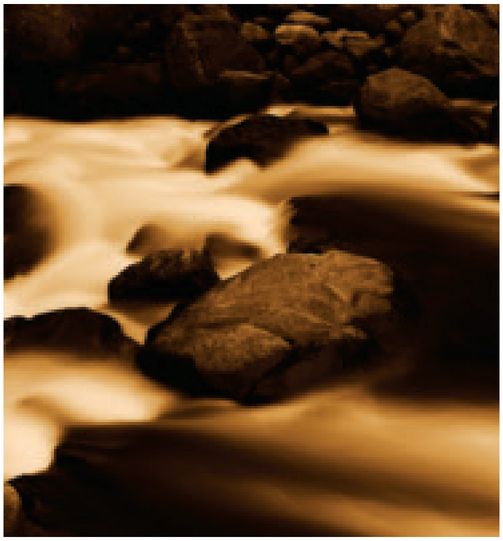
Italian Carbon Fund

From the Italian Government

Italy has seized the opportunity to demonstrate its commitment to greenhouse gas emission reductions, as well as to sustainable development and poverty eradication worldwide. In partnership with the World Bank, we in fact have been a founding supporter of the Community Development Carbon Fund and of the BioCarbon Fund, which we judge as an efficient mechanism for extending the reach of carbon finance and the Clean Development Mechanism to developing countries that would otherwise be potentially excluded from their benefits. In addition, in March 2004 the Italian Carbon Fund (ICF), which we see as a balanced combination of a secure yet economical way to promote the protection of the global environment, acquire and disseminate carbon finance experience and leverage substantial investments in host countries while meeting some of our emission reduction obligations, became operational.



Since then, the ICF has grown substantially. Its capital base has increased through the involvement of the Italian private sector and now amounts to more than $150 million. Its project pipeline is very diversified both in terms of technology deployed and regions involved.

Thanks to the experience and the work of our partner in this venture—the World Bank—the ICF has achieved very positive results over time, and we are pleased that it is revealing itself as a valid tool to improve the viability of and to catalyse clean technology investments that are rarely financially viable in emerging markets.

Corrado Clini
Director General
Italian Ministry for the Environment, Land and Sea

Italian Carbon Fund Participants

Ministry for the Environment Land and Sea of Italy

ITALIAN MINISTRY FOR THE ENVIRONMENT, LAND AND SEA

The Ministry for the Environment, Land and Sea of Italy has long been active in climate change issues, as well as in sustainable development and poverty eradication. It is the Designated National Authority (DNA) for CDM in Italy and is responsible for all activities related to CDM and JI project activities in developing countries and countries with economies in transition, with a focus on capacity development, project development and purchase of certified emission reductions.*

CEMENTERIE ALDO BARBETTI S.P.A.

Cementerie Aldo Barbetti S.p.A. is an Italian group, which since 1956 has operated in the domestic cement business, with around 400 people employed and more than two million tons of cement production capacity. Our environmental policy, connected with the worldwide increasing interest in the Kyoto Protocol, is the main reason that we joined the ICF.*

ENDESA ITALIA S.P.A.

Endesa Italia was founded in 2001. Current shareholders are Endesa (80%) and ASM Brescia (20%). Endesa has an annual output of 23.4 terawatt hours (TWh) (2005) with a generating-capacity of 6,590 megawatts. Endesa Italia is the first private operator in terms of contribution to the ICF, aiming at guaranteeing certified emission reductions at reasonable cost while contributing to global sustainable development.*

ENEL

Enel owns more than 50 gigawatts of installed capacity and produces and sells electricity mostly in Europe, North and Latin America. Enel joined the ICF as part of its carbon sourcing strategy, finalized to comply with the greenhouse gas emission reduction objectives introduced by the Kyoto Protocol and by the European Union's Emission Trading Scheme (EU ETS) Directive.*

ERG S.P.A.

ERG is the largest Italian independent group operating in the energy and petroleum sectors. It is active in refining, distribution of petroleum products and power generation. ERG joined the ICF to satisfy its need for emission credits and to contribute through the CDM to more sustainable development.*

ITALCEMENTI GROUP

Italcementi Group is the fifth largest cement producer in the world, the biggest in the Mediterranean area and number one in Egypt, after consolidating Suez Cement and Asec Cement acquisitions in 2005. The parent company Italcementi Spa is a holding of Italmobiliare: both companies are listed on the Milan Stock Exchange. The Group in the scope of its sustainability strategy is participating in carbon funds as a means both to fulfill its obligations towards the EU ETS and to promote sustainable development.*

S.I.E.T. S.P.A.

SIET is a company of AEM Torino Group. SIET works on the Italian energy markets, scheduling the power plants of the group, trading and selling power to customers. We joined the ICF because we believe it is a good instrument in order to participate in projects improving the environment.*

* The information in the participants' writeups in this report was provided by the participants of the various carbon funds managed by the World Bank and, with the exception of minor editorial changes, is reproduced in the same form in which it was provided. The views and opinions expressed in the participants' writeups are those of the participants providing the information and do not necessarily represent the views and opinions of the World Bank. The World Bank does not take any responsibility for the information contained or the representations made in the participants' writeups.

Italian Carbon Fund Portfolio Status

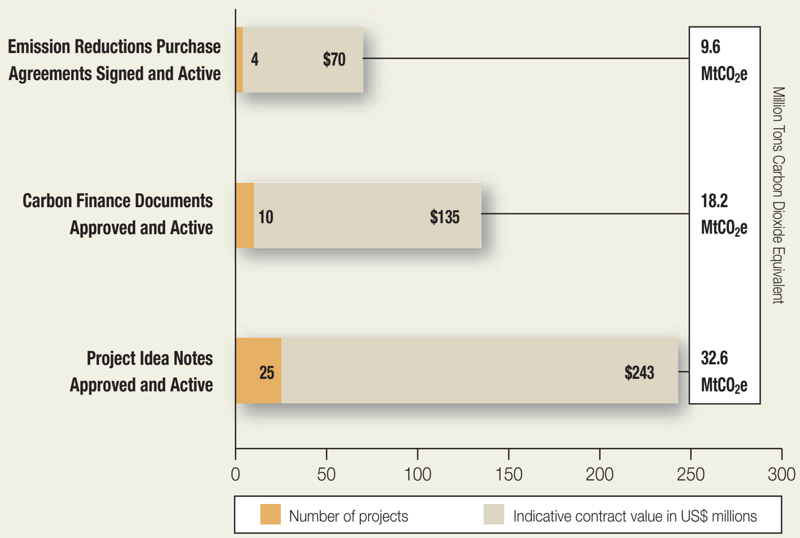
	Country/Project Name	Project Description	ICF Contract ERs (tCO_2e)
Emission Reductions Purchase Agreements Signed			
1	**China: HFC-23 Destruction**	Installation of an incineration facility to decompose HFC-23 generated by the existing HCFC22 manufacturing facility into carbon dioxide (CO_2) and hydrogen fluoride (HF)	6,000,000
2	**China: Nanjing Steel Converter Gas Recovery**	Recover the converter gas produced by the converters in the steel production process and utilize the gas for electricity generation	572,205
3	**Tunisia: Gas Recovery and Flaring for Nine Landfills**	Install gas recovery and flaring systems in Cell 1 of nine landfills distributed throughout Tunisia	1,120,000
4	**Tunisia: Jebel Chakir Landfill Gas Recovery and Flaring**	Install gas recovery and flaring systems in Cell 1–5 of the Jebel Chakir Landfill, which receives all of the waste from the Tunis Capital	1,930,000
Projects Under Negotiation (indicative contract volumes)			
5	**China: Shanghai Laogang LFG**	Build landfill gas collection and electricity generation system at the Laogang landfill. The electricity produced will meet the electrical needs of the landfill as well as provide power for Shanghai	2,000,000
6	**China: Yunnan Whitewaters Hydropower Development**	Build three run-of-river hydro power stations on the Baishuijiang River with an installed capacity of 78 megawatts	2,000,000
7	**Egypt: Cairo North MSW**	Rehabilitation and upgrading of the existing sorting and composting plants at Kattamia. Construct a sanitary landfill including landfill gas capture and flaring	756,000
8	**India: Allain Duhangan Hydro**	Installation of 192 megawatt run-of-river hydro power plant in the lower reaches of Allain and Duhangan streams	2,820,251
9	**Nigeria: Distribution Loss Reductions**	Reducing technical and non-technical energy losses by upgrading the Karu Distribution Cluster, Nigeria	336,000
10	**Nigeria: Reducing SF_6 Emissions in High-Voltage Transmission/ Distribution Systems**	Install new transformer, capacitor banks and compensation units to reduce losses in transmission; improve the maintenance activity to reduce the leakage of Sulfur Hexafluoride (SF_6) from insulators	623,875

Italian Carbon Fund Portfolio Development

As of the end of August 2006, the Italian Carbon Fund (ICF) had 25 Project Idea Notes (PINs) in its pipeline representing an emissions reduction potential of 32.6 million tons of carbon dioxide equivalent. Of these, ten have an active carbon finance document representing in total 18.2 million tons of carbon dioxide equivalent. Four emission reductions purchase agreements have been signed for 9.6 million tons of carbon dioxide equivalent.

In addition, six projects in the ICF pipeline have already signed letters of intent, which is the step prior to negotiating the terms of the purchase agreement. These are the Shandong Waste & Wastewater Umbrella Project and the Shanghai Bailonggang Sludge Treatment Project, both in China, the Henequen and the Lama de Los Cocos Landfill Gas Projects, both in Colombia, the Methane Leak Reduction in Gas Pipeline Project in Georgia and the CTSAV Bagasse Cogeneration Project in Mauritius.

Status of Project Development in the ICF (cumulative)



Note: The above figures exclude options purchases.

CHINA

Nanjing Steel Converter Gas Recovery Project

The Nanjing Iron & Steel Co., Ltd. (NISCO) in Jiangsu Province of China has signed a greenhouse gas emission reductions purchase agreement with the World Bank acting on behalf of the Italian Carbon Fund (ICF) for the first energy efficiency project in China under the Clean Development Mechanism. The ICF through the World Bank will purchase around 600,000 tons of emission reductions from the project.

The China Nanjing Steel Converter Gas Recovery Project, located in Nanjing, China, will introduce a set of converter gas recovery and power generation systems which use a fourth generation converter gas recovery system (OG system). The system will recover the converter gas (LDG) produced by NISCO's converters in the steel production process and utilize the gas for electricity generation. The generated electricity will amount to about 157 gigawatts per year. It will be used to meet part of the company's power requirements for daily production; therefore, it will displace an equivalent amount of electricity that would otherwise be supplied by the East China grid where electricity is generated by coal-fired power plants.

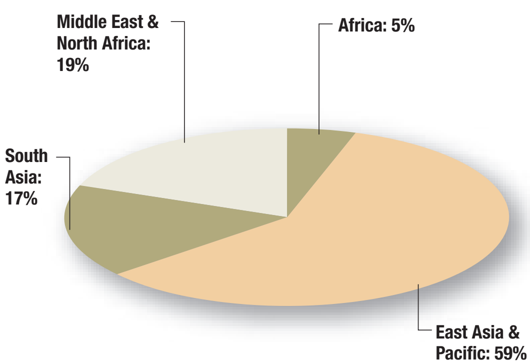
China is the world's largest steel producing country—producing more than 300 million tons per year, but there is room for improvement in efficiency of the operations. The NISCO project will be a prototype for energy efficiency CDM projects in the Chinese steel sector.

Italian Carbon Fund Portfolio Development *continued*

Active ICF Portfolio—$135 Million

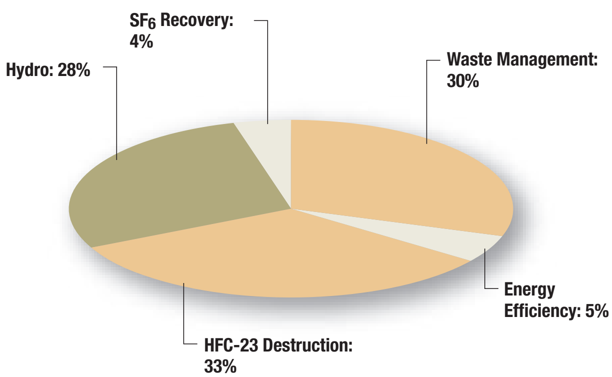
Geographic Distribution

The ICF portfolio is mainly dominated by the East Asia and Pacific (59%), followed by Middle East and North Africa (19%) and South Asia (17%) regions. Africa (5%) has a smaller share of the portfolio. However, if we take into consideration the entire pipeline, which includes the 25 projects that already have an approved project idea note (PIN), the distribution becomes more balanced as the East Asia and Pacific region's share decreases to 35%, followed by the Europe and Central Asia region (24%).



Technological Distribution

The ICF portfolio covers a wide range of technologies including HFC-23 destruction, waste management, energy efficiency, sulfur hexafluoride (SF_6) recovery and hydropower. The ICF portfolio is relatively well balanced. HFC-23 holds the lead (33%) followed by waste management (30%) and hydropower (28%). Energy efficiency and SF_6 recovery projects represent a further 9% of the portfolio.



"For enterprises like NISCO, CDM activities bring economic revenue or transfer of advanced technologies. More important, they provide an incentive to achieve sustainable development and reduce greenhouse gas emissions. Reducing primary energy consumption, greenhouse gas emissions, pollution of the environment, and achieving sustainable development, is not only the target of our government, but also the motivation for us to be involved in this CDM project."

Liu Yuejian
Department Manager and Senior Engineer of the Nanjing Iron & Steel Co., Ltd. (NISCO)