



Things to Know About the World Bank
Carbon Finance (CF)

<http://carbonfinance.org>
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To accommodate the wishes of an increasing number of project sponsors, the World Bank Carbon Funds offer sellers the choice - based on informed decisions - on whether to enter into VER or CER contracts, taking into account the sellers' need for the higher price that CERs obtain, and taking into account the seller's need for certainty in payments and appetite for risk.

This decision on whether the Bank purchases VERs or CERs, depends on the specific circumstances of the project, in particular, the kind of risk inherent in the project, the degree of exposure, which bears them and ultimately, the risks associated with the delivery of the asset.

A tentative decision on VER/CER purchasing is made as Project Idea Notes submitted to the Bank are reviewed. Thereafter, the Bank in consultation with the sellers, confirms the choice and projects are developed accordingly.

The World Bank Carbon Finance purchases Verified Emission Reductions (VERs) and Certified Emission Reductions (CERs).

Photo: The World Bank



Photo: The World Bank

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The World Bank has been a major contributor to the development of internationally approved CDM methodologies and has contributed its experience to decisions by the Parties to the UNFCCC and the CDM Executive Board on a wide range of issues.

The World Bank has developed and submitted numerous baseline methodologies for approval by the CDM Executive Board, and in doing so exposed critical issues and proposed solutions—significantly contributing to the development of the two Consolidated Methodologies on waste management and renewable energy projects.

The World Bank has systematically brought issues to the attention of the Parties to the UNFCCC and the CDM Executive Board that it considers to be of major importance for the proper functioning of the CDM market, for instance on the question of an 'early start' of CDM projects, authorization of project participants, the definition of small-scale projects, and on modalities and procedures for afforestation and reforestation projects.

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The know-how captured through these first-of-a-kind transactions are a source of competitive advantage for its funds' participants, either in meeting their obligations to reduce their greenhouse gas emissions or seeking to engage as players in the trade and service industry emerging in response to JI and CDM.

For host-country beneficiaries, both governments and the local private sector, knowledge gained in completing the first sale of ERs sheds light on the export revenue opportunities and the gaps in local laws, rules, and administrative capacity to implement the Protocol and facilitate CDM or JI transactions.

The World Bank, through its various carbon funds, currently supports over 100 projects that are either ERPA signed or under advanced preparation.



Photo: The World Bank



Photo: The World Bank

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An Emission Reductions Purchase Agreement (ERPA) on average leverages \$7 in additional financing for every \$1 contracted.

The selling of emission reductions—or carbon finance—has been shown to increase the bankability of projects, by adding an additional revenue stream in hard currency, which reduces the risks of commercial lending or grant finance. Thus, carbon finance provides a means of leveraging new private and public investment into projects that reduce greenhouse gas emissions, thereby mitigating climate change while contributing to sustainable development.

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The BioCarbon Fund is a prototype to demonstrate and benchmark the use of carbon finance in forestry and agriculture projects with strong co-benefits in terms of biodiversity, land protection and poverty reduction. The Fund will create assets that are eligible under the CDM (reforestation and afforestation projects, which create forests on deforested land or where none existed before, respectively), and other activities that sequester carbon from the atmosphere (e.g. watershed management).

<http://biocarbonfund.org>

The BioCarbon Fund is helping to make carbon sinks an important aspect of emission reductions.

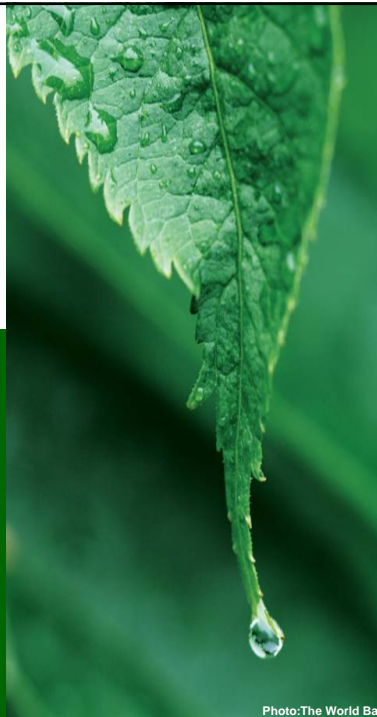


Photo: The World Bank



Photo: The World Bank

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The Community Development Carbon Fund provides carbon finance to poor countries that are bypassed by the carbon market.

The Community Development Carbon Fund (CDCF) supports small projects in less developed countries, and poor areas of all developing countries, and delivers additional environmental and social development benefits to poor communities. The development of these small-scale CDM projects is typically too expensive and often too risky for the private sector to undertake on its own.

The CDCF will help build a market for emission reductions from small-scale projects, and expand the reach of carbon finance and the benefits of the Clean Development Mechanism (CDM) to developing countries that might otherwise be excluded.

<http://communitycarbonfund.org>

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In fiscal year 2004, the Bank launched a capacity-building initiative called CF-Assist to provide a unified approach to developing countries and to coordinate all World Bank capacity building and training activities on carbon finance.

CF-Assist seeks to meet its objectives by establishing an enabling environment whereby local institutions have the capacity to prepare and review projects for approval, the private sector has procedures in place to identify opportunities and bring them to market, and the lending sector uses carbon finance as a means to reduce project risks. The program operates at arm's length from the carbon funds. Any project identified and prepared under CF-Assist is offered first to the market; the World Bank remains a buyer of last resort.

In order to build better linkages to the Bank's knowledge management activities and bring improved focus on capacity building for overall carbon market development, the management of CF-Assist was transferred to the World Bank Institute (WBI) as of July 2006.

CF-Assist builds capacity in developing countries.



Photo: The World Bank



Photo: The World Bank

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The World Bank invests heavily in exploring new markets, new technologies and processes where carbon finance can drive sustainable development, and in new methodologies.

In many cases, the Bank has been the first to purchase emission reductions in specific countries, technologies or sectors, or in poor communities. As a development institution, the Bank is committed to continue to pioneer carbon finance transactions, and to expanding the frontiers of the market.

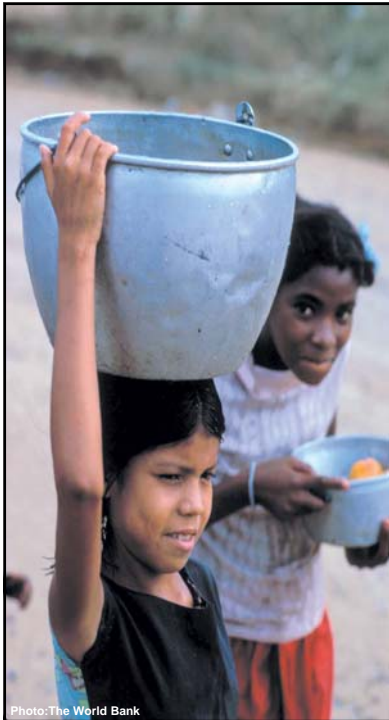


Photo: The World Bank

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Through the establishment of its carbon funds, the Bank has made a significant effort to catalyze markets for GHG mitigation and sustainable development.

Market development and offering a learning by doing opportunity to its stakeholders has been and remains a key objective of the Bank's involvement in the carbon market; its mission statement is to "catalyze markets for greenhouse gas mitigation and sustainable development". The Bank's carbon finance business has now grown to 9 funds with almost US\$2 billion under management with the objectives to:

- Expand support for core carbon market development under CDM and JI, the Kyoto Protocol's project-based market mechanisms, through OECD funds;
- Extend the benefits of carbon finance to the least developed countries and to the poorer communities in all developing countries;
- Demonstrate carbon finance for carbon sinks (sequestration) to achieve sustainable natural resource use, conservation, and sustainable rural livelihoods; and
- Strengthen and expand capacity building initiatives for mitigation and adaptation.



Photo:The World Bank

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The World Bank develops opportunities for substantial participation of the private sector in the carbon market.

The Bank continues to be proactive in promoting and supporting direct private sector participation in carbon procurement and in building confidence in private sector intermediation. This is achieved through partnerships in intermediation on a non-exclusive basis, dissemination of business practices, and offering substantial opportunities.



Photo:The World Bank

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