UN Environment Chief Challenges World’s Financiers

UNEP Launches New Initiative to Shift Investment to Sustainable Energy

TOKYO, 20 October 2003 - Citing a deadly European heatwave and recent massive power failures in the US, Scandanavia and Italy, the Executive Director of UNEP, Klaus Toepfer, said two of world’s most pressing issues - energy security and climate change – will not be solved “by the mindset that created them”.

“Instead of climate change we need to create the climate for change,” Mr Toepfer told more than 600 bankers, financiers and members of the financial sector in Tokyo for the United Nations Environment Programme (UNEP) Finance Initiative Global Roundtable. In line with this year’s theme “Sustaining Value”, Mr Toepfer said this change must be towards sustainable forms of energy to power the global economy.

Noting that large centralized fossil fuelled power stations supported by large centralised distribution systems will continue to be vulnerable, Mr Toepfer launched the UNEP Sustainable Energy Finance Initiative (SEFI) aimed at engaging the finance sector to invest in renewable energy and energy efficiency.

Although sustainable energy technologies such as solar cells and wind generators have advanced rapidly, Mr Toepfer said the transaction costs and market uncertainty of many renewable energy projects has lead most financiers to adopt a “wait-and-see” attitude, which is compounded by an overall lack of information, experience and the tools needed to quantify, mitigate and hedge project and financial product risks.

With support from the United Nations Foundation (UNF), SEFI will help mainstream financiers overcome these barriers and consider renewable energy and energy efficiency as not just niche investments, but key components of secure energy systems based on truly sustainable forms of energy.

SEFI builds on previous efforts by UNEP and the Basel Agency for Sustainable Energy (BASE), which together have been fostering new approaches to financing sustainable energy in developing countries. Through various programmes, UNEP has implemented a variety of ‘financial catalysts’- including seed financing and enterprise development, financing subsidies, guarantee facilities and financier advisory support services.

In his launch of the new initiative, Mr Toepfer cautioned that if the billions of dollars to be invested in new energy infrastructure in the next two decades follows the fossil fuel ‘business as usual’ mindset, the resulting serious and irreparable environmental and social harm could
dramatically affect the health of human societies, economies and the ecosystems on which they depend.

Further, the economic losses for climate change, documented in a landmark 2002 UNEP Financial Initiatives study, were described by a group of major global financial corporations as “a major risk to the global economy” and noted that “worldwide economic losses due to natural disasters appear to be doubling every 10 years and, on current trends, annual losses will reach almost $150 billion in the next decade.”

“For developing countries in particular, the reliance on fossil fuels and centralised infrastructure will not serve the vast majority of people in rural areas where the economic benefits of a modern energy system are elusive, although the environmental costs from using low quality fuels such as dung, coal and kerosene are not,” says Mr Toepfer.

Nearly three billion people - half of the world’s population – rely on these fuels for cooking and heating in simple devices producing large amounts of indoor and local air pollution, which is linked to between four and five percent of the global disease burden.

President of the United Nations Foundation, Tim Wirth, said, “In many developing countries, the energy needed to drive development while protecting human and environmental health means providing technology and services that are accessible, affordable and clean. Renewable energy and energy efficiency are poised to meet this challenge.”

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Note to Editors

About SEFI

The Sustainable Energy Finance Initiative is a joint effort of UNEP and its collaborating centre the Basel Agency for Sustainable Energy (BASE) aimed at fostering the sustainable energy finance community, growing its common knowledge set and building alliances and partnerships that together positively influence the flow of capital into the sustainable energy sector. For more information on SEFI see http://sefi.unep.org

About the UNEP FI Roundtable

The UNEP FI 2003 Global Roundtable is the flagship event for UNEP Finance Initiatives, a unique public-private partnership between the United Nations and nearly 300 finance and insurance institutions. The Roundtable provides an opportunity for bankers, insurers, and asset managers from around the globe to discuss new ideas and challenges in the fields of finance, insurance, and sustainability.

For more information about the meeting see http://unepfi.net/tokyo/

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