

Letter from the World Bank



1.6 billion people in the developing world have no access to modern energy sources. Access to affordable energy or energy security has become a critical issue in the global agenda. Some will argue that this means a safe and certain supply of oil, gas, and coal.

Others may be inclined to link energy access to climate security, and therefore they will prefer other forms of energy—clean energy, such as solar, wind, biomass etc. It should not be an either-or proposition. It is both.

As described in the new Investment Framework for Clean Energy and Development developed by the World Bank and partners as a follow up of the Gleneagles G-8 Summit in 2005, the scale of the challenge is tri-dimensional.

First, developing countries need urgent support to bridge the investment gap, now at the level of \$80 billion a year, in order to get access to energy services and generate growth. Sound governance and improved regulation are key for increasing private sector engagement.

Second, developing countries should not need to repeat the mistakes made by rich countries. They can use cleaner, more efficient technologies, but financial assistance is essential to pay-down the incremental costs. We are expanding the use of our existing financial instruments to contribute to this objective, including carbon finance, but more resources will be needed in order to go to larger scale.

Third, poor countries will need to adapt to climate variability and change in order to sustain development

efforts. More than 20% of concessional lending devoted to development is under climate risk today, meaning that the new opportunities generated by these efforts can be jeopardized.

Today, the carbon market has matured and is producing financial and environmental benefits. It is showing that the bottom line and climate friendly policies and actions can go hand in hand. Through carbon funds like the World Bank's Community Development Carbon Fund and the Bio Carbon Fund carbon markets are being opened to poor communities so that they can benefit from carbon trade to earn income from greenhouse gas reductions.

Reducing greenhouse gas emissions globally through the Kyoto Protocol and other regulatory and voluntary regimes represents a pioneer effort, but it is clear that current mitigation efforts will not be sustainable without a long term predictable framework in place.

The World Bank has been active in facilitating the development of the carbon market. Sixty two private sector companies and 13 governments have invested \$2 billion in World Bank managed carbon funds. These carbon market leaders are demonstrating that carbon finance has the potential to bring new financing for sustainable development, above and beyond development aid—all while contributing to a climate friendly development path.

A handwritten signature in black ink, appearing to read 'Katherine Sierra', written in a cursive style.

Katherine Sierra
Vice President
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