



World Bank Group

COUNTRY CLIMATE AND DEVELOPMENT REPORT



Key messages of Uzbekistan's CCDR

November 21, 2023

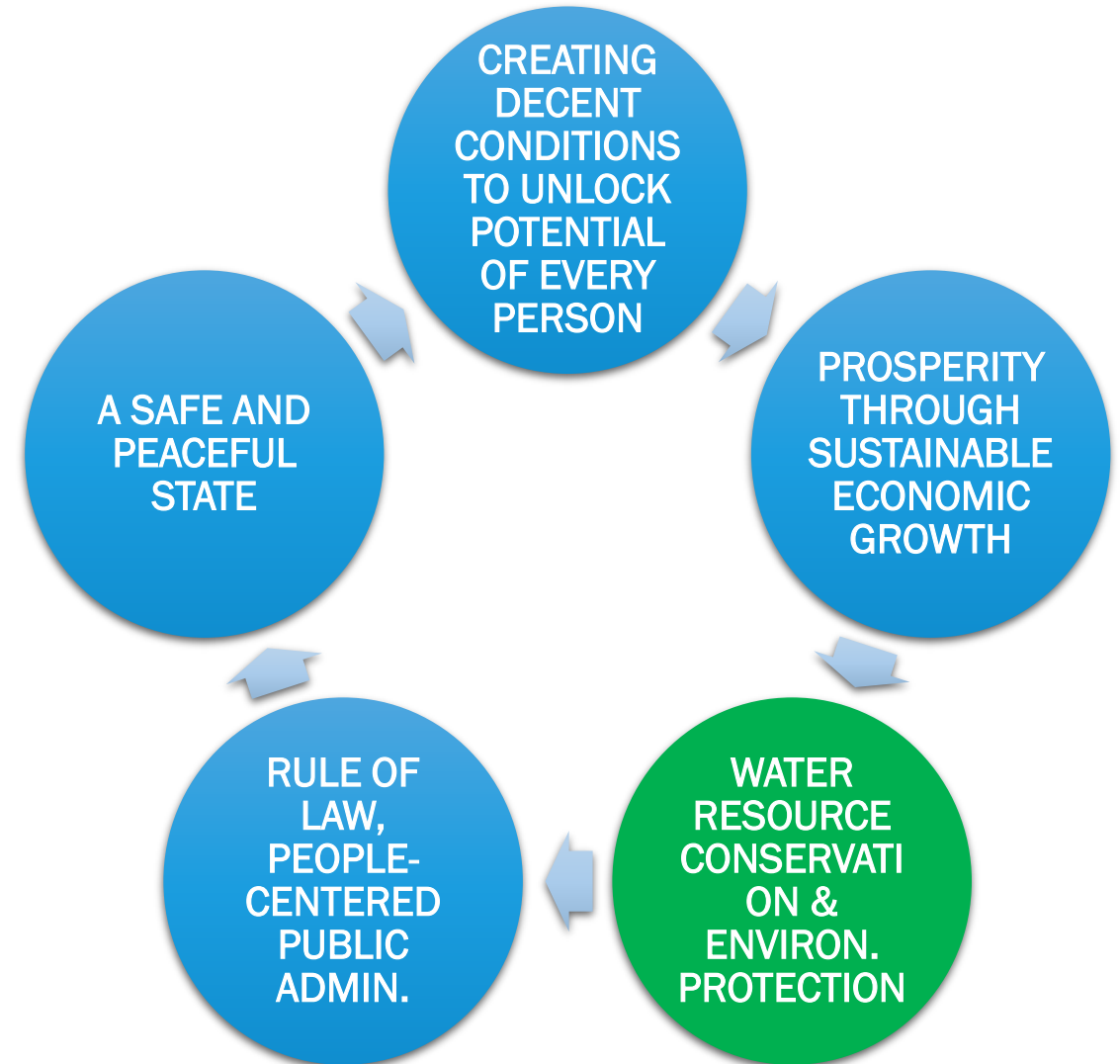
What is a CCDR? Who for? What does it aim to do?

- The CCDR is a new ‘core diagnostic’ the World Bank is conducting for all countries.
- CCDRs captures the interplay between national development, climate change and climate policies.
- CCDRs are based on data, rigorous research and a good understanding of each individual country’s context and goals.
- CCDRs aim to inform policymakers and civil society about the highest priority policies.

Uzbekistan has ambitious goals

- Ambitious plans to double GDP and reach upper middle-income status by 2030 in a sustainable way.
- Implementing a momentous economic reform program to achieve these goals.
- Scaling up its commitments to climate change and environmental sustainability.
- Committed to cutting the emissions intensity of GDP by 30 percent by 2030 (relative to 2010), amongst other targets, in the Uzbekistan 2030 Strategy and 2021 revised NDC.

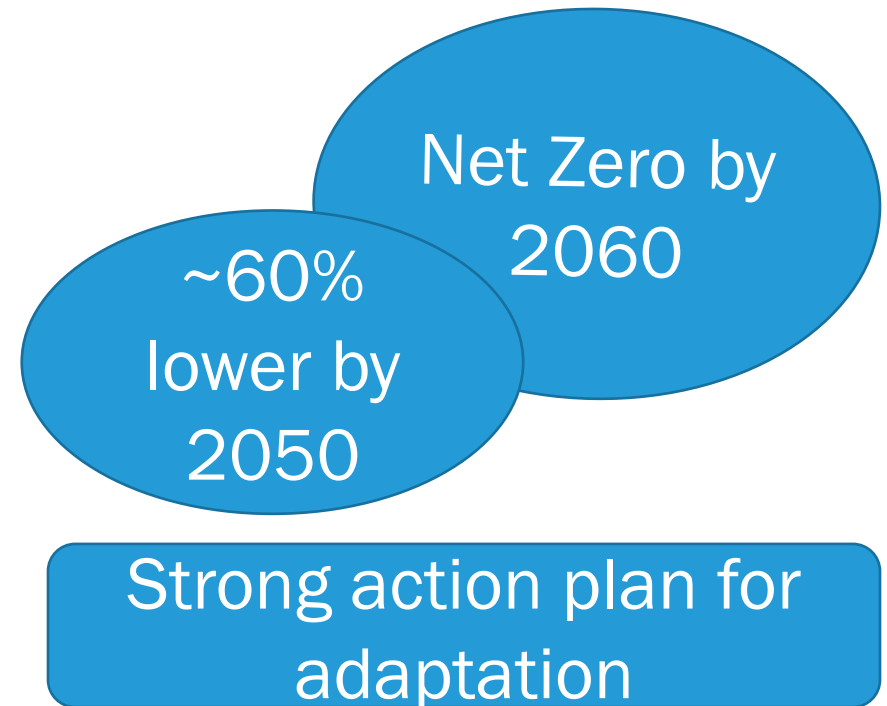
UZBEKISTAN 2030 PRIORITIES



Successful green transition calls for ambitious, clear and long-term vision

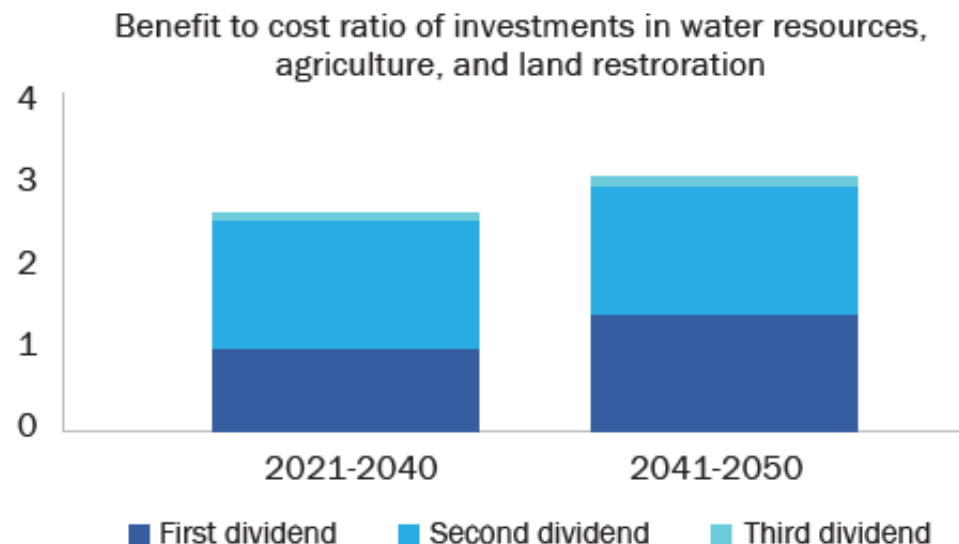
- Creating new, green markets relies on changes in firm decisions and consumer choices.
- Investment responds to credible commitments: Businesses need a clear climate vision and action.
- We recommend the government commits to a new, more ambitious, absolute emissions reduction target and a strong plan to build climate resilience.
- Commitments should be informed by evidence: The CCDR contributes to this.

The CCDR recommends a path of:



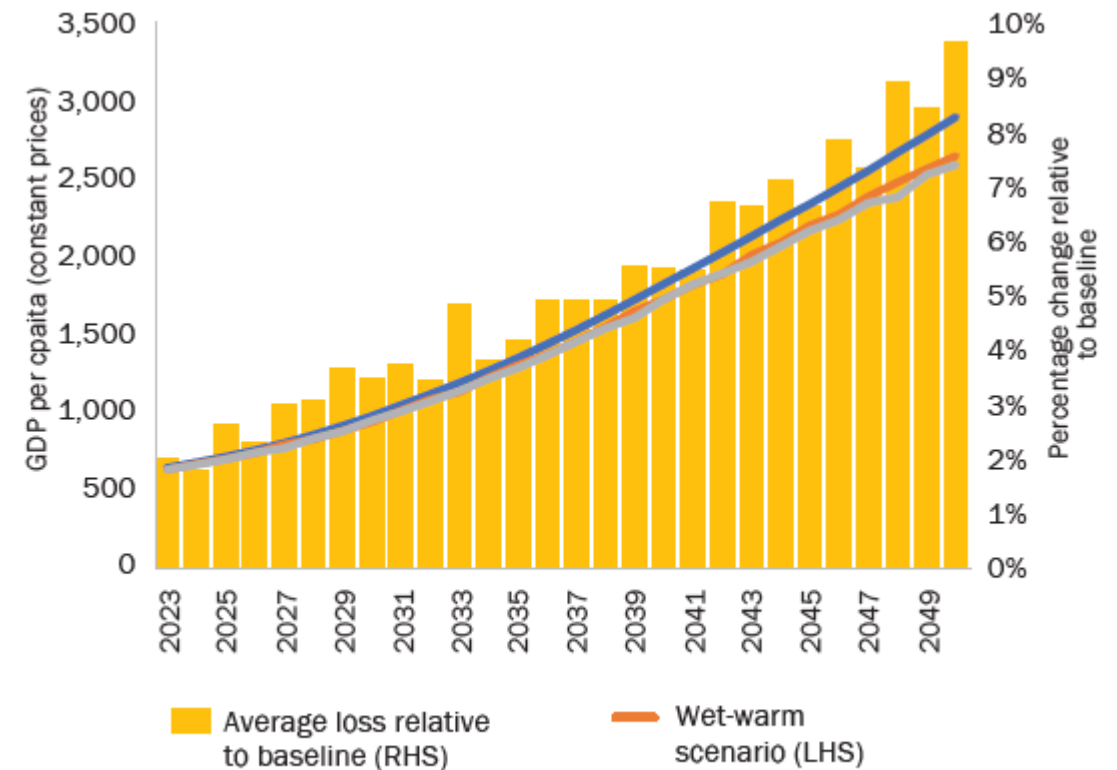
Climate adaptation measures have strong induced economic and development benefits

- Without adaptation, Uzbekistan’s economy may be 10 percent smaller than it would have been by 2050.
- Adaptation action can: i) avoid losses from climate-induced shocks; ii) support economic benefits; and iii) bring about other environmental and social benefits



Source: World Bank analysis.

GDP with and without expected effects of climate change, 2023–2050

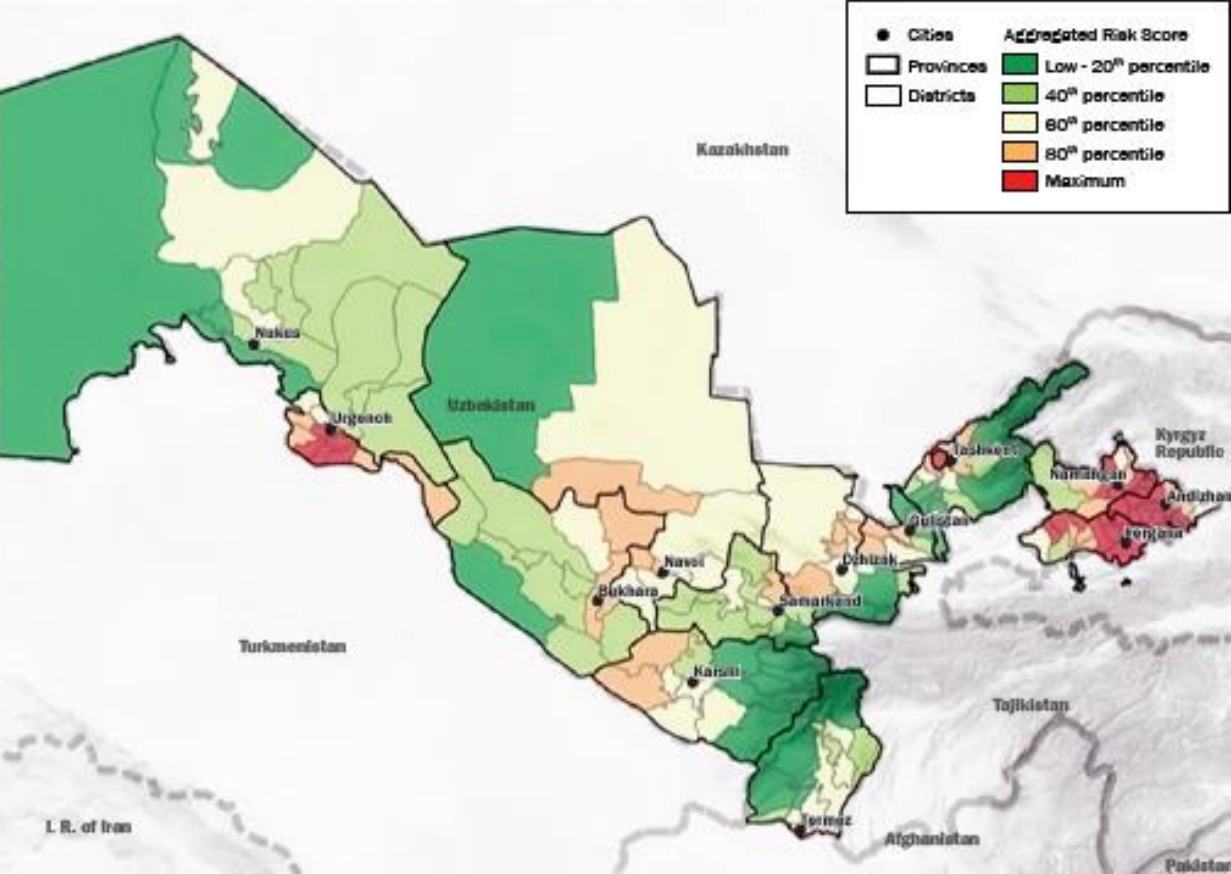


Source: World Bank analysis.

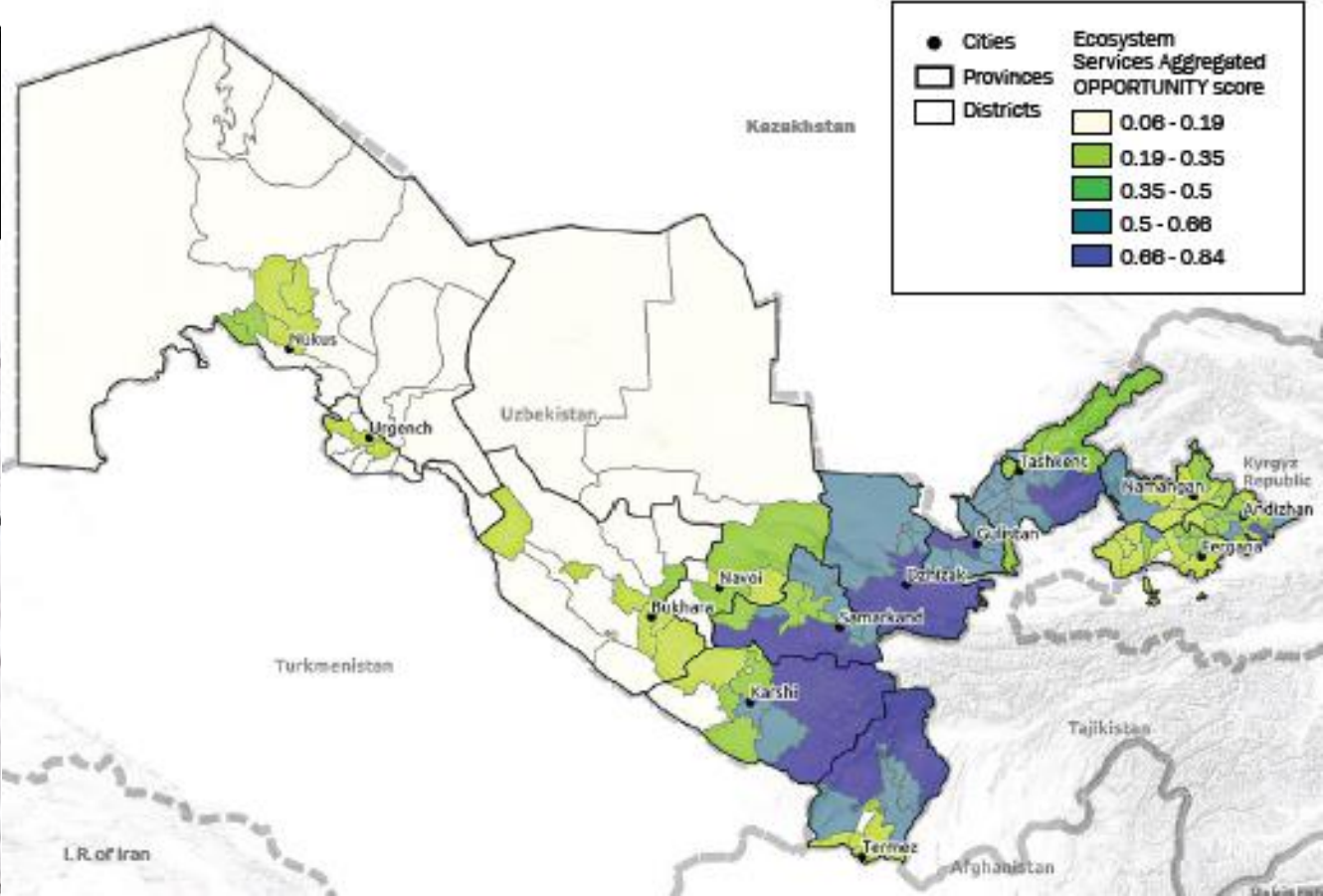
Note: Averages presented over both dry-hot and wet-warm scenarios.

Reducing climate change and land degradation risks through integrated landscape restoration and climate-smart agriculture

Land degradation hotspots: Composite map of risk from climate change, land degradation, and population pressures, by 2041–2050

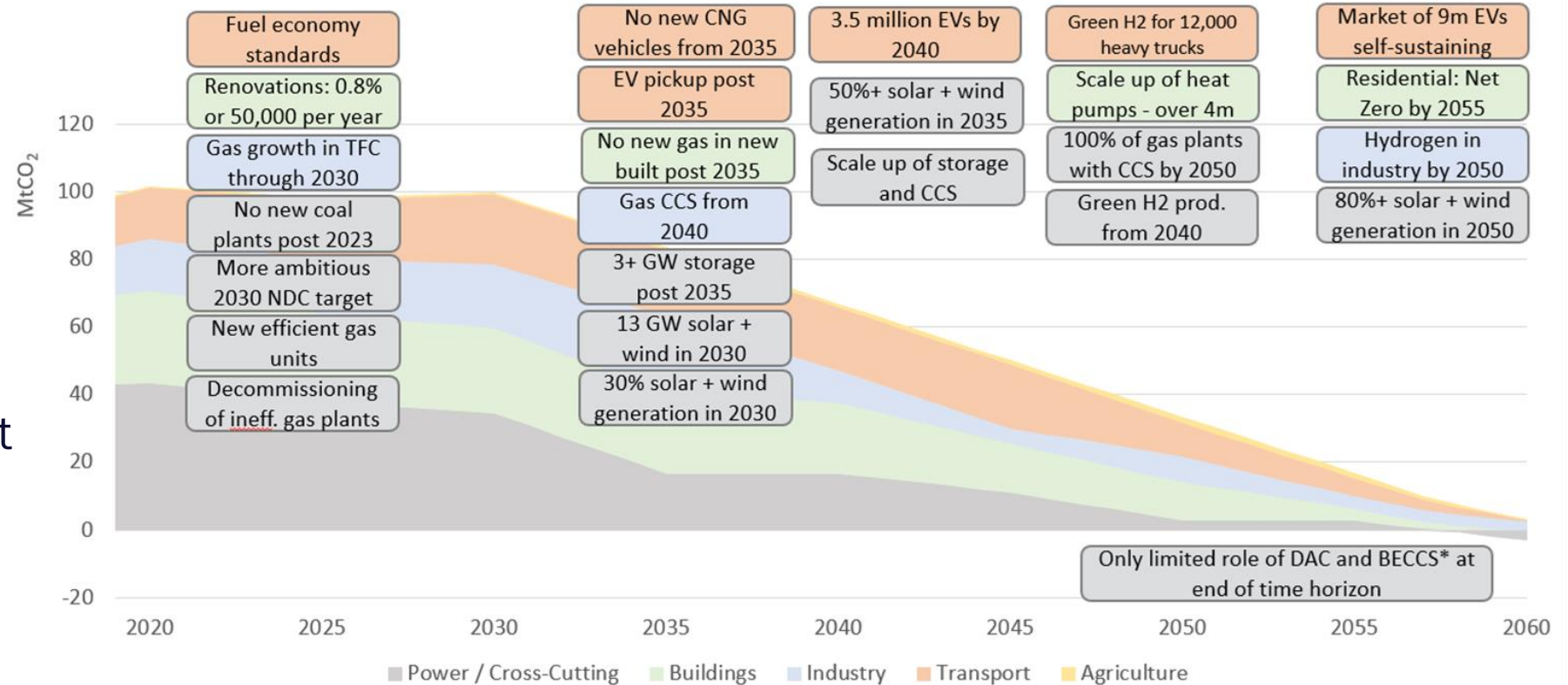


Adaptation opportunity hotspots in Uzbekistan: Composite Score, by 2041–2050



Energy decarbonization brings energy security, over \$100bn co-benefits & innovation opportunities

- By pursuing carbon neutrality, Uzbekistan can strengthen energy security by minimizing reliance on gas imports, while benefiting from flexible power trade
- Power sector can nearly decarbonize by 2050
- 9m EVs by 2060, 6m heat pumps by 2060
- Domestic green hydrogen can serve industry and transport from 2040

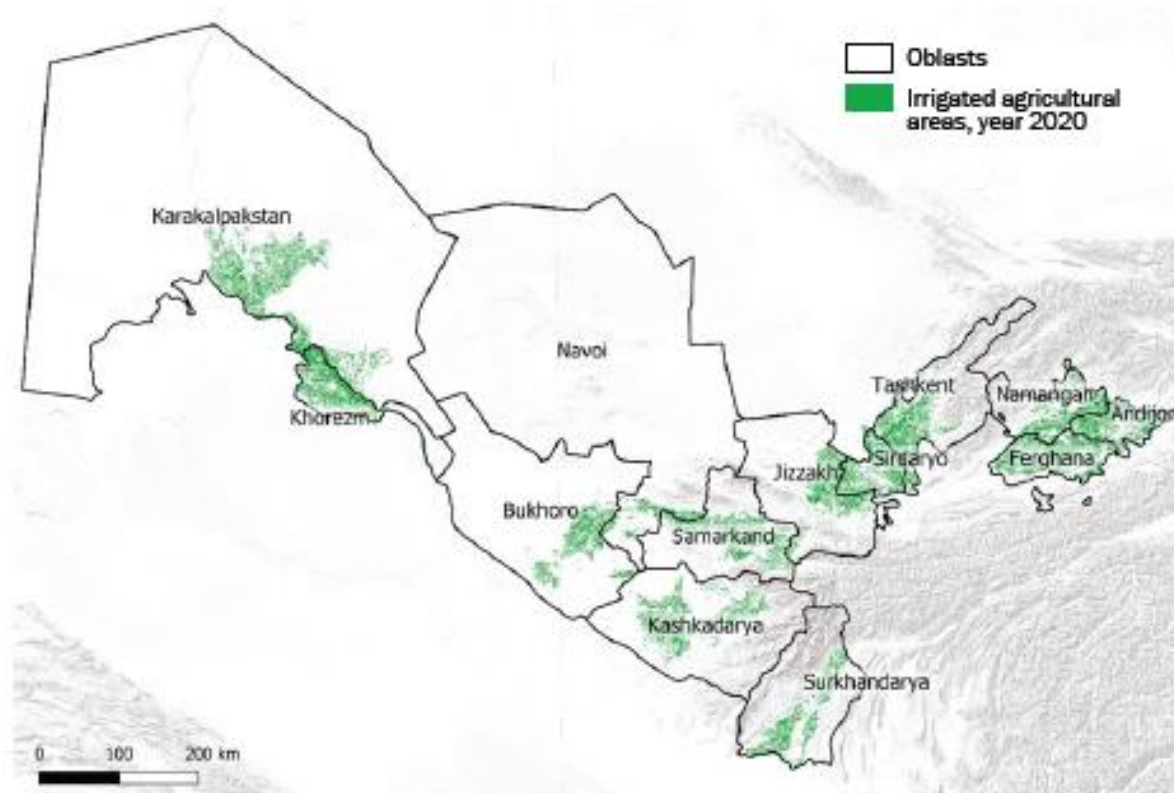


* DAC: direct air capture, BECCS: bioenergy with CCS

Source: World Bank analysis

Shrinking water resources, rising demand, and large investment needs in water resources management

Irrigated agricultural areas, 2020

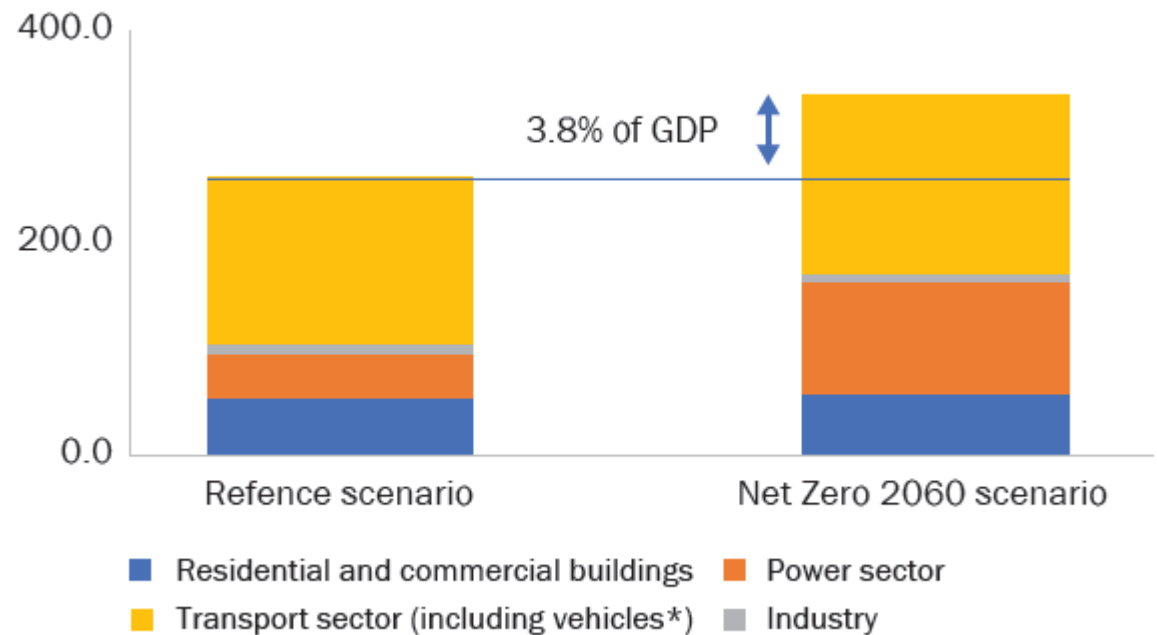


- Adapting to climate-related water risks requires large investments to modernize irrigation and drainage
- Total investment needs projected at about US\$6 billion through 2030
- Additional US\$1.5 billion in on-farm investments for improved water management practices to increase water-use efficiency
- Additional US\$1.2 billion to improve water-use efficiency to adapt to climate impacts
- Total capital costs of full modernization of the irrigation system through 2030 estimated at US\$8.7 billion

Market incentives will help bring in the private sector at scale and relieve burdens on public finances

- The government budget can only shoulder a fraction of transition costs.
- Given the scale of resources required, the private sector will need to be the primary financing source for the green transition.
- Adjusting prices, including by removing energy subsidies, is a keystone policy for triggering the green transition that will boost growth over the longer term despite short-term costs.

Total discounted energy system investment needs, 2023–2060 (US\$, billions)



Accelerating the development of Uzbekistan's private sector is critical to absorb the costs and take advantage of the opportunities of the green transition

- Private sector and FDI inflows will be pivotal to drive overall development and green transition.
- Continued economic reforms offer prospects of new, green markets and greater climate change resilience.
- Scaling back state-owned enterprises, ensuring robust market competition and a conducive investment environment are key to increasing much needed FDI.

Key recommendations to enable private sector led green transition



Market competition regulation & SOE reform.



Stronger regulatory environment for investors.



Stronger core financial sector regulation.



National Green Taxonomy and effective MRV.



Trade policy and facilitation, including WTO.



Mainstream climate into public investment decisions.



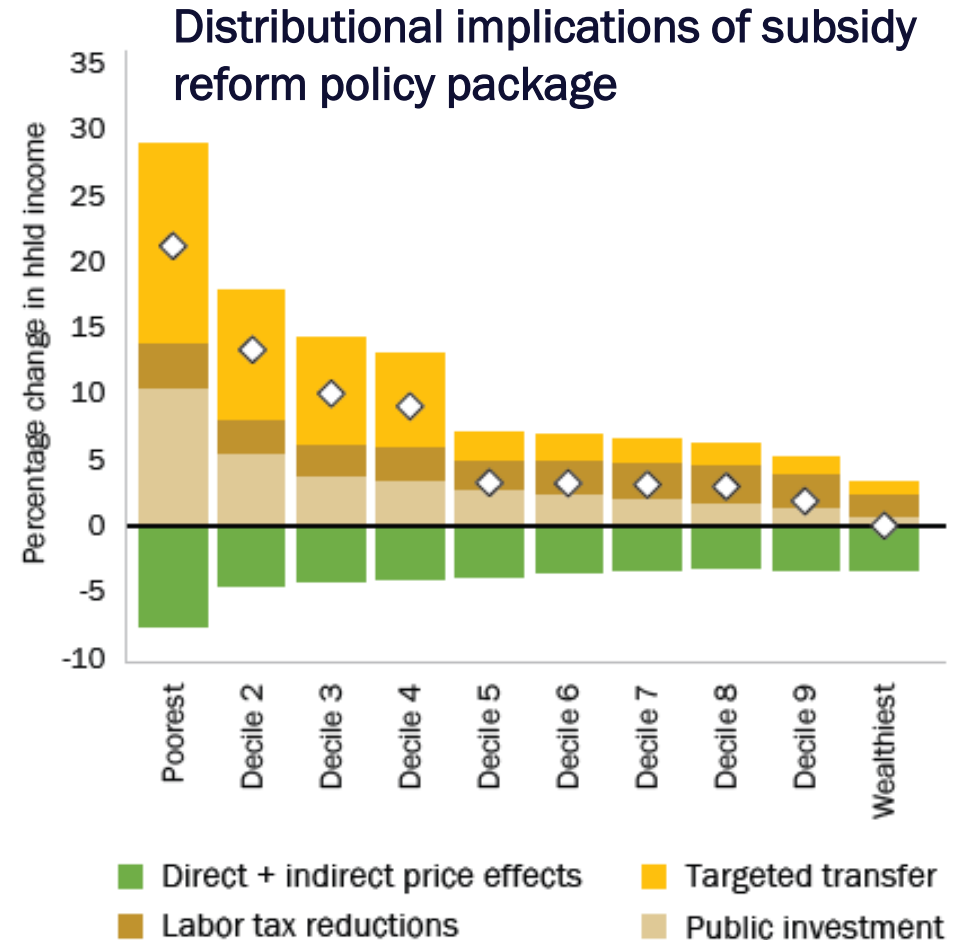
New green finance products, e.g. insurance. Climate financial risk.



A financing framework to identify funding sources

Green measures should be complemented by well implemented social protection policy packages

- The benefits of a green transition should be shared widely by supporting the inclusion of vulnerable groups in the green economy, protecting those affected by climate actions, and ensuring that benefits go to most of the population.
- Social protection systems can be made more adaptive and responsive, to foster people's resilience.

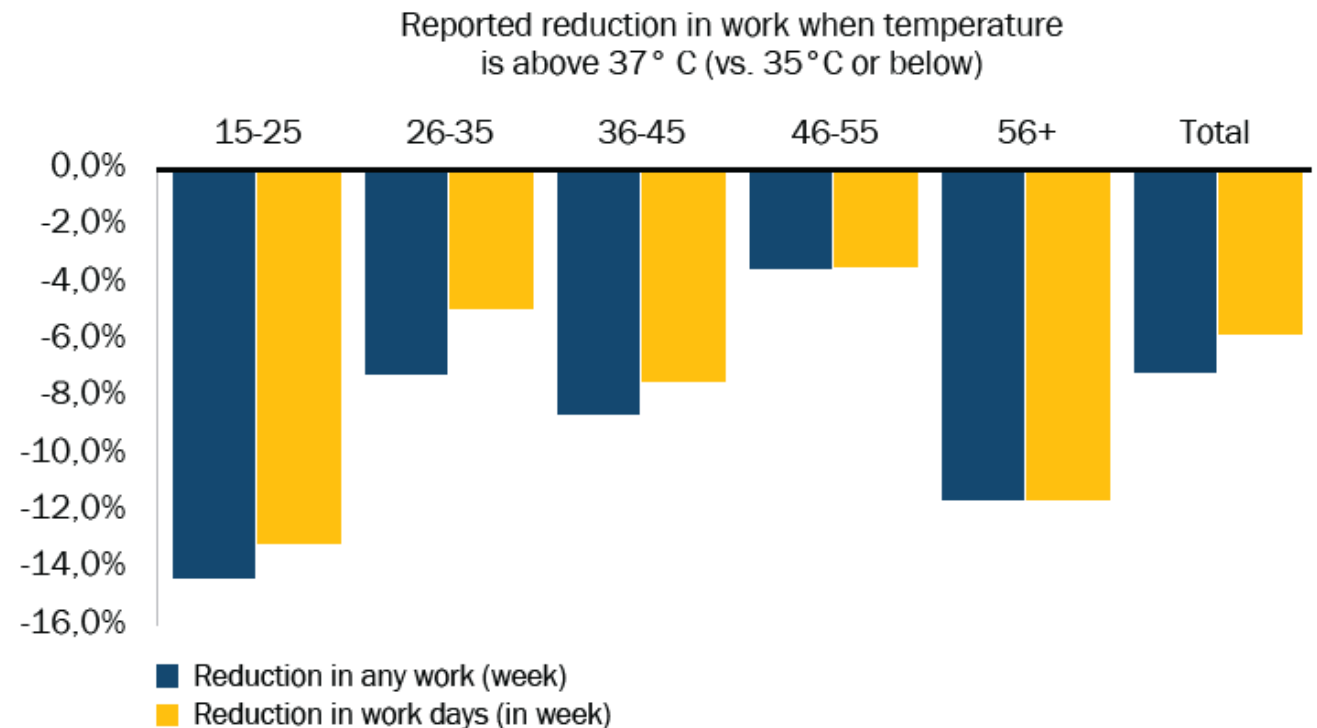


Source: World Bank analysis using the Climate Policy Assessment Tool (CPAT) model.

Skill development and climate action at the local level will be essential to enable a just transition

- The green transition is not expected to lead to a significant reduction in jobs overall, but the types of jobs will change.
- People need to be equipped with foundational and technical skills through formal education and training opportunities to fuel a green transition.
- Behavioral change is critical for a green transition and can be encouraged through a mix of interventions.
- Public awareness campaigns, local climate action, education, and the introduction of new technologies and incentives.
- Communities, and civil society can identify socially inclusive solutions tailored to local needs and priorities.

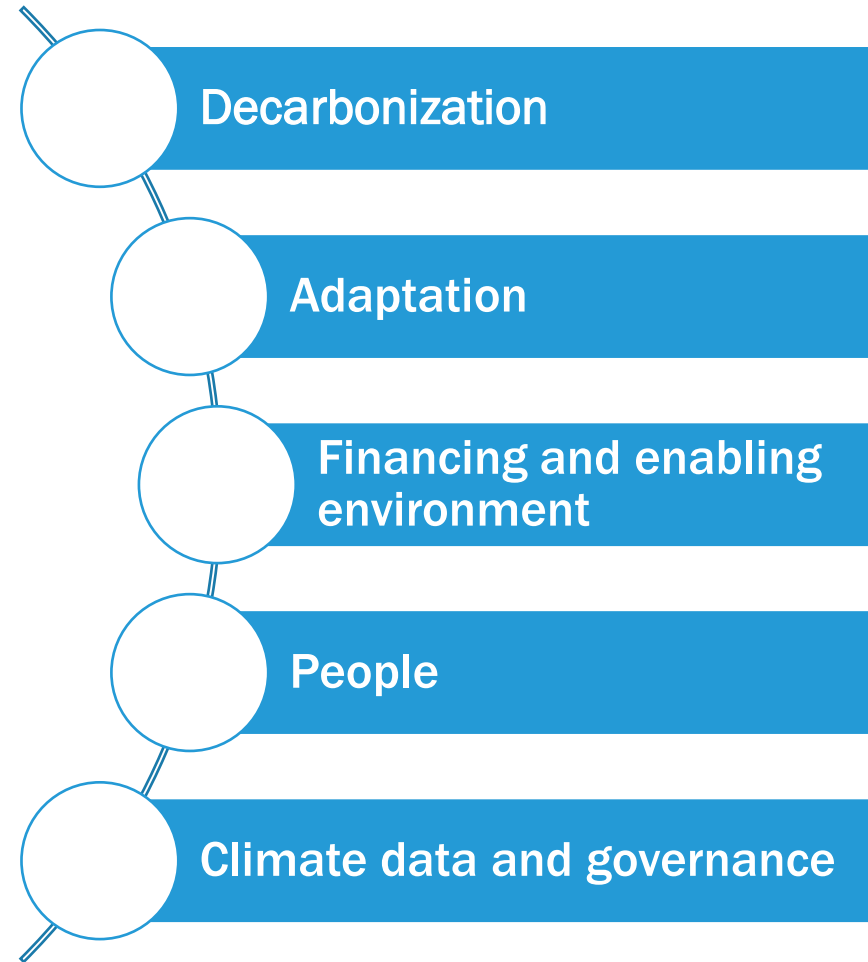
Impacts of extreme heat on work productivity, by age, 2018–23



Urgent and medium-term reform priorities to tackle the decarbonization and climate change adaptation challenges

- Comprehensive policy reform programs already under implementation across sectors in Uzbekistan
- A focus on decarbonization and adaptation to climate change can catalyze the continued economic reforms and investment agenda
- A just transition critical for promoting broad-based support for policy reforms

KEY REFORM AREAS





Uzbekistan

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