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News Release

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“STATE AND TRENDS OF THE CARBON MARKET 2009”

Overall Market Doubles despite Recession, but the Biggest Opportunities are yet to be Seized

Barcelona, SPAIN, May 27, 2009—Despite the turmoil in the financial world, 2008 saw a doubling of the global carbon market, to an estimated value of more than US\$ 126 billion, according to the latest *State and Trends of the Carbon Market Report 2009*, released today by the World Bank at Carbon Expo in Barcelona.

The report is based on data from the trading of European Union Allowances (EUAs) under the European Union Emissions Trading Scheme (EU ETS) and from transactions completed under the Kyoto Protocol’s flexible mechanisms—the Clean Development Mechanism (CDM) and Joint Implementation (JI)—that allow industrialized countries to purchase greenhouse gas emission reductions in developing countries and in countries with economies in transition, as well as data from voluntary markets. It finds that the value of transactions from CDM projects in developing countries declined by 12% to an estimated US\$ 6.5 billion in 2008, with an average price of US\$ 16.8.

The EU recently approved a package of post-2012 commitments to reduce emissions, with a promise to reduce even more if other countries join an international agreement to be negotiated in Copenhagen later this year. The United States is also considering a comprehensive climate policy. These two proposals together will present an opportunity to scale up developing country supply of carbon.

“*This is a golden opportunity which challenges the international community to develop new thinking on how to scale up climate mitigation to promote sustainable development*”, said **report co-author Karan Capoor**. He was referring to average likely demand of 560 million tons of CO₂e per year from 2012-20 compared to just about 80 million tons of CO₂e that was registered in the CDM in its best year so far.

The CDM Executive Board is currently working to improve the efficiency of the project approval process. *“Now is the time to create a transparent and well-functioning regulatory framework, starting with streamlining and simplifying the rules governing the concept of additionality”*, said **Philippe Ambrosi of the World Bank, and co-author of the World Bank report**. Ambrosi was referring to a key concept in determining whether a potential project is eligible to receive credits under the UN scheme.

Recent scientific research and findings by the Intergovernmental Panel on Climate Change (IPCC) and others call for industrialized countries to collectively reduce emissions even more aggressively (by 25-40% below 1990 levels by 2020) than the proposals on the table for Copenhagen. If the carbon markets respond to the recommendations of the scientific community in terms of required GHG emission reductions, a carbon market in the order of \$150 billion per year of traded certified emission reductions could be envisioned.

As **Kathy Sierra, World Bank Vice President of Sustainable Development**, says; *“As one response to the climate crisis, a deep and global carbon market continues to hold the promise to deliver significant benefits to both developed and developing countries alike”*.

The Report includes market data provided by carbon broker Evolution Markets Inc. *“The carbon market has shown a remarkable ability to double in volume in the midst of a global economic recession, and that demonstrates the importance of the market on a global scale,”* said **Andrew Ertel, CEO of Evolution Markets Inc.**

The report was released at CARBON EXPO 2009, the largest carbon fair in the world with more than 3000 representatives from governments, business and civil society organizations involved in greenhouse gas emission reduction transactions around the world.

For more information, please visit the website:

www.carbonfinance.org

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