



The World Bank

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**INCREASING ENERGY ACCESS AND INVESTING IN
LOW CARBON INITIATIVES AT A LARGER SCALE**

Statement delivered by

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Mr. Chairman, distinguished ministers, delegates, representatives of major groups, ladies and gentlemen ...

A year has gone, since we last met here in New York, and the need to green economic growth to avert the negative impact of climate change has moved from the periphery of policy-making to the mainstream of the development agenda.

The time when climate change was an issue only recognized by environmentalists is definitely gone. Heads of State and Ministers responsible for Planning, Finance, Agriculture, and Energy are united today with their Environmental colleagues in wanting to move this issue higher on the development agenda.

A critical mass of support for urgent global action is building thanks to the combination of factors such as:

- A greater consensus on the science thanks to the reports produced by the Intergovernmental Panel on Climate Change (IPCC).
- A clearer picture of the economic effects of inaction thanks to the Stern review and the recent IPCC report presented last week in Bangkok.
- Increased pressure from the business community about the need to establish a long-term regulatory framework as a way of increasing the predictability of investments, especially through the growing carbon market;

- Informal processes such as the engagement between the G-8 and the Plus Five Countries (Brazil, Mexico, China, India and South Africa) as a result of the 2005 Gleneagles Summit, and parallel dialogues involving legislators from these countries plus business leaders and civil society, which contribute to reinforcing the intergovernmental process.

The United Nations System has also played a critical role and will continue to do so. In this context, let me congratulate the United Nations Secretary General, Ban-Ki-Moon for his proactive leadership in this area, and the recent nomination of three special envoys for Climate Change.

We are coordinating our actions closely with the UNFCCC in the run-up to the Bali Conference later this year. Yvo de Boer, its Executive Secretary has shown the type of leadership needed to bring the different processes together in order to make a difference.

The World Bank—as part of the UN System—sees energy access and its linkages with climate change as a global issue which needs to be incorporated into the development paradigm.

On the one hand, we support the right to development claimed by developing countries. The international community cannot penalize emerging economies and poor nations because of the fossil fuels dependent path of growth pursued by rich countries. Developing countries, especially in Africa, need more energy not less. Energy is critical to accelerate economic growth, and thereby prosperity and social balance.

Rich countries need to lead by example. Today, OECD countries are moving forward with plans to renovate and replace virtually their entire power plant infrastructure. The decisions made in capitals across Europe and North America today will affect generations to come, so it is essential that they make the right choices and invest in clean technology and move toward low carbon strategies.

On the other hand, if the international community wants to encourage a greener growth path in developing countries it will be necessary to substantially increase the flow of financial resources to help developing countries to buy down the incremental cost of new technologies so that their economic growth can be sustained and sustainable.

Where are these financial flows going to come from? At least \$ 30 billion per year in the power sector alone are needed to move to a lower carbon economy in addition to the \$165 plus billion per year needed for providing electricity in developing countries.

The global carbon market is part of the solution. Last week during Carbon EXPO 2007, in Cologne, Germany, we launched the State of the Carbon Market report. At \$30 billion in 2006 the market tripled compared with 2005 and transactions benefiting developing countries, through the Clean Development Mechanism (CDM) amounted to \$5 billion, a doubling from last year.

Since 2002, more than \$8 billion of financial flows went to developing economies through the carbon market, leveraging an additional \$16 billion in clean energy investments.

The European Union is moving in the direction of establishing ambitious targets, including a 20 percent reduction of emissions by 2020. If these targets were to be adopted and extended to other countries, the carbon market could develop exponentially. Financial flows to developing countries could reach volumes of \$50 billion in the next few decades. That would certainly make a big difference.

In order to get there we need:

- a long term, predictable, and equitable post-2012 global regulatory framework for curbing green house gas emissions
- we also need to move from a retail to wholesale approach in carbon finance for development.

Project-to-project deals will need to be replaced by much larger and much longer-term programmatic approaches, either at the sector or the thematic level. Experimenting and learning at a programmatic level can be done now.

There are already cases we can point to: power rehabilitation (thermal and hydro); municipal waste management; industrial rehabilitation (cement, steel, and aluminum); green-field investment programs; and reducing deforestation are all good examples of the way forward.

Last year, at CSD-14, we presented our initial thoughts about how to structure an *Investment Framework for Clean Energy and Development* (CEIF). Our objective was, simultaneously, to address the challenge of energy access in developing countries, to look at ways to move to a lower

carbon economy, and to explore options on how to make development more resilient to changes in climate.

Today, we are implementing the CEIF's Plan of Action, which was recently endorsed by the Ministers of Finance and Development during our Spring Meetings. It is being coordinated with the Regional Development Banks and the private sector through a specific forum created together with the World Economic Forum and the World Business Council for Sustainable Development.

Through the CEIF, total energy support, from all sources (World Bank Group, Carbon Finance, GEF) is expected to be in excess of \$10 billion in the three-year period since the CEIF was initiated (FY06-08), up from \$7 billion over the previous three years.

In addition, the Africa energy scale up action plan aims to increase the number of households with access to modern energy to 35 percent by 2015 and 47 percent by 2030, from the current low level of 25 percent.

World Bank Group lending for low carbon projects has grown from roughly \$633 million per year in FY03-05 to about \$1.7 billion in FY06 representing, in FY06, 37 percent of new commitments, as compared to 14 percent in FY03.

On adaptation, the Action Plan is assisting developing countries reduce their vulnerability to climate variability and projected changes. We are doing that by developing tools and methodologies to make investments more resilient

to climate change, and by implementing key demonstration investment programs.

Almost 10 years ago, we created the Prototype Carbon Fund (PCF) to facilitate the creation of the carbon market. Today, we are managing a series of public-private carbon funds of around \$2 billion. Together with partners in governments, the private sector, and civil society, we are looking at approaches that would move carbon market operations to a larger scale, and we will be piloting options to reward reduced deforestation practices in forest rich countries.

We also recognize that we need to walk the talk in our own operations. We have made the World Bank Group headquarters carbon neutral. And we are developing a system, in coordination with our development partners, to estimate the carbon footprint of our projects.

If governments, the private sector, and international development institutions work together, we can turn the growing consensus on the linkages between energy for growth and climate change into action that will make a difference in the ground. We can fund innovation and find solutions. In this context, we are ready to align our work with the initiatives emerging from this CSD.

THANK YOU