

a large multiple of that figure. If the international community is serious about a “global new deal,” the *Survey* suggests, it should be just as serious about committing resources on the same scale as was needed to tackle the financial crisis and defeat political extremism.

According to the report, the difficulty of reaching even the current levels of aid commitments suggests that global financing for climate change will require a much more determined effort on the part of advanced countries to provide bold leadership on the climate issue and bolster international cooperation. But it will also require an effort on the part of developing countries to mobilize a larger share of their resources for cleaner investments along a new, sustainable growth path.

A way forward

Addressing the climate change challenge requires different approaches in developed and developing countries, the *Survey* suggests. Market solutions, including the development of a carbon market, through “cap and trade” mechanisms or taxation schemes in developed countries, are not the solution for developing countries. “Perhaps the more sensible, forward-looking view,” the report states, “is to recognize that carbon markets will continue to expand but that the pace and scale will not be sufficient to help developing countries break the financial constraint on proceeding along a low-emissions development pathway.”

Rather, the *Survey* says the preferred option for developing countries should be a combination of large-scale investments and active policy interventions. This would require strong and sustained political commitment by developing country Governments and, as critically, sizeable and effective multilateral support with respect to both finance and the transfer of technology.

The report sets out a range of possible multilateral measures in support of a global investment programme, including a global clean energy fund, a global feed-in tariff regime in support of renewable energy sources, a climate technology programme and a more balanced intellectual property regime for aiding the transfer of clean technologies.

Along with strong domestic government interventions, these can provide guidance to the private sector, the report states, commending developing countries for initiatives moving in this direction, such as Brazil’s ethanol programme and China’s renewable energy programme. An earlier success story cited was the United States’ Tennessee Valley Authority, which helped provide the energy that transformed an entire region after World War II.

According to the *Survey*, the big difference this time around “is that the new investment deal that is needed to meet the climate challenge must be recognized as a truly global project.”

For more information, please contact:

UN Department of Public Information, New York
Newton Kanhema, e-mail kanhema@un.org, tel: 212-963-5602
Franck Kuwonu, e-mail kuwonu@un.org, tel: 212-963-8264

On the web: www.un.org/esa/policy/wess

Issued by the UN Department of Public Information

EMBARGO Until 1 September, 16:00GMT

World Economic and Social Survey 2009

Promoting Development, Saving the Planet



Press Release

UN report says addressing climate change requires investing in low-emission, high-growth strategies for developing countries

NEW YORK, 1 SEPTEMBER — As negotiations for a new global agreement to address climate change enter the final stages before the Copenhagen Climate Change Conference this December, the United Nations is issuing a report today that analyzes the growing demands on developing countries as threats from a warming world are added to longstanding development challenges.

The report, *The World Economic and Social Survey 2009: Promoting Development, Saving the Planet*, published by the UN Department of Economic and Social Affairs, sees little benefit in ad hoc incremental actions, spelling out instead the potential of a big investment push to deliver on both reducing greenhouse gas emissions and helping communities to cope with climate change, and calling for more truly integrated policy responses to development and climate challenges. It does not shy away from describing the enormity of the adjustments that will have to be undertaken by countries at all levels of development if progress is to be made; or from insisting that the advanced countries will have to deliver resources and leadership on a much larger scale than has been the case to date.

According to the report, active participation of all countries in tackling the climate challenge will only come about if developing countries can maintain rapid economic growth. This will require satisfying the growing energy needs of developing countries: the energy-generating capacity of developing countries is projected to double that of developed countries in the coming decades. This raises the question for climate change negotiators of how poor countries can pursue low-emissions, high-growth development.

The technologies – from low-energy buildings, to new drought-resistant crop strains and more advanced primary renewables – that would allow developing countries to make the switch to a sustainable development path presently do exist. But they are often prohibitively expensive and, the report says, such a transformation would require “a level of international support and solidarity rarely mustered outside a wartime setting.”

The report challenges the thinking that the climate problem can simply be addressed by across-the-board emission cuts by all countries from their present levels or by relying exclusively on market-based solutions to generate the required investments.

Developing countries, the report finds, are facing “vastly more daunting challenges than those confronting developed countries and in a far more constrained environment.” Economic growth remains a priority for them, not only to reduce poverty but also to bring about a gradual narrowing of the huge income differentials with wealthy countries. “The idea of freezing the current level of global inequality over the next half century or more (as the world goes about trying to solve the climate problem) is economically, politically and ethically unacceptable,” the report states.

UN Secretary-General Ban Ki-moon, writing in the report's preface, says that the *Survey* "makes the case for meeting both the climate challenge and the development challenge by recognizing the links between the two and proceeding along low-emissions, high-growth pathways. There is no single blueprint for achieving these goals. The *Survey* examines the key building blocks in order to assess the best possible options available to countries at different levels of development."

A failure to match words and deeds

The race to keep global temperatures within safe bounds is now a race against time. According to the Intergovernmental Panel on Climate Change, there needs to be a cut in global emissions by 2050 by between 50 and 80 per cent, which is equivalent to a reduction in carbon dioxide (CO₂) levels from roughly 40 gigatons (Gt) per year (at present) to 8-20 Gt.

But as the *Survey* suggests, increased scientific understanding and greater public awareness have not translated into a focused policy response. This is particularly true in today's advanced industrialized countries, whose two centuries of carbon-fuelled growth lie behind the present warming of the earth. Since 1950, the advanced countries have contributed as much as three-quarters of the increase in global emissions, despite accounting for less than 15 per cent of the world's population. The failure of wealthy countries to honour long-standing commitments of international support for poverty reduction and adequate transfers of resources and technology remains the single biggest obstacle to meeting the climate change challenge, the *Survey* contends.

Different economies, different energy outlooks

It is in developing countries that the impacts of climate change are most keenly felt and where the greatest impacts are forecast—more severe droughts in some areas, more intense precipitation in others will wreak havoc with the world's water supplies and agricultural capacities. Melting glaciers and retreating ice in the Polar regions are contributing to sea level rise, threatening the very existence of small island nations and coastal communities that do not have the resources to adapt.

Estimates cited in the report show that for every 1°C rise in average global temperatures, annual average growth in poor countries could drop by 2-3 percentage points, with no change in the growth performance of rich countries. At the same time, the report notes that developed countries have per capita emissions that are still on average 6 to 7 times greater than those in developing countries.

One of the most overlooked aspects of the climate debate, the report argues, is that the energy needs of developing countries are very different from those of developed countries. The latter have adequate — even excessive — energy services and infrastructure available. Most developing countries, on the other hand, struggle to provide even basic energy services from inadequate infrastructure. Globally, between 1.6 and 2 billion people lack access to electricity, and connecting those people to energy services will cost an estimated \$25 billion per year over the next 20 years.

Because of these stark differences, rich and poor countries require different mitigation strategies to address climate change. While a rise in the price of fossil fuels, or changes in lifestyles, may result in the increased use of renewable energy in developed countries, higher fuel costs in developing countries would simply place any modern energy services beyond the means of many more people.

The cost of meeting the needs of the "energy destitute" is still small, the report estimates, particularly when compared with the billions pledged by many developed country governments to rescue their financial

sectors and automotive industries. "In comparison, the cost of bringing 2 billion people into the modern energy service system would appear to be a real bargain," the report suggests, noting that the amount of development aid presently spent on energy is only about \$4 billion annually, where at least tens of billions are needed.

A big investment push towards a sustainable future

Still, the challenge of providing everyone with access to some modern form of energy is small in comparison with that of meeting steep rises in energy demand in developing countries to fuel catch-up growth and to provide energy services to growing urban communities.

Expanding cleaner energy services to meet this rise in demand is technologically feasible. However, such a shift, the *Survey* argues, is neither inevitable nor inconsequential. Recognizing that such a switch "would entail unprecedented and potentially very costly socio-economic adjustments" in developing countries, the *Survey* argues that achieving such a transformation hinges on the creation of a "global new deal" capable of raising investment levels and channeling resources towards lowering the carbon content of economic activity and building resilience with respect to unavoidable climate changes.

To realize scale economies and the benefits of technological learning, the *Survey* argues that large upfront investments will need to be made, particularly by the public sector, in new energy infrastructure and in complementary research and development to bring down costs. But these efforts will be hampered by constraints on domestic resource mobilization and the limited ability of many developing countries to raise capital in international markets, particularly bond markets. If investment spending is to go towards ensuring cleaner growth pathways, it will require massive international support by means of a global investment programme.

How much will action cost?

There are widely varying estimates for how much additional financing is needed to address the mitigation and adaptation aspects of climate change, often depending on any number of factors, including the range of the greenhouse gas reduction target. These estimates can range anywhere from as little as 0.2 to about 2 per cent of World Gross Product (WGP), or between \$180 billion and \$1.2 trillion per year. However, in most projections the big spending would not be required until 2030. The report goes against conventional wisdom by suggesting that significant additional investments in mitigation and adaptation need to take place sooner rather than later, to the tune of at least 1 per cent of WGP annually, between \$500 billion and \$600 billion. A failure to think in these bolder terms runs the real danger of locking in dirtier investments for several more decades. But by continuing in the present business-as-usual scenario, or making only marginal changes, the permanent loss of projected WGP could be as high as 20 per cent.

By any measure, the *Survey* says that the amounts from bilateral and multilateral sources currently promised and expected to be available for meeting the climate challenge in the near term are woefully inadequate.

More than half of the incremental costs of greenhouse gas abatement are expected to fall on developing countries, whose energy investments over the coming decades are projected to grow much faster than those of developed countries.

Currently, it is estimated that about \$21 billion in official development assistance is dedicated each year to addressing climate change, much of this for mitigation. The total amount of climate financing that is required is