

Welcome Note from the Chair of the Carbon Partnership Facility

Joëlle Chassard, Manager, Carbon Finance Unit

The World Bank has been a pioneer in carbon finance, helping to develop and shape this market from its origins in 1999, when the CDM and JI, established under the Kyoto Protocol, had yet to be tested. Over the last 10 years, we have seen in practice in a wide range of countries and sectors how market mechanisms can set in motion investments in low carbon technologies to reduce green house gas emissions.

Strengthened by the rich experience garnered over the past decade, we are embarking on our next ten years of carbon finance. Even if it is taking time for the global community to put in place an international climate regime post-2012, with all the resulting uncertainties this implies in the interim, we are forging ahead with our work to expand the scope, scale and range of climate change mitigation activities in our partner countries.

The **Carbon Partnership Facility** is a centerpiece of our efforts to continue to innovate in the use of market mechanisms and to scale up their impact on global emission reductions. The fundamental goal of the CPF is to help our partner countries utilize carbon finance to implement systematic approaches to low-carbon growth. To do this, our focus has to be on finding ways to support their policies and initiatives to catalyze public and private investment in clean technologies.

Inherently, this will give the CPF a different character than the Bank's other carbon funds. Instead of working on a project by project basis with individual developers, we will be working on a larger, more programmatic basis with governments and agencies to develop large-scale carbon finance programs. These programs will be linked to Bank operations and other sources of funding to provide more comprehensive approaches to financing clean technologies.

This is uncharted territory, and requires a new way of doing business. That is why we have established the CPF as a partnership, where both our Buyer and Seller Participants, together with our Donors and Host Country Partners, can sit together at the table, learn from each other's experience and challenges, and work together to design solutions that will work on the ground and be mutually beneficial. This, we believe, is the most effective way to drive innovation and to scale up carbon finance.

The First Tranche of the Carbon Partnership Facility became operational on May 15, 2010 and currently has €132.5 million in commitments and an additional €1 million in contributions to the Carbon Asset Development Facility.

The key objective of the First Tranche will be to test the CPF model. We want to demonstrate the efficacy of the utilizing the CDM Programme of Activities approach on a large scale, linked to Bank operations that support partner country initiatives. We also intend to test out new approaches such as city-wide programs, and to work on new CDM methodologies in areas of great potential for emission reductions such as energy efficiency in buildings. And we want to generate emission reductions that will provide benefits to both our Buyer and Seller Participants.

While the First Tranche will take into account current carbon market conditions, our longer term vision is to utilize the CPF to innovate and scale up CDM modalities at the frontier. We anticipate that lessons learned from our initial efforts on the First Tranche programs will set the stage for the Bank to make further constructive contributions to the design and implementation of future carbon market mechanisms. The Bank has launched the Partnership for Market Readiness to assist our partner countries to prepare for these market mechanisms and I am sure that the experience we will gain from the CPF will help inform and shape this effort.