



The Case for a World Carbon Bank

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To the dismay of many energy experts, the World Bank recently rather capriciously decided to stop funding virtually all new fossil-fuel plants. But phasing out readily available coal is a move that most major developing countries simply cannot afford without adequate incentives.

CAMBRIDGE – Although much derided by climate-change deniers, not least US President Donald Trump, Alexandria Ocasio-Cortez’s **Green New Deal** hits the nail on the head with its urgent call for the United States to lead by example on global warming. But the sad truth is that, for all the needless waste produced by American’s gluttonous culture, emerging Asia is **by far** the main driver of the world’s growing carbon dioxide emissions. No amount of handwringing will solve the problem. The way to do that is to establish the right incentives for countries such as China, India, Vietnam, Indonesia, and Bangladesh.

It is hard to see how to do this within the framework of existing multilateral aid institutions, which have limited expertise on climate issues and are pulled in different directions by their various constituencies. For example, to the dismay of many energy experts, the World Bank recently rather capriciously decided to stop funding virtually all new fossil-fuel plants, including natural gas. But replacing dirty coal plants with relatively clean natural gas is how the US has managed to reduce emissions growth dramatically over the past decade (despite Trump’s best efforts), and is a centerpiece of the famous “Princeton wedges” pragmatic options for minimizing climate risk. One cannot let the perfect become the enemy of good in the transition to a carbon-neutral future.

It is high time to create a new, focused agency, a World Carbon Bank, that provides a vehicle for advanced economies to coordinate aid and technical transfer, and that is not simultaneously trying to solve every other development problem. Yes, I fully understand that the current US administration is reluctant to fund even existing international institutions. But the West cannot retreat from a world of intertwined climate responsibilities.

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