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**The
World
Bank**

News Release

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“STATE AND TRENDS OF THE CARBON MARKET 2008”

Booming market momentum is tempered by future challenges and mixed signals to the developing world

Cologne, GERMANY, May 7, 2008 – The global carbon market grew to a whopping US\$64 billion (€47 billion) in 2007, more than doubling over 2006, according to a new report from the World Bank highlighting the state and trends of the global carbon market. The European Union Emission Trading Scheme (EU ETS) also saw a doubling of both value and number of allowances transacted to the tune of US\$50 billion (€37 billion).

The report’s data shows that the global carbon market doubled or tripled in value for all segments, except for projects in developing countries which saw a leveling off of market volumes transacted under the Clean Development Mechanisms (CDM)—from 537 million tons of carbon dioxide equivalent (MtCO₂e) in 2006 to 551 MtCO₂e in 2007. The report’s analysis cautions that market momentum may be at a crossroads for many developing countries just as they are beginning to reap the benefits of carbon finance and are stepping forward to show that they are making efforts to mitigate climate change through advancing clean energy technology. The report shows that the CDM is delivering on clean energy—energy efficiency and renewable energy accounted for nearly two-thirds of the transacted volumes in the project-based market.

*“Sixty-eight developing countries participate in the CDM,, among them Jamaica, Kenya, Mali and Madagascar, which offered climate-friendly projects for the market for the first time in 2007. But, at a time that global cooperation to reduce the risk of climate change is more important than ever before, the prospects for developing countries benefiting from the carbon market are in question. It would be a shame for the world to lose this momentum now”, said **Karan Capoor, senior World Bank carbon markets expert and main author of the State and Trends of the Carbon Market Report 2008.***

The overall data in the report masks some key vulnerabilities—especially for developing countries. All developing countries face a demand gap sometime in 2008 when buyers realize that there is not enough time to fulfill Kyoto commitments with new projects, and demand will have not yet kicked in from emerging markets in the US and Australia that are expected to be players in a future market after 2012. Added to that is the fact that the European Commission has proposed freezing new demand for projects from developing countries in commitments to reduce greenhouse gas emissions after 2012. The success of the CDM is also weighed down

by procedural delays as more than 2000 projects out of more than 3000 have not yet been processed through the CDM approval cycle.

“Projects for renewable energy and energy efficiency, as well as investments in poorer developing countries make up the bulk of the projects this year and it is these projects that are losing out as a result of procedural delays and bottlenecks in the CDM, putting their eventual implementation into question,” said **Philippe Ambrosi, also of the World Bank, and co-author of the report.**

The State and Trends of the Carbon Market 2008 reviews the trends of the carbon market based on material provided by carbon market analysts and brokers Evolution Markets Inc. and Natsource LLC, and on interviews with a large number of market participants. The report is based on data from the trading of EUAs under the EU ETS and from transactions completed under the Kyoto Protocol’s flexible mechanisms—the 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 and also includes data from voluntary markets.

“A doubling in the size of the carbon market is significant growth, but the market is nowhere near meeting its full potential,” said **Andrew Ertel, President & CEO of Evolution Markets Inc.,** one of the contributors to this year's report. *“Lack of clarity post-2012 and a leveling off of primary CDM volume is countering growth of commoditized markets such the EU ETS and secondary CDM trading. The market is truly at a crossroads as market participants fully appreciate the complexity and risks of carbon trading. Where we go from here is up to market players and their perception of the regulatory risk in all of these markets.”*

“Carbon trading market data in 2007 reflects the ability of market mechanisms to mobilize capital to address climate change”, said **Jack Cogen, CEO of Natsource LLC,** a leading emissions and renewable energy investment bank. *“In order to continue market growth and investment in clean energy, policy-makers need to send the project development and buying sectors a clear signal that these mechanisms will continue to be an important policy tool in the post 2012 policy framework to address climate change and improve their performance. In addition, all those participating in the U.S. climate policy debate should draw important lessons from the world’s efforts to develop carbon markets and apply them in U.S. legislation,”* said Cogen.

CARBON EXPO 2008 is the largest carbon fair in the world with more than 2600 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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ANNEX I

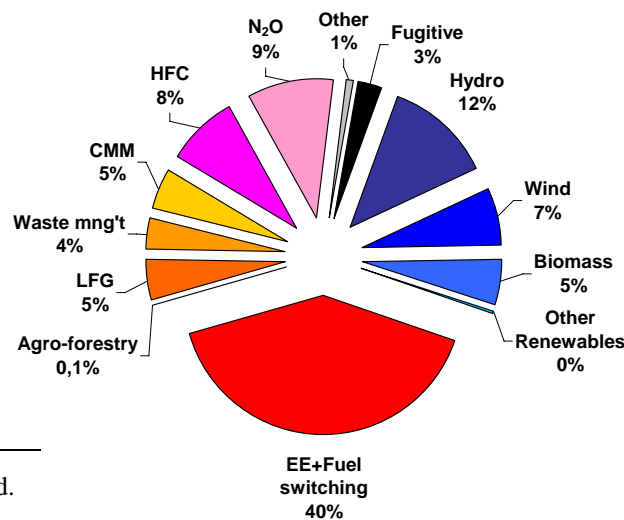
Carbon Market at a Glance, Volumes & Values in 2006-07

	2006		2007	
	Volume (MtCO ₂ e)	Value (MUS\$)	Volume (MtCO ₂ e)	Value (MUS\$)
Allowances				
EU ETS	1,104	24,436	2,061	50,097
New South Wales	20	225	25	224
Chicago Climate Exchange	10	38	23	72
UK ETS	na	na		
Sub total	1,134	24,699	2,109	50,394
Project-based transactions				
Primary CDM*	537	5,804	551	7,426
Secondary CDM	25	445	240	5,451
JI†	16	141	41	499
Other Compliance & Voluntary Transactions	33	146	42	265
Sub total	611	6,536	874	13,641
TOTAL	1,745	31,235	2,983	64,035

*: Clean Development Mechanism; †: Joint Implementation

ANNEX II

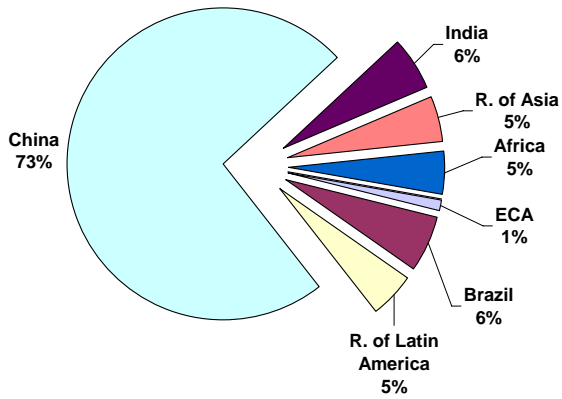
**CDM Delivers on Clean Energy
Project types transacted under the CDM in 2007¹**



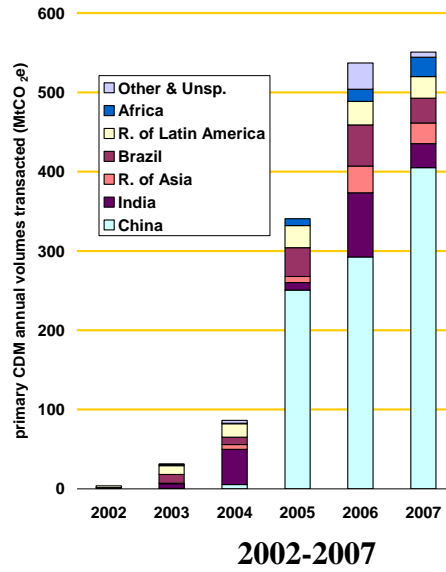
¹ As a share of volumes supplied.

ANNEX III

Who is selling? Location of CDM Projects



2007
(As a share of volumes supplied)²



² Numbers may not add up to 100% due to rounding.