

Letter from the World Bank



The Italian Carbon Fund is a vote of confidence by the Ministry for the Environment and Territory of Italy in the global carbon market and a resounding commitment to the reduction of climate-altering greenhouse gas emissions.

The current level of investment in the Kyoto Protocol's Clean Development Mechanism (CDM)—which allows industrial countries to obtain greenhouse gas reductions from projects in developing countries while promoting their sustainable development—is much lower than expected. The benefits to Organization for Economic Cooperation and Development (OECD) companies and to beneficiary countries from Kyoto Protocol mechanisms like the CDM could be significant in terms of lowering the cost of compliance with regulatory regimes such as the European Union's Emissions Trading Scheme and providing much needed private investment, technology and know-how to developing countries in key economic sectors such as infrastructure and power supply.

At this stage without World Bank involvement, little carbon finance would be likely to reach developing countries. The threat that climate change poses to long-term development and the ability of the poor to escape from poverty is of particular concern to the World Bank. The carbon finance activities of the Bank are a natural extension of the World Bank's mission to reduce poverty but with the added advantage that it is based on fair trade of a new environmental commodity—"carbon" or greenhouse gas emission reductions.

The Ministry for the Environment and Territory of Italy is to be congratulated for its foresight in seeing the potential of the carbon market and the CDM. Through the Italian Carbon Fund, private sector entities would be able to assess the cost-effectiveness of buying emission reductions from projects in developing and transition economies.

We see the role of the World Bank as helping to reduce risk and uncertainty for private investment in greenhouse gas emission reductions in projects in developing and transition economies, and building the capacity of emerging markets to meet these demands.

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