

World Bank support Mexico's efforts on climate change

July 21, 2008— A new \$501.2 million multi-sector development policy loan to Mexico designed to integrate climate change concerns into public policy is a bellwether for the Bank's commitment to flexible lending and heightened technical and "on demand" advisory services for middle-income countries.

The DPL is the first loan of its kind for the Bank and the first loan under Mexico's new Country Partnership Strategy (CPS), which emphasizes climate change and has a streamlined structure. Undertaken by several ministries together, the project supports Mexico's National Climate Change Strategy which is central to the country's development agenda. It builds on a history of climate change cooperation with Mexico and will help demonstrate Mexico's leadership on this global issue.

"Mexico has emerged as a global leader in the climate change arena and this is the first operation of its kind for the World Bank" said Axel van Trotsenburg, country director for Mexico and Colombia. "It is an important first step for the World Bank in finding concrete ways to be a long-term partner with Mexico to support a low carbon development path in the country."



World Bank President Robert Zoellick and Mexican Finance Minister Agustin Carstens sign a \$501 million loan to aid in Mexico's efforts to fight climate change. Photo by: Adam Wiseman

Mexico's own national strategy, supported by this loan, was first unveiled by President Felipe Calderon in May, 2007. It lays out long-term mitigation and adaptation plans in all sectors at the federal and sub-national levels. It includes, amongst other things, innovative strategies for energy efficiency and power generation, transportation, and forestry and land use. The loan will be managed by the Secretariat of Environment and Natural Resources (SEMARNAT).

According to senior natural resources management specialist Benoit Bosquet, the Bank will work with the government toward a countrywide voluntary reduction in greenhouse gas emissions. "What the Bank can bring to this partnership is significant know-how in the climate change area," he said.

Carbon generation in the Mexican economy has been cut by 5 percent since 1993, and more than 100 projects to cut greenhouse gas emissions, including wind energy, urban transport and waste management, have been launched. In addition, nearly 80 private companies regularly report their greenhouse gas inventories, and chlorofluorocarbon (present in refrigeration systems) consumption, an ozone depleting substance which was cut by 98.6 percent between 1998 and 2007.

At the state level, climate change strategies already have been developed for Mexico City, Veracruz and Nuevo Leon. Localized vulnerability assessments also have been completed for agriculture, water and forest sectors in the state of Tlaxcala, for tourism in Quintana Roo, for agriculture



Axel van Trotsenburg,
Country Director for
Mexico and Colombia

in Morelos, for Gulf Coast wetland ecosystems on the Gulf Coast, and water supply for Hermosillo.

Mexico's emission rate has grown steadily over the past 25 years, but it is still very low (643 million tons of carbon dioxide equivalent in 2002, according to its Third National Communication to the United Nations Framework Convention on Climate Change, UNFCCC) compared with developed countries.

Mexico ranks twelfth in the world for greenhouse gas emissions and second in Latin America after Brazil. Climate models developed by various researchers using global circulation models and assuming UN Intergovernmental Panel on Climate Change (IPCC) emissions scenarios predict that Mexico will suffer disproportionate effects from climate change including more frequent floods and drought. The Gulf Coast and Yucatan Peninsula are especially vulnerable to hurricanes and tropical storms, and the cost of storm damage has risen dramatically—up 1000 percent since the 1950s, and higher sea levels will only exacerbate this trend.



Benoit Bosquet of the LCR Environment team is project TTL

Climate change is also expected to reduce rainfall levels in Mexico. The IPCC predicts rainfall decreasing 10 to 20 percent nationally in Mexico, and up to 40 percent along the Gulf Coast, putting greater demands on limited water resources and adversely affecting Gulf wetlands and primary forests in the North.

Mexico is a model among developed and developing countries on climate change. The 2007 Climate Performance Index, an independent assessment of countries' overall climate strategies conducted by the Bonn-based Germanwatch, an independent, non-governmental organization, ranked Mexico fourth in the world behind Sweden, Germany and Iceland in terms of per capita greenhouse gas emission trends in energy, transport, residential and industrial sectors, overall greenhouse gas emissions and climate policy.

Mexico also is the only developing country to have submitted three national communications under the United Nations Framework Convention on Climate Change, reporting its latest emission levels and trends and describing mitigation strategies.

The World Bank has a strong partnership with Mexico on climate change. It approved funding for its first project there in 1994 with a \$10 million grant from the GEF for a local project in Guadalajara and Monterrey to replace incandescent light bulbs with fluorescent bulbs. Since then, it has funded 25 climate change initiatives in Mexico financed by IRBD loans, GEF grants, carbon finance emission reduction purchase agreements, grants for capacity building in the carbon finance area and grants for economic sector work and knowledge products.