

**O**n December 17, 2004, the European Investment Bank (EIB) and the World Bank announced their intention to collaborate with a view to creating a Carbon Fund for Europe (CFE). The CFE was launched in March 2007, when the target capitalization of Euro 50 million was reached. The following five participants are part of the CFE: Ireland, Luxembourg, Portugal, Flemish Region, Stakraft Carbon Invest AS (Norway). The CFE is thus fully funded and no additional participation is envisaged.

#### HELPING TO ACHIEVE SUSTAINABLE DEVELOPMENT

The CFE is established as a trust fund administered by the World Bank, in cooperation with the EIB. The Fund will purchase greenhouse gas emission reductions through the Kyoto Protocol's Clean Development Mechanism (CDM) and Joint Implementation (JI) from climate-friendly investment projects from either bank's portfolio, as well as from stand-alone projects. Through the CFE, the two institutions will help developing countries achieve sustainable development by fostering investment in clean technology projects, complement private sector development in the emerging carbon market, and seek ways to support essential private sector carbon market development.



#### CONTACT INFORMATION



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## HOW THE CFE WORKS

The Fund is co-directed by the World Bank and the EIB. The carbon asset management is handled by the World Bank as trustee. While the World Bank brings its expertise and experience of the carbon market to the CFE, the EIB brings its intimate knowledge of the European economy and a large project pipeline in developing countries. The CFE may access the banks' project portfolios, many of which are potentially eligible under the Kyoto Protocol mechanisms. Projects are prepared, appraised and financed either by the World Bank or the EIB directly or through implementing entities. Implementing entities will include private sector companies which will be selected by public procurement processes. European banks and financial institutions will also be invited to collaborate with the Fund. The Fund acquires greenhouse gas reductions on behalf of the participants and helps project sponsors develop projects intended to reduce greenhouse gas emissions. The CFE is directed towards the European Union Member States and the European private sector. Carbon credits will be purchased from projects eligible under the Kyoto Protocol's CDM and JI and will be compatible with the European Union's Emissions Trading Scheme (EU ETS) in order to facilitate the participation of private companies with EU emission reduction requirements.

The Fund will give preference to projects with relatively short lead times in order to maximize the generation of credits that could be used for the second phase of the EU ETS. The Fund may purchase carbon credits generated by a project beyond 2012—up to a limit of 40%.

## ADVANTAGES FOR PARTICIPANTS

The Fund provides participants with a straightforward and effective means of purchasing compliance grade carbon credits. Some of the Fund's unique features are the following:

- Portfolio diversification. The Fund acquires credits from a variety of different project types (e.g., technologies/sectors) worldwide.
- Compliance grade carbon credits. All projects from which the Fund buys credits will generate high quality carbon credits, assured by the fact that all projects will comply with the modalities and procedures of the Kyoto Protocol's CDM and JI.
- Projects with secured finance and administrative assistance. The Fund is linked to World Bank and EIB instruments that assist projects financially and technically with respect to investment needs, project development and preparation of documentation.
- Professional management. Due to the high technical and financial expertise of its management, the Fund will be a reliable provider of high quality carbon credits.

## SUBMITTING PROJECTS TO THE CFE

The Fund is interested in projects that already have clear implementation plans and that have a defined operational start date. The CFE will consider all types of emission reduction or removal projects. Anyone can submit projects to the Fund, as long as projects are credible and financially sound. Projects should be able to offer a minimum annual emission reductions volume of 100,000 tons of carbon dioxide equivalent.

