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Adapting to Climate Change to Cost US\$75-100 Billion a year

New global estimate for cost of adaptation to climate change in developing countries

Bangkok/Washington, September 30 2009 – The costs of adaptation to climate change in developing countries will be in the order of US\$75-100 billion per year for the period 2010 to 2050 according to preliminary findings in a new global study from The World Bank.

The *Economics of Adaptation to Climate Change* (EACC) study, funded by the governments of the Netherlands, Switzerland, and the United Kingdom, is the most in-depth analysis of the economics of adaptation to climate change to date and uses a new methodology for assessing these costs.

The new approach involves comparing a future world without climate change with a future world with climate change. The difference between these two worlds entails a series of actions to adapt to the new world conditions. The costs of these additional actions are the costs of adapting to climate change.

In the draft consultation document released today, a key part of the overall analysis involved estimating adaptation costs for major economic sectors under two alternative future climate scenarios: “wet” and a “dry”. Under the relatively dryer scenario the adaptation cost is estimated at US\$75 billion per year, while under the scenario that assumes a future wetter climate it is US\$100 billion.

“Roughly the costs of adapting to a 2°C warmer world are of the same order of magnitude as current Overseas Development Assistance” said Katherine Sierra, World Bank Vice President for Sustainable Development. “Faced with the prospect of huge additional infrastructure costs, as well as drought, disease and dramatic reductions in agricultural productivity, developing countries need to be prepared for the potential consequences of unchecked climate change. In this respect, access to necessary financing will be critical.”

“The World Bank study makes plain that taking action in favor of adaptation now can result in future savings and reduce unacceptable risks,” said Bert Koenders, Dutch Minister for Development Cooperation. “At this point, the costs this will entail can still be borne by the international community, to judge by the GDPs of rich countries, but for poor countries they are unacceptably high. More than ever, mitigation, adaptation and development cooperation are needed to make the poor less vulnerable to climate change. International public financial support for adaptation in the poorest developing countries should be new and additional, so as not to jeopardize the Millennium Development Goals.”

The EACC study has two broad objectives. The first is to develop an estimate of the global costs of adaptation in developing countries. The second is to help decision makers in developing countries to better understand and assess the risks posed by climate change and to better design strategies to adapt to climate change, particularly keeping the most vulnerable communities in focus. A second report, based on seven country case studies, will be produced by spring 2010, focusing on the second objective.

The report released today finds that the highest costs will be borne by the East Asia and Pacific Region, followed closely by Latin America and the Caribbean, and Sub-Saharan Africa. The drier scenario requires lower adaptation costs in total in all regions, except South Asia.

“The EACC study provides a range of estimates for a world in which decision makers have perfect foresight,” says Sergio Margulis. “In the real world where decision makers hedge against a range of outcomes, the actual expenditures are potentially higher than this.”

The report stresses that development strategies must maximize flexibility and incorporate knowledge about climate change as it is gained. It also finds that adaptation costs decline as a percentage of GDP over time, suggesting that countries become less vulnerable to climate change as their economies grow.

“Economic growth is the most powerful form of adaptation,” said Warren Evans, Director of the World Bank’s Environment Department. “However, it cannot be ‘business as usual’. Adaptation minimizes the impacts of climate change, but it does not address its causes. There is no substitute for mitigation to reduce catastrophic risks,” he said.

In the study, adaptation costs for all developing countries are estimated for the major economic sectors using country-level data sets that have global coverage, including partial assessment of costs of adaptation for ecosystem services. Cost implications of changes in the frequency of extreme weather events are also considered. The study is the first to develop a workable definition of adaptation costs that can set the stage for common understanding of what adaptation entails, what role development plays in adaptation, and what policy changes are needed to facilitate adaptation. It also highlights that many questions remain, and that further work is essential.

For more information and to download a copy of the report: www.worldbank.org/eacc

For information about the World Bank’s work on climate change: www.worldbank.org/climatechange
