

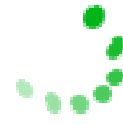


THE WORLD BANK

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IETA
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Final Report

CARBON EXPO 2010: Carbon Markets - developing solutions on the road to Cancún



Around 3,000 participants from 110 countries and 240 exhibitors attended the carbon market's leading global trade fair and conference for emission trading, carbon abatement solutions and new mitigation technologies in Cologne, organised by the World Bank, the International Emissions Trading Association (IETA) and Koelnmesse

CARBON EXPO
Cologne, 26.-28. May 2010

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For three days, international emissions trading was the focal point at the Cologne exhibition centre, where leading greenhouse gas (GHG) market representatives met at the seventh CARBON EXPO to discuss current trends and developments in the carbon markets as well as emissions trading, project finance and barriers to carbon mitigation. The format of CARBON EXPO — a trade fair with an accompanying conference covering all aspects of emissions trading — is tailored to the needs of the carbon market, and this year it was once again an ideal platform for serious discussions at the trade fair. From May 26th to 28th, 240 exhibitors from 68 countries presented products and services for the emissions trade. Among them were 47 host countries, who, with the support of the World Bank, presented their current emission reduction projects and the related investment and development needs and opportunities.

Just released World Bank figures show that the global carbon market grew to US\$ 144 billion in 2009 despite financial and economic turmoil. EU-emission rights trading now amounts to US\$ 118 billion. The State and Trends of the Carbon Market report also states that on the supply side, the reduction in access to capital makes it difficult for project developers to lock in financing. As a consequence, project origination ground to halt last year. CARBON EXPO 2010 aims to counter this trend by creating a platform for dialogue. In a joint statement, the organizers expressed their satisfaction with the event: *"The CARBON EXPO once again proved to be the international platform for the exchange of know-how and multilateral project development in the carbon*

market. The Expo brings together the key players from the supply as well as the demand side of carbon finance. The positive response we have seen from exhibitors and visitors alike shows us that CARBON EXPO plays a crucial role in the advancement of international emissions trading.” Around 3,000 visitors attended the 9 plenary sessions, 28 workshops and 50 side events divided into three segments, *From Projects to Programs, Expanding Markets, and Linking Climate Finance, and Carbon Finance*. 200 speakers, among them leading carbon market experts, practitioners, developers and market-movers attended Carbon Expo and shared their expertise in these sessions.

The importance of CARBON EXPO 2010 on a global level was emphasized by the attendance of the German Federal Minister for the Environment, Nature Conservation and Nuclear Safety, Norbert Röttgen, who officially opened CARBON EXPO 2010, and by Yvo de Boer, Executive Secretary of the United Nations Framework Convention on Climate Change (UNFCCC). *“I am counting on the CARBON EXPO and the carbon market. In recent years Germany and Europe have been able to gain very positive experience with this instrument. We will strongly advocate bringing this experience into the international negotiations on the road to Cancún”*, said Röttgen.

Carbon market grow despite financial and economic turmoil

This year’s CARBON EXPO opened with a press conference where the World Bank released its tenth “State and Trends of the Carbon Market 2010” report and IETA presented its fifth edition of the “GHG Market Sentiment Survey” to the international press. According to the State and Trends of the Carbon Market report, the global carbon market grew to US\$ 144, up 6% from 2008 despite enduring its most challenging year to date. The global economic crisis negatively impacted both demand and supply sides and, as industrial output plummeted, the demand for carbon assets fell. The report also states that the EU ETS (European Union Emissions Trading Scheme) remained the engine of growth with over 6 billion EUAs (European Union Allowances) transacted in 2009 for a total value of US\$ 118 billion. On the other hand, project-based transactions declined by 54% to US\$ 3.4 billion in 2009, led by CDM, which declined by 59% to an estimated US\$ 2.7 billion, with slightly more than 200 million tons of CO₂e transacted at an average price of US\$ 12.7 per ton. As the forecast for offsets available for compliance looked increasingly somber, countries with compliance needs under the Kyoto Protocol turned to Assigned Amount Units (AAUs), seeking to purchase sizable and predictable assets. The

AAU market increased, reaching US\$ 2 billion in 2009, a dramatic 7-fold increase compared with 2008.

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Henry Derwent, President & Chief Executive Officer, International Emissions Trading Association, said: *"The Carbon Market knows climate solutions are impossible without private finance. This theme has run through CARBON EXPO 2010. Investors, emitters and market professionals are preparing for a more diverse future driven as much by national as international politics. But the need for financial solutions to the climate problem is as urgent as ever."*

With the weakening demand for pre-2013 offsets and the lack of traction on the post-2012 front, the residual demand for Kyoto assets could reach 230 million tons by 2012. A large share of the demand for offsets under the EU Climate and Energy Package remains to be contracted, thus theoretically sustaining future demand and prices: *"Ironically, the same issues that have hindered the project-based mechanisms may ultimately be the silver lining that sets the stage for a stronger post-2012 market. Nonetheless, clear policy and regulatory signals must be provided urgently if a stronger global market is to merge"*, said Alexandre Kossoy, Senior Financial Specialist World Bank and co-author of the "State and Trends of the Carbon Market 2010" report.

The World Bank also released a comprehensive report on the first decade of its experience working with market mechanisms, marking the 10th anniversary of the establishment of the Prototype Carbon Fund. Insights from this experience will serve as a contribution for policy-makers as they discuss future market mechanisms.

CARBON EXPO 2011 in Barcelona

It was announced that in 2011, CARBON EXPO will again take place in Barcelona from May 25 – 27, organised by the World Bank, the International Emissions Trading Association (IETA) and the Fira Barcelona.

In 2012 CARBON EXPO will return to Cologne, hosted jointly by the World Bank, IETA and Koelnmesse.

CARBON EXPO 2010 in figures

At CARBON EXPO 2010 there were 240 exhibiting companies from 68 countries on a gross exhibiting area of 9,400 m², with foreign participation at 85%. 3,000 participants from 110 countries came to CARBON EXPO 2010; here too there was an international focus with around 85% foreign visitors*. In 2012 CARBON EXPO will take place on the premises of the Koelnmesse in Cologne.

* All figures are calculated according to the guidelines of the Gesellschaft zur Freiwilligen Kontrolle von Messe- und Ausstellungszahlen (FKM) [Association for the Voluntary Control of Trade Fair and Exhibition Figures] and are subject to an audit by a certified accountant (www.fkm.de).

Statements from participants at CARBON EXPO 2010:

Statement from Franzjosef Schafhausen, Deputy Director General, Environment and Energy, German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU):

"The German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety considers CARBON EXPO in Cologne an important information and dialogue platform where current responses to climate change and the related challenges in the area of emissions trading can be formulated and discussed. Market participants from all over the world at the highest level of decision-making meet in Cologne. The momentum generated by the trade fair and the congress is driving international cooperation forward and sending out important signals on the development of the Carbon Market and the use of market oriented instruments for the upcoming world climate change negotiations in Cancún."

Ismael Romeo, Chief Executive Officer, SENDECO₂

"CARBON EXPO has been a great event again. Good contacts and a high level of conferences. We are proud to be part of the CARBON EXPO family and willing to come back again next year."

Statement from Ludwig Kons, Head of Climate Protection, RWE Power AG

"CARBON EXPO has once again shown that it is a valuable platform. It is the key trade fair for everyone who is involved in the worldwide CDM market. The large number of participants from many areas of the CO₂ market, which has established itself in the last few years, once again impressively demonstrates how intensively the challenges associated with global climate protection are

being met — especially by the private sector. This year it has become obvious just how important it is to establish clear rules for global climate protection beyond 2012.”

Suchismita Mukhopadhyay, Assistant Director - Environment and Climate Change, Federation of Indian Chambers of Commerce and Industry (FICCI)

“CARBON EXPO has emerged as a significant platform for global carbon market players across the spectrum to interact, share experience and information as well as network with a large cross section of the carbon market community. FICCI has been leading Business Delegations to CARBON EXPO for five years now. Indian companies have benefited immensely from their visit to this platform and have been able to enhance and expand their carbon business and forge successful partnerships through focused interactions with the global carbon market at the CARBON EXPO.”

Takashi Hongo, Special Advisor and Head of Environment Finance Engineering Department Japan Bank for International Cooperation

“CARBON EXPO is the best place to construct the global network for climate change mitigation projects. We always save our time and money if we come to CARBON EXPO because many important players come here to talk each other. This year we introduced a new climate finance program, say GREEN and J-MRV as a requirement of GREEN.”

Note for the media: For more information about the Trade Fair and Conference, including photos and information on media services, visit the press section at www.carbonexpo.com , call +49 221 821-2960 or send a fax to +49 221 821-3285.

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Further information about the World Bank’s carbon finance activities is available at www.carbonfinance.org.

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Further information about IETA’s objectives and activities, as well as membership advantages, is available at www.ieta.org.