The World Bank: A major broker of carbon purchases

The World Bank has become the main international trader of carbon credits. Its new role gives rise to a series of conflicting interests.

At its third conference held in Kyoto in December 1997, the Parties to the United Nations Framework Convention on Climate Change launched the Clean Development Mechanism (CDM). The CDM was designed as a scheme to allow countries with emissions reductions targets under the Kyoto Protocol to invest in projects allegedly leading to the reduction of greenhouse gases in countries of the South. Simultaneously the World Bank revealed its own proposal for carbon trading, a Prototype Carbon Fund (PCF). The Fund was officially opened in 1999. Since then the Bank has set up two other carbon funds and it manages several funds on behalf of individual donor countries, among them Italy, the Netherlands and Spain.

The World Bank is the largest public broker of carbon purchases, with over 1,000 million dollars in its portfolio of carbon credits. Internal documents on the origins of the PCF show that it was created as a way of making profit. The Bank makes up to 10 per cent on commission, mainly on the carbon credits it purchases for the fund it is managing.

The following criticisms challenge the role of the Bank as carbon trader:

* The World Bank is in a position to obtain profit from the CDM and also to influence the rules of the mechanism, creating conflicting interests. The Bank has actively put pressure on the CDM to make its rules friendlier for investors and less significant as regards avoiding climate change. In particular the Bank has attempted to weaken the interpretation of the concept of vital importance in the CDM, that of “additionality,” that is to say, a project should only be eligible for carbon credits if it would not go forward without the benefits it receives from these credits. The weakening of these rules enables projects to continue even though they do not contribute to reducing the emission of greenhouse effect gases.

* The Bank’s carbon funds are setting a shameful precedent on purchasing credits for projects that would have been carried out even if they had not received the carbon credit qualification. For example the Xiaogushan hydro-energy project in China was declared by the Asian Development Bank as the least costly project option and was already under construction when the World Bank proposed supporting it with carbon credits. In this case the carbon credits provided a good subsidy to investors but did not avoid the emission of greenhouse effect gases in the least. All the carbon credit systems, including that of the World Bank, enable the buyers in the North to continue contaminating and finally they have a negative impact on the global climate.

* The role of the World Bank as a carbon trader highlights the contradictions within the Bank’s energy projects portfolio. The Bank continues to contribute to climate change supporting fossil fuel projects, even though it would appear to be helping to solve the problem of climate change through its carbon funds. Between 1992 and 2004 the World Bank supported as an average fossil fuel projects with lifelong emissions of 1,457 megatons of carbon. This figure is between four to 29 times

the anticipated annual amount of the so-called reductions of emissions according to the CDM.

The production of emissions from the joint energy projects funded by the Bank far exceeds the (alleged) reduction of emissions made through carbon funds. Through the PCF the Bank keeps count of the greenhouse effect gas emissions that supposedly were avoided with the carbon credit projects. But it refuses to calculate carbon emissions from its own portfolio of energy investments. In this way the Bank accounts for what it avoids but not for what it produces, concealing the net impact of its energy operations on climate change.

Those who accept the Bank as an honest and impartial carbon dealer must be aware that the investments made by the Bank are largely directed by the world’s thirstiest country for oil: the United States, together with other nations requiring the same fuel. Until the power structure of the Bank is reformed, it will continue to be an institution under obligations with the most powerful contaminators in the world.

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