



# **World Bank Group Strategic Framework on Climate Change and Development & New Financing Initiatives for Mitigation and Adaptation**

Jari Vayrynen  
The World Bank

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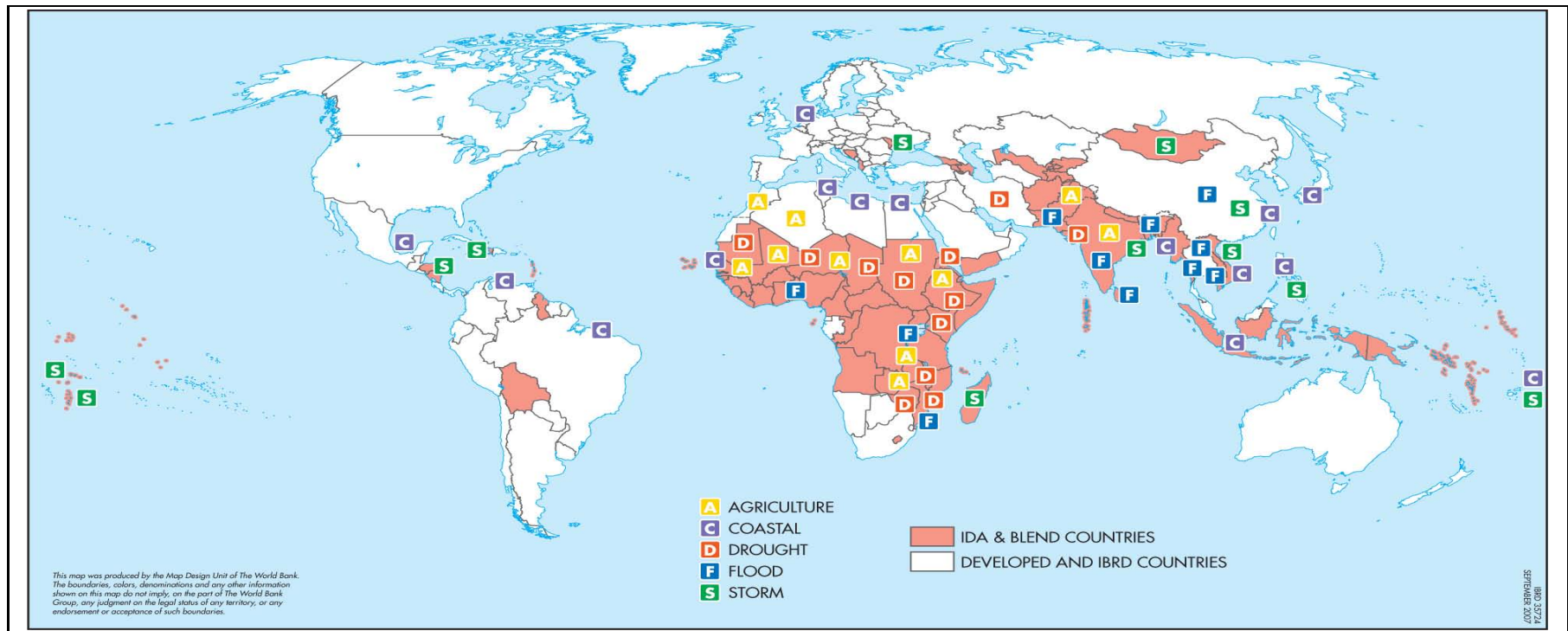


## Climate Change is a Development Issue

- Developing countries are already being affected
- The poorest countries and communities stand to suffer the earliest and the most
- Development gains and achievement of the Millennium Development Goals are at risk
- Lower carbon and climate resilient growth offers opportunities for sustainable development with multiple benefits



# Climate risks are highest in poor countries



*distribution of climate risks, by category*





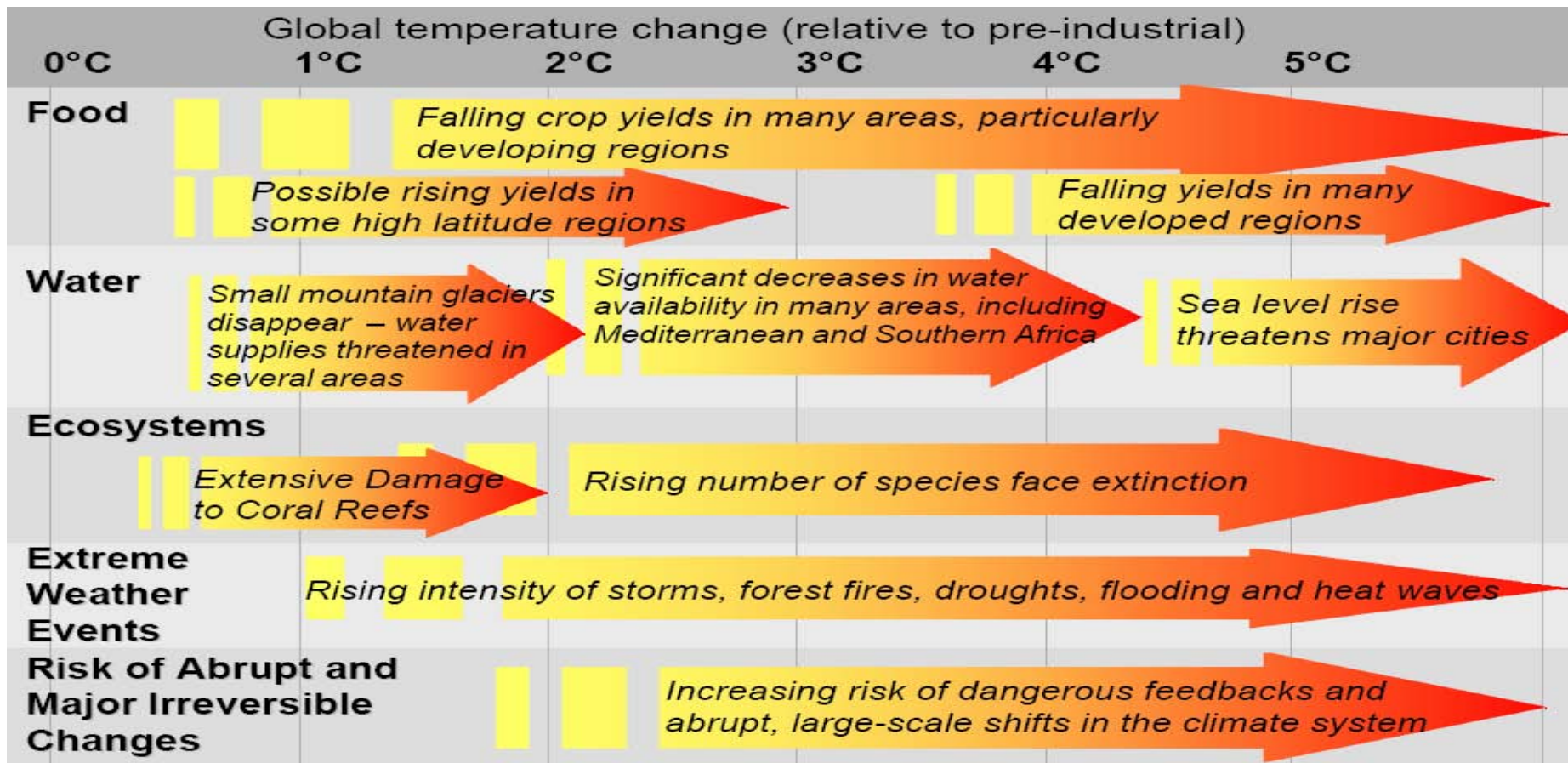
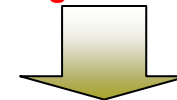
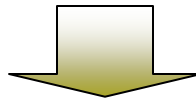
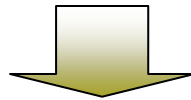
# Adaptation Needed Over Time Will Depend on Mitigation Progress



Likely change already "baked in"

Likely change with successful mitigation action

Likely change without significant action on mitigation



Risk of catastrophic events increases with temperature

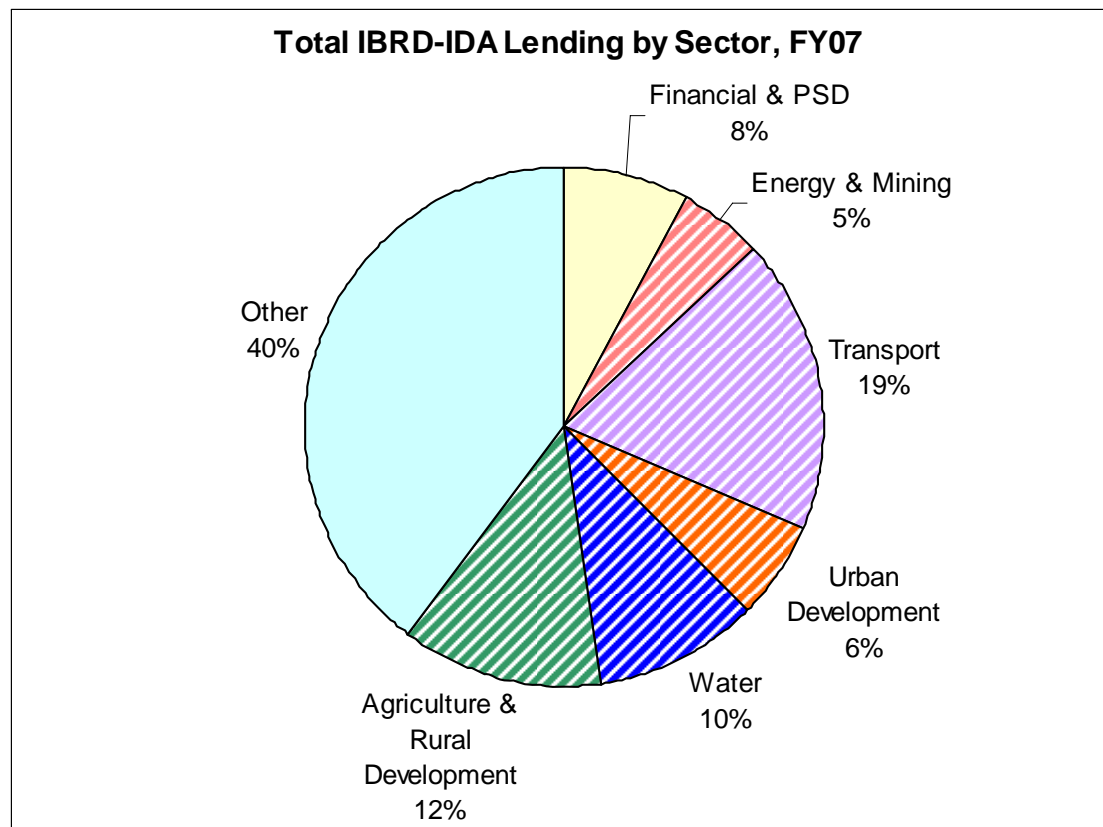


## Recent WB progress in climate change

- Energy portfolio has grown
  - from \$6 billion in FY03–05 to \$11 billion in Fy06-08;
  - low carbon share up from 28% to 40%
- Carbon Finance business grown to \$2 billion, and two new facilities - CPF and FCPF- approved in September 2007
- Low carbon growth and adaptation studies;
- Pilot program to begin measuring GHG emissions of the WBG lending portfolio is underway



## World Bank lending is in sectors with largest opportunities for both adaptation and mitigation



***Numerous opportunities to make a difference***



# **Toward a Strategic Framework on Climate Change and Development (SFCCD)**





## SFCCD is about *development* in the context of climate change

- Priority of growth, poverty reduction and MDGs
- Importance of meeting energy needs of developing countries
- Development imperative of helping to adapt to climate risks
- **Resource mobilization in addition to the current ODA levels**







## 6 Pillars

1. Make effective climate action – both adaptation and mitigation – part of core development efforts
- 2. Address the resource gap through existing and innovative instruments for concessional finance**
- 3. Facilitate the development of innovative market mechanisms**
- 4. Create enabling environment for and leveraging private sector finance**
5. Accelerate the deployment of existing and development of new climate-friendly technologies
6. Step-up policy research, knowledge management and capacity building



## Access and Low Carbon Energy

- ***Providing Energy Services for A Better Quality of Life.***
- Worldwide, nearly 2.4 billion people use traditional biomass fuels—wood, agricultural residues, and dung—for cooking and heating
- Nearly 1.6 billion do not have access to electricity.
- Four out of five people without access to electricity live in rural areas
- Without access to modern and sustainable energy services, poor people are deprived of opportunities for economic development and improved living standards.

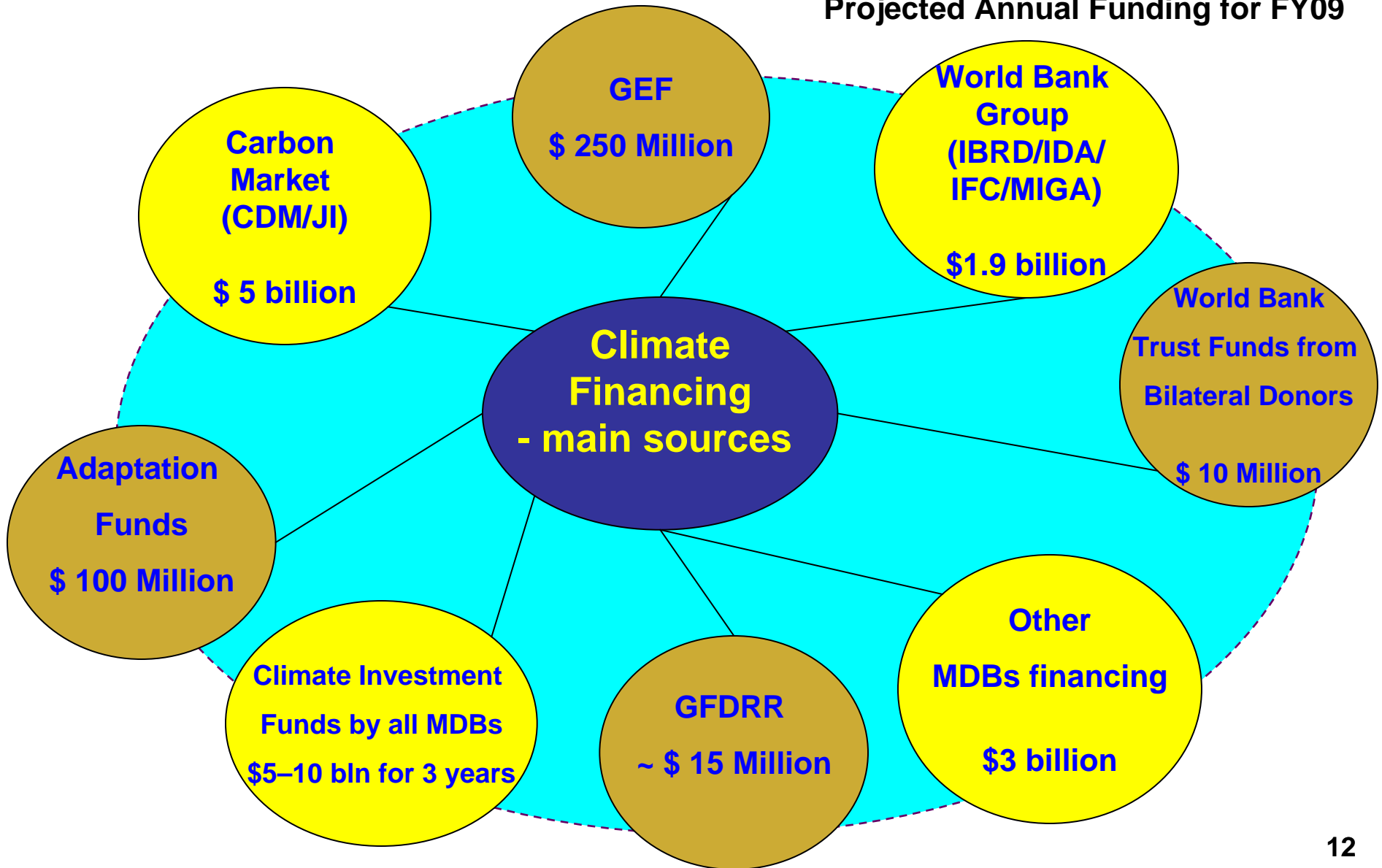


	<b>Annual Investment Needed</b>	<b>Current Funding</b>	<b>The Gap</b>
<b>Power sector in developing world</b>	\$165 billion	\$80 billion - \$48 billion from private sector, IFIs, donors - \$32 billion from internal cash generation	\$85 billion
<b>Low-carbon transition</b>	\$34 billion (Stern: \$20-30)	Hundreds of millions	\$30 billion





**Projected Annual Funding for FY09**





# Concrete Step Forward Proposed Climate Investment Funds



## Building on New Initiatives

- UK Environmental Transformation Fund
- US Clean Technology Fund
- Japan Cool Earth 50

## Joining Forces

- Multi-lateral Development Banks joined forces to establish a portfolio of funds
- Climate Investment Funds
  - Clean Technology Fund
  - Strategic Climate Fund, including windows for targeted programs







## Climate Investment Funds' Objectives

- Provide incentives for scaled-up action and transformational change
- Promote international cooperation on climate change to support progress towards a post-2012 agreement
- Provide experience and lessons through learning-by-doing



## Clean Technology Fund

- Accelerates transformation to low carbon growth path
- Recognizes gap between current financial flows and expectations for post-2012
- Finances cost-effective mitigation of greenhouse gas emissions
  - Focus on transformative investments at scale
  - Speed and nimbleness essential, given urgency
  - Rooted in national strategic plan
  - Engages public and private sector
- Complements existing financing
- Utilizes blend/suite of instruments (grants, concessional loans, guarantees)



## Strategic Climate Fund

- First SCF program is the Pilot Program for Climate Resilience
  - Explore practical ways to mainstream climate resilience into core development planning and budgeting, building on National Adaptation Programs of Action (NAPAs)
  - Ensure strategic alignment with – and reporting to – Adaptation Fund
  - Generate lessons for the wider development community
  - Close program at end of pilot





# **New World Bank Carbon Finance Initiatives**



# Challenges for the Future

- Support **long-term** investments to promote transition to low-carbon economy
- Expand from a project-by-project approach to **programs** of investments
- Systematically **integrate** carbon finance into public and private **investment decisions**
- Integration and **mainstreaming to Bank lending** and other operations, and ensuring complementarity with other financing instruments (Climate Investment Funds, GEF etc.)
- Continue supporting a **wider** geographical and technological distribution of the **carbon market**, including in sectors penalized under the existing regulatory regime
- ***In sum, achieve greater impact on climate change mitigation and poverty alleviation through scaling up***



# New Carbon Partnership Facilities

## Carbon Partnership Facility

- Emission Reduction Programs, away from individual project
- Develop new methodologies for programmatic/sectoral approaches
- Work with public sector programs, many based on WB lending
- Partnership between buyers and sellers
- Fostering both demand and supply in uncertain market
  - Contract for and deliver ERs up to 2022 and beyond
  - Target size initially about €350m, could grow over time to several billion depending on overall market evolution

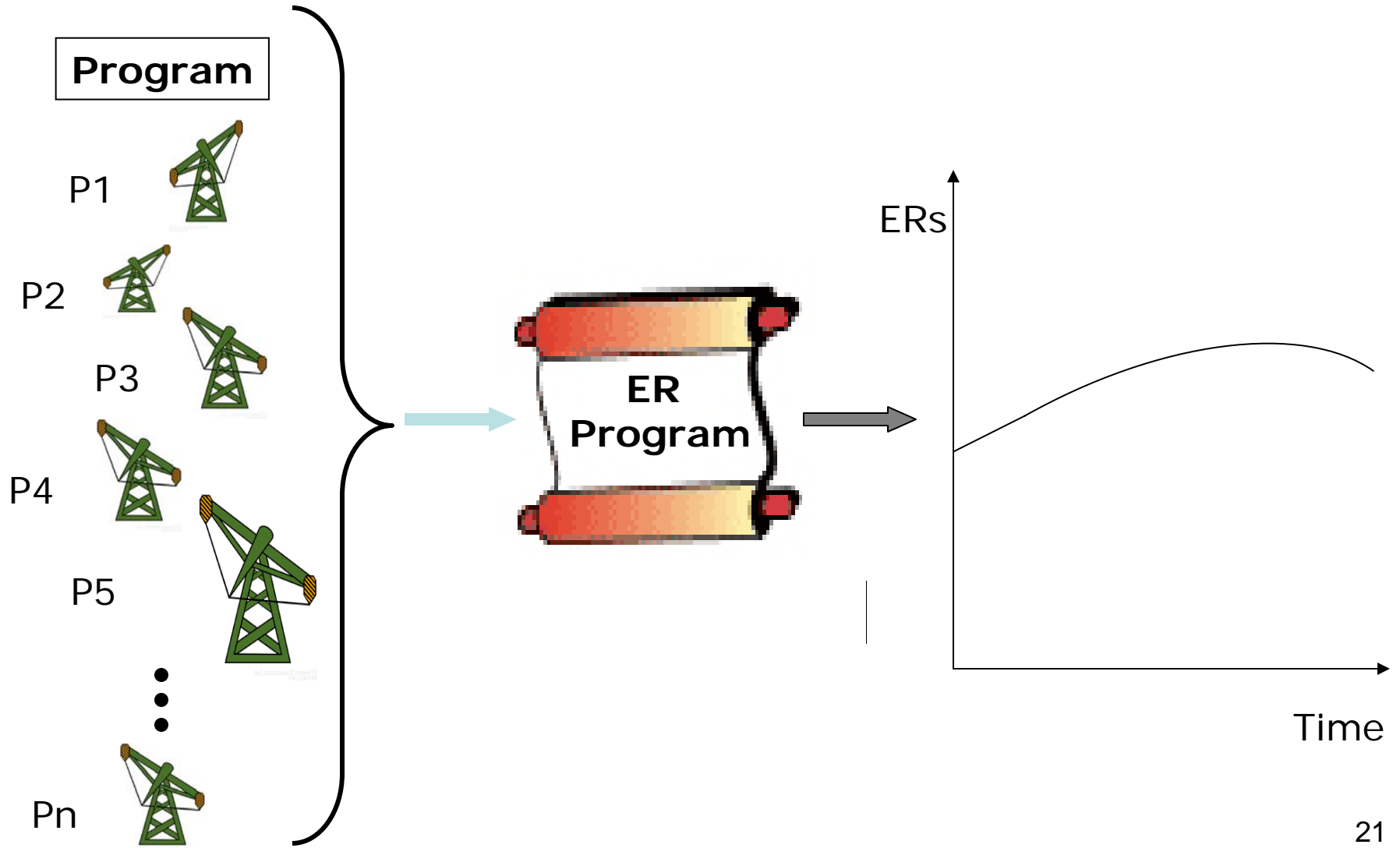
## Forest Carbon Partnership Facility

- To pilot performance-based financial incentive mechanisms to reduce emissions from deforestation and forest degradation (REDD)





# Programmatic Approaches





## WB Group Financing in the Aviation Sector

- In FY07 over 25 major IBRD/IDA projects as well as 15 active IFC investments and several advisory mandates
  - **The IBRD/IDA** main focus remained on Africa, but included also e.g. Guatemala & Afganistan, and technical assistance in Russia and Saudi-Arabia
  - **The IFC** added several new investments, e.g. GOL in Brazil, and Cambodia and Tbilisi International Airports, as well as advisory services for air carriers (Serbia, Rwanda, Cameroon, and Samoa) and airports (Saudi Arabia, Jordan, and Nigeria)
- Overall, the WBG air transport portfolio volume grew by 5%, to US\$ 1.07 billion



## Aviation and Environment/Climate Change

- Developing countries need to
  - build an environmental management systems approach early on into aviation infrastructure projects.
  - target the modernization of their aircraft fleet
  - modernize air navigation systems of many remote or lesser developed areas
- The World Bank will research the implications of air transportation and the environmental challenges with a special focus on developing countries



Thank you!

[www.worldbank.org/climateconsult](http://www.worldbank.org/climateconsult)

[www.carbonfinance.org](http://www.carbonfinance.org)