

Legislators Forum
G8+5 Climate Change Dialogue,
February 14, 2007
Paul Wolfowitz Remarks

Good evening and a warm welcome to Washington and the World Bank headquarters. I'd like to begin by thanking....:

Rt Hon Elliot Morley, MP, President of GLOBE, Chair of Washington Legislators' Forum

Rt Hon Malcolm Bruce, MP, Elliot's predecessor, Chair of International Development Select Committee.

...for their hard work and support to GLOBE and for making this event possible.

I'm grateful to the legislators who have traveled from overseas to join us this evening and to US congressmen who took time from a busy schedule to be here.

Let me also extend a special thanks to The Climate Group who brought with them key business leaders, in particular, Sir Richard Branson whose announcement this week of the Earth Challenge Prize encourages creative thinking to drive innovation.

Energy Demand

This meeting is most timely given:

- The Intergovernmental Panel on Climate Change (IPCC) report;
- The Stern Report;
- The new European Commission Energy Strategy;
- The growing attention to the issue by the US congress and the private sector;
- The G-8 interest on clean energy and low-carbon economy

and the call for action, coming now all the way from civil society organizations to the top leadership of the UN.

We are seeing today an emerging global consensus that we need to do something about climate change...that we need to reduce our dependence on fossil fuels...and that we need to do this sooner, rather than later.

That consensus is reflected in the recent joint statement by US CAP, a new coalition of companies demanding action—companies that ten years ago, you might not have associated with climate change. Du Pont, Caterpillar, General Electric—to name a few—ten years ago, were not arguing that something must be done. Now they are.

In the past quarter-century, nearly 500 million people worldwide have been able to escape poverty, most of them in the two big emerging economies—China and India. This was achieved through rapid economic growth that required increased energy resources.

That growth has to continue. It has to continue so that those billions who still live in poverty have a chance for a better future. That will further increase demand for energy.

Today, we have a double challenge—how to reduce damaging carbon emissions, while still meeting the energy demand that the world's poor need to escape poverty.

We cannot penalize countries escaping from poverty for what is the result of a fossil fuel dependent growth pattern in rich countries. Instead of thinking of these two goals as conflicting with each other, we need to create a “double dividend,” as the Gleneagles Summit in 2005 called on the world to do.

At the G-8 Summit, the World Bank was asked to produce, in cooperation with other IFIs and Regional Banks, a new Investment Framework for Clean Energy and Development. The Investment Framework identifies the scale of the investments needed for energy access, especially in Sub-Saharan Africa; to accelerate the transition to a low carbon economy and to adapt to climate variability and change.

The Policy Challenge

There are many views and ideas on what type of regulatory framework and financing mechanisms are needed to reduce carbon emissions.

Coming up with a satisfactory framework is going to take real political will. It's something that's going to require not just environment ministers, but finance ministers and prime ministers and presidents to be involved to succeed.

As legislators, you play a key role in the political processes, which will take the debate forward.

Our role at the World Bank Group is to provide technical support; pilot innovative ideas; to work with countries to develop alternative strategies; and to listen and partner with the private sector who will provide much of the engine of innovation and financing.

What we hear over and over is that a long-term equitable global regulatory solution is needed—one in which rich countries exert real leadership in providing support to developing countries in exchange for the global benefit of greener, smarter growth in developing countries.

A solution which provides certainty to stimulate R&D investments in transformational technologies;

A solution that facilitates financial flows to developing countries that could grow from \$20 billion to \$120 billion within decades.

Whatever framework emerges for reducing carbon emissions, it should generate significant investment resources, to help developing countries grow while improving conservation, using energy more efficiently and reducing the environmental impact.

One estimate—that of UK Environment Secretary David Miliband—suggests that carbon trading could generate resource flows on the order of \$200 billion a year, half of which would go to the developing world. Some people may say that \$100 billion is too much. Certainly \$100 billion is a lot compared to ODA which is only \$84 billion.

But let's try a different standard of comparison. Maybe I've been missing something, but I haven't heard anyone point out that as big as those numbers are, they're dwarfed by the money we're spending every year just on oil, not to mention other fossil fuels.

Compared to the annual world bill for oil of \$1.5 trillion, \$100 billion is significant, but it's still only 7%.

Just the price increases of the last 3 years have cost African countries 3.5 to 4 percent of their GDP. There are better uses for those funds. Instead of importing fossil fuels, this money could be used to invest in innovations that will allow us to meet our energy needs with a smaller environmental footprint. It could be used to invest in our forests, not only to reduce carbon emissions, but also to preserve biodiversity—one of the treasures of our planet.

We need to see clean energy not simply as a cost, but as an investment in a different kind of future. A low carbon economy doesn't mean an end to growth, jobs and opportunities for the world's poor.

It *does* mean diversifying our energy sources so that we're less dependent on supplies from unstable parts of the world. It *does* mean diversifying our expenditures on energy so that we are putting more of that money into the hands of sugar farmers in Brazil or supporting new crops like jatropha in Africa.

Role of the World Bank

As the world invests in these opportunities, there's an important role for the World Bank, as one of the leading players in the development field, a role which we're eager to play. We know there's a lot to be done.

And we are focusing our efforts on several fronts.

Lower Carbon Energy Future

First, we are helping developing countries move to a lower carbon path by exploiting renewable energy resources, supporting energy conservation and increasing efficiency.

Wind, solar, geothermal, biomass, small hydro and biofuels can reach areas where it is impractical to build and maintain a centralized electric power grid.

We must find better ways to finance and disseminate these energy sources, which are essential to reach the rural poor.

We must think about energy on a human scale – replacing smoky open fires that are poisoning women and children with efficient, clean-burning stoves.

Yet developing countries do not have the financial resources to fully reap the benefits of renewable energy or to invest in more efficient and more climate-friendly ways to use conventional fuels.

Today, we are working on such efforts in China and Mexico, in Brazil and Russia, as well as in Latvia, Bulgaria and Ukraine.

This effort needs additional financing, whether through carbon trade, or various market-based mechanisms, or through other financing tools;

The Bank Group is doing its part. The share of renewable energy and energy efficiency lending more than doubled between 1994 and 2006.

Our total energy lending is also growing. In the last four years, our lending increased from \$1.5 billion to \$2.5 billion per year—in response to growing demand from clients, and the Clean Energy Investment Framework.

But more needs to be done to leverage Carbon Finance and the GEF. Project by project approaches to reduce greenhouse gas emissions need to be replaced by larger and longer-term programmatic initiatives.

New Technologies

The second area where the World Bank is playing a role is in promoting new technologies.

Some, like carbon capture and storage, address the need to reduce the carbon impact of fossil fuels. They are essential in countries like India and China, with strong dependence on coal.

As part of our broader work in bio-energy, we are looking at the feasibility and economic viability of bio-fuel programs in developing countries.

A year ago, I had the opportunity to visit a sugar-ethanol plant outside of Sao Paulo, where they are producing ethanol on a large scale and with exceptional efficiency. It is easy to see why biofuel is at the top of President Lula's agenda.

We know that what is successful in Brazil, may not be successful elsewhere. It is difficult to duplicate Brazil's remarkable production efficiency and natural conditions—but it is something that should be pursued. There may indeed be countries in Africa with the right combination of climate, land and water that could make biofuel production a real possibility.

Deforestation

Focusing on energy is only part of the solution. We know that around 20 percent of greenhouse gas emissions result from poor land management, especially deforestation.

Deforestation not only threatens the environment, but it also destroys wildlife and erodes the natural wealth of the poor.

This is the third area where we have focused our efforts to help developing countries reduce greenhouse gas emissions and protect their environment.

Together with our partners, we are developing a Forest Carbon Facility that would help countries combat deforestation and be rewarded with carbon finance credits, generating much-needed income for poor countries.

Carbon finance in the forest sector could also contribute to better forest management, including financing certification systems for the sustainable of forests.

Adaptation

Finally, developing countries and the world's poorest people will be most affected by changes in climate variability and extreme weather events, such as floods, droughts, heat waves, and rising sea-level.

As with other natural disasters, it is often the poor who are hit the hardest.

The Bank was among the leaders in addressing adaptation to climate risks with pioneering insurance work in the Caribbean, Latin America and South Asia. The challenge now is to replicate these lessons more widely, especially in Sub-Saharan Africa and the Pacific Islands.

We are also discussing ways our clients can start now to achieve development that is sustainable and resilient to climate variability while anticipating climate change—this is called “climate proofing” development investment.

A Carbon Neutral Bank

We also recognize that we need to “walk the talk” in our own operations at the World Bank Group and we are doing something about it. We have made the World Bank’s headquarters carbon neutral.

And in coordination with our partners, we also believe it is time to develop a system which could estimate the carbon intensity of our projects. I am encouraged to see that a number of private companies have already announced their intention to do the same.

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For many, many years, we have known that fossil fuels are a finite resource and sooner or later, the world would have to transition to a different energy economy. But we kept hoping we could postpone the day of reckoning.

For decades, we have recognized that the health of the world economy is increasingly dependent on energy from some of the least stable parts of the world, but we have acted as though we could afford to ignore that risk.

Now we are realizing that our consumption of fossil fuels is having dangerous consequences for the environment. And the longer we delay dealing with those consequences, the more costly it will be.

We need to act sooner, rather than later—today rather than tomorrow. If we do so, we have a chance to put the world on a path that not only reduces the damage to our climate, but also allows poor countries to keep more of their resources, rather than pay for growing fuel bills;

...a path that allows them to preserve their forests for their own benefit and for the world’s benefit; that allows them to reap the benefits of future technological innovations; and that allows all of us to diversify our sources of energy.

To focus only on the costs of addressing climate change would be to miss out on the opportunities. By investing in clean, renewable energy today, we are investing in our future. If we are able to effectively channel these resources towards innovation, and find an energy efficient path to growth, we could be looking toward a different world: one in which our children and grandchildren can reap the double dividend of a healthy planet and robust growth.