

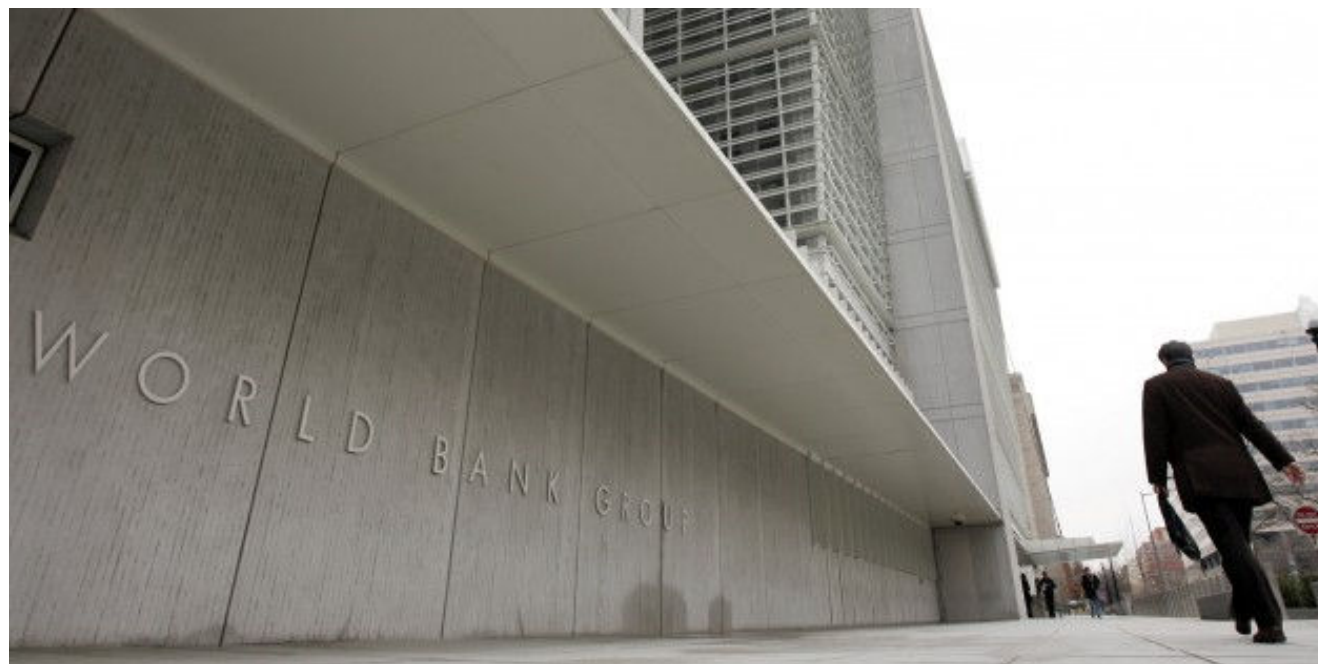
NationalJournal

Why the World Bank Is Taking On Climate Change

The organization believes that increased drought, extreme storms, and rising sea levels are significant threats to economies worldwide.

by [Coral Davenport](#)

August 12, 2013 | 6:00 a.m.



(AP Photos/Susan Walsh)

The World Bank, headquartered a block from the White House, was founded after World War II to combat global poverty. But over the past year, fighting climate change has become the bank's new guiding principle, as economic evidence indicates that global warming will be a driving cause of poverty worldwide in the 21st

Copyright 2013 by National Journal Group Inc. All rights reserved. 600 New Hampshire Ave., Washington, DC 20037
phone 202-739-8400 • fax 202-833-8069 • NationalJournal.com is an Atlantic Media publication.

century. The bank has become a big player in climate policy, investing billions annually into climate-related programs—and blocking money from projects such as coal-fired power plants. In a November report, the bank detailed the devastating economic consequences of a global annual temperature increase of 4 degrees Celsius (7.2 degrees Fahrenheit) by 2100. In a June study, the bank projected that due to climate change, by the 2030s African countries could lose up 80 percent of cropland and major portions of Bangkok and Vietnam could be flooded. National Journal spoke with Rachel Kyte, the bank's vice president of sustainable development, about the economic impact of climate change.

NJ: Why is the World Bank now putting so much emphasis on climate change?

Kyte: We've come to the realization that we cannot achieve our mission, which is to end poverty, unless we slow the rate of climate change. Climate science now shows that we're on course for a 4-degree [Celsius] temperature rise by 2100, that we're going to be 2 degrees warmer by the 2030s. And that's going to have devastating effects on food production, how livable cities are.... It's going to be extraordinarily difficult for the poor, who are the least resilient, to be part of the growth and opportunity story over the next few decades if climate change is unabated.

NJ: So climate change is now a driving force of the World Bank's mission?

Kyte: Absolutely. There are countries in Africa experiencing drought every two years as opposed to every five, or every 10 years. If the economic impact of a crippling drought is 1, 2, or 3 percentage points of GDP lost in a year and this is happening every two years, these countries are going backwards rather than forwards. Climate change is absolutely central to our understanding of how we can help these countries grow and prosper.

NJ: How does a financial-development institution do that?

Kyte: It's a good question. We work with governments and the private sector ... to understand their aspirations around growth and competitiveness. We need to help them factor in the risks that they will face as a result of the climate impacts that can be predicted—increase of extreme weather events, sea-level rise, crop-production dislocation. We need to walk them through the risks of climate change and the need to invest in their own resilience and in low-carbon developments.... We need to walk them through the opportunities that come from avoiding the lock-in of a carbon-intensive growth model. And we need to walk them through whether there are up-front capital costs ... and where those costs can be met with mobilization of different financial or investment resources.

NJ: For the developed world, particularly the U.S., how do you make the case that there's an economic cost to climate change?

Kyte: The extreme weather events that we are experiencing globally ... bring enormous costs. The succession of storm events, droughts, the cycle of fires ... have enormous economic dislocation. Beyond just the extreme weather events, in which insurance costs can be calculated, there are costs in not planning to accommodate the increased intensity and frequency of some of these events. One superstorm is one thing, but if you now expect the superstorm to hit on a more intensive or more regular basis, not planning for that is an economic folly.

NJ: In his climate-change speech in June, President Obama called for an end, globally, to public investment in coal-fired power plants, the world's chief contributor to climate-change emissions—a goal the World Bank has indicated that it will support. But in many developing economies, coal offers the cheapest—and sometimes

only—way for poor populations to gain access to electricity. How do you justify this?

Kyte: The way we square this circle is that we want sustainable energy for all. We want to close the energy access gap by 2030 ... but we would like the energy mix to become significantly greener over the same time period. There are 1.2 billion people who don't have access to energy today. They are mostly living in poor countries.... Extending energy to them, even if we did so with traditional fossil fuels, would only account for less than 1 percent of global emissions. Getting energy access is critically important. Economies don't grow, people can't run businesses, people can't get jobs unless there's energy. So we have to provide that. But at the same time, the burden of action in terms of making the energy system cleaner lies with countries that are fully developed.... The very poor, they should get access. They should get affordable energy. We'd like it to be clean, but we don't think we can balance the books on the back of the poor. And in middle-income and fast-growing and in developed countries ... it's about efficiency and a transition towards a cleaner energy mix.

NJ: The U.S. is the largest historic climate-change polluter, although President Obama has said he'd now like to make the U.S. a leader in addressing climate change—starting with new regulations on carbon pollution from power plants. How is the U.S. doing as a leader on climate?

Kyte: The short answer is that nobody's doing well enough. We're on track for 4 degrees [global average Celsius temperature rise] by 2100 which is well over where we said as a global community we wanted to be.... If you're concerned about your children's health, your own health, your grandchildren's health, if you're concerned about the job your child's going to get, if you're concerned about where your grandchildren are going to live—this is front of mind. We all agree, whichever way we vote, whichever church, synagogue or mosque we pray in, or if we don't pray at all—we

want the next generation to be better off than the current generation. The science is showing us that we are putting that in jeopardy every day we don't make decisions about clean energy.... The problem is that people imagine this is a world where we have to wear sackcloth, where there's no joy or opportunity. We don't think that's true.... We think it's perfectly possible, and we've produced the economic evidence to support it, to grow greener, and that there will be jobs, economic opportunity, and stability and safety if we do so.

NJ: There's a lot of debate in the U.S. about the economic costs of climate policy. In particular, Republicans and the coal industry argue that regulations on coal plants or a carbon price will hurt the economy and the coal industry in particular, raising energy prices and costing jobs in coal country.

Kyte: There is always a fear that environmental regulation drives down competitiveness, slows growth, and gets rid of jobs. In fact, environmental regulation poises countries towards continued competitiveness. Technically it is true, you need to make short-term decisions for long-term gain. There may be some short-term disruption in certain industries and certain parts of the economy. But there will be long-run opportunities elsewhere.... That's difficult to manage politically, but economically, that can be demonstrated.

Finally, if carbon is the problem, which it is ... then we should be putting a price on something which is bad. And if we put a price on it, one has to wonder, within the economy, how much you want to have an exposure to a commodity which is going to have a significant price to it at some point in the near- to medium-term future. You don't have to believe economic theory for that. You have to look at how some major corporations around the world, including U.S. corporations, are factoring into their strategic planning a possible price on carbon and making decisions about how exposed they want to be to carbon-intensive industry.

NJ: What about the role of China, which is the largest current carbon polluter, and also a growing, developing economy, hoping to lift millions of citizens out of poverty?

Kyte: The new Chinese leadership ... is extremely focused on this. That's been revealed in the bilateral dialogue in the U.S. and in our conversations with them. They are working to understand the path of urbanization and the impact that has on emissions. They have a large population which they want to see prosper and grow. And they are moving away from their dependence on fossil fuels. They also have significant water scarcity. They have an extraordinarily complex situation with which to deal. But changing the path of growth to make it lower-carbon is central to the last [Chinese national] five-year plan.... Don't forget, they are piloting a domestic carbon-trading system with the commitment to having a national system. That's an aggressive move by them to try to find market-based mechanisms to drill carbon-efficiency through their economy.

NJ: Anything else you'd like to add?

Kyte: There isn't a situation where one end of the boat goes up and the other end goes down. We're all in this boat together. Climate change is a leveler. If we don't deal with it as an economic issue, it will get the best of us. The impacts of climate change are not partisan. They will hit you if you're in Staten Island or in Battery Park, and they'll continue to hit you, again and again and again. I don't think that has been fully understood in every developed country, and the sooner we grasp that, the better.