

Political perspective: Eric Stather, Deputy Minister, State Secretary, Federal Ministry for Economic Cooperation and Development, Germany

Financing Clean Energy: A Framework for Public-Private Partnership to address Climate Change

EBRD, London, 13-14 March 2007

Mr President, ladies and gentlemen, the presidency of the EU and the G8 involves a lot of travelling. Whether that is good for the climate is another matter.

Thank you for inviting me to this two-day conference. Over the next two days we will be looking at an issue of particular importance: investment in clean energy. Just how important this issue is can be seen from the alarming report by the UN Intergovernmental Panel on Climate Change, which states that we need to take determined action now to fight the negative consequences of climate change. The German government has made climate and energy the two top issues on its agenda both of the G8 and the EU presidency.

Ladies and gentlemen, when we started to prepare our programme for this presidency just a year ago, climate in particular was not such a prominent issue as it is today and as it was at the last European summit last week. After all, we all know very well that developing and emerging economies need more energy for more broad-based growth. To this day more than 2 billion people lack access to clean, modern energy; firewood and plant waste are their main sources of energy, with all the well-known consequences, and their demand for energy will increase by 50 per cent in the period up to 2013. However, it would be fatal if this additional demand were met by conventional means: oil, gas and coal. Rather, we need to turn round the energy sector to a low carbon economy with greater reliance on renewable energy and energy efficiency.

Between 2003 and 2005 the German government made available ODA resources amounting to €1.1 billion for projects to foster renewable energy and energy efficiency. For the same purpose a special €500 million facility has been set up. Through this facility, KfW Development Bank is providing reduced interest loans for investment in partner countries in the areas of renewable energy and energy efficiency.

You may rest assured that we will do our utmost during our twin presidencies to make further headway on climate and energy. In that regard, it will be important to include emerging economies such as China and India in the dialogue.

Federal Chancellor Merkel has made climate policy a top priority. A special G8 meeting on climate issues will take place in early May, because the Heiligendamm Summit is not to end with a few empty slogans but to produce outcomes that give new impetus to international climate policy. Controlling climate change while simultaneously fighting poverty is not an option but a sheer necessity. The European Union takes its pioneering role seriously and is trying to set an example by entering into commitments. As against 1990 levels, it will reduce its greenhouse gas emissions by 20 per cent by 2020. If other industrialised countries and emerging economies follow suit, the European Union will increase its reduction target for the period to 30 per cent.

Given this background, we expressly welcome the World Bank's investment framework for clean energy and development and the progress made on this financing instrument so far. However, the central question we want to discuss at our meeting is how to mobilise more money to bridge the investment gap in the energy sector, which the World Bank estimates to be \$80 billion per year for access alone.

Let me be quite frank. The public sector will not be able to provide the necessary levels of funding itself. A great many opportunities are available to the private sector, opportunities which not only make good sense from a business point of view but which are also good for development. Proactive climate protection, rather than posing a threat to economic growth, offers opportunities for industry and for the creation of jobs. According to Nicholas Stern's report, there is potential for the market for low carbon energy technologies to reach an annual volume of several hundred billion dollars.

Development policy activities help developing countries establish the right political and economic environment for more private investment. For years now we have been working to mobilise higher volumes of funding for the development of clean energy. This is how we can join forces.

Not least thanks to our interventions, the World Bank has made a commitment to increase its financial commitments for renewable energy and energy efficiency by at least 20 per cent per year in the period between 2005 and 2009, and so far it has kept its promise.

I would like to thank the World Bank and the European Bank for Reconstruction and Development very much for organising this conference. I hope that the conference will help us all to deepen the shared interests of the public and the private sector and to find new ways of mobilising more investment for the development of clean energy in developing countries. Nicholas Stern has emphasised that the window of opportunity will remain open for just a few more years. We should not allow it to close before its time. Rather, we should give it a good push to open it further. Thank you very much.

(Applause)