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Carbon markets grew in volume but continues to face uncertainties



Participation at CARBON EXPO high as market players seek clarity

With around 2,500 visitors and media representatives participating from 95 countries, the 9th annual CARBON EXPO in Cologne ended today with a strong show of continued commitment from the private sector. Despite financial turbulence, scarce public resources and uncertainty in the carbon market, the attendance remained high at the world's leading emissions knowledge and trading fair. Encouraged by this sign of trust, the event's organizers — the World Bank, the International Emissions Trading Association (IETA) and Koelnmesse — announced the continuation of the fair in 2013 and 2014 in Barcelona and Cologne, respectively.

CARBON EXPO
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Press contact:
Volker De Cloedt
Telephone:
+ 49 221 821-2960
Telefax:
+ 49 221 821-3285
E-Mail:
v.decloedt@koelnmesse.de

"It has been proven again that this is the place to be for information on the latest ideas and trends on climate finance and carbon markets. The future is still unclear and times may be difficult for project developers, causing negative effects on investment and revenue streams, but Carbon Expo remains the best knowledge platform for carbon market stakeholders", said **Joëlle Chassard, Manager of the World Bank's Carbon Finance Unit, Dirk Forrister, President and CEO of IETA, and Dr. Christian Glasmacher, Senior Vice President of Koelnmesse, in a joint statement.**

The Expo continues to be one of the most important networking venues and sources of knowledge for the carbon market. A total of 199 exhibitors from 67 countries, including private companies, service providers and government representatives from developing countries, attended CARBON EXPO. More than 2,500 people participated in plenary sessions and workshops, as well as in over 40 side events on subjects ranging from challenges to implementing

projects in developing countries, reform of the Clean Development Mechanism (CDM), and new market mechanisms.

Carbon Expo opened on May 30 with a full house and rousing call to action from Christiana Figueres, Executive Secretary of the United Nations Framework Convention on Climate Change (UNFCCC).

"We're into year four of international financial turmoil, and despite that, governments are persevering – slowly, but step by step – in evolving the climate regime to where we all know that it has to go", said **Figueres**.

"They're persevering basically because they, and we, know that there is no other option."

Figueres applauded the continued commitment of participants to the carbon market. *"Participation in today's market is not for the faint of heart",* she said. But, she added, using her favorite saying, *"there is no such thing as the impossible – it's just a matter of attitude."*

The UNFCCC is committed to developing mechanisms that will overcome the shortfalls experienced in the first commitment period of the Kyoto Protocol. To this end, new market mechanisms under the UNFCCC framework are being sought. In the meantime, participants discussed the early stages of new domestic markets and other initiatives. Capacity is being built and linkages made between emerging economies and industrialized countries, including through initiatives such as the Partnership for Market Readiness.

Conference participants agreed that offset markets and emissions trading have a future despite a current tough market, and those who can survive will reap the rewards. The expectation is that market demand, in particular, will increase as a future regulatory framework is created with a number of possible options to address greenhouse gas emissions efficiently and effectively. Such an emergence of a suite of simplified instruments both on local and global levels will provide confidence to establish more ambitious targets by countries required to reach the agreed global target of 2 degrees Celsius. This should lead to a deeper carbon market in the medium to long term that will benefit all. An emerging trend in projects is connecting

carbon markets with communities – taking into account community benefits and ensuring that the policies and measures put in place are sustainable.

While many visitors came to CARBON EXPO to share their thoughts on the future, there was also a flurry of activity among buyers and sellers to finalize deals before the end of the year. This mirrors the conclusions of the World Bank's *State and Trends of the Carbon Market* report, launched on the first day of the conference. In 2011, the carbon market grew in total value by 11%, to \$176 billion, and transaction volumes reached a new high of 10.3 billion tons of carbon dioxide equivalent. With regard to the primary CDM market, directly benefiting developing countries, the previous trend of decreasing transaction volumes of pre-2013 CERs was confirmed. At the same time, the volume of primary market post-2012 CERs increased, but the new contracts were signed at variable prices and with increased contractual conditionalities, reflecting the risk created by an oversupply of CERs and uncertainty regarding the emergence of significant demand due to the lack of policy action by governments within the UNFCCC process.

The organizers also announced that, as in the past, CARBON EXPO will continue to rotate between Barcelona and Cologne, with next year's fair to be held in Spain and the year thereafter to return to Germany.

CARBON EXPO 2012 in figures

At CARBON EXPO 2012 there were 199 exhibiting companies from 67 countries on a gross exhibiting area of 7,600 m², with foreign participation at 87%. Around 2,500 participants from 95 countries came to CARBON EXPO 2012; here too there was an international focus with around 84% foreign visitors*. In 2014 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).

Further information about the trade fair and congress (including photos and information on media services) is available on the Press website (www.carbonexpo.com), by calling +49 (0)221 821-2960, or by sending a fax enquiry to +49 (0)221 821-3285.

Press contact at the World Bank:

Isabel Hagbrink, ihagbrink@worldbank.org

Further information on the World Bank Carbon Finance Unit can be found at www.carbonfinance.org

Press contact at the International Emissions Trading Association (IETA):

Cedric Ammann, ammann@ieta.org

Further information on IETA can be found at www.ieta.org.

For information about Koelnmesse please contact:

CARBON EXPO press team

Messeplatz 1

50679 Cologne, Germany