Berne energy transition

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Transition to clean energy in line with achieving the targets set by the 2015 Paris Climate Agreement of Net Zero Carbon Emissions by 2050 and the 17 UN Sustainable Development Goals (SDGs) by 2030 is a major challenge for all countries and stakeholders.

Energy transition is defined as the shift from fossil-based systems of energy production and consumption - including oil, natural gas, and coal - to renewable energy sources like wind, wave and solar, bearing in mind the essential enablers such as lithium-ion batteries.

As a multilateral credit and political risk insurer, the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) - with its uniquely faith-based ethos in which preserving nature, promoting people-centric development, and where industrial, private sector business and investment, science and technology serve both as public goods and profit generators are intrinsic to its core mandate - has energy transition embedded as a moral, development and underwriting imperative.

In a world still reeling from the effects of the COVID-19 pandemic that have been exacerbated by the disruptions in fuel and food supplies as a result of the Ukraine conflict, and the global economic shocks that have resulted in burgeoning inflation, increased levels of sovereign debt, high energy and food prices, and a global cost-of-living crisis, the clean energy transition is compounded with a pernicious multiplier effect.

Who would have thought that a quarter of the way into the 21st Century, we would be seeing food and energy poverty in the richest economies in the economic north? While these countries have the policy, reserves and fiscal space to lessen negative impact, at least in the short term, middle-and-low-income countries (MICs and LICs) do not have the luxury of resorting to such safety nets.

Worldwide regulatory agencies need to harmonise disclosure standards for sustainable finance to reduce unnecessary bureaucracy and to maximise capital flows into investments countering climate change and enhancing food security. Interchangeability of terminology relating to climate action, ESG, sustainability and green finance and fragmented energy and green taxonomies make transition complex and in a world full of uncertainties, difficult.

ICIEC is guided by the climate action and energy transition needs and agendas of its 49 member states. Governments cannot solely bear the estimated US$5-7 trillion finance required towards achieving the 2050 net zero goals, neither can Development Finance Institutions (DFIs). The private sector is expected to play a significant role in closing the financing gap but has thus far been reluctant to do so because of the huge associated risks.

The best way forward is through meaningful partnerships, which pool resources, knowledge exchange, technical expertise, capacity building, technology and stakeholder education, a trend which is progressively taking shape.

ICIEC has illustrated the importance of partnerships through its various recent MoUs with peer institutions and partners, including Afreximbank, and African Finance Corporation, in underwriting greenfield projects in Sub Saharan Africa and Asia, promoting ESG and jointly attaining climate action development goals. Similarly, ICIEC"s membership of the InsuResilience Global Partnership platform, the Arab Africa Trade Bridges Programme and the Africa Co-Guarantee Platform are all geared towards embedding just energy transition through cooperation.

The IsDB has 57 member states, of which 49 are also members of ICIEC. The fundamental dichotomy is that, on the one hand, several of them are primary producers of commodities including oil, gas, coal, and palm oil, on which their economies and development agendas are dependent, and on the other hand, several are also most vulnerable to the impacts of climate change including the Maldives, Mozambique, Bangladesh, Pakistan, and the Sahel countries.

One way to do this is through InsuResilience"s Global Shield against Climate Risks by providing and facilitating more and better prearranged protection against climate and disaster related risks, losses and damages. Transition risks are business related risks that follow societal and economic shifts toward a low carbon and more climate friendly future. These risks include policy, regulatory, technology, market, credit, reputational and legal risks.

Mobilising private capital on a large scale will be key to achieving climate objectives. Financial markets alone cannot bridge the gap, but combining public, private, and philanthropic capital offers unique advantages by reducing investment risk and attracting greater funding. Such interventions require large grants and concessional resources for projects based on their ability to reduce emissions, improve resilience to climate change and provide a just transition to lower carbon activities.