# Uzbekistan Becomes First Nation to Receive World Bank Funding for Carbon Emission Reductions



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**Location**: Uzbekistan

Uzbekistan has become the first nation globally to receive financial compensation from the World Bank for reducing carbon emissions through a policy crediting initiative. This milestone has been achieved under the Innovative Carbon Resource Application for Energy Transition (iCRAFT) project. The project aims to facilitate the country's transition towards cleaner energy by enhancing energy efficiency, eliminating energy subsidies, and reducing carbon emissions.

The World Bank has granted Uzbekistan $7.5 million for reducing 500,000 tons of carbon emissions, marking the initial payment under the Emissions Reduction Payment Agreement (ERPA). This agreement could eventually provide Uzbekistan with up to $20 million in grants for verified emission reductions. The iCRAFT project envisions purchasing approximately 2.5 million tons of CO2 emissions, while Uzbekistan has set a larger target of reducing 60 million tons of CO2.

Marco Mantovanelli, World Bank Country Manager for Uzbekistan, stated, "This initiative is the world’s first to leverage climate finance in support of policy reform. The iCRAFT project aims to transition from individual transactions to program-level carbon trade interventions."

Jamshid Kuchkarov, Deputy Prime Minister and Minister of Economy and Finance of Uzbekistan, emphasized the transaction's importance: "The first payment transferred under the iCRAFT Project marks a key step for Uzbekistan towards reducing energy subsidies and achieving cost recovery in the energy sector."

The introduction of carbon credits dates back to the Kyoto Protocol of 1996, facilitating international efforts in emission reduction. The carbon credit market has seen significant growth, with over $36 billion invested in projects in the past decade, half of which occurred in the last three years. This surge reflects the global commitment to tackling climate change through carbon credit mechanisms.

Carbon credits are tradable certificates representing the right to emit one metric ton of CO2 or its equivalent. These credits are generated by activities that reduce, remove, or avoid greenhouse gas emissions, such as reforestation and renewable energy projects.

As Uzbekistan continues its green economy initiative, its efforts under the iCRAFT project may set a precedent for similar reforms in other countries.