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On the
Transfer of Real Resources to Developing Countries)



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CLIMATE CHANGE, ENERGY AND THE WORLD BANK

STATUS REPORT ON FOLLOW-UP TO THE G-8 PLAN OF ACTION ON CLIMATE CHANGE

Attached for the September 25, 2005, Development Committee Meeting is a note entitled "Climate Change, Energy and the World Bank – Status Report on Follow-up to the G-8 Plan of Action on Climate Change."

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Climate Change, Energy and The World Bank
Status Report on Follow-up to the G-8 Plan of Action on Climate Change

Climate Change: An Environment and Development Issue

1. The Earth is warming, with most of the warming of the last 50 years attributable to human activities; precipitation patterns are changing, and sea level is rising. The global mean surface temperature has increased by about 0.6 degrees Celsius over the last 100 years, and is projected to increase by a further 1.4 to 5.8 degrees Celsius by 2100. The spatial and temporal patterns of precipitation have already changed and are projected to change even more in the future, with an increasing incidence of floods and droughts. Sea levels have already risen 10–25 centimeters during the last 100 years and are projected to rise an additional 8–88 centimeters by 2100. Over 60,000 glaciers are retreating world-wide and the thickness of sea ice in the Arctic has decreased by about 40% during summer. The timing of reproduction of animals and plants and/or migration of animals, the length of the growing season, species distributions and population sizes, and the frequency of pest and disease outbreaks have already been affected, especially by increased regional temperatures.

2. Many sectors in developing countries are already vulnerable to current climate variability and climate change is superimposed on existing vulnerabilities. Climate change will further reduce access to drinking water, negatively affect the health of poor people, will pose a real threat to food security in many countries, and will adversely affect biodiversity. Developing countries, and especially poor people within developing countries, are the most vulnerable to climate change. The greater the rate and magnitude of change the more adverse the consequences. Clearly climate change is both an environment and development issue.

3. The goal of the United Nations Framework Convention on Climate Change (UNFCCC) is the “stabilization of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system, and in a time-frame sufficient to allow ecosystems to adapt naturally to climate change, to ensure that food production is not threatened, and to enable economic development to proceed in a sustainable manner.” The challenge is to address the need for both mitigation and adaptation – to limit the changes taking place to the Earth’s climate by cutting the emission of greenhouse gases such as carbon dioxide while simultaneously planning how best to reduce the vulnerability of human societies and natural ecosystems to inevitable and accelerating changes.

The G-8 Communiqué on Climate Change

4. The leaders of the G-8 recognized the relevance of climate change as an environmental and development issue, and the importance they attach to addressing it, through their communiqué. They acknowledged the need to develop a diverse portfolio of policies and technologies, indicated the importance of adaptation, and initiated a process for a broader dialogue and the creation of an investment framework that can support the UNFCCC.

5. The Bank has worked on climate change since 1991, initially through helping to establish the Global Environment Facility (GEF) and increasingly as an integrated element of policy dialogue and lending. More recently the Bank has contributed to the development of carbon markets through its Carbon Finance operations. The communiqué recognized the experience of

the Bank in assisting developing countries to address climate change and access cost-effective energy, and requested the Bank to:¹

- take a leadership role in creating a framework for clean energy and sustainable development, including investment and financing;
- increase dialogue with borrowers on energy issues and put forward specific proposals at its annual meetings;
- make the best use of existing resources and financing instruments and develop a framework for energy investment to accelerate the adoption of technologies which enable cleaner, more efficient energy production and use;
- work with interested borrower countries with significant energy requirements to identify less greenhouse gas intensive growth options which meet their priorities; and ensure that such options are integrated into Country Assistance Strategies;
- develop local commercial capacity to develop and finance cost-effective projects that promote energy efficiency and low-carbon energy sources;
- expand participation in the Global Gas Flaring Reduction Partnership (GGFR) and extend the GGFR beyond 2006; and
- develop and implement 'best practice' guidelines for screening investments in climate sensitive sectors to determine how performance could be affected by climate risks, as well as how those risks can best be managed, in consultation with host governments and local communities.

The World Bank Response to the G-8 Requests

6. In response to actions requested of the World Bank in the G-8 communiqué, a number of follow up actions are underway:

7. **Global Gas Flaring Reduction Partnership (GGFR):** Subject to obtaining funding from donors, the Bank will extend the Public-Private Partnership beyond 2006 as requested by the G-8. A strategy paper has been prepared for the next GGFR Steering Committee Meeting in November 2005 proposing a funding plan, a focused work program and extension of the Partnership to 2010. Apart from mainstreaming some gas flaring focus areas within the Bank (e.g., carbon credits) and handing over some activities to other organizations (e.g., data collection tool), the paper suggests the following key activities for GGFR to focus on going forward: identification and facilitation of country activities with large impact on gas flaring reduction; best practice dissemination; inclusion of down- and mid-stream flaring/venting emissions; and closer cooperation with the US-led Methane to Markets Initiative.

8. **Meetings with Experts & Partners:** The World Bank plans to schedule a series of meeting with a wide range of experts and partners, including governments, the private sector and civil society organizations, to assess how to best promote the agenda set out in the G-8 communiqué. An initial series of meetings have been scheduled to discuss potential partnerships and approaches to moving towards a low-carbon economy and to adapt to climate variability, including:

- **Meeting with developing countries:** A special event focused on the needs from developing countries with the participation, among others, of China, India, Brazil,

¹ The Communiqué and Action Plan can be found at www.g8.gov.uk

Mexico, South Africa and Russia (as the next head of the G-8) is going to be organized during the Fall. In preparation for this event a number of bi-lateral meetings and Bank missions to these countries will be scheduled. The outcome of this gathering will represent a critical contribution to the efforts of generating an investment framework that takes into account the specific challenges these countries are facing.

- ***Regional Meetings with governments:*** The Bank will co-sponsor and/or participate in a series of regional meetings in Latin America and Asia, including a meeting organized by the Economic Commission for Latin America (ECLAC) and the Department of Environment and Rural Affairs from the United Kingdom (DEFRA), and co-sponsored by the IADB and the Bank. This meeting will take place in Santiago de Chile (September 13th and 14th, 2005). A meeting is also scheduled for early 2006 in Shanghai, China. Given the central importance of engaging developing countries in this process, other regional meetings are under active consideration.
- ***Financing Efficient Coal Power Meeting on September 7, 2005:*** the World Bank has invited senior managers from commercial banks and efficient coal-fired power generation technology suppliers to participate in a one-day brainstorming meeting at the World Bank in Washington, DC to explore options for possible long term collaboration. The purpose of this brainstorming session is to update our understanding on barriers to private sector investment in developing countries and to define how the World Bank Group can contribute to increasing investment in best available technology in power generation in coal-dominated power systems, including re-powering old, inefficient power plants
- ***Reinsurance, Climate Risk and Energy Investment Meeting on September 8, 2005:*** the World Bank has invited senior managers from the reinsurance industry to participate in a one-day brainstorming meeting at the World Bank in Washington DC to explore options for possible long term collaboration. The purpose of the meeting is to define how the World Bank Group can contribute to increasing the participation of the reinsurance industry in climate-friendly energy sector investment and insurance coverage for the poorest, most climate-vulnerable populations in developing countries.
- ***Meeting with International Financial Institutions on September 20, 2005:*** The World Bank is seeking to consult the Multilateral Development Banks (African Development Bank, the Asian Development Bank, the Inter-American Development Bank, the European Bank for Reconstruction and Development, and the European Investment Bank and other regional banks) about the opportunities to collaborate in the areas outlined in the G-8 communiqué and Plan of Action on energy and climate change. A meeting has been scheduled in Washington, DC for September 20th, 2005. It will be hosted by the World Bank, and include senior representatives of the MDBs and the Bank. The meeting will have three specific objectives:
 - share information about, and lessons learned, from current and planned lending programs in support of low carbon energy and infrastructure development and for activities that are expected to reduce the risk to the poor of climate change;
 - identify and share plans for developing new financial products and public-private partnerships to support increased private sector investment in low carbon energy and infrastructure and adaptation to climate change; and
 - explore opportunities for collaboration amongst MDBs.

- **Annual Meetings Side Event on September 24, 2005:** A high-level event has been scheduled in conjunction with the IMF-World Bank Annual Meetings in Washington DC. It will be hosted by the G-8 Presidency (UK Government) and co-chaired by the Bank. Invitees will be drawn from ministers of finance and development from the G-8, developing countries and others.

9. **Ministerial Meeting Hosted by the UK government:** The Bank will participate in a Ministerial Conference hosted by the UK government to take place on November 1, 2005, in London. The Conference was announced by Prime Minister Tony Blair during the G-8 Summit in Gleneagles. Participants will include Ministers from the G-8 and middle income countries as well as other international organizations. The purpose of the conference is to strengthen the dialogue initiated in a similar conference held in March 2005 as a preparation for the G-8 Summit.

10. **Internal Working Groups:** The vice presidencies for Sustainable Development (ESSD) and Infrastructure (INF) have been charged with coordinating the World Bank Groups activities related to the actions included in the G-8 communiqué, and the related Gleneagles Plan of Action. Four Bank-Group working groups have been established, with representatives from the Bank, IFC and MIGA. Initial reports will be prepared prior to Annual Meetings.

11. The working groups and related follow-up activities are as follows:

- **Enhancing Country Dialogue:** This working group (WG) will consider the options for ensuring climate change issues are part of a meaningful country dialogue including activities that would shed light on the options our borrowing country partners have for lowering the carbon intensity, increasing energy efficiency, and increasing the climate resilience. This work will also focus on integrating these options into Country Assistance Strategies.
- **Technology Assessment:** This WG will analyze the role of technology, planning and implementation capacities; strategies for encouraging technology transfer; and further analytical work. This WG will also be the counterpart for the Bank's day-to-day relationship with the International Energy Agency (IEA) as a partner in the G8 follow-up.
- **Financial Products:** This WG will take stock of existing products of the Bank Group and the GEF that can support investments by the Bank Group and others in low carbon energy and infrastructure, and adaptation activities; reflect and advise on how to offer these products; and define and illustrate opportunities for capturing synergies between them. This will include developing local commercial capacity for financing energy efficiency and low-carbon projects. This WG would facilitate cooperation across the Bank Group in the design and implementation of existing and planned products.
- **Adaptation:** This WG will identify means to improve regional understanding of the impacts of climate change; measures to adapt to these impacts; and any research and technological gaps that need to be tackled urgently; means to further develop best practice guidelines and tools to assist in screening development projects for climate sensitivities; and risk spreading measures to ameliorate impacts.
- **Communications:** The Bank will establish an information and communications clearing house with the objective of strengthening internal communications between members of the joint task force (ESSD, INF, MIGA, and IFC) and other areas of the Bank Group and will initiate work on the design of a communications strategy for climate change.