



WORLD BANK STATEMENT

MINISTERIAL SEGMENT - COP11- Montreal

Mr. Chairman, Distinguished Ministers and delegates,

The World Bank believes that the issue of climate change is both a global environmental challenge and a development challenge: the two are inextricably linked.

Mr. Chairman,

Today we live in a world with a global Gross Domestic Product (GDP) of around US\$38 trillion, split 80:20 (80 percent of the global population receiving 20 percent of this global income and vice-versa) and with 2 billion people under the poverty line.

If developing countries achieve the Millennium Development Goals by 2015 and if we assume that by the middle of the century, 2050, we would “complete” the job of eliminating poverty as we know it and if we review the minimum economic growth needed to achieve this, we are likely to be facing a world GDP of around US\$140 trillion – an additional US\$100 trillion, which is more than double today’s! This wealth is likely to split closer to 60:40, and it is likely that the GDP per capita in developing countries will be twice that of today’s developed country economies.

Global climate change threatens these prospects of poverty reduction and prosperity in developing countries.

Reducing greenhouse gas emissions globally through the Kyoto Protocol represents a pioneer effort, but today we are confronted with the sobering reality that mitigation efforts have been modest on a global scale while evidence of climate change and increased climate risk to sustainable development and the poor is mounting daily. Given the World Bank’s mission of poverty reduction through sustainable development, we must now give appropriate weight to managing climate risk to the poor while expanding access to the global carbon market.

Agriculture and rural development are taking the brunt of climate risk through increased extreme climate variability. 70 percent of the world's poor live in rural areas, and agriculture represents anywhere from 23 percent to 69 percent of GDP in low income countries. A one percent increase in productivity produces a six percent increase in incomes of the lowest quartile in 35 poorest countries. In Africa and Asia, climate change poses the threat of a 20 percent decrease in staple crop yields by 2020, and up to 30-35 percent by 2050. Water and heat stress tolerant, and saline tolerant crops will be needed. Farmers need predictable weather almost as much as they need predictable prices. It is of utmost importance to help small farmers offset the uncertainty of extreme weather events by making available to them at affordable prices the same range of climate-linked disaster risk insurance that is available in the North.

It is also crucial to open carbon markets to the poor so that they can benefit from carbon trade to reforest their degraded lands, restore productivity and buffer changing rainfall patterns. Within the Convention and inside the Clean Development Mechanism (CDM), it should be made easier, not harder, for the rural poor to benefit from carbon trade. We also applaud efforts by forest rich nations to advance voluntary efforts to avoid deforestation in order to reduce greenhouse gas emissions, to protect biodiversity and maintain existing forest resources for the one billion people world-wide dependent on forest for their economic and social well-being.

Mr. Chairman,

Infrastructure needs are increasing exponentially and energy infrastructure is the key driver of economic growth. Developing countries use too little energy, not too much. The challenge is to make energy growth locally and globally sustainable.

In the energy sector, it is been surprising and daunting to find that not only is the use of coal growing so rapidly in the developing countries – between them, India and China are building coal power capacity double the installed capacity of Sweden's power system

each year – but that the OECD is about to start a major power plant renewal program, replacing perhaps 50 percent of the current power plant fleet in the next 15 years.

Because there is no credible long term market signal to power plant developers that they will have to pay dearly for increased greenhouse emissions, the design of neither the developing country nor OECD plants apply even currently available highest energy efficient technology. The lock-in effects on climate-intensity of growth of this enormous near term spurt of new power plant construction is of serious concern.

Today we are confronting a long term problem such as climate change, with medium term targets and short-term finance. As we celebrate this first meeting of the Parties to the Kyoto Protocol, we must be mindful that it is already too late for the CDM to support significant new low carbon power and energy supply alternatives. Projects conceived today typically take 5 or more years to begin operations. Ten to 15 years of carbon purchases at today's prices are needed to switch investments to the best available low carbon alternatives. Hence, Mr. Chairman, ensuring continuity in carbon trade by guaranteeing to buy now emissions reductions that will be achieved only after 2012 is a critical element in maintaining the momentum and sense of achievement we are all experiencing here in Montreal this week.

Finally, to meet the challenges of long term climate management, a new investment framework is needed to bridge gaps in infrastructure financing by combining public-and private financing sources, supporting flexible approaches to market development and market continuity, and sponsoring multifaceted technology research, development, commercialization and transfer – stimulating new thinking and complementing different efforts underway. The Bank has pledged to support this approach by responding enthusiastically to the request of the G8 at the Gleneagles Summit in July this year and the guidance we have received from our developing country partners on their priorities for climate management.

Let me finally emphasize that the World Bank recognizes the primacy of the UNFCCC as the essential umbrella institution for climate change policy and negotiations, and is working closely with its Secretariat and with other International Financial Institutions, in direct consultation with developing countries, and stakeholders from private sector and civil society, on the design of this long term investment framework.

THANK YOU