



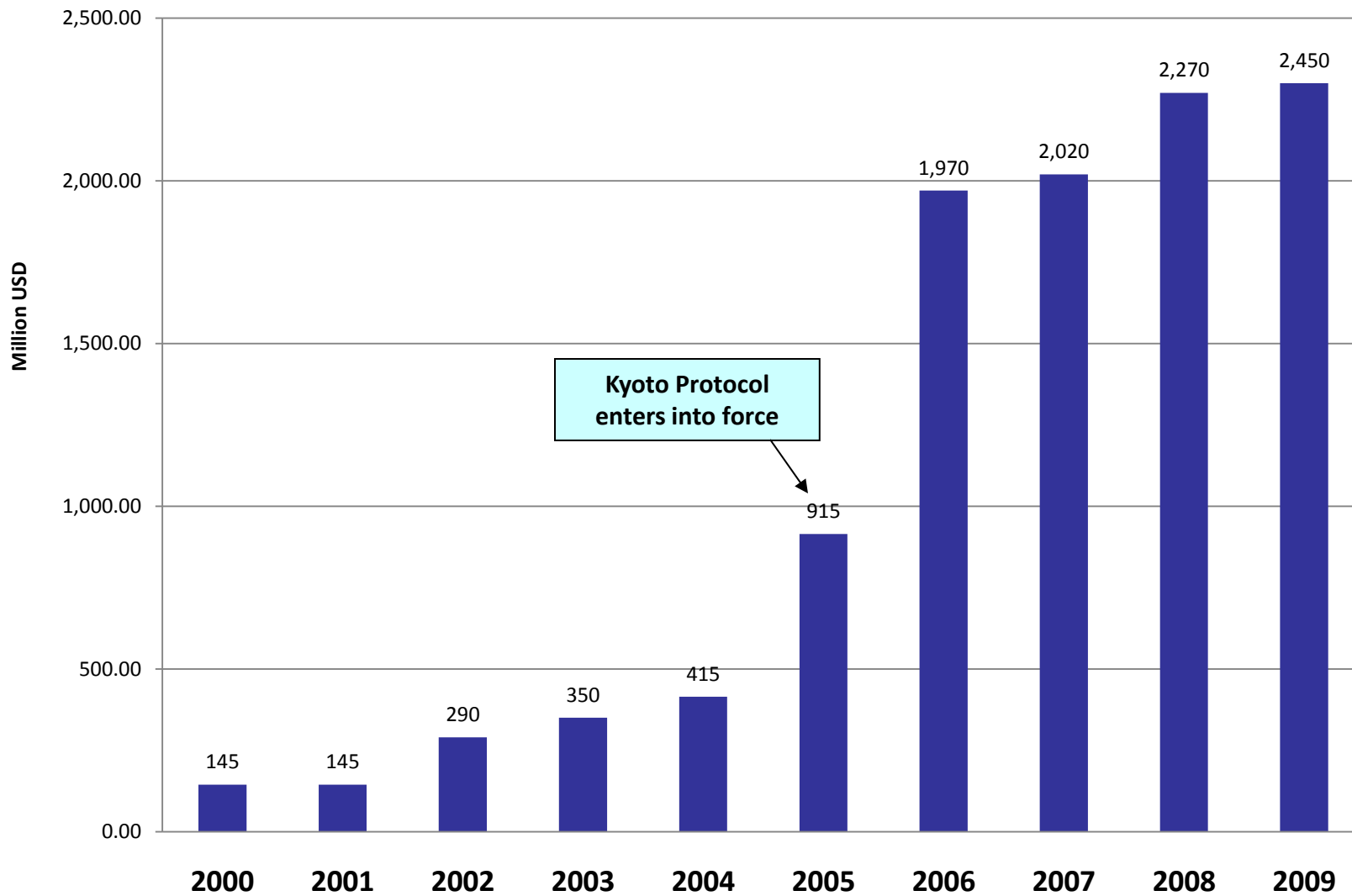
Fostering Carbon Markets at the World Bank: Experience to Date & Looking to the Future

IETA

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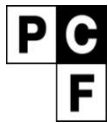
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The World Bank

10 Years of Carbon Finance at the World Bank



'Kyoto Funds': 16 Governments & 66 Firms

4 Specialty funds/facilities



Prototype Carbon Fund:
Pioneering Kyoto
mechanisms since 2000



Community Development Carbon Fund: Small projects that measurably benefit poor communities



BioCarbon Fund: Land use, land-use change and forestry projects



Umbrella Carbon Facility – Tranche 1: Focused on two China HFC 23 projects

6 Country funds/facilities



Netherlands Clean Development Mechanism Facility



Netherlands European Carbon Facility (*jointly managed with IFC*)



Spanish Carbon Fund



Italian Carbon Fund



Danish Carbon Fund



Carbon Fund for Europe (*jointly managed with EIB*)

Experience to Date: Selected Milestones & Indicators

- 2000: PCF (first global carbon fund)
- 2001: NCDMF (first of 6 country funds)
- 2003: CDCF
- 2004: BioCF
- 2006: UCF Tranche 1 (~ \$1 b from HFC 23, 75% syndicated to private sector)

- 130 ERPAs signed in 57 countries
- 55 projects registered in CDM
- ~ 45 Mt CERs issued (14% of total)
- 52 approved CDM methodologies (42% of total) used by ~ 3,500 projects



Experience to Date: Some Observations

1. Flexible mechanisms can reduce emissions and promote sustainable development (average carbon finance to investment leverage ratio: 1/4)
2. Need for raising awareness and building capacity to foster supply & demand
3. Need for more agile and predictable regulatory system
4. Need to scale up from projects to sectors/industries
5. Need to expand to transport, energy efficiency, land use



Looking to the Future...

1. Integrate carbon finance into public and private investment decisions for low-carbon development
2. Shift away from a project-by-project approach to systematic programs of investments in a strategic way
3. Establish a long-term regulatory framework that provides certainty of a carbon price signal
4. Create incentives for reducing deforestation



Looking to the Future: Carbon Partnership Facility

Scale-up Impact in a Post-2012 Regime

- Support long-term investments in low-carbon economy by integrating carbon finance into public and private investment decision
 - Carbon finance linked to Bank lending
- Shift away from a project-by-project approach to CDM Programs of Activities & sector-based approaches
 - Program Identification Notes approved for 5 programs in China, Indonesia, Vietnam and Morocco; many other programs under development
 - Developing new methodologies – cities, energy efficiency, power sector, CCS
- 2 mechanisms: Carbon Asset Development Fund + Carbon Fund
- Carbon Asset Development Fund (CADF) operational at €7 million – Spain, Norway and European Commission
- Carbon Fund currently at €100 million (operational target at €200 million)
 - Minimum contribution: €35 million

Looking to the Future: Forest Carbon Partnership Facility

Set the Stage for 'REDD+'

- Reducing emissions from deforestation and forest degradation + conservation + sustainable management of forests + enhancement of forest carbon stocks
- Operational since 2008
- Global partnership of 37 REDD countries + 13 financial contributors facilitated by the World Bank
- 2 mechanisms: Readiness Fund + Carbon Fund
- Readiness Fund (target \$185 m): build national 'REDD infrastructure'. Inform, and be in line with, UNFCCC
 - Reference scenario
 - REDD strategy
 - Monitoring system
- Carbon Fund (target \$200 m):
 - 5 ERPAs in the pilot phase – possibility to expand in future
 - Compliance-grade mostly
 - Minimum contribution: \$5 million

Compliance Potential of REDD+

- REDD alone represents
 - 17% of annual GHG emissions
 - 30% of the cost-effective mitigation potential by 2030
 - 0% of the market solution to date
- 'Plus' adds mitigation potential over and above REDD
- Likely to be included in a Copenhagen agreement
 - Critical to 2°C objective
 - Significant convergence among national positions
- Opportunities for social and environmental benefits
- Large potential demand for REDD
 - USA: offsets + set-aside
 - Australia
 - Europe: only for governments starting in 2013
 - Japan?
- Demonstration of concept is needed to build comfort

Thank you!

www.carbonfinance.org

www.forestcarbonpartnership.org

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