

World Bank puts up €68m to avert post-Kyoto carbon market crash

Fund will buy offsets from projects in developing nations after first phase of Kyoto expires in 2012

The World [Bank](#) has launched a €68m (£57m) pot of funding aimed at enabling carbon-cutting projects to keep selling UN-backed offsets after the first phase of the Kyoto Protocol expires in 2012.

A statement published by the bank yesterday said the second tranche of funding under its [Umbrella Carbon Facility](#) (UCFT2) was now operational, with Deutsche Bank, GDF SUEZ and the Swedish Energy Agency providing much of the money.

The facility is already considering supporting 17 projects with the potential to reduce 26 megatons of carbon dioxide and other greenhouse gases from 2013 to 2018, and has also invited other investors to participate in the scheme and take the fund to a total of €105m.

The projects, which have been approved under the UN's Clean Development Mechanism (CDM) offsetting scheme, range from landfill and composting projects to urban transport, energy efficiency and renewable energy initiatives.

[The bank](#) intends to purchase a portion of the credits generated by the projects, which face an uncertain future when the first phase of the Kyoto Protocol expires next year.

Japan and Russia confirmed at last year's Cancun summit that they are [opposed](#) to extending the Protocol, arguing that a new treaty is needed that imposes binding emission limits on both industrialised and developing nations.

The uncertainty has prompted speculation that demand for the certified emission reduction (CER) credits issued under the CDM could collapse next year if the future of the scheme is not assured.

"During a period of regulatory uncertainty, the UCFT2 is helping to maintain demand for post-2012 carbon credits," said Joëlle Chassard, manager of the World Bank's Carbon Finance Unit. "It means we have another tool to help bridge the gap in the carbon markets."

The first tranche of the UCF (UCFT1), capitalised to €775m and launched in 2006, purchased 129.3 million tons of CERs generated by two Chinese incinerators of greenhouse gas HFC-23.