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The Italian Carbon Fund is a public/private partnership for the purchase of emission reductions (ERs) from renewable energy, energy efficiency and other projects undertaken in developing countries and countries with economies in transition.

THE FUND

The Ministry for the Environment and Territory of Italy has entered into an agreement with the World Bank to create a fund to purchase ERs from projects that both benefit the global environment and transfer clean technologies for sustainable development to developing countries and countries with economies in transition (Fund).

The Fund supports projects that generate emission reductions eligible under the Kyoto Protocol's Clean Development Mechanism (CDM) and Joint Implementation (JI), as well as the emerging Emissions Trading scheme of the European Union.

The Fund is a public-private partnership administered by the World Bank. It has an initial endowment of US\$15 million provided by the Ministry for the Environment and Territory of Italy.

The Fund is open to the participation of Italian private and public entities (e.g. municipalities). The minimum contribution from each additional participant is

set at US\$1 million, payable in annual installments if desired. The target size for the Fund is US\$80 million.

RATIONALE

Italy has an ambitious emission reduction objective which would be difficult to achieve solely through domestic measures without an exorbitant investment. The Fund provides one alternative to obtaining ERs which may be used to help meet the Italian emission reduction target.

The Italian Carbon Fund has three main objectives:

- Purchasing ERs at a competitive price to reach the reduction targets of the domestic program for the allocation of quotas of permissible emissions;
- Promoting international projects in renewable energy and energy efficiency; and
- Acquiring knowledge and experience on carbon finance and the carbon market.

At the same time, the Italian Carbon Fund is designed to assist developing countries achieve sustainable development by leveraging substantial investments in modern energy services and technologies, including investments from the private sector.

As with other carbon funds facilitated by the World Bank, the income from payments received from the participants in the fund will be held in a separate trust and used for capacity-building, outreach and research—thus leading to the creation of supportive project approval systems in host countries.

POTENTIAL PROJECTS

The Fund's project portfolio is proposed to include support for a wide range of technologies and regions, including the People's Republic of China, the Mediterranean Region, as well as the Balkans and the Middle Eastern countries.

Examples of types of projects which may be eligible under the Fund's project portfolio criteria include:

Energy services: Medium-size hydro-electric project provides electricity to under-served region.

Electricity from agricultural waste: Power plant uses crop wastes such as empty palm oil fruit bunches, sugar cane bagasse and rice husks as fuel.

Urban Landfill Gas: Town captures methane gas for electric power or industrial uses, mitigates environmental impacts of open-dump sites, and improves the welfare of surrounding communities.

Coalbed methane capture: Methane gas associated with coal mining operation is captured and utilized as fuel for power generation—prevents large quantities of highly disruptive greenhouse gas from entering the atmosphere.

Gas flaring: Reducing gas flaring and venting in oil extraction will help mitigate climate change and reduce its impact on human health, water systems, agriculture and fishery.

ITALIAN CARBON FUND

