

Climate Change and the World Bank Group

**Phase I: An Evaluation
of World Bank Win-Win
Policy Reforms**

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December 17, 2008



Plan of the talk

- ▶ Evaluation premise and scope
- ▶ Prospects for delinking growth and emissions
- ▶ Win-win policies
 - Energy price reform
 - Promoting energy efficiency
 - Reducing gas flaring
- ▶ Recommendations





Evaluation Premise and Scope

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This study: the first of three phases

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1. Win-win Energy Policies (excludes IFC, MIGA)

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1. Win-win Energy Policies (excludes IFC, MIGA)
2. Technology diffusion; forestry (includes IFC, MIGA)

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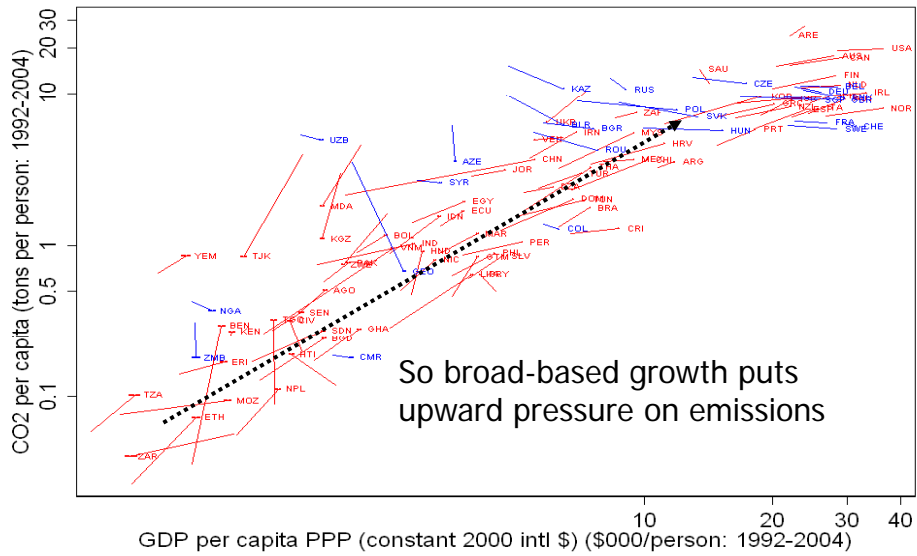
1. Win-win Energy Policies (excludes IFC, MIGA)
2. Technology diffusion; forestry (includes IFC, MIGA)
3. Adaptation

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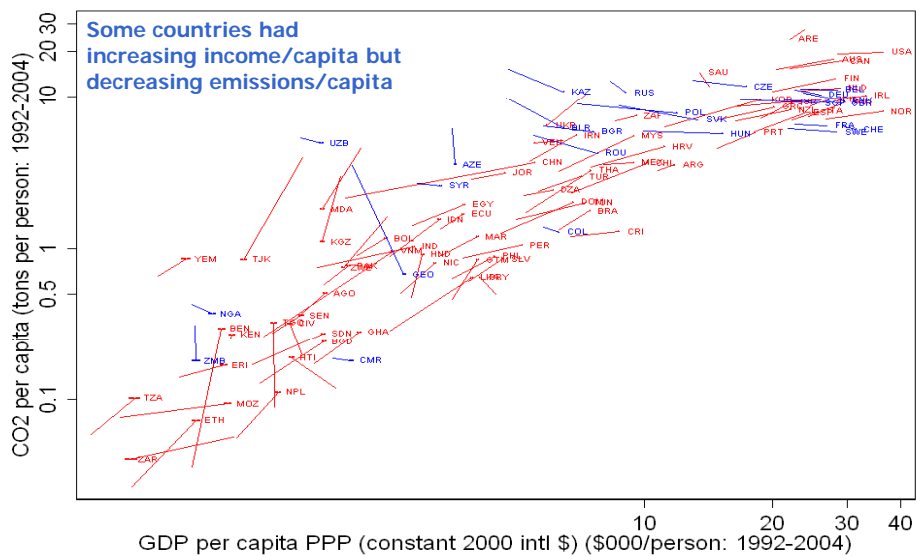
Delinking Growth and Emissions

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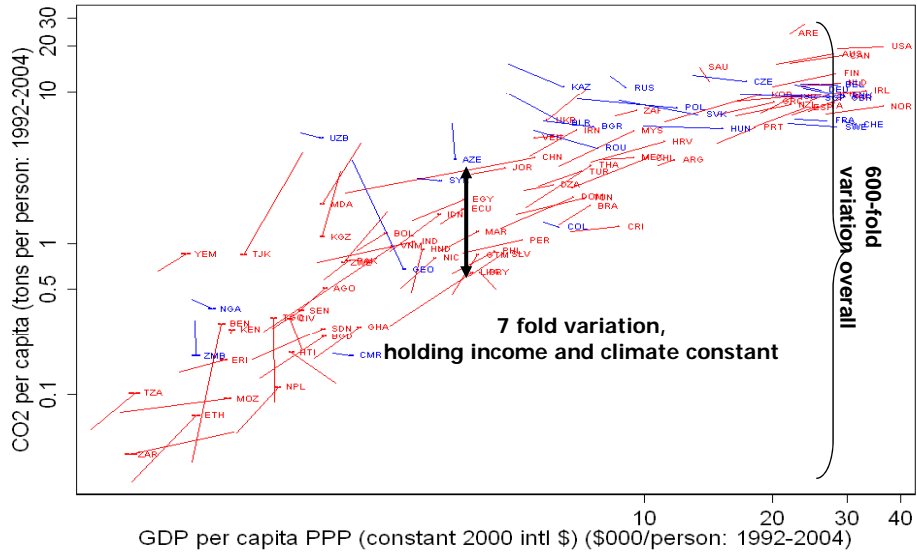
Strong link between income and emissions – between countries and over time



But other growth paths are possible



And some countries emit much less than peers with similar income and climate



Win-Win Policies:

- ▶ Energy Price Reform
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Energy pricing and subsidies



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- ▶ CO2-provoking
 - Diesel subsidizers emit twice as much CO2/capita as countries with similar per capita income

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- ▶ Determinants of engagement and success
 - Fiscal stress
 - High level engagement
 - Analytic work

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Social safety nets have been used to compensate for fuel price rises



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Energy efficiency: a low cost way to satisfy new demands for energy

- ▶ IEA: efficiency policies could satisfy 50% of incremental energy demand over 2005-2030
- ▶ McKinsey: possible to reduce consumption growth 50% with investments that offer returns >10%
- ▶ IPCC: end user efficiency equivalent to renewables or carbon capture in potential for emissions reduction.



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- ▶ 'Hardware' investments –such as district heating – had good rates of return compared to other energy projects. Volume ramped up in recent years.
- ▶ Relatively few projects supported efficiency *policies and institutions*: e.g. building codes, appliance standards, demand side management.

An uphill fight for energy efficiency projects?

- ▶ Compared to large engineering projects, efficiency policies involve
 - Smaller funding
 - Less visibility and 'charisma'
 - More complex design and preparation
 - Longer time horizons
- ▶ GEF and trust fund support have been critical to efficiency policy projects

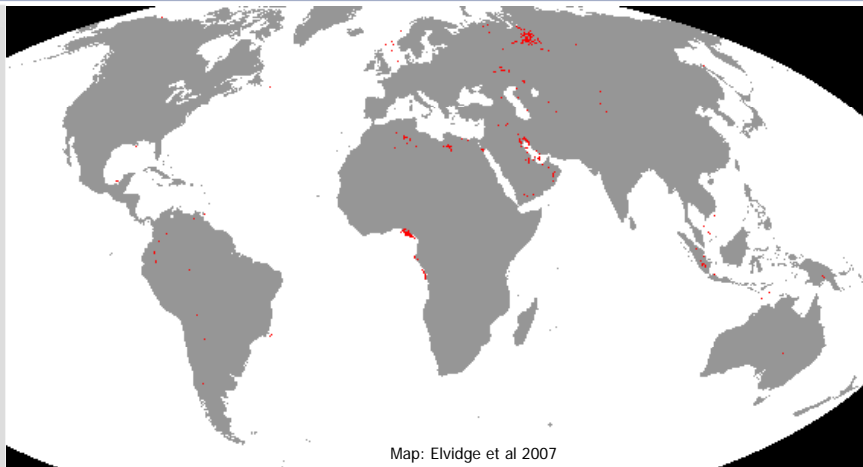
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Gas Flaring: an efficiency and pricing issue



Gas Flaring locations



Remedies for flaring: Carbon finance vs. price reform

- ▶ Carbon finance – stressed by GGFR – presumes gas utilization is not privately profitable
- ▶ But gas is often underpriced, depressing returns.
- ▶ At economic prices, flaring reduction could be highly profitable

Recommendations

Looking toward the future

- ▶ Systematically promote price reform.
- ▶ Use energy efficiency measures to ease price reform.
- ▶ Help countries see efficiency as a way of meeting energy demand
- ▶ Invest in monitoring and metrics at the project, country, and global level.

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