

# Contents

Preface .....	iii
Acknowledgements .....	iv
Overview .....	v
Contents .....	xxiii
Explanatory Notes .....	xxviii
<b>I. Climate change and the development challenge .....</b>	<b>1</b>
Introduction .....	1
Development in a warming world .....	3
The development challenge .....	3
The climate challenge .....	4
The interdependency challenge .....	7
From free-riding to burden-sharing .....	8
The policy response .....	12
Scientists, dreamers and defunct economists .....	12
Interrelated threats .....	15
A New Deal? .....	15
No country left behind .....	16
Common but differentiated mitigation challenges .....	18
Defining low-emissions, high-growth pathways .....	19
Incremental change or a big push? .....	22
Does technology hold the key? .....	22
An expanded public policy agenda .....	23
Is low-emissions, high-growth feasible? .....	23
A low-emissions, high-growth scenario .....	23
Energy efficiency and energy diversification .....	25
Financing or access to markets? .....	27
Assessing the simulation results .....	28
Conclusion: managing crises .....	28
<b>Annex .....</b>	<b>31</b>
<b>II. Climate mitigation and the energy challenge: a paradigm shift .....</b>	<b>35</b>
Introduction .....	35
Stabilization scenarios and mitigation options .....	36
Energy and economic development .....	40
The evolution of the energy system .....	40
Energy and growth .....	42
Achieving convergent economic growth and energy consumption .....	44
The energy investment push .....	46

An integrated approach to the mitigation challenge .....	49
Energy security .....	49
Energy access.....	51
Capacity expansion.....	54
Feed-in tariffs.....	56
Research and development.....	60
Conclusion.....	61
<b>III. The adaptation challenge .....</b>	<b>63</b>
Introduction .....	63
Adaptation and vulnerability .....	64
Climate change and vulnerability .....	64
Adaptation and development.....	70
The limits of existing policy frameworks .....	73
The impacts of climate change.....	74
Agriculture and forestry .....	74
Urban environments .....	77
Health and water security .....	78
Meeting the challenge of adaptation .....	80
Climate-smart development.....	83
How to apply the integrated approach.....	85
Forestry and agriculture .....	85
Urban environments .....	87
Health and water security .....	88
International cooperation on adaptation.....	91
Conclusion.....	94
<b>Annex .....</b>	<b>96</b>
<b>IV. A state of change: development policy and the climate challenge.....</b>	<b>99</b>
The role of developmental States in a warming world .....	100
An investment-led strategy.....	100
From technological learning to technological leapfrogging.....	102
Managing creative destruction.....	105
Diversification challenges .....	106
The revival of industrial policy.....	108
Some policy steps towards a low-emissions future .....	117
Energy efficiency .....	118
Cleaner coal .....	119
Renewables.....	120
Conclusion.....	122
<b>V. Technology transfer and the climate challenge.....</b>	<b>123</b>
Introduction .....	123
Technology transfer for climate change: a global public policy challenge .....	124
Intellectual property rights.....	127
Incentives or obstacles.....	127

Taking advantage of flexibilities of the Agreement on Trade-related Aspects of Intellectual Property Rights .....	130
Modifying the Agreement on Trade-related Aspects of Intellectual Property Rights.....	133
Further options for addressing intellectual property rights-related issues and innovation incentives .....	134
Technology transfer through investment.....	136
Accessing clean technologies through foreign direct investment.....	136
CDM and technology transfer.....	137
Trade and climate-related technology transfer .....	138
Liberalization of trade in climate-related environmental goods and services .....	140
Embodied carbon.....	141
Low-emissions energy subsidies .....	142
International policies and measures to build capacity in developing countries .....	143
Conclusion.....	150
<b>VI. Financing the development response to climate change.....</b>	<b>151</b>
Introduction .....	151
Estimating financing requirements .....	154
Mitigation costs.....	154
Adaptation costs.....	155
The financing challenge.....	157
Crowding in private sector resources.....	159
Market-based incentives for scaling up investment in developing countries .....	160
Public sector financing .....	169
Domestic resource mobilization.....	169
International financing.....	172
Towards a global investment regime to address the climate challenge .....	176
Elements of a global programme .....	177
A development accord .....	177
Additional and substantially scaled-up financing.....	178
Independent and participatory governance structures.....	180
Living up to the challenge: lessons from the Marshall Plan.....	182
Conclusion.....	183
<b>Bibliography .....</b>	<b>185</b>
 <b>Boxes</b>	
I. 1	Burden-sharing proposals..... 10
I. 2	The limits of conventional economic models..... 13
I. 3	Carbon indebtedness..... 19
I. 4	Green jobs .....
II. 1	Greenhouse gas emissions mitigation in the North-eastern United States of America: the 3 per cent solution..... 52
III. 1	The multiple threats to livelihoods from climate change: the Andean case..... 66
III. 2	In the face of the storm: extreme vulnerability to climate change..... 67

III. 3	Relocation: desperate measures? .....	70
III. 4	National Adaptation Programmes of Action: adaptation strategies and mechanisms in least developed countries.....	82
III. 5	Putting climate change in the agenda: the Durban case .....	89
III. 6	Water and river management in the context of climate change .....	90
III. 7	International cooperation and the national adaptation strategy in Bangladesh .....	92
III. 8	Adaptation funds .....	93
IV. 1	The Tennessee Valley Authority: a successful big push.....	101
IV. 2	Capacity-building for sustainable forestry .....	104
IV. 3	Diversification of the productive system in South Africa.....	107
IV. 4	Crowding in of private investments in a low-emissions, high-growth development path.....	110
IV. 5	A big energy push in India: the role of renewables.....	113
IV. 6	Brazil's sugar cane-based ethanol industry.....	115
IV. 7	Renewable energy in China.....	121
V. 1	Lessons learned from the implementation of the Montreal Protocol.....	125
V. 2	Foreign direct investment (FDI) and technology transfer in the wind sector .....	129
V. 3	Intellectual property rights and publicly funded technologies.....	145
V. 4	The Global Environment Facility.....	148
VI. 1	Sulphur trading and why it worked.....	162
VI. 2	Financing forests and the reduction of emissions from deforestation and forest degradation (REDD).....	164
VI. 3	Establishing a consumer financing programme for solar photovoltaic (PV) systems in southern India.....	168
VI. 4	Green bonds.....	170
VI. 5	Developing financial intermediation mechanisms for energy efficiency projects in Brazil, China and India.....	172
VI. 6	Proposals for mobilizing new, additional and significant financial resources.....	174

## Figures

I. 1	The income gap between G7 countries and selected regions, 1980-2007 .....	4
I. 2	Increase of global mean temperature since 1850.....	5
I. 3	Annual per capita emissions, selected regions, 1950-2005.....	9
I. 4	Emissions stabilization wedges, 2000-2060.....	20
I. 5	Growth of world income and of energy use.....	26
II. 1	Alternative scenarios for CO <sub>2</sub> emissions and equilibrium temperature increases for a range of stabilization levels, 1940-2100.....	37
II. 2	Global GHG abatement cost curve beyond business-as-usual, 2030 .....	39
II. 3	Major categories of abatement opportunities.....	40
II. 4	Global primary energy requirements since 1850 .....	42
II. 5	Per capita energy consumption and human development, selected countries.....	43
II. 6	Historical evolution of, and a possible future for, the global energy system, in the context of the relative shares of the most important energy sources, 1850-2100 .....	47
II. 7	Energy systems investment, 2000-2030.....	48
II. 8	Electrical capacity expansion and capacity replacement by 2030, developing and industrialized countries .....	55
II. 9	Share of carbon-free in electricity generation in the A2r scenario (A) and the B1 scenario (B).....	57

II. 10	Share of carbon-free in primary energy mix in the A2r scenario (A) and the B1 scenario (B).....	58
III. 1	Rising temperatures and vulnerabilities in the Australasian region.....	65
III. 2	Differential adaptive capacities to global sea-level rise, developed and developing countries, 2000-2100.....	69
III. 3	Differentiated regional impacts at various degrees of average global temperature rise.....	75
IV. 1	Technology development and CO <sub>2</sub> mitigation for power generation.....	117
V. 1	Share of patent ownership in the areas of renewable energy and motor vehicles abatement among selected countries, 2000-2004.....	128
V. 2	Commonly identified renewable energy technology needs and energy efficiency technology needs in the building and residential subsectors, selected regions.....	144
VI. 1	Strategic investment and financing mechanisms for developing countries.....	153
VI. 2	Range of estimates of annual additional cost of mitigation strategies, 550 ppm and 450 ppm scenarios, world and developing countries.....	155

## Tables

I. 1	Greenhouse gas emissions (carbon dioxide, methane, perfluorocarbons, hydrochlorofluorocarbons and sulphur hexafluoride) by sector, 2000.....	5
I. 2	Emission scenarios and their impact.....	7
I. 3	Per capita emissions in 2005 and share in cumulative emissions during 1840-2005, selected developed and developing countries and economies in transition.....	9
I. 4	Probability of exceeding the temperature increase (relative to the pre-industrial level) at different greenhouse gas concentration stabilization levels.....	14
I. 5	Business-as-usual damages in 2100.....	17
I. 6	Energy use and total investment, selected country cases: 20-year averages taken in 1990.....	25
I. 7	Energy use and total investment (model output: 20-year averages taken in 2030).....	26
II. 1	Increases in population, economic activity, energy use, mobility and greenhouse gas emissions, 1800-2000.....	41
II. 2	Per capita energy consumption, selected countries, 2005.....	44
III. 1	Potential measures of adaptation to climate change for different sectors.....	86
IV. 1	Illustrative list of industrial policies in support of production and investment, with a special focus on energy, transport and extractive sectors.....	112
V. 1	Innovative mechanisms to promote technology development and transfer.....	146
VI. 1	Range of estimates of global mitigation costs according to various studies.....	156
VI. 2	Additional investment and financial flows needed for adaptation in 2030, by sector.....	157
VI. 3	Bilateral and multilateral financing mechanisms for mitigation and adaptation in developing countries.....	158
VI. 4	Possible breakdown of climate-related ODA flows for Annex II countries to 2020.....	180

# Explanatory notes

## The following symbols have been used in the tables throughout the report:

- .. **Two dots** indicate that data are not available or are not separately reported.
- **A dash** indicates that the amount is nil or negligible.
- **A hyphen (-)** indicates that the item is not applicable.
- **A minus sign (-)** indicates deficit or decrease, except as indicated.
- . **A full stop (.)** is used to indicate decimals.
- / **A slash (/)** between years indicates a crop year or financial year, for example, 1990/91.
- **Use of a hyphen (-)** between years, for example, 1990-1991, signifies the full period involved, including the beginning and end years.

**Reference to “dollars” (\$)** indicates United States dollars, unless otherwise stated.

**Reference to “billions”** indicates one thousand million.

**Reference to “tons”** indicates metric tons, unless otherwise stated.

**Annual rates** of growth or change, unless otherwise stated, refer to annual compound rates.

Details and percentages in tables do not necessarily add to totals, because of rounding.

## The following abbreviations have been used:

<b>AAUs</b>	assigned amount units	<b>EU</b>	European Union
<b>ACP</b>	African, Caribbean and Pacific Group of States	<b>EU ETS</b>	Emission Trading Scheme of the European Union
<b>APEC</b>	Asia-Pacific Economic Cooperation	<b>FAO</b>	Food and Agriculture Organization of the United Nations
<b>BAU</b>	business-as-usual	<b>FDI</b>	foreign direct investment
<b>BIGCC</b>	biomass integrated gasification combined cycle	<b>FFV</b>	flex-fuel vehicle
<b>boe</b>	barrel of oil equivalent	<b>FIT</b>	feed-in tariff
<b>CAIT</b>	Climate Analysis Indicators Tool	<b>GATT</b>	General Agreement on Tariffs and Trade
<b>CCS</b>	carbon capture and sequestration	<b>GCCA</b>	Global Climate Change Alliance (European Commission)
<b>CDIAC</b>	Carbon Dioxide Information Analysis Center	<b>GDP</b>	gross domestic product
<b>CDM</b>	Clean Development Mechanism	<b>GDRs</b>	Greenhouse Development Rights
<b>CERs</b>	certified emission reductions	<b>GEF</b>	Global Environment Facility
<b>CFCs</b>	chlorofluorocarbons	<b>GFDRR</b>	Global Facility for Disaster Reduction and Recovery
<b>CFI</b>	Climate and Forest Initiative (Norway)	<b>GHG</b>	greenhouse gas
<b>CFLs</b>	compact fluorescent lamps	<b>GIS</b>	geographic information system
<b>CIF</b>	Climate Investment Fund	<b>GNP</b>	gross national product
<b>CIS</b>	Commonwealth of Independent States	<b>GPM</b>	United Nations Global Policy Model
<b>CO<sub>2</sub></b>	carbon dioxide	<b>GPS</b>	Global Positioning System
<b>CO<sub>2</sub>e</b>	carbon dioxide equivalent	<b>Gt</b>	gigatons
<b>CSP</b>	Concentrating solar power (Global Environment Facility)	<b>GtCO<sub>2</sub></b>	gigatons of carbon dioxide
<b>EPA</b>	United States Environmental Protection Agency	<b>GtCO<sub>2</sub>e</b>	gigatons of carbon dioxide equivalent
<b>EPPs</b>	environmentally preferable products	<b>GW</b>	gigawatt
<b>ESTs</b>	environmentally sound technologies	<b>GWh</b>	Gigawatt-hours
<b>ETF-IW</b>	Environmental Transformation Fund-International Window (United Kingdom)		

<b>HS</b>	Harmonized Commodity Description and Coding System (World Customs Organization)	<b>PV</b>	photovoltaic
<b>HVAC</b>	heating, ventilating and air conditioning	<b>R&amp;D</b>	research and development
<b>IAEA</b>	International Atomic Energy Agency	<b>RD&amp;D</b>	research, development and deployment
<b>ICI</b>	International Climate Initiative (Germany)	<b>REDD</b>	reduction of emissions from deforestation and forest degradation
<b>IEA</b>	International Energy Agency	<b>RFPs</b>	renewable portfolio standards
<b>IFC</b>	International Finance Corporation	<b>RGGI</b>	Regional Greenhouse Gas Initiative (United States)
<b>IFCI</b>	International Forest Carbon Initiative (Australia)	<b>SCCF</b>	Special Climate Change Fund (Global Environment Facility)
<b>IGCC</b>	integrated gasification combined cycle	<b>SDRs</b>	special drawing rights
<b>IISD</b>	International Institute for Sustainable Development	<b>SECCI</b>	Sustainable Energy and Climate Change Initiative (Inter-American Development Bank)
<b>ILO</b>	International Labour Organization	<b>SGP</b>	Small Grants Programme (Global Environment Facility)
<b>IMF</b>	International Monetary Fund	<b>SPA</b>	Strategic Priority on Adaptation (Global Environment Facility)
<b>IOE</b>	International Organisation of Employers	<b>SRES</b>	Special Report on Emissions Scenarios (Intergovernmental Panel on Climate Change)
<b>IPCC</b>	Intergovernmental Panel on Climate Change	<b>tCO<sub>2e</sub></b>	ton of carbon dioxide equivalent
<b>ITUC</b>	International Trade Union Confederation	<b>3CEE</b>	Three-Country Energy Efficiency Project (Brazil, China, India)
<b>kg</b>	kilogram	<b>TRIPS</b>	Agreement on Trade-related Aspects of Intellectual Property Rights
<b>km<sup>2</sup></b>	square kilometres	<b>TVA</b>	Tennessee Valley Authority
<b>kW</b>	kilowatt	<b>TWe</b>	terawatts electric
<b>kWh</b>	kilowatt-hours	<b>UNCTAD</b>	United Nations Conference on Trade and Development
<b>LDCs</b>	least developed countries	<b>UN/DESA</b>	Department of Economic and Social Affairs of the United Nations Secretariat
<b>LDCF</b>	Least Developed Countries' Fund (Global Environment Facility)	<b>UNDP</b>	United Nations Development Programme
<b>LPG</b>	liquefied petroleum gas	<b>UNEP</b>	United Nations Environment Programme
<b>LTMS</b>	long-term mitigation scenarios	<b>UNFCCC</b>	United Nations Framework Convention on Climate Change
<b>MDGs</b>	Millennium Development Goals	<b>UN/HABITAT</b>	United Nations Human Settlements Programme
<b>MIT</b>	Massachusetts Institute of Technology	<b>UNHCR</b>	Office of the United Nations High Commissioner for Refugees
<b>mm</b>	millimetres	<b>UN-REDD</b>	United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries
<b>MOC</b>	meridional overturning circulation	<b>USSR</b>	Union of Soviet Socialist Republics
<b>MW</b>	megawatt	<b>WGP</b>	world gross product
<b>NAFTA</b>	North American Free Trade Agreement	<b>WHO</b>	World Health Organization
<b>NAMAs</b>	nationally appropriate mitigation actions	<b>WIPO</b>	World Intellectual Property Organization
<b>NAPA</b>	National Adaptation Programme of Action	<b>WMO</b>	World Meteorological Organization
<b>ODA</b>	official development assistance	<b>WTO</b>	World Trade Organization
<b>OECD</b>	Organization for Economic Cooperation and Development		
<b>OPEC</b>	Organization of the Petroleum Exporting Countries		
<b>OTA</b>	Office of Technology Assessment (United States Congress)		
<b>ppm</b>	parts per million		
<b>PPMs</b>	processes or production methods		
<b>ppmv</b>	parts per million by volume		
<b>ppp</b>	purchasing power parity		
<b>PRSPs</b>	Poverty Reduction Strategy Papers		

The designations employed and the presentation of the material in this publication do not imply the expression of any opinion whatsoever on the part of the United Nations Secretariat concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries.

The term "country" as used in the text of this report also refers, as appropriate, to territories or areas.

**For analytical purposes, unless otherwise specified, the following country groupings and subgroupings have been used:**

***Developed economies (developed market economies):***

Australia, Canada, European Union, Iceland, Japan, New Zealand, Norway, Switzerland, United States of America.

*Subgroupings of developed economies:*

***Major developed economies (Group of Seven):***

Canada, France, Germany, Italy, Japan, United Kingdom of Great Britain and Northern Ireland, United States of America.

***European Union (EU):***

Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom of Great Britain and Northern Ireland.

*EU-15:*

Austria, Belgium, Denmark, Finland, France, Greece, Germany, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom of Great Britain and Northern Ireland.

*New EU member States:*

Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia.

***Economies in transition:***

*South-eastern Europe:*

Albania, Bosnia and Herzegovina, Croatia, Montenegro, Serbia, the former Yugoslav Republic of Macedonia.

*Commonwealth of Independent States (CIS):*

Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Republic of Moldova, Russian Federation, Tajikistan, Turkmenistan, Ukraine, Uzbekistan.

***Developing economies:***

Africa, Asia and the Pacific (excluding Australia, Japan, New Zealand and the member States of CIS in Asia), Latin America and the Caribbean.

*Subgroupings of Africa:*

*Northern Africa:*

Algeria, Egypt, Libyan Arab Jamahiriya, Morocco, Tunisia.

*Sub-Saharan Africa, excluding Nigeria and South Africa (commonly contracted to "sub-Saharan Africa"):*

All other African countries except Nigeria and South Africa.

*Southern Africa:*

Angola, Botswana, Lesotho, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Zambia, Zimbabwe.

*East Africa:*

Burundi, Comoros, Democratic Republic of the Congo, Djibouti, Eritrea, Ethiopia, Kenya, Madagascar, Rwanda, Seychelles, Somalia, Sudan, Uganda, United Republic of Tanzania.

*West Africa:*

Burkina Faso, Benin, Cape Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone, Togo.

*Central Africa:*

Cameroon, Central African Republic, Chad, Congo, Equatorial Guinea, Gabon, Sao Tome and Principe.

*Subgroupings of Asia and the Pacific:*

*Western Asia:*

Bahrain, Iraq, Israel, Jordan, Kuwait, Lebanon, Occupied Palestinian Territory, Oman, Qatar, Saudi Arabia, Syrian Arab Republic, Turkey, United Arab Emirates, Yemen.

*East and South Asia:*

All other developing economies in Asia and the Pacific (including China, unless stated otherwise). This group is further subdivided into:

*South Asia:*

Bangladesh, Bhutan, India, Iran (Islamic Republic of), Maldives, Nepal, Pakistan, Sri Lanka.

*East Asia:*

All other developing economies in Asia and the Pacific.

*Subgroupings of Latin America and the Caribbean:*

*South America:*

Argentina, Bolivia (Plurinational State of), Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay, Venezuela (Bolivarian Republic of).

*Mexico and Central America:*

Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama.

*Caribbean:*

Barbados, Cuba, Dominican Republic, Guyana, Haiti, Jamaica, Trinidad and Tobago.

**Least developed countries:**

Afghanistan, Angola, Bangladesh, Benin, Bhutan, Burkina Faso, Burundi, Cambodia, Central African Republic, Chad, Comoros, Democratic Republic of the Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Haiti, Kiribati, Lao People's Democratic Republic, Lesotho, Liberia, Madagascar, Malawi, Maldives, Mali, Mauritania, Mozambique, Myanmar, Nepal, Niger, Rwanda, Samoa, Sao Tome and Principe, Senegal, Sierra Leone, Solomon Islands, Somalia, Sudan, Timor-Leste, Togo, Tuvalu, Uganda, United Republic of Tanzania, Vanuatu, Yemen, Zambia.

**Small island developing States:**

American Samoa, Anguilla, Antigua and Barbuda, Aruba, Bahamas, Barbados, Belize, British Virgin Islands, Cape Verde, Commonwealth of the Northern Mariana Islands, Comoros, Cook Islands, Cuba, Dominica, Dominican Republic, Fiji, French Polynesia, Grenada, Guam, Guinea-Bissau, Guyana, Haiti, Jamaica, Kiribati, Maldives, Marshall Islands, Mauritius, Micronesia (Federated States of), Montserrat, Nauru, Netherlands Antilles, New Caledonia, Niue, Palau, Papua New Guinea, Puerto Rico, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Samoa, Sao Tome and Principe, Seychelles, Singapore, Solomon Islands, Suriname, Timor-Leste, Tonga, Trinidad and Tobago, Tuvalu, United States Virgin Islands, Vanuatu.

**Parties to the United Nations Framework Convention on Climate Change:***Annex I Parties:*

Australia, Austria, Belarus, Belgium, Bulgaria, Canada, Croatia, Czech Republic, Denmark, Estonia, European Community, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Latvia, Liechtenstein, Lithuania, Luxembourg, Monaco, Netherlands, New Zealand, Norway, Poland, Portugal, Romania, Russian Federation, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, Ukraine, United Kingdom of Great Britain and Northern Ireland, United States of America.

*Annex II Parties:*

Annex II parties are the parties included in Annex I that are members of the Organization for Economic Cooperation and Development but not the parties included in Annex I that are economies in transition.