

From the Manager of the Carbon Finance Unit



In the past seven years we have seen carbon finance activities at the World Bank grow from a \$180 million Prototype Carbon Fund to include nine carbon funds and facilities, with a total capitalization of about \$1.9 billion. Both inside and outside

the World Bank there is growing recognition that carbon finance can be a powerful new tool for financing sustainable development and an important asset to help reduce greenhouse gas emissions. The 62 companies and 13 governments that make up the carbon funds managed by the World Bank have had the foresight to see the possibilities that the carbon market could offer and are the real pioneers of this business.

Inside the World Bank there is increasing awareness that carbon finance is a natural extension of the Bank's more traditional means of assisting our client countries in their development efforts. In addition, incorporating carbon finance components into Bank-financed projects not only increases the development impact of these investments, but also lowers transaction costs. The growing interest in carbon finance is supported by a higher proportion of Bank-financed projects being proposed to the Carbon Finance Unit and included in its portfolio. Twenty-three percent of carbon fund projects are associated with World Bank financed operations.

This past year has seen a number of achievements and breakthroughs on the carbon finance front, including the successful completion of the first tranche of the Umbrella Carbon Facility and the approval by the Bank's Board of Executive Directors of the proposal to establish a

Carbon Fund for Europe in partnership with the European Investment Bank. Internally, significant efforts have been made to strengthen policies and procedures for carrying out our carbon finance activities, manage the risks inherent to these operations and tighten the link with the Bank's regional operations.

I am happy to report that there has been growth of carbon finance in Africa over the past year. The current pipeline for all Bank-managed carbon funds contains 49 approved projects in Africa, of which 11 projects are at an advanced stage of preparation or emission reductions purchase agreement negotiation. To date, we have signed five emission reduction purchase agreements in Africa for the purchase of 3.4 million tons of carbon dioxide equivalent.

The carbon market is proving to be a valuable instrument to help tackle climate change and contribute to the sustainable development of our client countries. But to help fulfill its potential, we must see a scaling-up of greenhouse gas reduction efforts, the establishment of regulatory regimes that go well beyond 2012 and reforms in the implementation of the CDM, so that there are real opportunities for the poorest on the planet to participate in this growing market. We will know that we have succeeded when success has a human face—when communities from Uganda to Cambodia can point to a sustainable development benefit and say: *"This is what carbon finance did for me!"*

A handwritten signature in dark ink, appearing to read 'J Chassard'.

Joëlle Chassard
Manager
Carbon Finance Unit