World Bank Group President: This Is the Year of Climate Action

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In corporate boardrooms and the offices of CEOs, climate change is a real and present danger. It threatens to disrupt the water supplies and supply chains of companies as diverse as Coca-Cola and ExxonMobil. Rising sea levels and more intense storms put their infrastructure at risk, and the costs will only get worse.

CEOs know this. They also know there is opportunity in how they respond. But while there are stand-out leaders, many others are holding back until they have more certainty about what governments will do.

At the recent World Economic Forum in Davos, World Bank President Jim Yong Kim called on government leaders to break out of the small steps of business as usual and provide that structure. First, by putting a price on carbon and by having financial regulators require companies and financial institutions to assess their exposure to climate-related risks and disclose it.

Kim also called for doubling the market for green bonds, which support climate adaptation and mitigation projects such as renewable energy, energy efficiency, and carbon reduction, to $20 billion this year and $50 billion by the time a new international climate agreement is reached in Paris in 2015. He urged institutional investors to commit to green bonds targets in their portfolios.

"We have seen great climate leadership from countries and companies, but emissions are still rising, the poor are suffering," President Kim said. "This is the year to take action on climate change. There are no excuses."

Rising Costs

The costs of failing to act on climate change are staggering in the lives affected and investments lost.

Globally, weather-related losses and damage have risen from an average of about $50 billion a year in the 1980s to close to $200 billion a year over the last decade, making climate-resilient and disaster-resilient development critical. In the poorest countries, climate change will increase the cost of development by 25 to 30 percent, according to World Bank Group estimates. The impacts could roll back decades of development gains and push millions of people back into poverty within our lifetimes.

"We have to help poorer countries in this transition," President Kim said. "We have to reduce the risks of low-carbon investments, especially in developing countries, but we can do it – development financial institutions can leverage their capital and use the Green Climate Fund to reduce that risk and catalyze new investment in resilience."

Leading the Charge

There are leaders, both in the private and public sectors, that recognize the first-mover advantage and are grabbing the competitive edge. Among them:

- Google recently flipped the switch on one of the world's largest solar power arrays – 9,200 panels covering its corporate headquarters – and acquired smart-thermostat maker Nest in an anticipated ramping up of work on products that can reduce home energy use. Google is one of several companies already using a shadow price on carbon for strategic planning.
- Philips is rolling out off-grid lighting, LED street lighting, and has a goal of improving the energy efficiency of all its lighting products by 50 percent by 2015.
- Investors are seeing the payoff: exchange-traded funds in clean energy saw returns reaching up to 140 percent last year.

Many of these leaders were represented at the World Economic Forum, where world leaders attended a full day and 23 sessions discussing climate change, building resilience, and sustainable development through public-private partnerships.

A growing number of countries are also taking climate change seriously and seeing economic opportunities in action:

- Morocco has set up an agency dedicated to solar energy and is working to develop a "super grid" that integrates solar power, wind power, hydropower and biomass. It is also putting the region's wealth of sunshine to work through concentrating solar power plants with support from the World Bank Group.
- Mexico, which has a 35 percent renewable energy target and a carbon tax, is starting to allow retail electricity consumers to connect their renewable facilities to the national grid for billing credit. Mexico's policies have led corporate purchasers such as Walmart, Coca-Cola and Grupo Bimbo to invest in renewable energy self-generation.
- The Philippines is already feeling the consequences of extreme weather as it works to rebuild from Typhoon Haiyan. To meet its aggressive renewable energy targets, the government is offering incentives such as income tax holidays, accelerated depreciation and net metering to allow consumers generating power to sell back to the grid.

There is also encouraging movement on carbon pricing instruments. China launched five emissions trading pilots in cities and provinces last year and has an aggressive target for a national system. Through the Partnership for Market Readiness, other countries are developing and implementing policy options and the next generation of carbon pricing instruments that can promote growth, competitiveness and low emissions.

Five Areas for Action

The World Bank Group is focusing on five key areas that can help get prices right, get finance flowing and make progress where it matters most.

Building low-carbon, climate resilient cities, particularly through assistance with low-carbon planning, energy-efficiency assessments and securing finance, targets the fast-growing metropolitan areas that are connected to 70 percent of global emissions. Moving forward on climate-smart agriculture improves yields to feed a growing global population, reduces emissions and adds carbon storage. Accelerating energy efficiency and investment in renewable energy helps shift the world away from high-carbon fossil fuels. The Bank Group is also supporting work on ending fossil fuel subsidies and developing carbon pricing to get prices right for emissions.

Another important move that can make a difference quickly: By reducing short-lived climate pollutants, such as soot from fires and diesel vehicles and methane from landfills and extractive industries, countries can reap a double reward of reducing the impact on snow and glaciers and lowering the costs to human health and crops.

The Road to Paris

There is still much work to do.

Last November, at the international climate conference in Warsaw, governments agreed to seal a new international agreement by 2015 that would be applicable to all countries and would begin bringing down global greenhouse gas emissions. We know that current emissions reduction pledges are not enough to prevent a 2 degree Celsius temperature rise and that they could still leave the world to face a 4 degree-warmer world by 2100, possibly earlier.

Throughout this year and next, the World Bank will be working closely with governments to provide the data, evidence and analysis necessary for each to set robust national emissions reduction targets and for developed countries to also provide the technology, finance and capacity-building support that developing countries need to start on a clean-growth trajectory.

The next big summit is in September, when UN Secretary-General Ban Ki-moon convenes global leaders from governments, businesses and communities. The summit is considered crucial for catalyzing action and building political momentum for a successful global agreement in 2015.

“In 20 years, all of us will be asked the question, ‘What did you do to fight climate change?’” President Kim said. “The leaders here in Davos, both from the private sector and from governments, have in their power to act in substantive ways. Now is the time to act for future generations before it is too late.”