

WORLD BANK OUTLOOK 2050

STRATEGIC DIRECTIONS NOTE

Supporting Countries to Meet
Long-Term Goals of Decarbonization



Sustainable Development and Climate Change

- Climate change poses risks to economic growth, macroeconomic stability and development outcomes
- Current pace and scale of climate action are insufficient
- The COVID-19 crisis further exacerbates the problem

Why long-term decarbonization matters

Long-term strategies lay out a vision for sustainable economic growth:

- **Align short- and medium-term targets** (including NDCs) with a longer term decarbonization pathway
- Boost **economic growth** and create **jobs** for the future
- Address systemic risks, avoid future **stranded assets**, ensure **policy coherence**, invest in **resilience**
- Send **clear market signals** to attract private sector financing and maximize use of domestic resources
- **Enhance cooperation** among different ministries, between government and civil society, and among trading partners

Financing Decarbonization: Global development priorities demand large investments

Large amount of financing is needed to meet SDGs and even more so to meet Paris goals

- Available **public financing and MDB finance are too small**
 - e.g. Annual WB lending is approx. ~\$50bn (including health, education, etc.)
- **Majority of the financing** will need to come from **private sector**, such as institutional investors, banks, private investors
- Governments and financial institutions can help **unlock private sector investments**
 - studies show large values/returns from decarbonization investments

\$50 Trillion

Estimated total investments for
net-zero emissions by 2050
(Morgan Stanley 2019)

Financing Decarbonization: Climate risks and opportunities in decarbonization

SYSTEMIC RISK

Climate change presents a systemic risk

- **Physical impacts** of CC impact asset performance, longevity
- Carbon-intensive sectors, infrastructure could become **'stranded' assets** rapidly losing value and impacting financial stability
- **Impacts** on poverty levels, livelihoods, labor productivity, quality of life

OPPORTUNITIES

Values of investments in decarbonization

- **\$23 trillion investment opportunities** over the next 10 years to finance NDCs of 21 emerging markets (approx. 48% of global GHGs) (*IFC 2016*)
- **\$3-10 trillion in potential earnings** (and taxes accordingly) from decarbonization (*Morgan Stanley 2019*)
- Economic growth, job creation, healthier ecosystems

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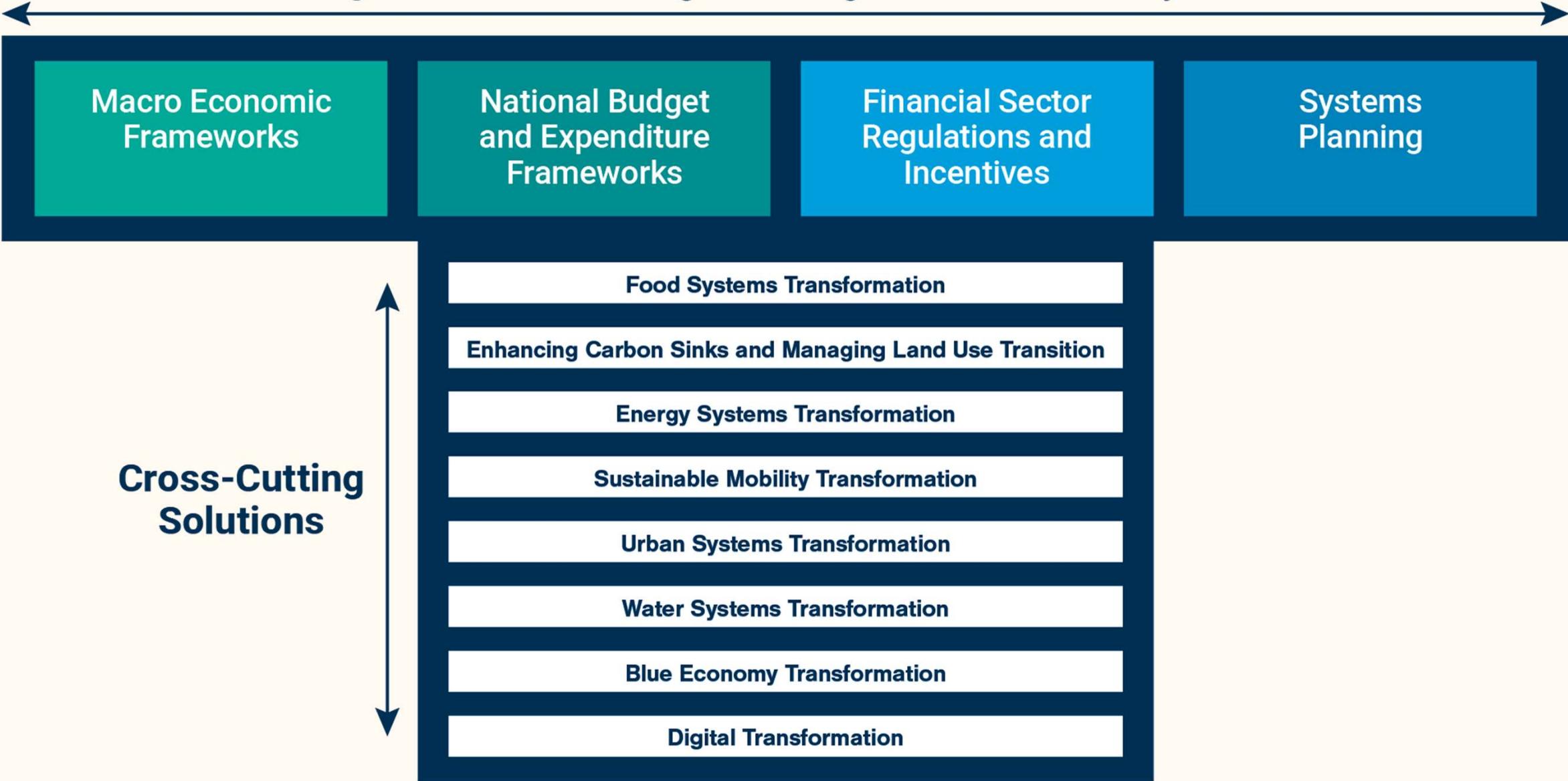
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Strategic Directions: Integrate Long-Term Climate Objectives in



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Macro Economic Frameworks

National Budget and Expenditure Frameworks

Financial Sector Regulations and Incentives

Systems Planning

New Areas for WB engagement

- **Macroeconomic growth projections** will factor in a low-carbon transition and adaptation and resilience
- Scale up **climate-informed macroeconomic assessment tools**
- **Strengthen country capacity** to demand, adopt and implement climate informed macro frameworks
- Scale up **fiscal policy engagement** for climate action

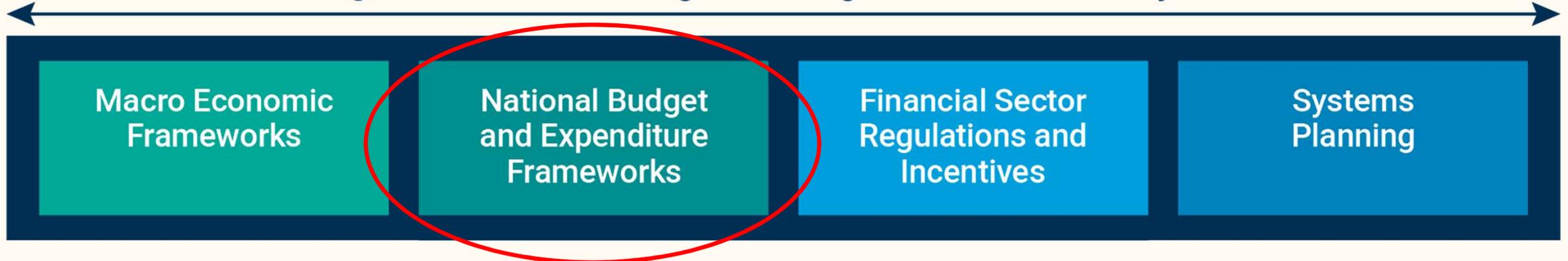
Integrating climate objectives in macro-economic frameworks can:

Assess **CC** physical impacts & transition **risks to economic growth**

Enable market transformation through fiscal policy instruments



Strategic Directions: Integrate Long-Term Climate Objectives in



New Areas for WB engagement

- Embed long-term climate action in **national budgets and expenditure frameworks**
- Scale up support for assessing **climate impacts of public expenditures**
- Integrate climate in **public investment and asset management**
- Scale up support for **accessing climate finance and public financial management**
- Integrate climate in decision-making for **public procurement**
- Incentivize **subnational climate action**
- Climate risk assessment for **state-owned enterprises**

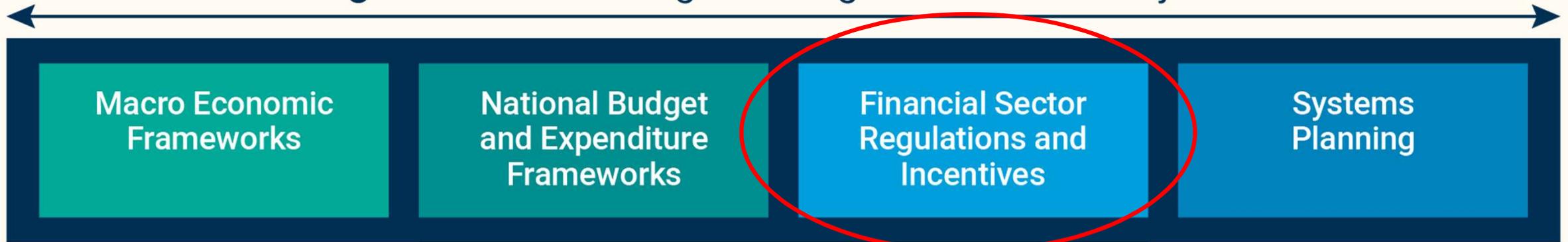
Integrating climate objectives in national budget can

Optimize public resource allocation for climate action

Minimize tradeoffs across (cross)- sectoral climate priorities



Strategic Directions: Integrate Long-Term Climate Objectives in



New Areas for WB engagement

- Support for financial sector regulations for **banking and beyond**
- **Innovative financial instruments** – moving beyond the energy sector to urban projects, transportation, forestry, and climate-smart agriculture
- Regulatory work on **stress testing, reporting and disclosures**
- Integrate **Sustainable Finance and Environmental Social and Governance (ESG)** into the financial sector
- Mobilizing and **‘blending’ finance**

Integrating climate risks in financial sector can:

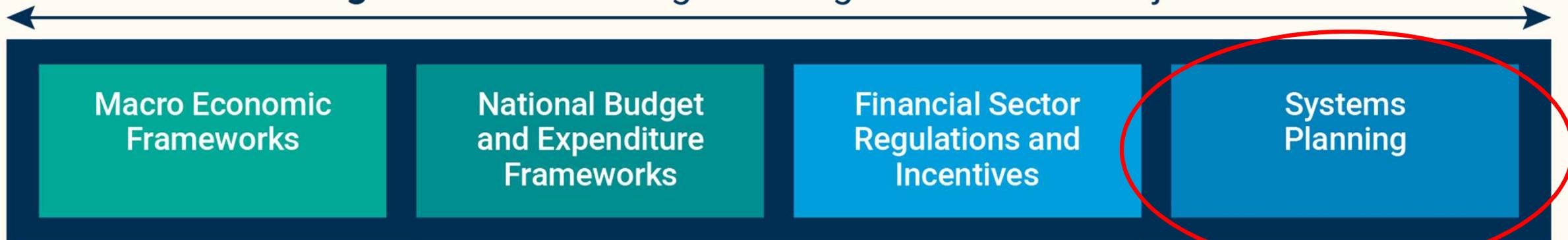
Mobilize green finance by shifting investor decisions



Help build **resilient investments**



Strategic Directions: Integrate Long-Term Climate Objectives in



New Areas for WB engagement

- Develop long-term strategies using a **systems approach**.
- Build capacity and tools for **systems-level planning**.
- **Strategic Country Diagnostics (SCDs)** to integrate climate-informed systems planning.
- Climate-informed **integrated resource planning** for sectoral/cross-sectoral engagement.

Integrating climate in systems approach to planning can:

Address **multiple objectives of climate and development**



Enable integrated use of resources across sectors and region



Operationalizing 2050 Priorities



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Thank You!

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