



Carbon Finance at the World Bank

The World Bank

March 2007



Climate Change a Truly Global Challenge

- Ton of Greenhouse Gas emitted has same global impact regardless of where emitted **or mitigated/reduced**
- Makes sense to reduce/mitigate wherever most **cost effective**
- Market based mechanism considered most effective way, allowing revenue and investment to be directed to projects in developing economies

Global Market Created by the Kyoto Protocol



Most OECD countries have a reduction target, on average 5.2% below 1990

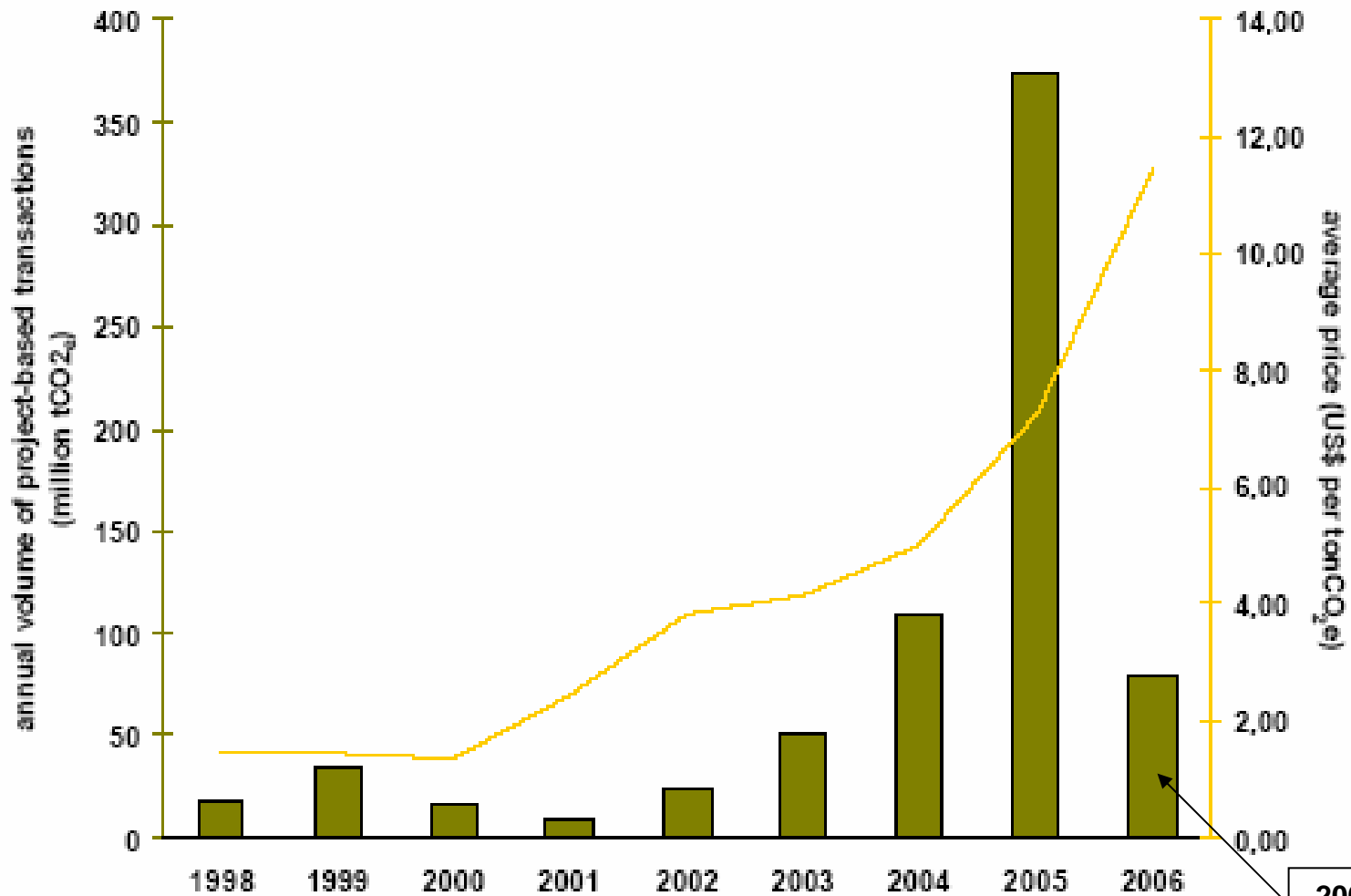
- Targets to be achieved through:
 - Reductions at home
 - Purchasing emission reductions credits and international emission allowances
 - Credits from projects in developing countries (Clean Development Mechanism – CDM)
 - Credits from projects in economies in transition (Joint Implementation – JI)
 - International Emissions Trading of allowances



Carbon Market



Growth in Carbon Market



Source: The World Bank, "State and Trends of the Carbon Market 2006".

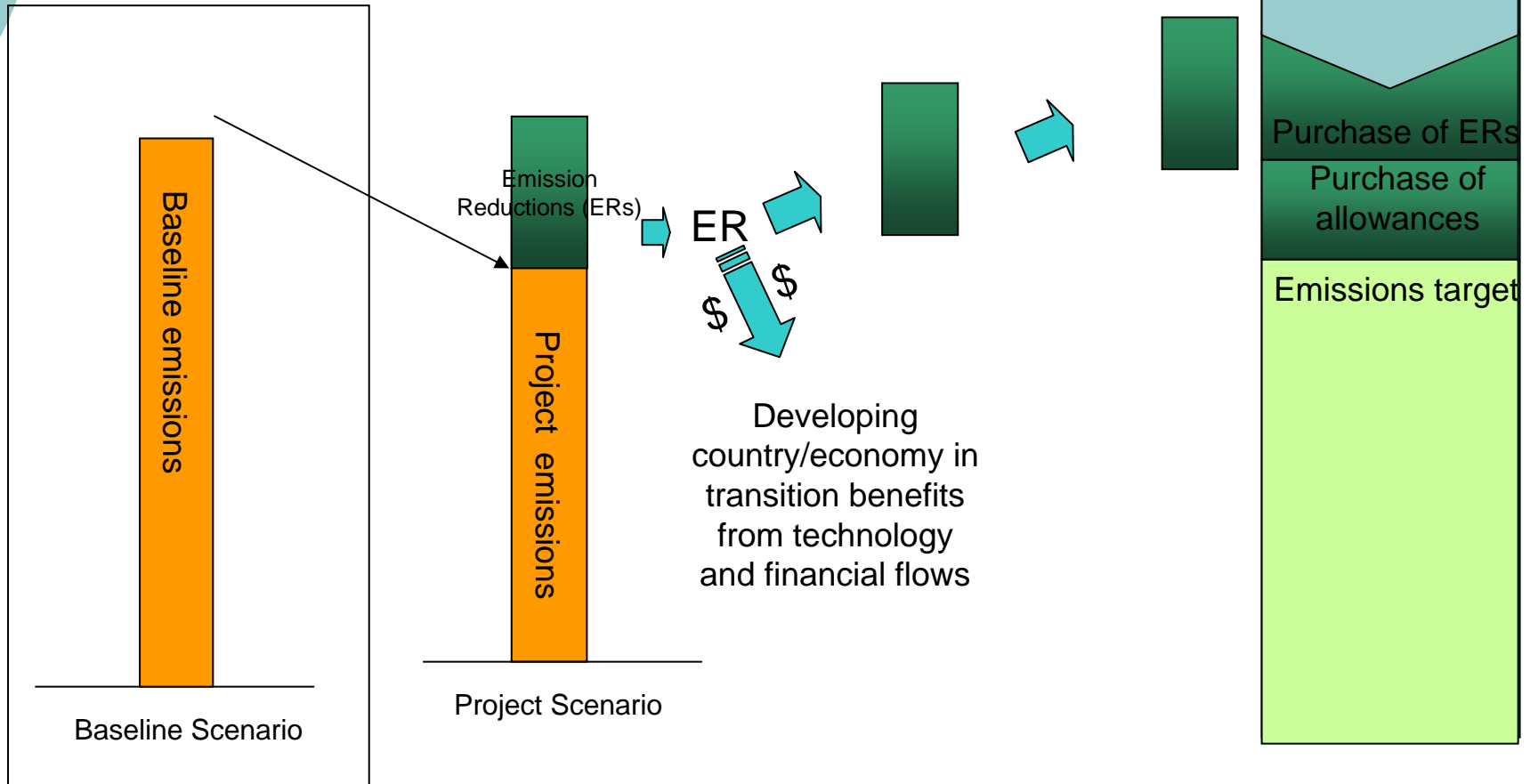
2006 data is for first quarter only



Carbon Trade and the CDM

Developing country
with no emissions cap

Industrialized country
with an emissions cap



Why is the World Bank in the Carbon Market?



- IPCC conclusions on global climate change
- Impact of climate change on development
- Efficiency of market-based instruments to reduce GHG emissions

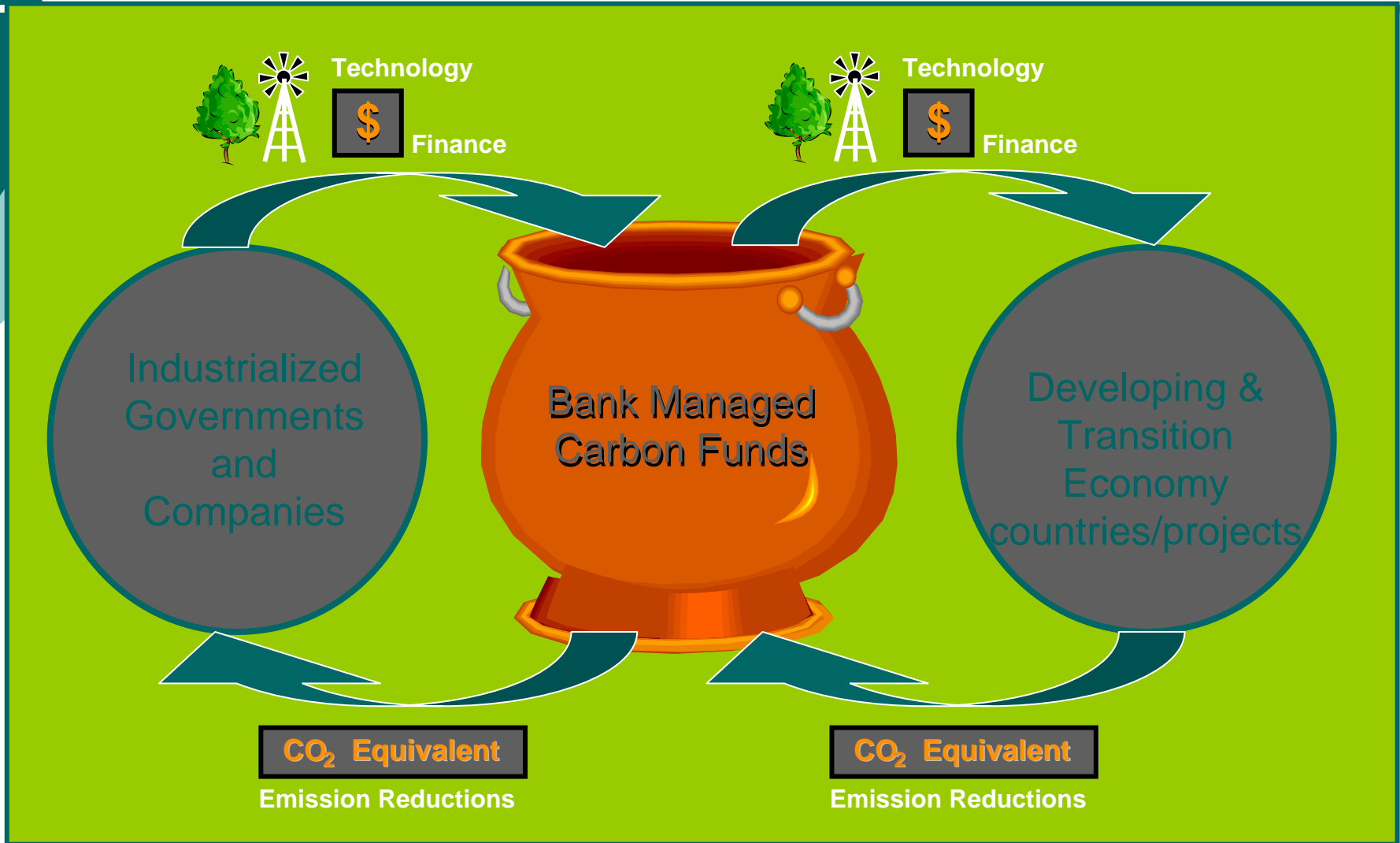
World Bank Carbon Finance Objectives



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- To ensure that carbon finance contributes substantially to **sustainable development**, beyond its contribution to global environmental efforts.
 - To assist in building, sustaining and **expanding the international market** for carbon emission reductions and its institutional and administrative structure.
 - To further strengthen the **capacity of developing countries** to benefit from the emerging market for emission reduction credits.



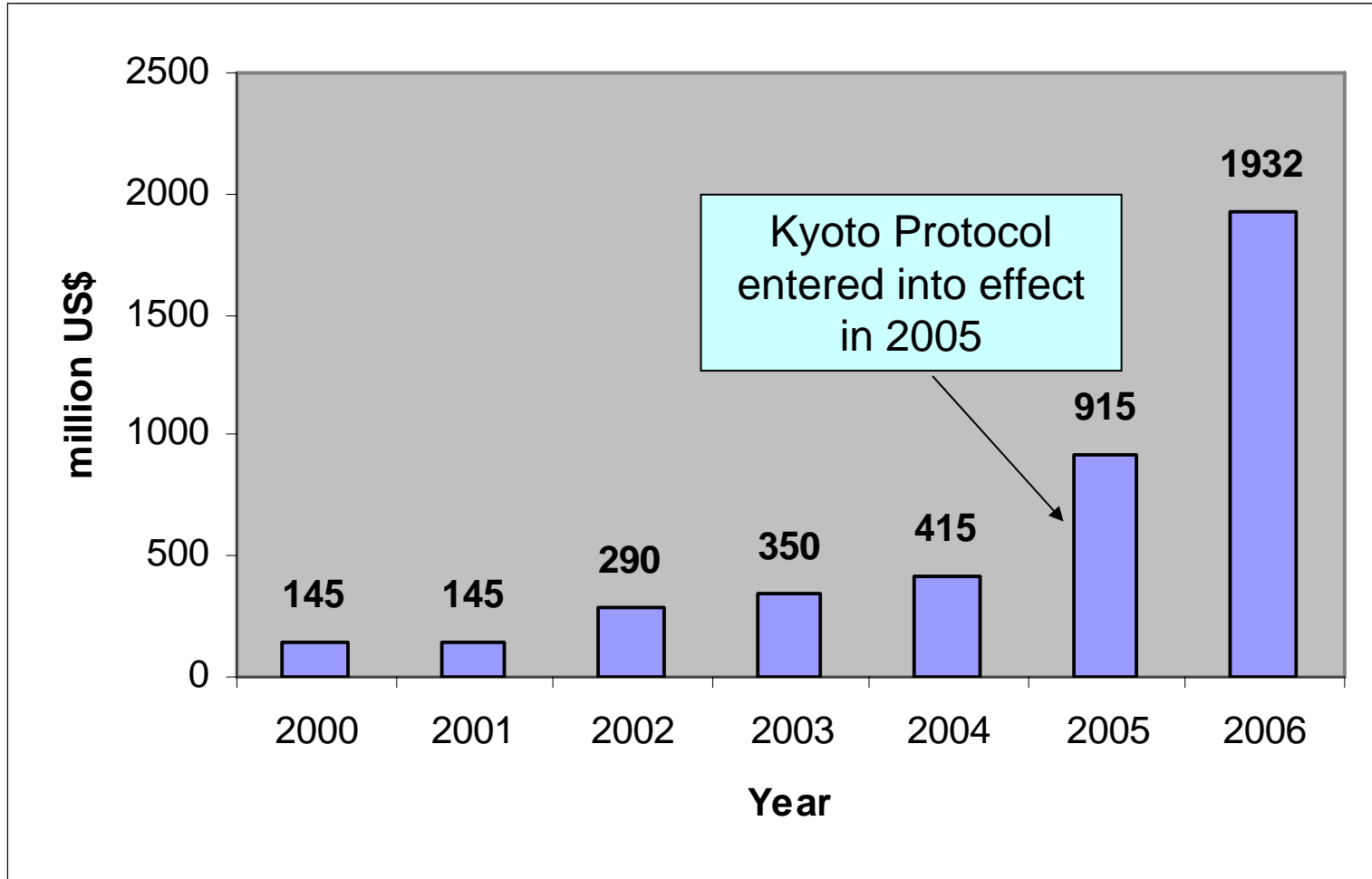
How Carbon Funds Work



Long-term revenue streams to climate-friendly projects



Growth of World Bank Carbon Funds



Total US\$ 1.93 billion in 9 Funds = 13 governments, 62 companies

World Bank Carbon Funds & Facilities



General purpose funds

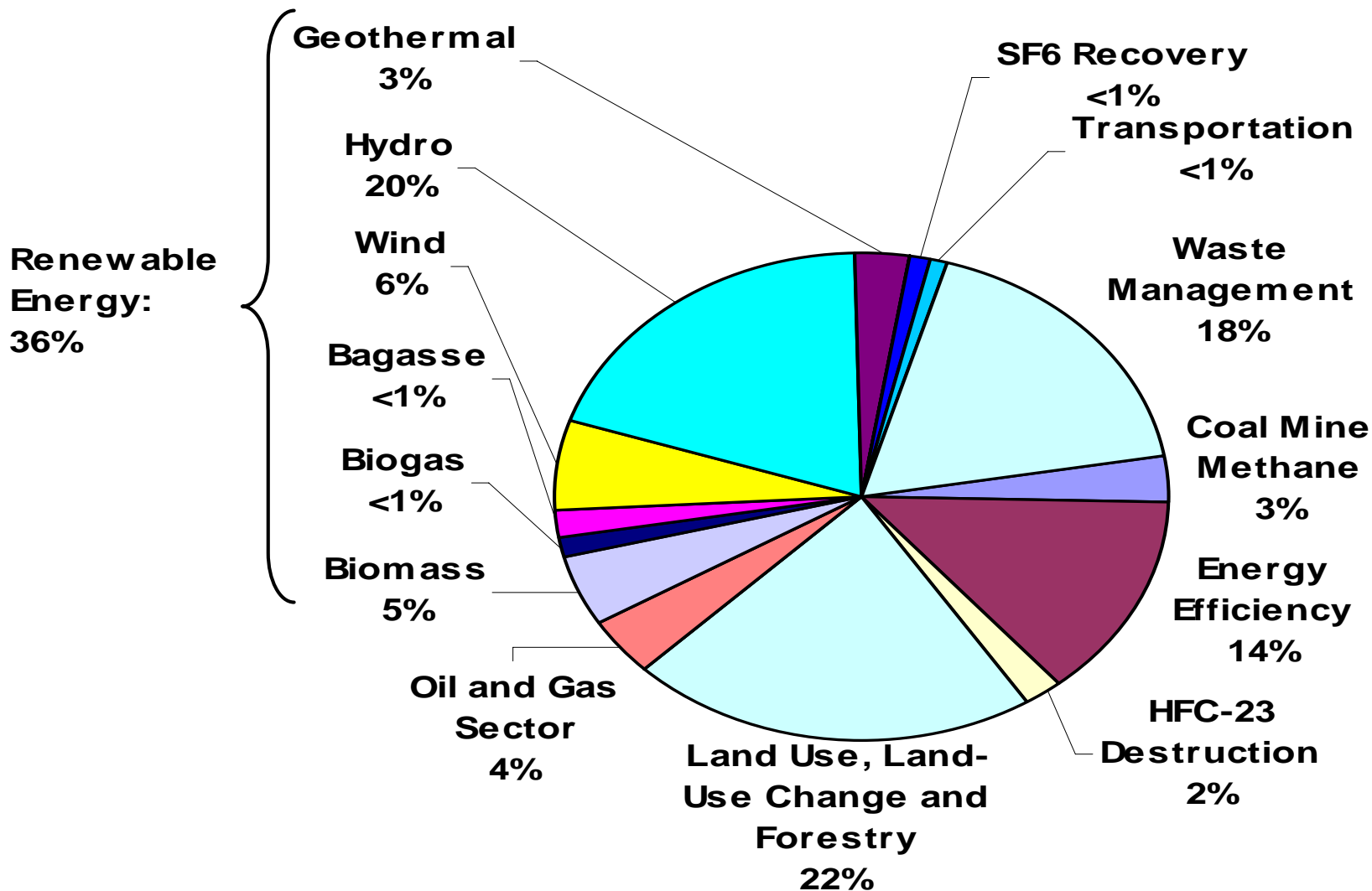
- Target practically any technology and project type that reduces emissions
- Prototype Carbon Fund, Netherlands, Italian, Spanish, Danish Carbon Funds

Special purpose funds:

- Small projects with clear local community benefits (Community Development Carbon Fund)
- Forestry and land use projects (BioCarbon Fund)
- Large pre-identified projects (Umbrella Carbon Facility)

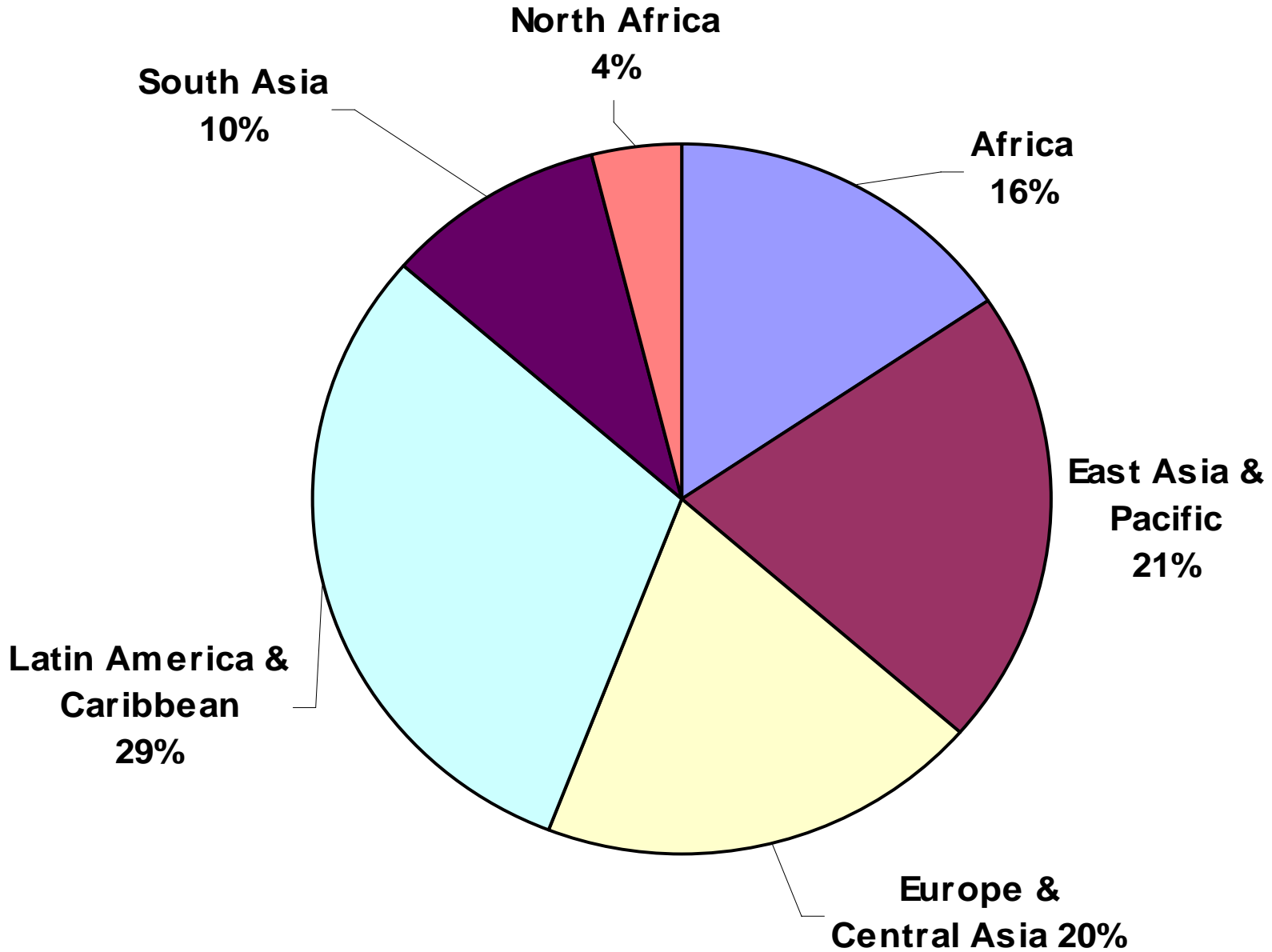
Technological Distribution (Number of Projects)

Active Carbon Finance Unit Portfolio - Total 102 Projects



Regional Distribution

Active Carbon Finance Unit Portfolio - Total 102 Projects (Number of Projects)



Special Features of World Bank Carbon Funds



- Able to push technology envelope:
 - New sectors, technologies
 - Assist project owners to enter market
- Can take more Kyoto risk than most other buyers:
 - Can agree to pay even if the project is not approved in Kyoto Protocol
- Can purchase longer than most other buyers, i.e. beyond 2012
- Committed to building the capacity of host country and project owners to replicate projects
- Good strategic partner:
 - Most experienced carbon fund manager, extensive staff and resources
 - Reliable investors (i.e. highly secure payments)
 - Bank's dialogue with host governments
 - May be combined with World Bank loans, grants and technical assistance



Thank you

www.carbonfinance.org