

Washington Legislators Forum on Climate Change, Washington DC

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I want to start by thanking Elliot Morley, the president of GLOBE International and the chair of the Washington Legislators Forum, and also the honorable Malcolm Bruce, Elliot's predecessor and current chair of the International Development Select Committee of the British Commons. [I'd like to] thank them for their hard work and support for GLOBE and for making this event possible tonight.

I'm grateful to many legislators who've traveled from overseas to join us this evening and to the many US congressman who braved the Washington ice storm to come here tonight; and special thanks to the Climate Group who worked with key business leaders, particularly Sir Richard Branson whose announcement this week of the Earth Challenge Prize to encourage creative thinking and drive innovation is particularly welcome.

I do feel a little bit like I should be in the audience and one of you should be talking. It reminds me of a story about a man who died in the famous Johnstown flood in Pennsylvania some hundred years ago in the United States when a big dam burst and hundreds of people lost their lives. He made it to heaven and he learned that there was a weekly seminar series where people got to recount their experiences. He signed up to be a speaker, and kept pestering Saint Peter, "Can I speak? Can I speak?" Finally after about six months his turn came around, he got up in front of this large group and was about to give his talk and Saint Peter stepped up and whispered in his ear, "But you should know that gentleman down in front, second seat from the aisle, that's Noah." So I feel I'm talking to the experts.

But let me give you this perspective on, an absolute vital issue of our time, indeed it is the most timely occasion to be talking about climate change in light of the Intergovernmental Panel on Climate Change report, the Stern Report, the European Commission's new energy strategy, and the growing attention to the issue by the US Congress, the private sector, and a number of state and local governments – the call for action is coming all the way from civil society organizations to the top leadership of the United Nations.

We are seeing today an emerging global consensus that we must do something about climate change, the consensus that we must reduce our dependence on fossil fuel and that we must do it sooner rather than later. That consensus is reflected in the Joint Statement by the US Climate Action Partnership, a coalition of companies that are demanding action, companies that 10 years ago you would not expect to hear any where close to the subject of climate change, companies like DuPont, Caterpillar, GE. Ten years ago, they were not arguing that something must be done... now they are.

But we also have another agenda central to this organization, equally important, and that's giving the 2 billion people in the world that still live in poverty the chance to escape that condition. There's been some impressive progress in the last quarter century. In the last 25 years, nearly half a billion people worldwide have escaped poverty, the bulk of them in the two big emerging economies of China and India. That was achieved through rapid economic growth and, yes, through greatly increased energy demand. That growth must continue, it must continue so that the billions that still live in poverty have a chance for better future, and that is only going to increase the demand for energy further.

So today we have a double challenge, how to reduce damaging carbon emissions, and still meet the energy demands of the world's poor. We can not penalize countries trying to escape from poverty for the consequences of fossil fuel dependent growth patterns in the rich countries. But instead of thinking of

these two goals as [being] in conflict, we need to create a double dividend – something that we were called on to do by the Gleneagles Summit of the G-8 countries. At that summit in Scotland two years ago, the World Bank Group was asked to produce, in cooperation with the other international financial institutions, a 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 transition to a low carbon economy and to adapt to climate variability and change, so we can achieve that double-dividend.

There are many views and ideas on what kind of regulatory framework is needed to reduce carbon emissions and coming up with a satisfactory answer is going to take real political will, that's why you are here. It's something that is going to require not just environment ministers, but the leadership of financial ministers, prime ministers, and presidents. As legislators, you play a key role in the political processes in taking that debate forward.

Our role here at the World Bank Group is to provide technical support to pilot innovative ideas, to work with countries to develop alternative strategies, and to listen and partner with the private sector which is going to provide much of the engine in innovation and financing. What we hear over and over again is that a long term equitable global regulatory solution is needed – one in which rich countries exercise real leadership to provide support to developing countries in exchange for the global benefit of greener, smarter growth; a solution that provides certainty to stimulate our research development investments in transformational technologies; a solution that facilitates financial flows to developing countries that could grow from \$20 billion to perhaps \$120 billion within a decade or two.

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

One recent estimate that I've read by the UK Environment Secretary David Miliband suggests that carbon trading could generate resource flows in the order of \$200 billion a year, half of which will go to the developing world or \$100 billion. Some people may say \$100 billion is just too much money. And certainly it is a lot of money. In fact, compared to the \$84 billion that the world currently spends in development assistance it is very big. But let's take a different standard of comparison.

Maybe I've been missing something, but I haven't heard too much discussion that as big as those numbers are they are dwarfed by the money we are spending every year just on oil, not to mention on fossil fuels more generally. Compared to the annual oil bill of \$1.5 trillion, \$100 billion a year is significant, but it's still only 7 percent. And just the price increases alone of the last three years have cost African countries, the poorest countries in the world, 3.5 – 4 percent of their GDP. There are much better uses for those funds. Instead of importing fossil fuels, this money could be used to invest in innovation that will allow us to meet our energy needs with a small environmental footprint. It could be used to invest in our forests, not only to reduce carbon emissions but to preserve biodiversity – one of the treasures of our planet.

We need to see clean energy not simply as a cost but as an opportunity, as an investment in a different future. A low carbon economy doesn't mean an end to growth, jobs, and opportunity for the world's poor. It does mean diversifying our energy sources so that we are 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.

As the world invests in these opportunities, there is an important role for the World Bank because we are one of the leading players in the development field, and it is a role that we are eager to play.

We are focusing our efforts on four fronts.

First, we are helping developing countries to move to a lower carbon path by exploiting renewable energy resources, supporting energy conservation, and increasing efficiency. Wind, solar, geothermal, small hydro, and biofuels can reach areas where it is impractical to build and maintain a centralized power grid. We must find better ways to finance and disseminate these energy resources which are essential to reach the real 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 or, even better, solar heaters. Yet developing countries do not have the financial resources to fully reap the benefits of renewable energy or to invest in more efficient, climate friendly ways to use conventional fuels. Today we are working on such efforts in China and Mexico, in Brazil and Russia, in Latvia, Bulgaria, and the Ukraine. That effort needs additional financing, whether through carbon trade or through various market-based mechanisms or other financing tools.

And we are doing our part. The share of renewable energy and energy efficiency lending by the World Bank Group more than doubled between 1994 and last year, and our total energy lending is also growing. In the last 4 years it has increased from \$1.5 billion to \$2.5 billion per year in response to growing demands in the clean energy investment framework. But more needs to be done to leverage carbon finance and the Global Environment Facility. Project by project approaches need to be replaced by larger and longer term programmatic initiatives.

The second area that we are playing a role is in promoting new technology. Some of those, 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 that still depend heavily on coal. As part of our broader work on bio energy we are looking at the feasibility and economic viability of biofuel programs in developing countries.

Over a year ago I had the opportunity to visit a sugar ethanol plant outside of Sao Paulo in Brazil to see why biofuel is at the top of President Lula's agenda. They are producing ethanol on a large scale and with exceptional efficiency. We know that what is successful in Brazil, may not be successful in other places. You cannot duplicate Brazil's remarkable production efficiency and natural conditions easily, 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 can make biofuel production a real possibility.

A third focus of effort needs to be preventing deforestation. We know around 20 percent of greenhouse gas emissions result from poor land management, especially deforestation, which not only threatens the environment it also destroys wildlife and erodes the natural wealth of the poor. Together with our partners, we are developing a forest carbon facility that will help countries combat deforestation and be rewarded with carbon finance credits.

Finally, developing countries and particularly the world poorest people would be the ones most harmed by changes of climate and extreme weather events such as floods, droughts, heat waves, and rising sea levels. As with other natural disasters, it is often the poor who are hit the hardest and can manage least. The World Bank was among the leaders in addressing adaptation to climate risk by pioneering insurance work in the Caribbean, in Latin America, and in 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 with our partners ways to start now to achieve development that is sustainable and resilient to climate variability – what you may call climate-proofing our development investments.

We recognize that we need to walk the talk in our own operations, and we are doing something about it. We have made the World Bank Group Headquarters carbon neutral. We also believe it is time, in coordination with our partners, to develop a system that can estimate the carbon intensity of our

projects. And I am encouraged to see that a number of private companies have already announced their intentions to do the same.

For many, many years we have known that fossil fuels are finite resources, and sooner or later the world would have to transition to a different energy economy. But we kept hoping that we could postpone the day of reckoning. For decades we recognized that the world economy depends too much on energy from some of the least stable parts of the world. But we've acted as if we could afford to ignore that risk. Now we are realizing that our consumption of fossil fuels is having dangerous consequences to the environment, and the longer we delay dealing with those consequences, the more costly it would 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 allow poor countries to keep more of their resources rather than pay for growing fuel bills – a path that allows them to preserve their forest for their own benefit and the world's benefit, a path that allows them to reap the benefits of future technological innovations, and a path that allows all of us to diversify our sources of energy.

To focus only on the costs of addressing climate change is to miss out on the opportunities. By investing in clean renewable energy today we are investing in our future. If we can effectively channel these resources towards innovation, and find an energy efficient path to growth, we could be looking towards a very different world – one in which our children and grandchildren can reap the double benefits of a healthy planet and robust growth. And I thank you all for what you are doing for that end. Thank you very much.