



World Economic and Social Survey 2009

Promoting Development, Saving the Planet

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Key messages

- Lower GHG emissions are necessary to protect the planet; rising living standards to meet development goals
- Difficult to address separately; but together involve **huge adjustments** (even in developed but), particularly, in developing economies; can't be left to individual countries to manage alone
- Transforming energy services is key; but series of large, **interrelated investments** needed to meet climate and development goals
- Cannot rely on markets; need a revitalised **public policy** agenda:
 - a **global investment program** for both mitigation and adaptation
 - substantial **financial transfers** to developing countries
 - new mechanisms for **developing and transferring technologies**
 - integrated strategy with larger role for **industrial policies**
- A global green new deal?

Closing gap between science and policy

- Little controversy in the science: ad-hoc, incremental responses will no longer deliver safe outcomes
- Big damage to poor countries and communities from **multiple threats**; a warming world will be a much more unequal world
- Conventional economic wisdom has seriously hampered the policy debate; but no longer an environmental challenge

Risk:

many of the trends will accelerate, leading to irreversible climatic shifts

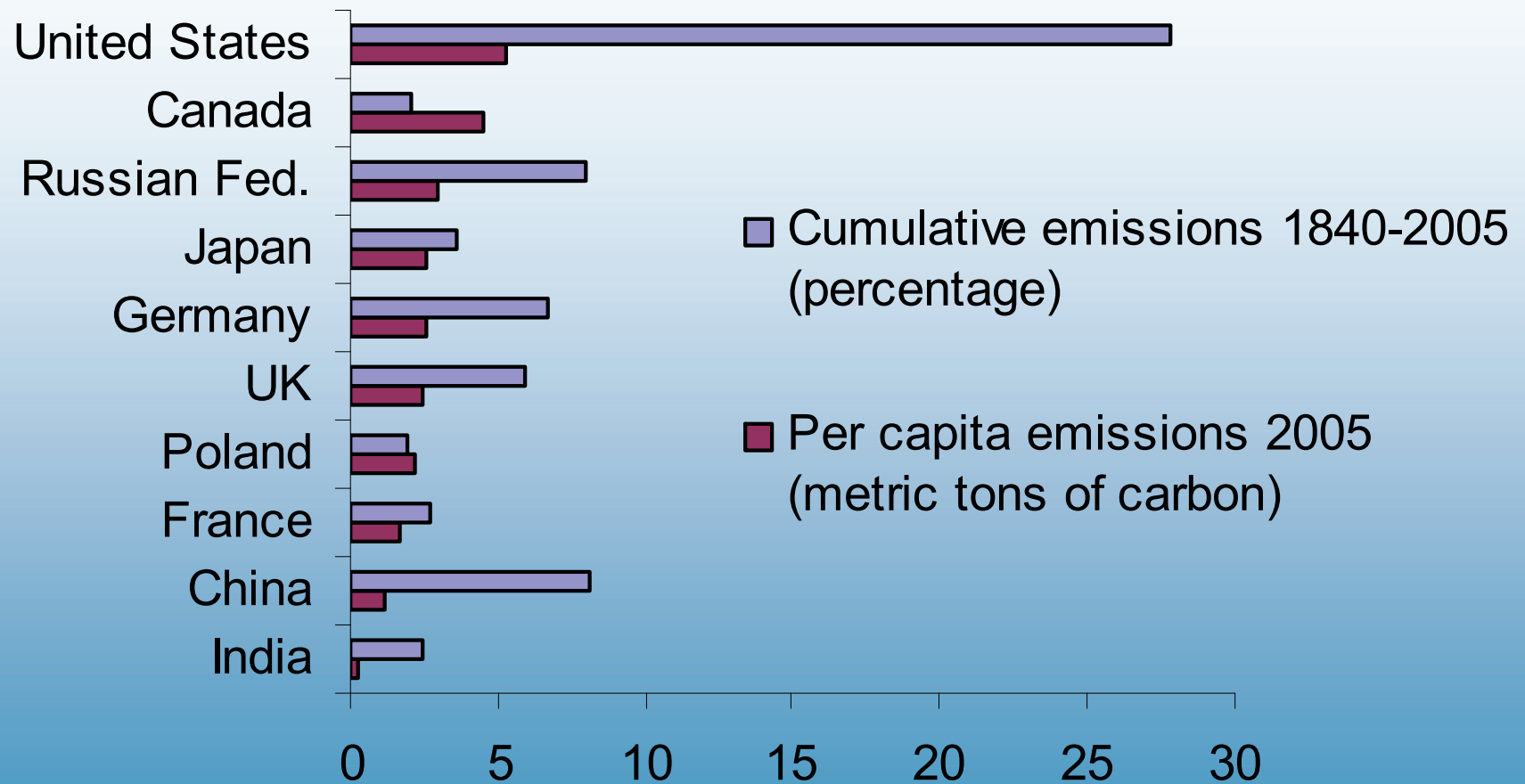
Closing the gap between science and politics

- In the political debate there is insufficient recognition of the size and nature of economic adjustments involved in moving to low-emission development pathways: **the demands on developing countries are underestimated**
- Shift focus from emissions cuts to **sustainable development**, i.e. to full employment and energy security in North and to catch-up growth and energy access in South
- But also a much more frank and open discussion about **burden sharing**

One planet; different histories

- if developing countries emulate rich countries carbon-fueled growth path climate goals will not be achieved
- that growth history has left a very uneven development picture: **that growth trajectory cannot reconcile reducing current gaps and inequities with saving the planet**
- common but differentiated responsibilities
- shift to “big emitters”: developing countries being asked to take on larger burden of adjustment
- **the more developed countries do** (in terms of cuts and support), **the more developing countries can take on**
- trust building requires multilateral framework

So-called big emitters are a century behind



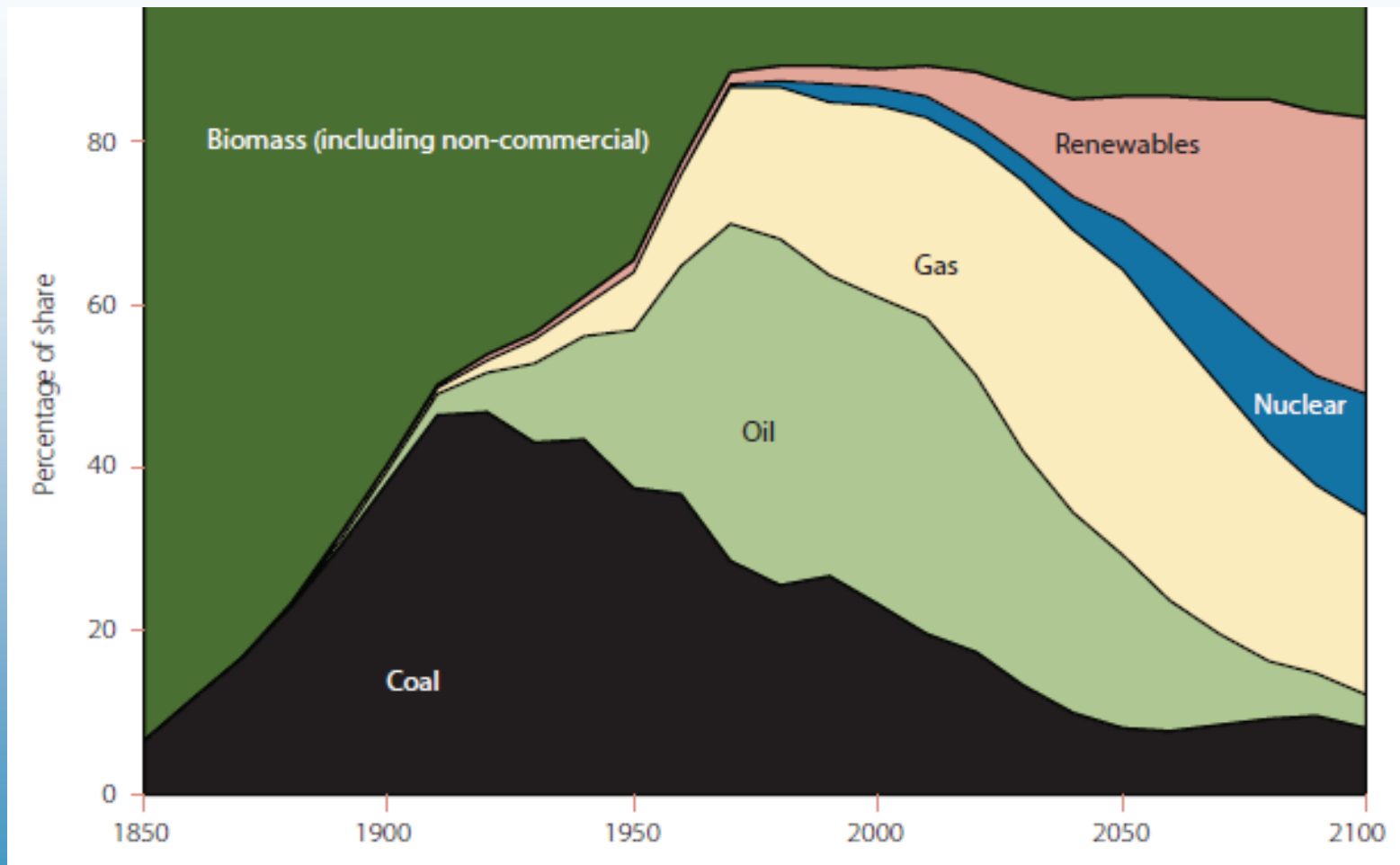
Investment is key to adjustment

- To break **business-as-usual** path needs long-term planning and investments that begin sooner not later
- Transforming **energy services** to substantially reduce carbon emissions is key
- The relevant technologies exist (energy efficiency; renewables), but costs are still a major constraint
- Essential to achieve scale and learning economies: avoid carbon lock-in: a “**Big Push**” is needed
- This will require **policy shifts** at macroeconomic and sectoral levels
- Investment+technology; need a **climate technology programme** with augmented R&D and flexible IP rules

Energy story

- Two-thirds to three-quarters of emissions from the energy sector
- Energy challenge is different for developing countries
 - Developing countries must expand electricity and transport infrastructure three to four times just to provide whole population with access and reach basic growth targets
 - Expansion is constrained not by demand (efficiency, population) but by supply (investment capacity).
 - Without investing in renewable energy, projected developing country energy growth per year (3% to 5%) means more emissions even with rising energy efficiency
 - At 10 cents per kWh, even a household with an income of \$10 per capita per day could not achieve energy security
 - Investment and consumption will need to be subsidized initially

The global energy system; past and future



The adaptation challenge

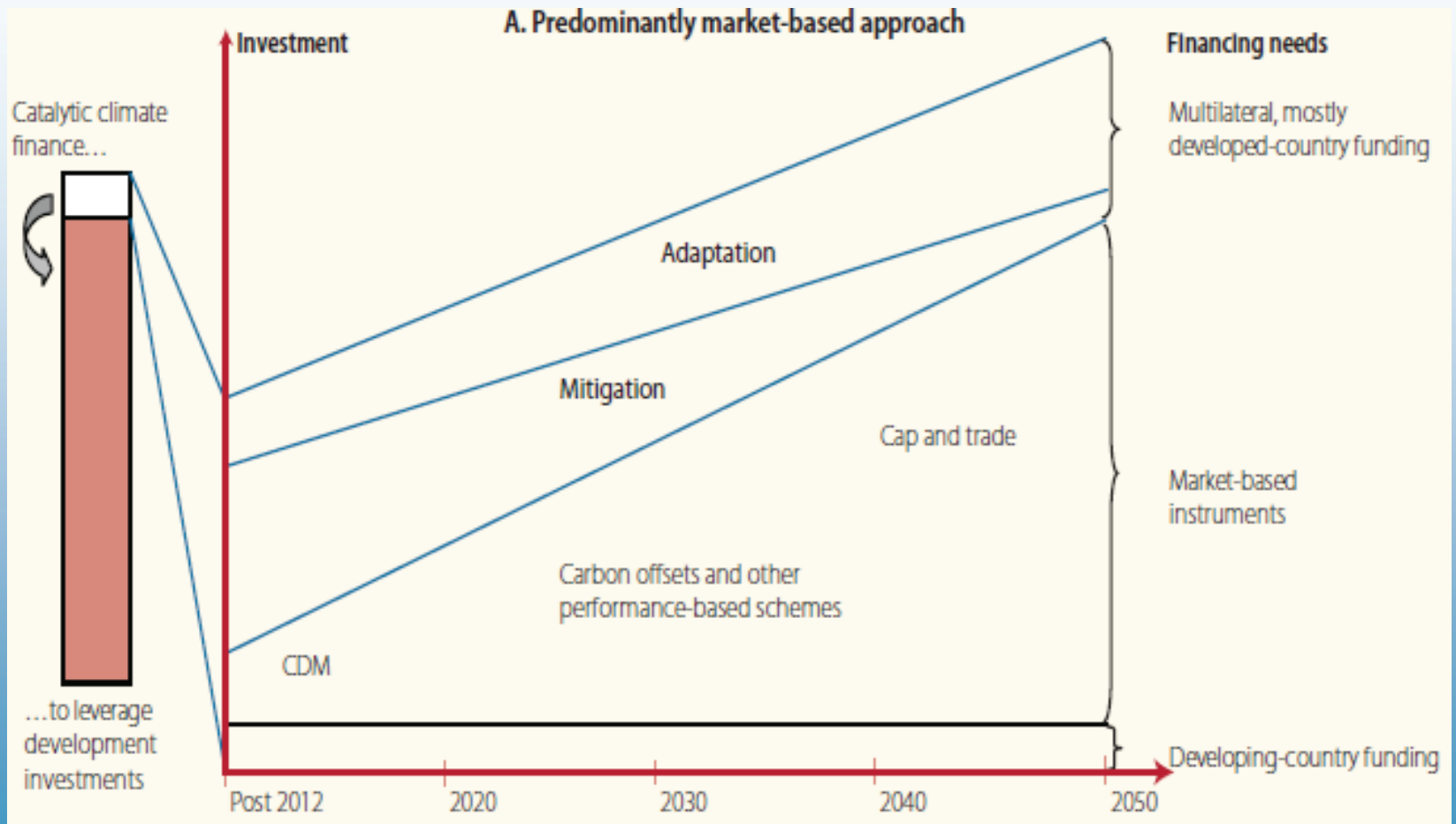
- **Vicious circles** only likely to worsen as climate change intensifies new and existing threats
- Diversified economies best insurance policy; more equal societies adjust better
- Adaptation requires fresh policy thinking around some old themes;
- **Smarter development policies** – investment; incentives; institutions need to meet multiple threats; link adaptation and mitigation challenges
- **Adaptation funding insufficient**: less than \$200 million available where between \$50 and \$100 BILLION per year would be needed

Sources of finance

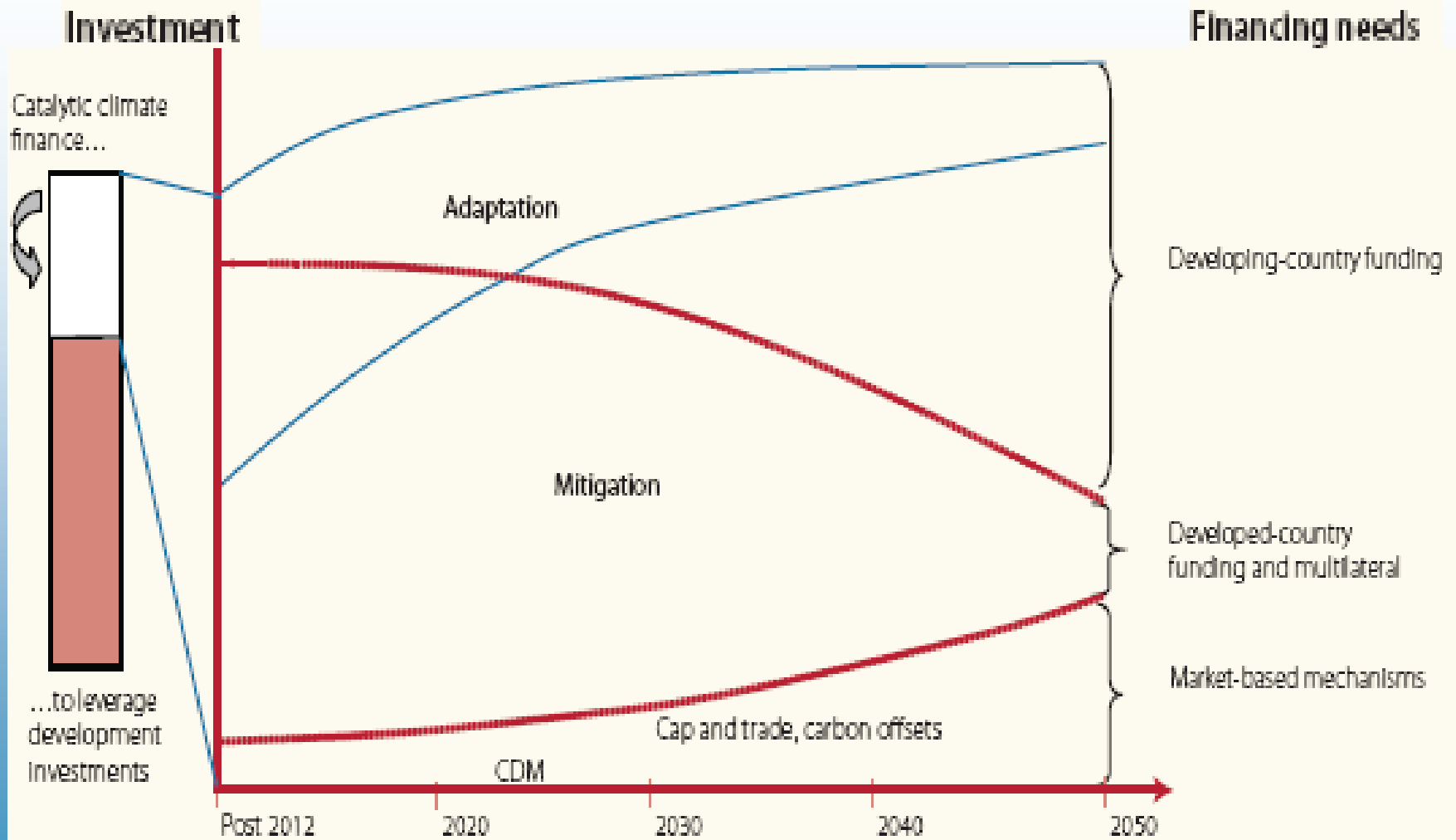
- Existing funding for climate challenge inadequate:
 - \$21 billion in existing climate funds
 - WESS: need between \$500-\$600 billion (or 1% of WGP) p.a.
- **Scaling up** existing and innovative sources of financing:
 - Official development assistance
 - Carbon credit from developing to developed countries
 - International taxes or levies
 - Reallocation of existing spending
 - Global feed-in tariffs
- Using new or existing mechanisms? Developing countries concerned that mistakes with development financing will be repeated

Competing visions of tackling climate and development

A. Predominantly market-based approach



B. Predominantly investment-led approach



Towards a global investment regime

- A globally funded public investment program would promote equity by enabling catch-up growth while cutting emissions
- **A new Marshall Plan:** Additional resource flows of 1 per cent of WGP (\$500-600 billion) per annum needed from North to South starting in 2010-20, not to peak by 2030.
- Targeted at renewables; energy efficiency and forest management
- R&D, technical assistance and more flexible approach to IPRs
- Strong national development programmes
- Ultimately strong domestic resource mobilization will be key as private investment is crowded in to the new growth path

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