

reflections

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If the world is successfully to navigate the Road Map agreed at the Bali climate change negotiations in December, ways need to be found to mobilize and focus the trillions of dollars in the world's financial and capital markets on the greening of the global economy.

Such greening has already begun, driven by the Kyoto Protocol, anticipation of even deeper cuts from a new climate regime after 2012 — and by the growing realization that if 21st century economies are to compete, flourish and deliver a new generation of jobs, they will need to be more resource efficient and less dependent on finite natural resources. Now the challenge is to accelerate and mainstream these real, tangible but fledgling beginnings.

Financing a transition to a low carbon society is one of the central issues, along with climate proofing economies, before delegates at the 10th Special Session of UNEP's Governing Council in Monaco. The attending environment ministers, and their institutions, have been in the forefront of championing forward-looking economic and policy instruments, through partnerships with pioneers in the financial services sector, industry, other UN organizations, organized labour, scientists, civil society and law makers.

In preparation for the Special Session and the accompanying Global Ministerial Environment Forum, I asked for a snapshot of the growing green economy, including UNEP's collaborative work. It gives a glimpse into where we are, and perhaps where we need to go — and opens a window on such wider sustainability challenges as the Millennium Development Goals and what Secretary-General Ban Ki-moon calls the "bottom billion" of our global society.

For example:

- 275 financial institutions, managing assets worth \$13 trillion, participate in the Principles for Responsible Investment — inspired and facilitated by UNEP and the UN Global Compact.
- Sustainable energy financial transactions reached over \$100 billion in 2006, according to UNEP's Sustainable Energy Finance Initiative and the New Economics Foundation.
- Some 60 countries, including 13 developing ones, have targets for renewables. Around 80 have market mechanisms, feed-in tariffs and renewable portfolio standards.
- More than 2.3 million people now have jobs in the renewable energy sector versus around 2 million in oil and gas.



- 100,000 people in rural India now have solar power after UNEP, and local banks, introduced an affordable loan scheme. It is now self-financing.
- Emissions trading, developed mostly as a result of the European Union's Trading Scheme — saw 362 million tonnes of CO₂, worth around seven billion Euros, traded in 2005.
- Kyoto's Clean Development Mechanism mobilized investment worth close to \$6 billion, in 2006, roughly equal to the funds from Official Development Assistance in the same areas.

Financing for adaptation presents a different challenge — one of making more intelligent use of conventional development assistance, as well as markets. The amounts required need more precision. But the UN Framework Convention on Climate Change says that, by 2030, additional investment could include: \$14 billion for agriculture, forestry and fisheries; \$11 billion for new water supply infrastructure; and between \$8 and \$130 billion for infrastructure.

Energy saving holds particular potential. If the annual rate of energy efficiency improvement could be increased from the current one per cent to 2.5 per cent world-wide it might be possible to keep atmospheric carbon dioxide concentrations below critical levels for this century. How can this be done and how much will it cost? Indeed, would it actually cost anything given the dramatic potential savings in fuel bills and resource use — and from averting the economic impacts of climate change?

The momentum on climate change in 2007, driven by the science, was nothing short of breathtaking. Policy makers must now drive the solutions. Many will ultimately be found in the Stock Exchanges and banking centres, and in the boardrooms of the world's corporations, if only governments seize the moment, define the objectives and devise the rules of the low carbon economy.

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Cover photo © HARALD SUND/ Gallo Images/ Getty Images. The sun is rising on a new era in the fight against climate change. Governments, corporations and organizations have woken up to the tremendous potential of economic tools to finance the transition to a low-carbon society. UNEP is playing a leading role, both in defining the issues and delivering the solutions.