

FDI Trends and the Green Investment Opportunity

Seoul, Republic of Korea

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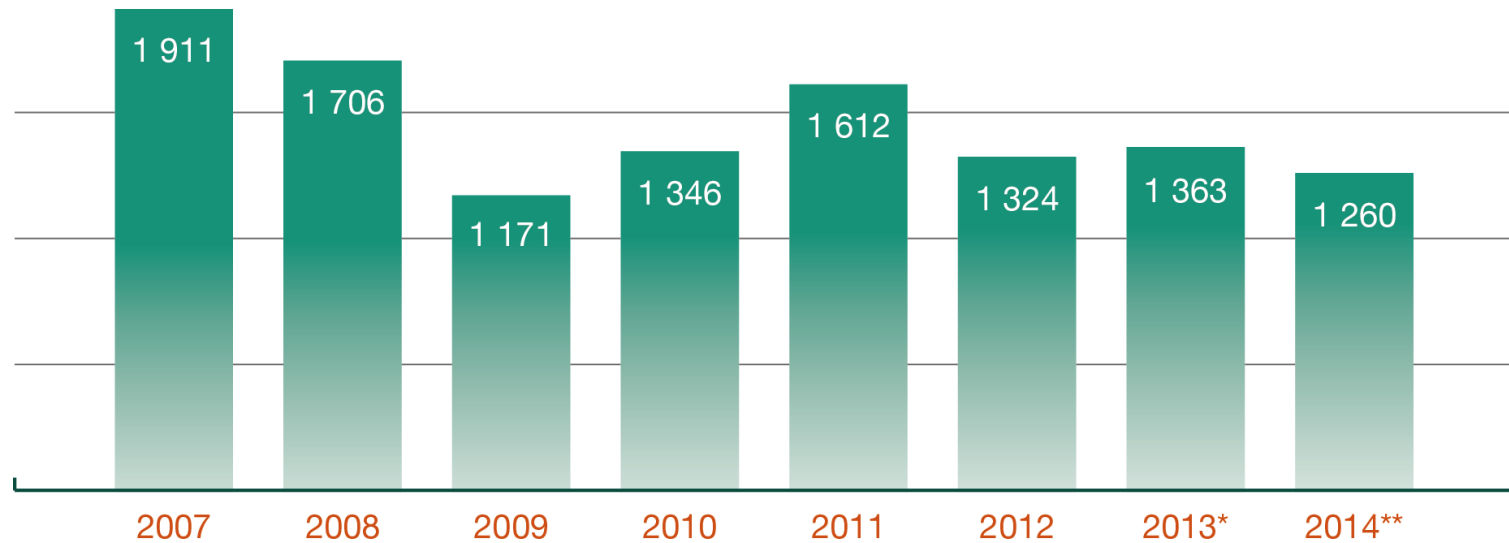
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UNCTAD

Global FDI inflows declined in 2014

A solid overall rise remains distant

Estimated global FDI inflows, 2007-2014 (billions of US dollars)



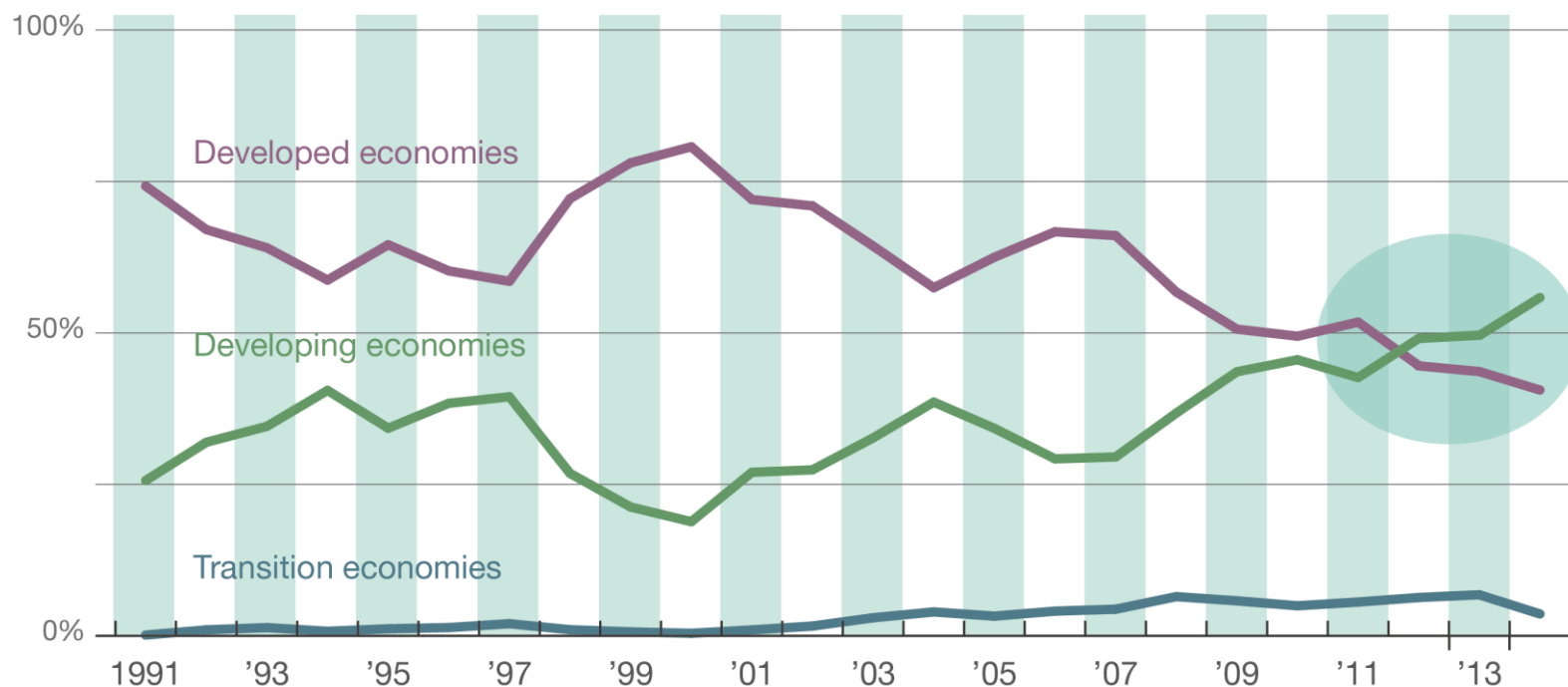
* Revised

** Preliminary estimates

Source: UNCTAD Global Investment Trends Monitor (January 2015)

Developed economies are trapped in a historically low share

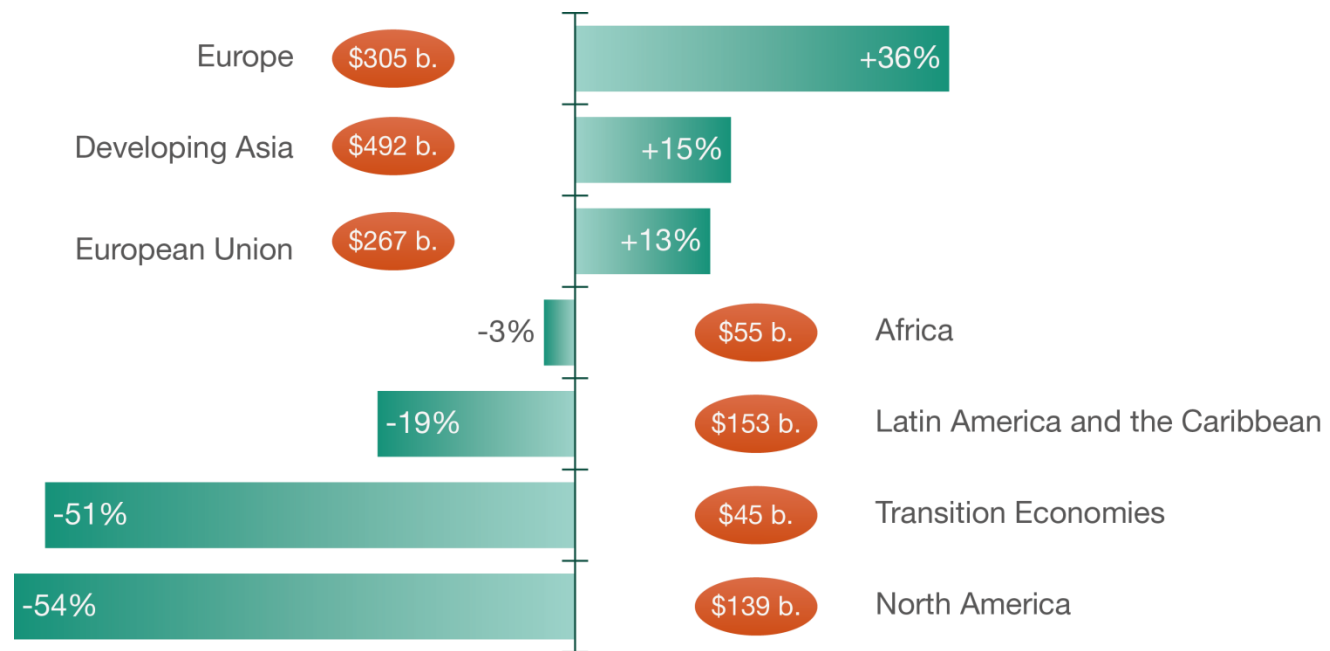
FDI inflow shares by major economic groupings, 1991-2014 (per cent)



Source: UNCTAD Statistics and Global Investment Trends Monitor (January 2015)

FDI inflows increase in Europe and drop in North America

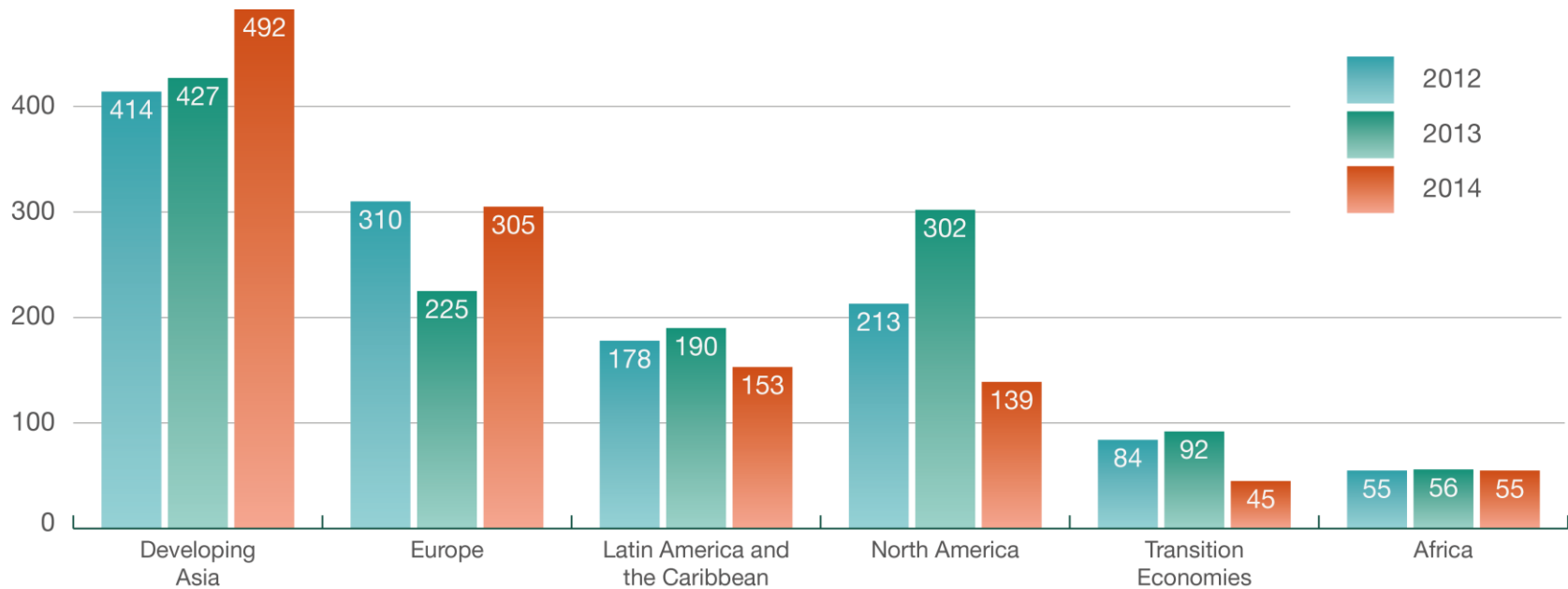
Estimated FDI inflows by region, 2013-2014
(per cent change and value of inflows in 2014, billions of US dollars)



Source: UNCTAD Global Investment Trends Monitor (January 2015)

Developing Asia absorbed almost half a trillion US dollars of FDI

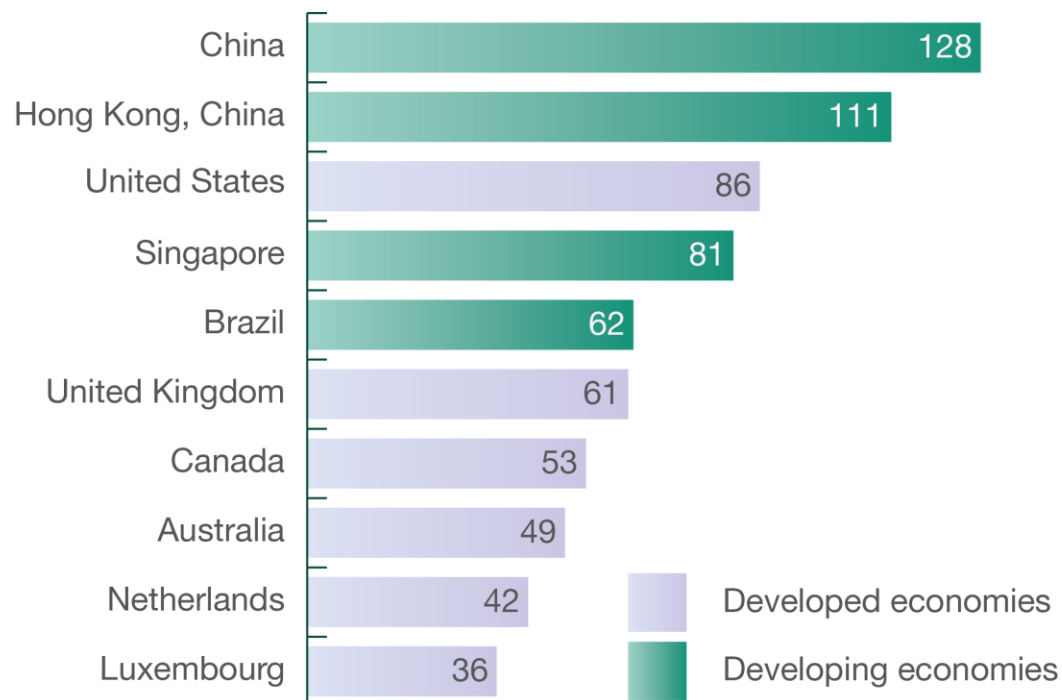
Estimated FDI inflows by region, 2012-2014 (billions of US dollars)



Source: UNCTAD Global Investment Trends Monitor (January 2015)

China became the largest FDI recipient in 2014

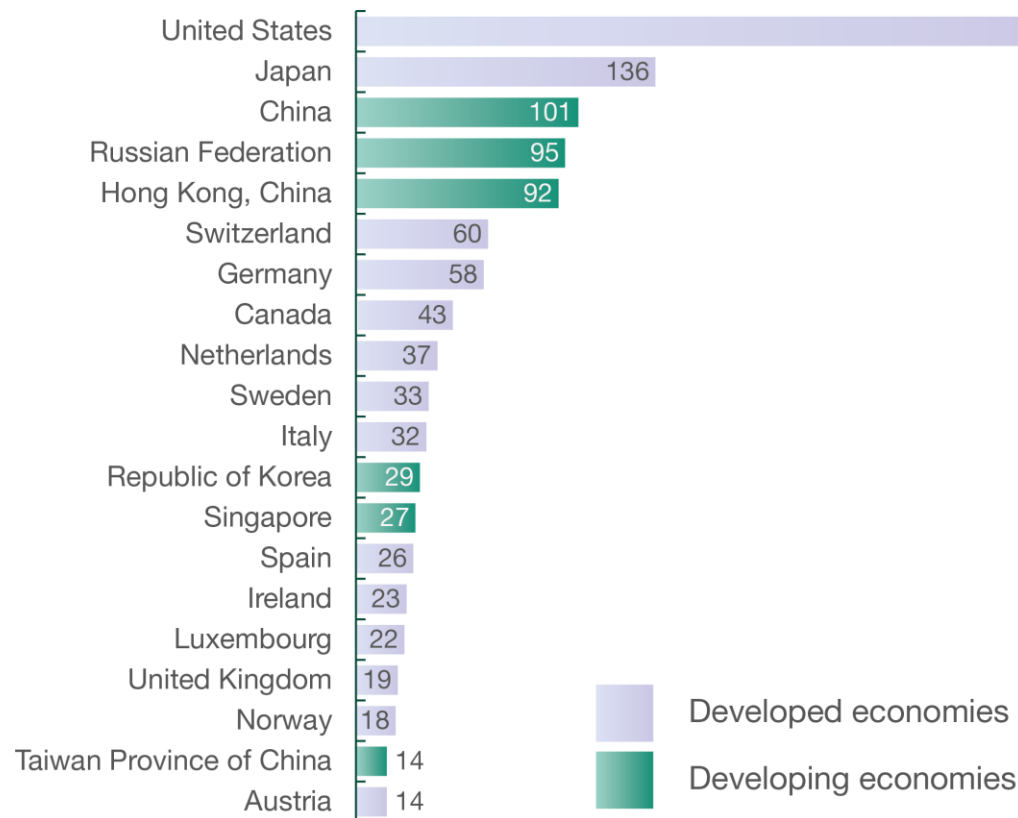
Estimated FDI inflows: top 10 host economies, 2014 (billions of US dollars)



Source: UNCTAD Global Investment Trends Monitor (January 2015)

Three out of five of the largest sources of FDI are developing or transition economies (2013)

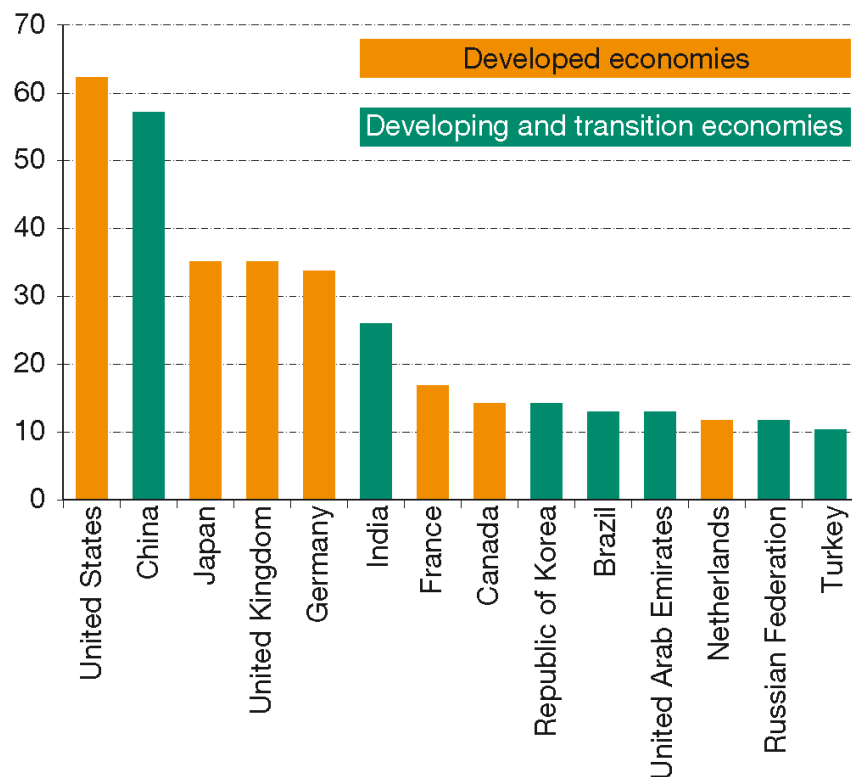
Top 20 investors, 2013 (billions of US dollars)



Source: UNCTAD World Investment Report 2014

The United States and China are considered by IPAs the most promising sources of FDI

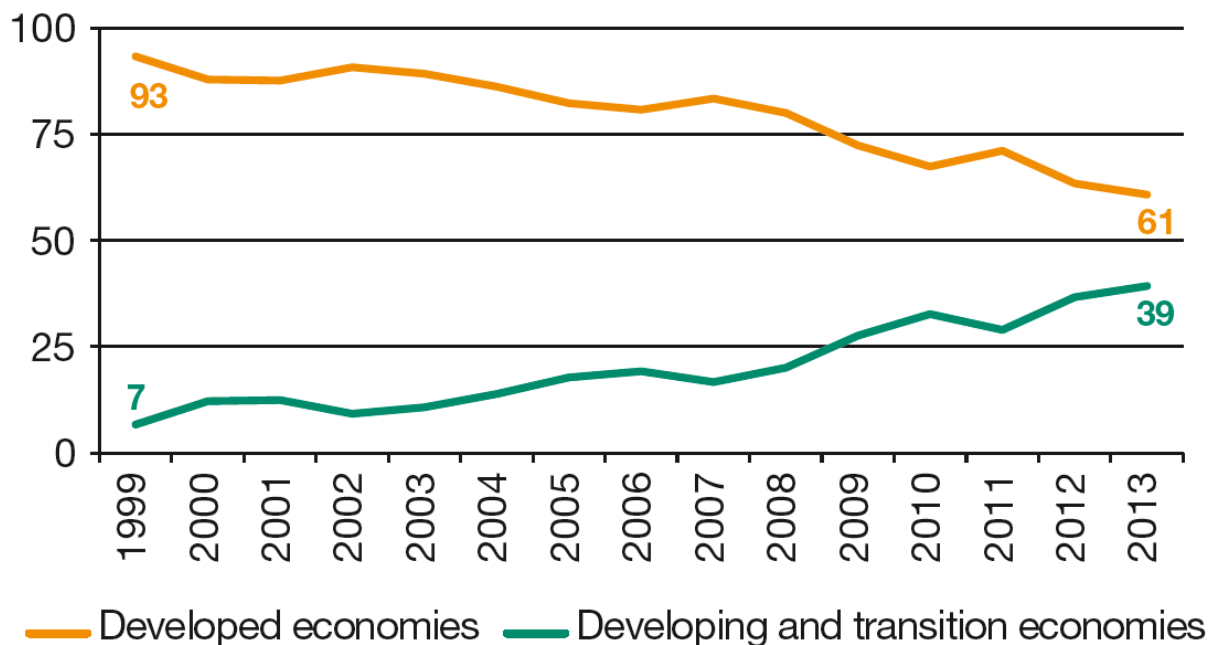
IPAs' selection of most promising investor home economies for FDI in 2014–2016
(per cent of IPA respondents selecting economy as a top source of FDI)



Source: UNCTAD survey (2014), based on responses from 80 IPAs

Developing and transition economies account for 39% of global outward FDI

Shares in global FDI outflows, by group of economies, 1999–2013 (per cent)



Source: UNCTAD

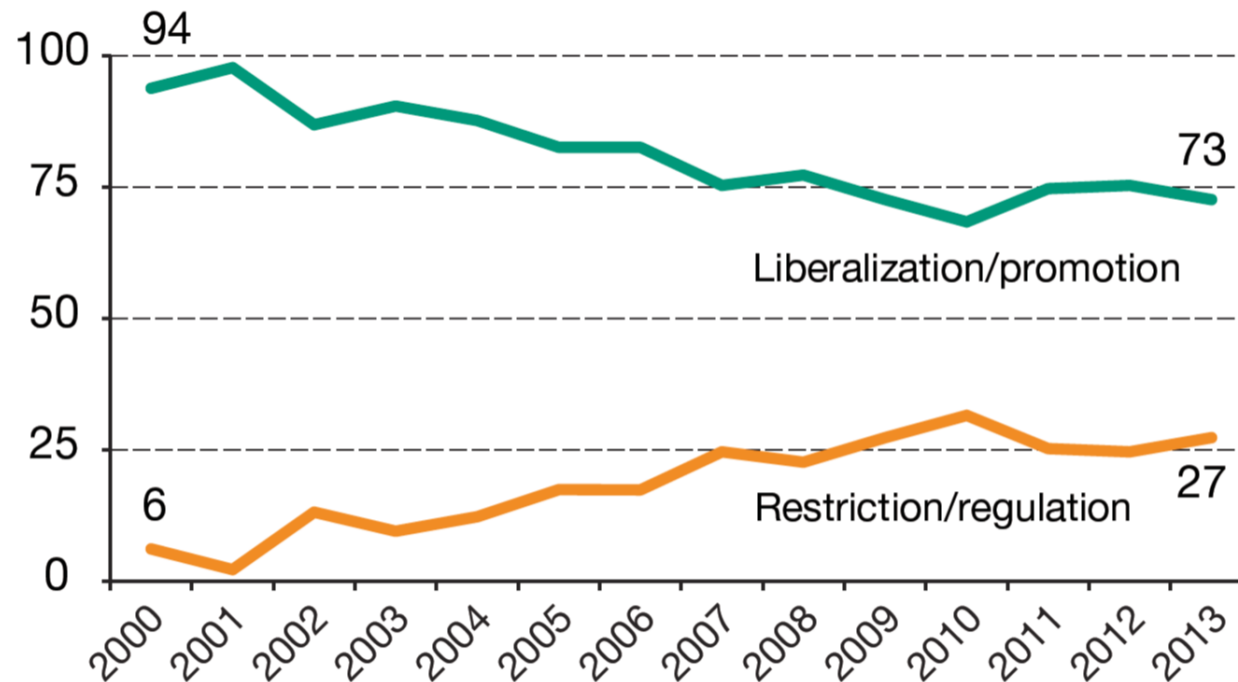
International production by TNCs continues its steady growth

2013	Change over 2012
71 million of employees	+5%
\$35 trillion of sales	+9%
\$7 trillion of value added (~10% of global GDP)	+6%
\$97 trillion of managed assets	+8%
\$8 trillion of exports	+3%

Most investment policy measures remain geared towards investment promotion and liberalization

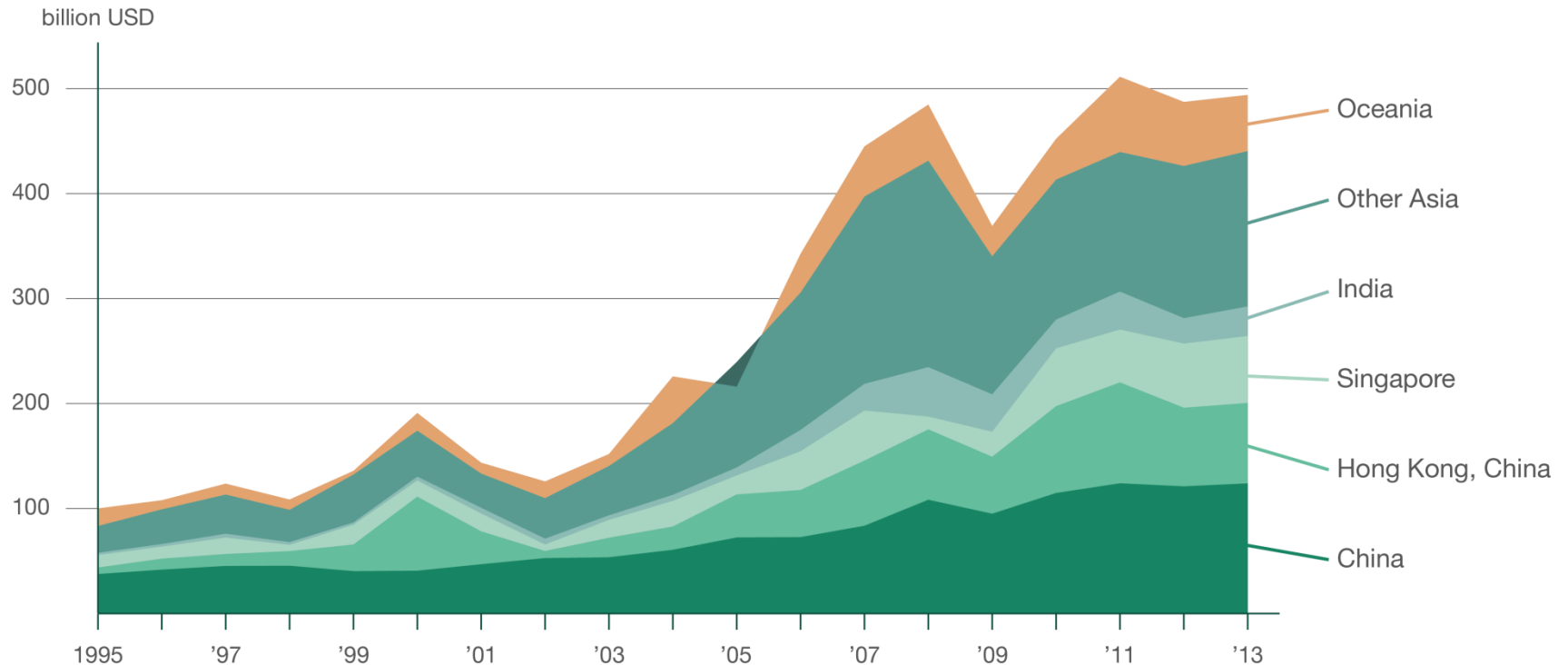
but restrictions and regulations increased further

Changes in national investment policies, 2000–2013 (per cent)



FDI flows to Asia and the Pacific remained stable between 2011 and 2013

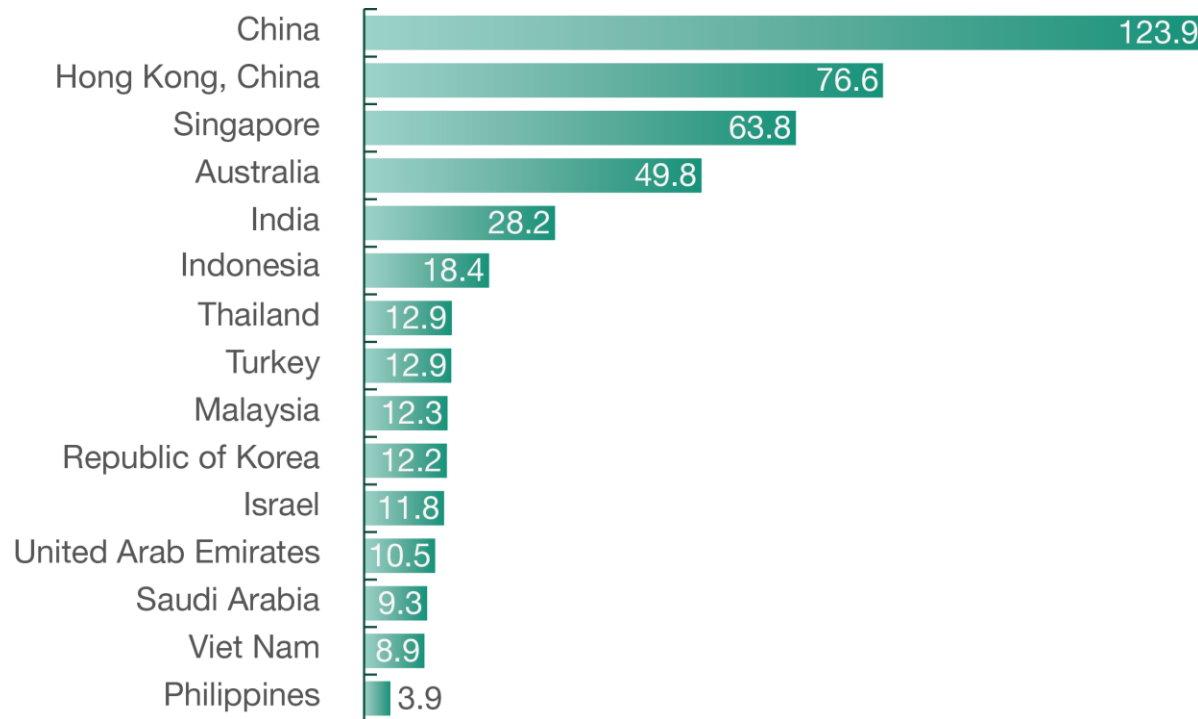
FDI inflows to Asia and Oceania, 1995-2013 (billions of US dollars)



Source: UNCTAD Statistics (2015)

Top 15 FDI host economies in Asia and the Pacific in 2013

FDI inflows in 2013 (billions of US dollars)



Source: UNCTAD Statistics (2015)

What is low-carbon foreign investment?

It is the transfer of technologies, practices or products by TNCs to host countries (through FDI and non-equity forms)...

Low-carbon processes
investments



...to reduce GHG emissions
related to how products or
services are produced.

E.g. upgrading of TNC operations,
and those of related firms along
their global value chains.

Low-carbon products and
services investments



...to lower GHG emissions
through their use.

E.g. electric cars, power-saving
electronics and light bulbs, as well
as rendering technology solutions
by reengineering GHG-emitting
processes in local companies

Types of low-carbon investment

Investment in production processes with a reduced GHG impact

- Implementation of energy-saving processes
- Introduction of processes and equipment that reduces GHG emissions
- Use of green construction techniques in building

Investment in clean energy generation

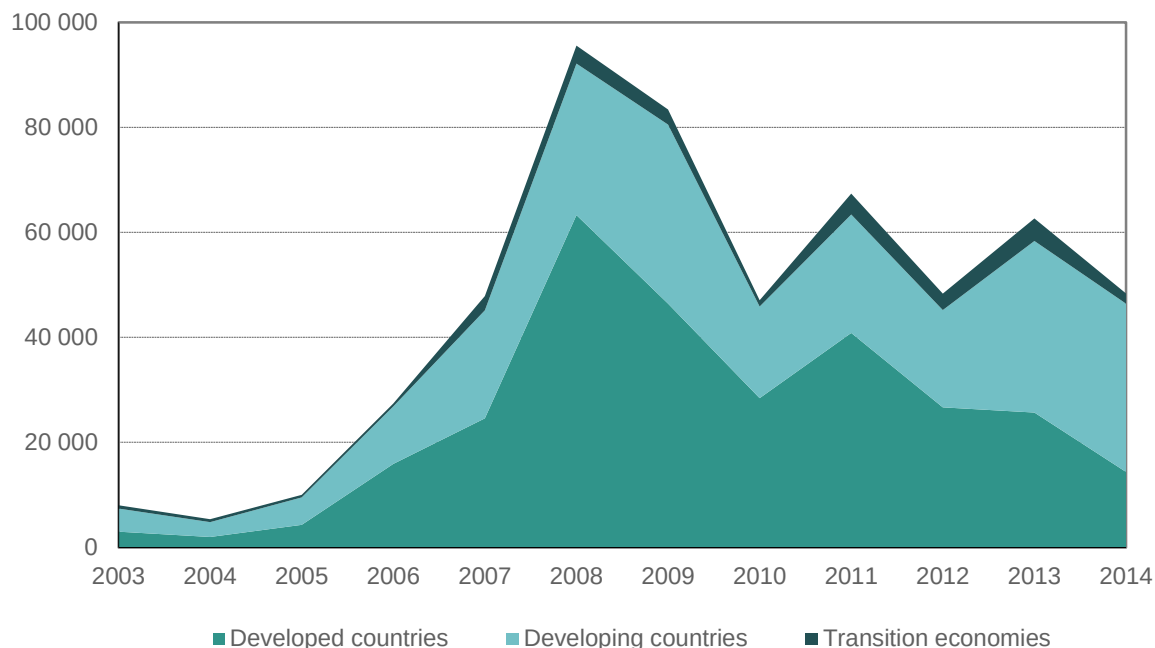
- Solar energy
- Windmill parks
- Hydropower generation
- Geothermal energy facilities

Investment in research and production facilities to manufacture GHG-reducing products and provide related services

- Research in energy efficiency and recycling
- Production of solar panels, windmills
- Production of energy-efficient products (electric cars, light bulbs, etc.)
- Technology services
- Waste management services

Inward greenfield projects in low-carbon sectors decreased globally but their share in developing countries increase

Greenfield projects in selected low-carbon business areas, by group of host economies, 2003-2014 (millions of US dollars)



Source: UNCTAD, based on information from the Financial Times Ltd, fDi Markets (www.fDimarkets.com)

Outward greenfield projects in selected low-carbon sectors back to 2012 levels

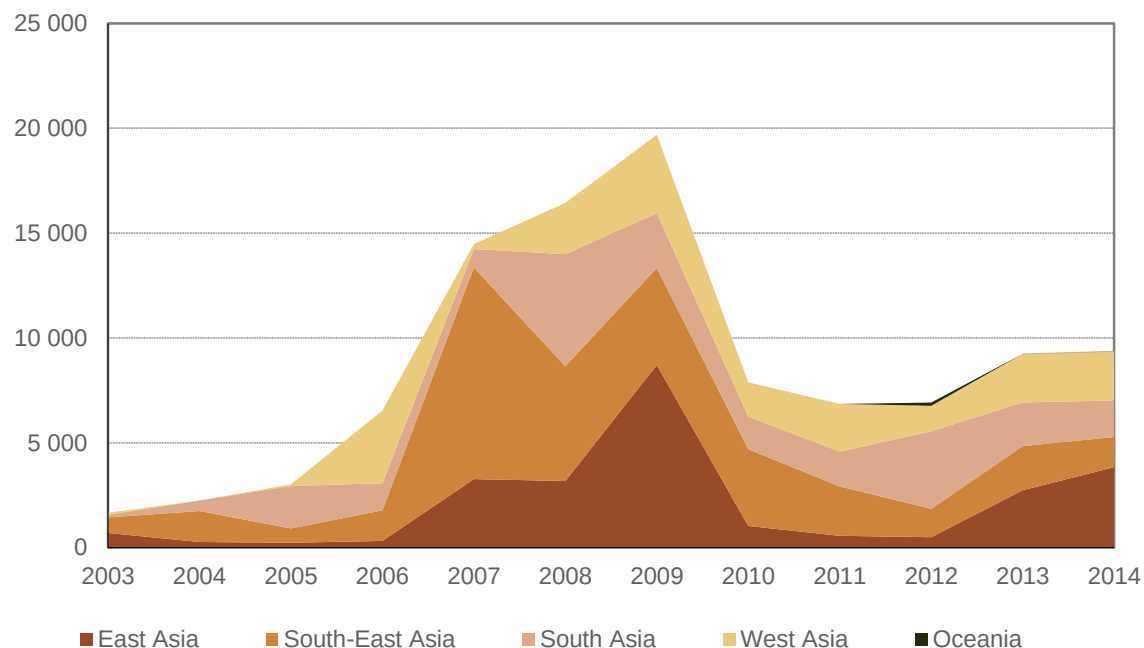
Greenfield projects in selected low-carbon business areas, by group of home economies, 2003-2014 (millions of US dollars)



Source: UNCTAD, based on information from the Financial Times Ltd, fDi Markets (www.fDimarkets.com)

Inward greenfield projects in selected low-carbon sectors in developing Asia and Oceania

Greenfield projects in selected low-carbon business areas, by group of host economies 2003-2014 (millions of US dollars)

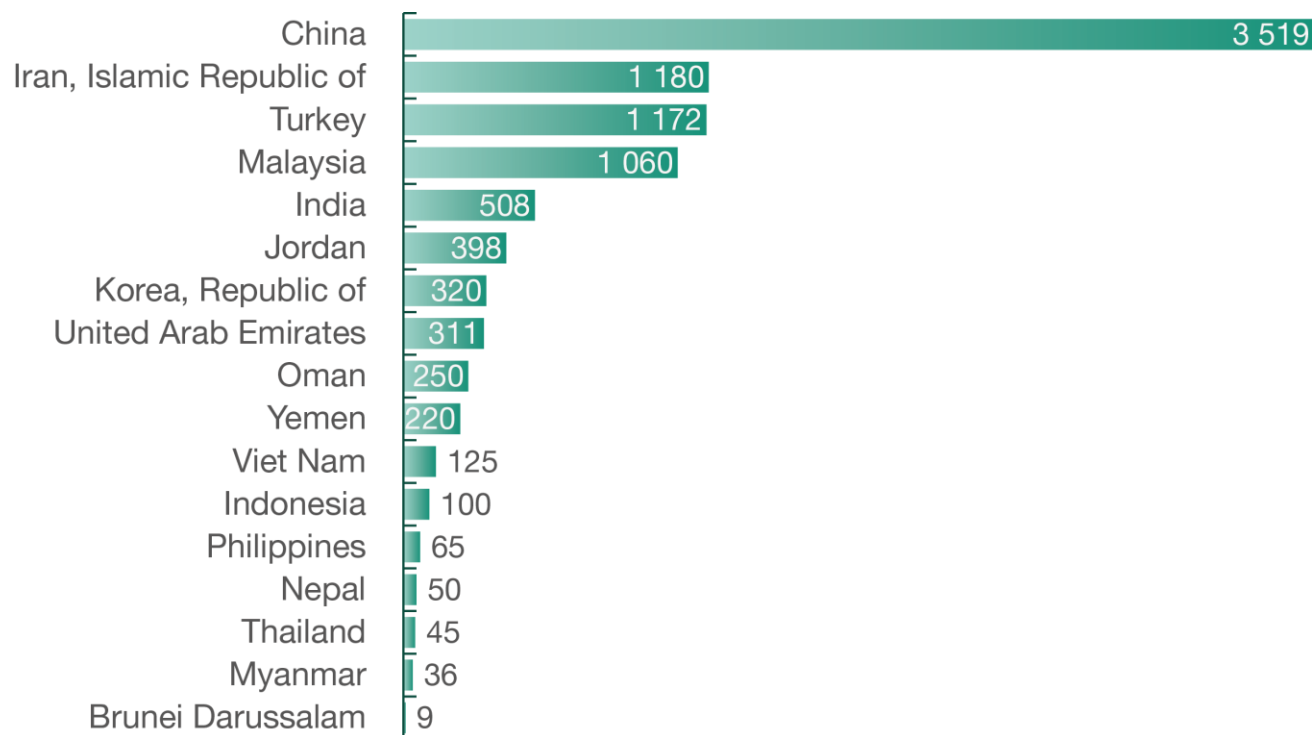


Note: Data only includes developing countries in considered regions

Source: UNCTAD, based on information from the Financial Times Ltd, fDi Markets (www.fDimarkets.com)

17 countries received low-carbon FDI projects in 2014 in developing Asia and Oceania

Greenfield projects in selected low-carbon business areas by host economies, 2014
(millions of US dollars)

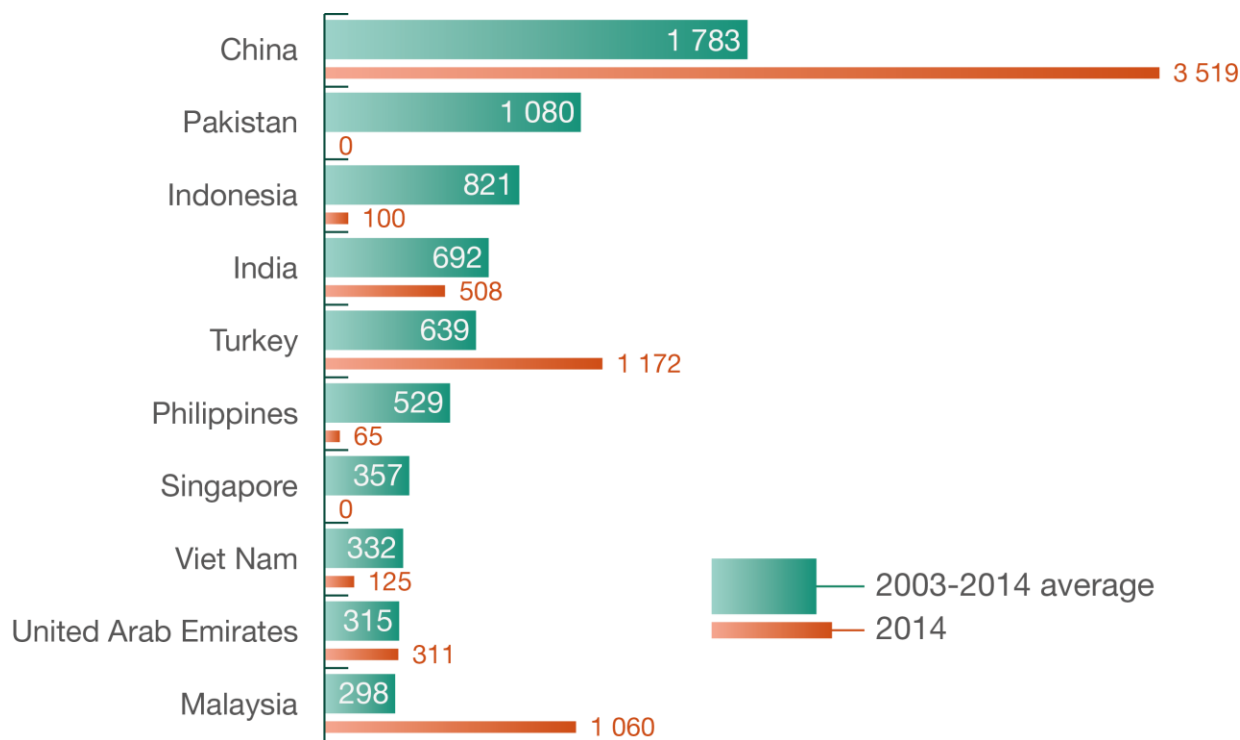


Note: Data only includes developing countries in considered regions

Source: UNCTAD, based on information from the Financial Times Ltd, fDi Markets (www.fDimarkets.com)

China and Pakistan are top recipients of low-carbon greenfield projects in the region over the past 12 years

Top 10 greenfield FDI host economies in developing Asia and Oceania
between 2003 and 2014 (millions of US dollars)

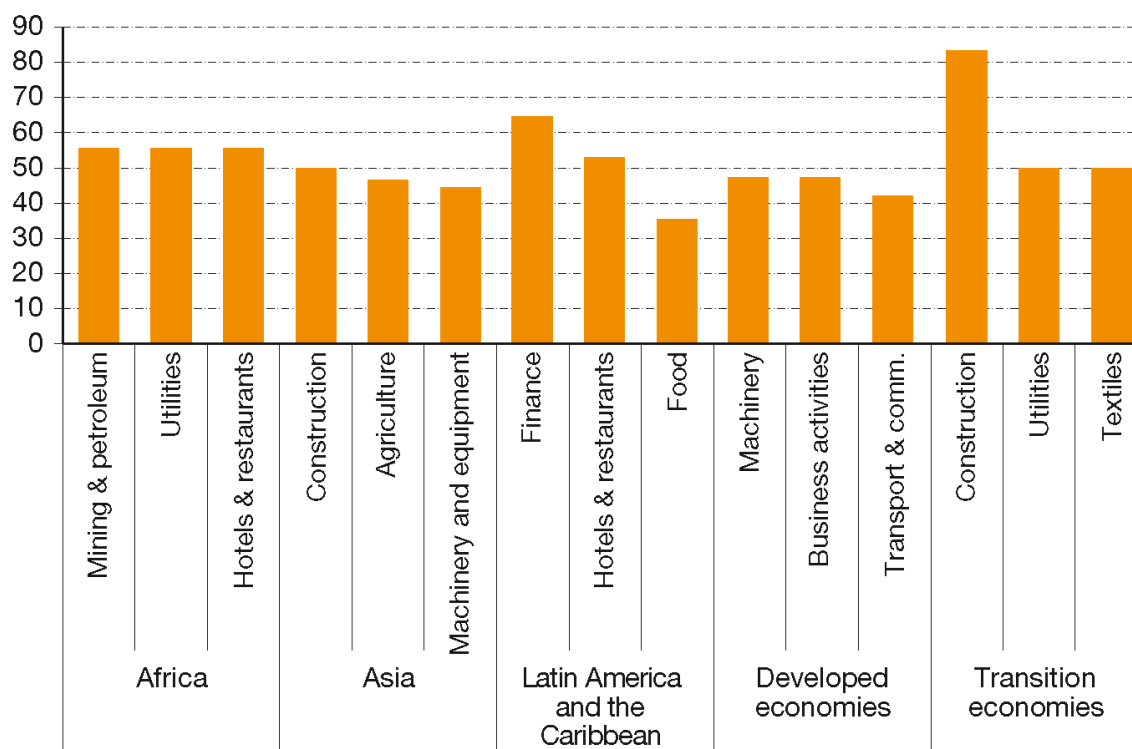


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Source: UNCTAD, based on information from the Financial Times Ltd, fDi Markets (www.fDimarkets.com)

IPAs' selection of most promising industries for attracting FDI in their own country

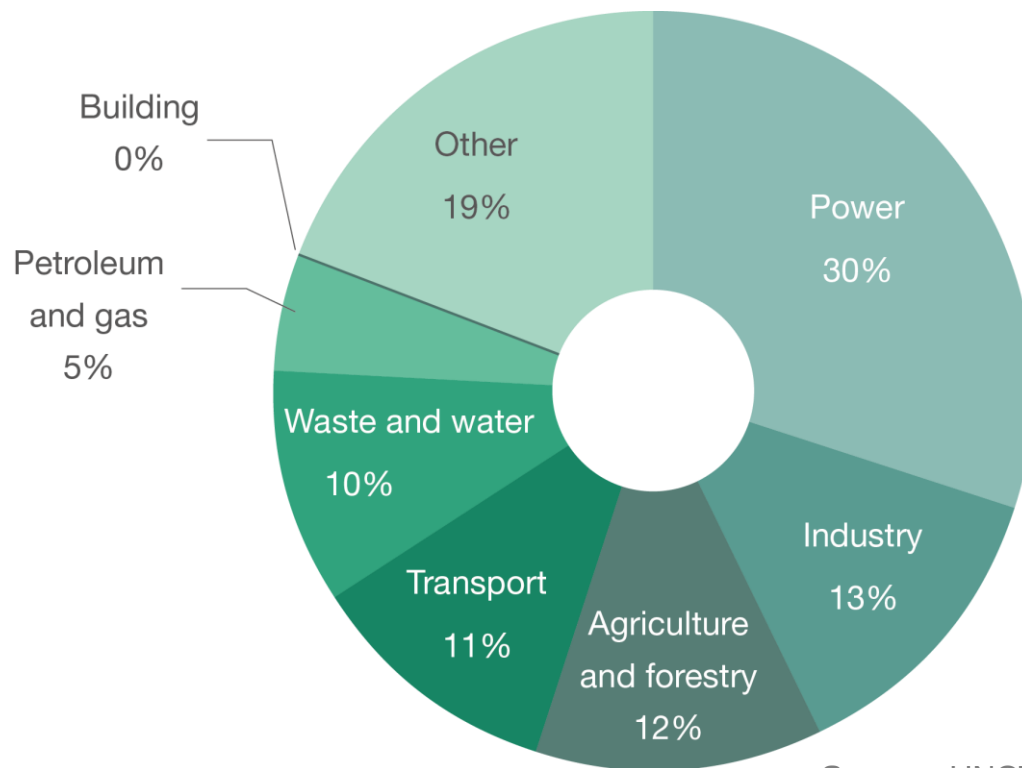
(per cent of IPA respondents)



Source: UNCTAD survey (2014), based on responses from 80 IPAs

IPA target sectors for attracting low-carbon FDI

Percentage of responses, 2010



Source: UNCTAD Survey of IPAs (2010)

Why do TNCs engage in low-carbon foreign investment?

Home market
and trade
conditions

Home
government
policies

Costs of
production

Business
conditions

Drivers

- Home-country policies, public opinion and shareholder pressure increasingly drive TNCs to invest into low-carbon activities abroad.

Locational determinants

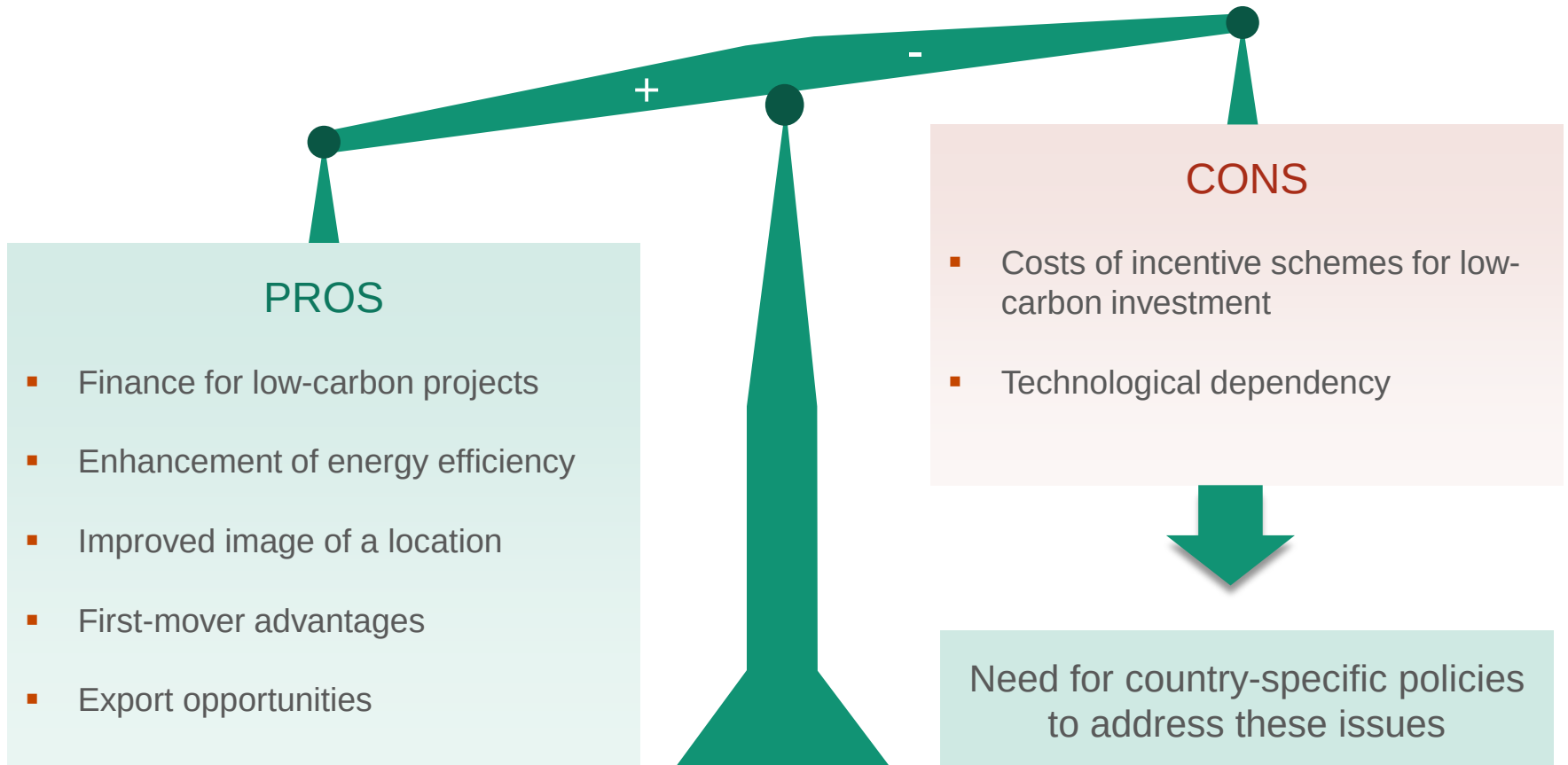
- Tailored policy frameworks and business facilitation are important.
- General factors dominate the economic determinants, but low-carbon investment has some unique aspects.

General policy
framework

Economic
determinants

Business facilitation

Weighing the pros and cons of low-carbon foreign investment



Promotion of low-carbon investment

Selection of policy tools

- Emission standards
- Product standards
- Taxation rebates on environmental friendly equipment
- Fuel taxes, fuel efficiency standards and biofuel blending mandates
- Subsidies for R&D in low-carbon technologies
- Subsidies for households to install solar panels
- Special credit lines for renewable energy projects
- Feed-in tariffs
- Public procurement of energy efficient products
- Industrial development tools, like green special economic zones, including cleantech parks
- Programmes to promote business linkages in low-carbon industries and foster absorptive and adaptive capacities in domestic firms
- Encouraging corporate social responsibility

Promotion of low-carbon investment

IPA practices

Targeted promotion

IPAs select and target low-carbon subsectors that match the country's development objectives and for which the location is competitive, e.g., attracting FDI in the manufacturing of solar panels for a fast expanding local market.

Facilitation and aftercare

Specific focus on networking, matchmaking and the forging of partnerships between low-carbon development stakeholders, including international and domestic companies, local authorities and research institutions, e.g., support in the development of cleantech clusters.

Policy advocacy

Promotion of low-carbon friendly policies and measures for target sectors, e.g., encourage the use of feed-in tariffs mechanisms for renewable energies.



UNITED NATIONS
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