

Transforming the Economy to Achieve Zero Net Emissions

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STORY HIGHLIGHTS

- *To stabilize warming at less than 2 degrees Celsius, as the international community agreed in 2009, the world will have to cut greenhouse gas emissions to net zero before 2100.*
- *Economic policy will be the key to mobilizing that global response, World Bank President Jim Yong Kim said in an agenda-setting speech that outlined the path ahead.*

A year from now, climate negotiators representing countries worldwide will be in Paris finalizing an international agreement to reduce greenhouse gas emissions and begin slowing the impacts of climate change. Their success will depend heavily on how leaders over the next year shape their economic policies to respond to the risks.

To stabilize warming at under 2 degrees Celsius, as the international community agreed in 2009, the world will have to cut greenhouse gas emissions to [net zero before 2100](#). Economic policy will be the key to mobilizing that global response, World Bank President Jim Yong Kim said in a [speech](#) today to the Council on Foreign Relations in Washington, D.C., that outlined steps ahead.

“Paris must be where we make the rallying cry for effective management of local, national and global economies,” Kim said. “Unlike treaties of the past, the Paris agreement needs to speak as loudly of economic transformation as it does of carbon emissions targets.”

Transforming the economy

Over the next year, countries will be developing their national commitments and contributions for the Paris agreement for lowering emissions and building resilience to climate change. To decarbonize economies on a trajectory necessary to reach net zero emissions before 2100, their commitments for mitigation and adaptation efforts will have to be ambitious.

"We understand that many of our clients still face huge development challenges and many countries will reach their own peak emissions at different moments," Kim said.

"Managing their economies to ensure that they can, for example, decarbonize their energy sectors over time, while having the energy they need for development constitutes a challenge no developed country had to face in its history. Nevertheless, every country no matter its stage of development can strive to effectively manage their economies, to decarbonize while ending poverty and boosting shared prosperity."

Policies

All countries should commit to [put a price on carbon](#), the president said. Carbon pricing, whether through emissions caps and market trading mechanisms like those being developed in China, carbon taxes like British Columbia uses, or through regulations, provides the economic signal to businesses to help drive innovation and investments in clean energy technology.

Other instruments are also needed to redirect investments toward clean technology: energy efficiency and renewable energy targets; performance standards for buildings, vehicles and appliances; and a price on carbon can all provide investors and businesses with the policy certainty to invest in clean development.

Phasing out harmful fossil fuel subsidies, which are typically captured far [more by the wealthy](#) than the poor, is also overdue, the president said. That spending can be [redirected to provide targeted support](#) for the poor.

Effective management of the economy also means finding ways to invest in resilience. With science showing that [about 1.5 degrees Celsius](#) of warming is already locked, adaptation and mainstreaming disaster risk management become essential. The World Bank Group will use its track record for financial innovation to raise a one-time injection of funds, strengthen insurance coverage for those most at risk and build resilience immediately, Kim said.

" Unlike treaties of the past, the Paris agreement needs to speak as loudly of economic transformation as it does of carbon emissions targets. "

Jim Yong Kim

World Bank Group President

Agreement

Several components are essential for a successful Paris agreement, each requiring ambitious commitment to building cleaner economies for the future. Kim highlighted four in his address:

- Binding language that should reinforce our collective ambition and provide a clear pathway to zero net emissions before 2100.
- Individual country contributions and policy packages that should comprehensively address how to use all available fiscal and macroeconomic policy levers to get prices right, increase efficiency and incentivize decarbonization as well as address resilience.
- A financial package that recognizes that public development funds and climate finance should be used to catalyze innovative financing for adaptation and mitigation. Finance flows cannot reach the levels we need in the timeframe we need without some form of networked carbon market based on the market mechanisms, taxes and enabling environments.
- Working coalitions, not just of governments working with governments, but of private enterprises and countries and cities and CSOs moving forward together where their interests are aligned. Coalitions have been forming in support of carbon pricing and around reducing deforestation, building low-carbon cities, and establishing climate-smart agriculture practices and will be critical to reaching net zero emissions.

"If each of these components reflects an ambition equal to the challenge before us, Paris could send a powerful signal to economic actors around the globe," Kim said.

Finance

The binding part of a Paris agreement would not come into force until 2020, however, and action is necessary now, both on building resilience and the mitigation efforts and economic policy changes that can sustainably reduce emissions.



“For these efforts to coalesce and bring us to zero net emissions, we will have to find sufficient financing. It is the critical component of a Paris agreement,” Kim said.

Right now, [climate finance flows](#) into clean energy, other mitigation efforts and adaptation are far short of the [\\$700 billion to over \\$1 trillion a year](#) estimated to be needed. It is clear that public finance alone will never be enough. Public finance is helping catalyze private funding and can do more.

The [Climate Investment Funds](#), for example, are leveraging about \$7 for every \$1 of their \$8.3 billion in pledges, and they will continue supporting projects as the Green Climate Fund is scaled up and put into operation.

Other innovative finance is growing, such as [green bonds](#), which went from \$11 billion in issuances last year to about \$35 billion so far this year and broadened the investor base for clean development.

World Bank Group

For the World Bank Group, getting to net zero emissions before 2100 will require a continuing shift in the direction of our energy portfolio to support energy access for all and increase investment in renewable energy and energy efficiency, Kim said.

It will require continued support for clean transportation and building [low-carbon, livable cities](#), particularly in the fast-growing cities of the developing world where development today will lock in growth patterns for decades to come, Kim said. It will also require shifting toward [climate-smart agriculture](#) and increasing the World Bank Group’s financial innovation.

“We know that if we don’t confront climate change, there will be no hope of ending poverty or boosting shared prosperity,” Kim said. “Furthermore, the longer we delay in tackling climate change, the higher the cost will be to do the right thing for our planet and our children.”

“I will drive our institution and all its capabilities – financial, technical and human – to support this development transition that we must support together, toward the goal of preserving our planet for all future generations,” the president said.



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