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Press release

Just in Time: India will need USD12.4 trillion to transition to meet long term net zero goals

05 April 2022, India: India will require USD12.4 trillion to transition to net zero and help the world in its efforts to stave off the worst of climate change. Emerging markets, overall, will need an additional USD94.8 trillion – a sum higher than annual global GDP – if they are to meet climate goals without hitting citizens' cost of living, a new study by Standard Chartered has revealed.

According to *Just in Time,* which investigates the transition financing gap for emerging markets and how to close it, developed market funding, where capital is provided through grants and loans, will be critical to ensuring emerging markets are able to transition without impacting their growth or household spending.

The study found that…

- If the finance India needs is provided by developed markets, Indian household spending could increase by USD7.9 trillion compared to self-financing
- Indian household spending could fall by a total of USD5.8 trillion if it has to self-fund its journey to net zero
- If emerging markets fund their own transition, without help from developed markets, household consumption in these markets could fall by 5 per cent on average each year

The transition finance gap

While India needs investment of USD12.4 trillion to transition to net zero, *Just in Time* reveals that emerging markets as a whole need to invest an additional USD94.8 trillion to transition in time to meet long-term global warming targets. This is on top of the capital already allocated by governments under their current climate policies.

Private investors can contribute USD83 trillion of the USD94.8 trillion that is required – underscoring the urgent need for financial institutions to fulfil green and transition finance pledges.

The transition finance gap by market					
	Investment (power)	**Investment (energy efficiency including industry, transport, buildings)**	**Other public expenditure (early scrappage, heating subsidies)**	**Offset – (carbon tax revenues, household heating tax)**	**Transition finance gap:**
China	USD21.9 trillion	USD30.2 trillion	USD2.3 trillion	USD19.2 trillion	**USD35.1trillion**
India	USD8.5 trillion	USD6.0 trillion	USD573.3 billion	USD2.7 trillion	**USD12.4 trillion**
Indonesia	USD2.1 trillion	USD2.0 trillion	USD107.9 billion	USD1.4 trillion	**USD2.7 trillion**
Nigeria	USD220.7 billion	USD215.4 billion	USD40.8 billion	USD193.5 billion	**USD283.3 billion**
South Africa	USD445.5 billion	USD1.4 trillion	USD143.3 billion	USD1.2 trillion	**USD833.6 billion**
Malaysia	USD1.3 trillion	USD310.6 billion	USD129.1 billion	USD833.4 billion	**USD909.9 billion**
Kenya	USD128.4 billion	USD285.1 billion	USD32.3 billion	USD32.2 billion	**USD413.6 billion**
UAE	USD680.1 billion	USD211.6 billion	USD28.2 billion	USD259.2 billion	**USD671.1 billion**

However, as shown in our previous report, *The USD50 Trillion Question*, encouraging investment in emerging markets is a difficult task. The world's top 300 investment firms with total assets under management of more than USD50 trillion, have just 2 per cent, 3 per cent and 5 per cent of their investments in the Middle East, Africa and South America, respectively.

Just in Time argues that to transition in the fairest way possible, greater collaboration is required in strategy, policy, and financing. More importantly, banks need to live up to the pledges made during COP26 if ordinary households are to avoid bearing the costs of their market's transition to net-zero.

Closing the transition finance gap

Just in Time looks at two pathways to closing the emerging market transition finance gap, self-financing by emerging markets and developed market financing, where capital is provided through grants and loans.

Emerging market self-financing would lead to higher taxes and an increase in government borrowing, meaning that some of the world's poorest people will have less to spend on their everyday needs. Households in these markets would be USD2 trillion poorer on average each year. In total, between now and 2060, emerging market household consumption could be reduced by USD79.2 trillion.

However, developed market financing could see emerging market household spending increase by USD1.7 trillion on average each year (compared to self-financing) and would also stimulate global growth – GDP could be USD108.3 trillion higher cumulatively between now and 2060 if developed markets finance the transition. Emerging markets being able to reach net-zero without hampering their growth or prosperity would represent a just transition.

Self-financing and developed market financing: The impact on household consumption			
	Household consumption (per cent) (annual average between 2021 and 2060)	**Household consumption (annual average between 2021 and 2060)**	**Household consumption in total (2021 – 2060)**
India (self-financing)	-3	-USD143.9 billion	-USD5.8 trillion
India (developed market financing)	4.7	USD197.7 billion	USD7.9 trillion
Indonesia (self-financing)	-3.4	-USD48.6 billion	-USD1.9 trillion
Indonesia (developed market financing)	3.6	USD55.6 billion	USD2.2 trillion
Nigeria (self-financing)	-0.8	-USD8.3 billion	-USD335.1 billion
Nigeria (developed market financing)	0.8	USD5.4 billion	USD216.7 billion
South Africa (self-financing)	-1	-USD7.1 billion	-USD281.8 billion
South Africa (developed market financing)	1.4	USD7.7 billion	USD311.1 billion
Malaysia (self-financing)	-4.6	-USD26.5 billion	-USD1.1 trillion
Malaysia (developed market financing)	4.1	USD21.9 billion	USD878.0 billion
Kenya (self-financing)	-6.8	-USD10.4 billion	-USD417.0 billion
Kenya (developed market financing)	4.0	USD6.2 billion	USD246.6 billion
UAE (self-financing)	-8.1	-USD31.1 billion	-USD1.2 trillion
UAE (developed market financing)	4.7	USD13.8 billion	USD551.2 billion

Bill Winters, Group Chief Executive, Standard Chartered, said: "Emerging markets need a great deal of investment to transition to net zero and the stakes have never been higher. Without help from developed markets, improvement in emerging market prosperity could be halted or reversed, which would not only be unjust but would have a hugely negative impact on the world economy.

"However, even more crucially, failure to deliver emerging market transition finance could mean climate goals are missed, triggering an environmental catastrophe. Governments and the financial sector need to come together to help facilitate the flow of investment into emerging markets urgently. Developed market funding could help prevent the worst of global warming, as well as stimulating global GDP."

Our approach to net zero

Standard Chartered has committed to reaching net zero in our financed emissions by 2050, with interim targets for the most carbon-intensive sectors by 2030.

We plan to mobilise USD300 billion in green and transition finance by 2030 to support the transition to net zero in the markets we can home, supported by our own Transition Finance Framework. We are accelerating new solutions, including through a new dedicated Transition Acceleration Team to support clients in high-emitting sectors.

www.sc.com/justintime

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Standard Chartered

Standard Chartered Bank has been operating in India since 1858 and has a network of 100 branches in 42 cities. Key business segments include Corporate, Commercial and Institutional Banking as well as Consumer, Private and Business Banking. For more information, visit https://www.sc.com/in/

Globally, we are a leading international banking group, with a presence in 59 of the world's most dynamic markets and serving clients in a further 85. Our purpose is to drive commerce and prosperity through our unique diversity, and our heritage and values are expressed in our brand promise, here for good.

Standard Chartered PLC is listed on the London and Hong Kong Stock Exchanges.

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