. Private Investors Could Drive Over Two-Thirds of the Trillions in Investment Needed to Reach Net-Zero. UNFCCC Climate Champions, 2023.
5 International Energy Agency. World Energy Investment 2023: Overview and Key Findings. IEA, 2023
6 Intergovernmental Panel on Climate Change. ‘Chapter 11: Weather and Climate Extreme Events in a Changing Climate.’ In Climate Change 2021: The Physical Science Basis. Contribution of Working Group I to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change. Cambridge University Press, 2021.

SUMMARY

Climate action is essential. Illusions won’t solve real issues.

Existing solutions can drive decarbonisation – there is no tech miracle required.

Low-carbon investments are already more than double those in the fossil fuels.

Developed economies were and remain the major current emitters.

The private sector drives demand, as decarbonisation can be profitable.

Geopolitical instability pushes regions toward energy sovereignty.

Real barriers to decarbonisation lie in workforce shortage and the availability of critical minerals.

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