



CAF in the emerging Carbon Market - a Latin American Initiative



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To Promote Sustainable Economic Development and Regional Integration

- Encourage member countries' efforts to achieve macroeconomic stability and competitiveness
- Support member countries' efforts to strengthen their financial systems and foster the development of local capital markets
- Promote and finance sustainable infrastructure projects, especially integration infrastructure and regional logistics
- Encourage privatization efforts and private sector development, including SMEs and microfinancial institutions
- Support reform processes and modernization of the State
- Further enhance CAF's catalytic role



CAF SHAREHOLDERS



Andean

- Bolivia
- Colombia
- Ecuador
- Peru
- Venezuela

Non-Andean Members

- Brazil
- Chile
- Jamaica
- Mexico
- Panama
- Paraguay
- Trinidad & Tobago
- 22 Private Banks from the region

Future Members

- Argentina
- Uruguay
- Costa Rica
- Dominican Republic



OUR CUSTOMERS

- ◆ National Governments
- ◆ Local Governments
- ◆ Public and private corporations
- ◆ Public and private financial institutions

CAF's competitive strengths



- ✓ **Clearly defined objectives**
- ✓ **Strong shareholder commitment**
 - well proven preferred creditor status
- ✓ **Governance**
 - high level political representation in Board
 - appropriate managerial autonomy
- ✓ **Conservative financial and strict credit policies**
- ✓ **Flexibility, innovation and adaptability to change**
- ✓ **Widening shareholder base in Latin America**
 - leadership role in regional integration



CAF'S STRENGTHS in the carbon market



- ◆ Presence in the region
- ◆ Direct access to public sectors for policy and regulation
- ◆ Long standing relationship with public and private enterprises as project sponsors
- ◆ Shareholders are sellers (other than Spain)
- ◆ Project origination expertise
- ◆ Efficient management of funds
- ◆ Catalytic role in the regional carbon market



PLAC (Latin American Carbon Program)



- ◆ Launched March 1999
- ◆ Strategic partnership with CSDA
- ◆ Endorsement from heads of state of the region
- ◆ Motivation:
 - Complement activities on disaster mitigation from El Nino
 - Jump start the carbon market in Latin America
 - CAF member countries great potential of becoming providers of high quality and value added global environmental services



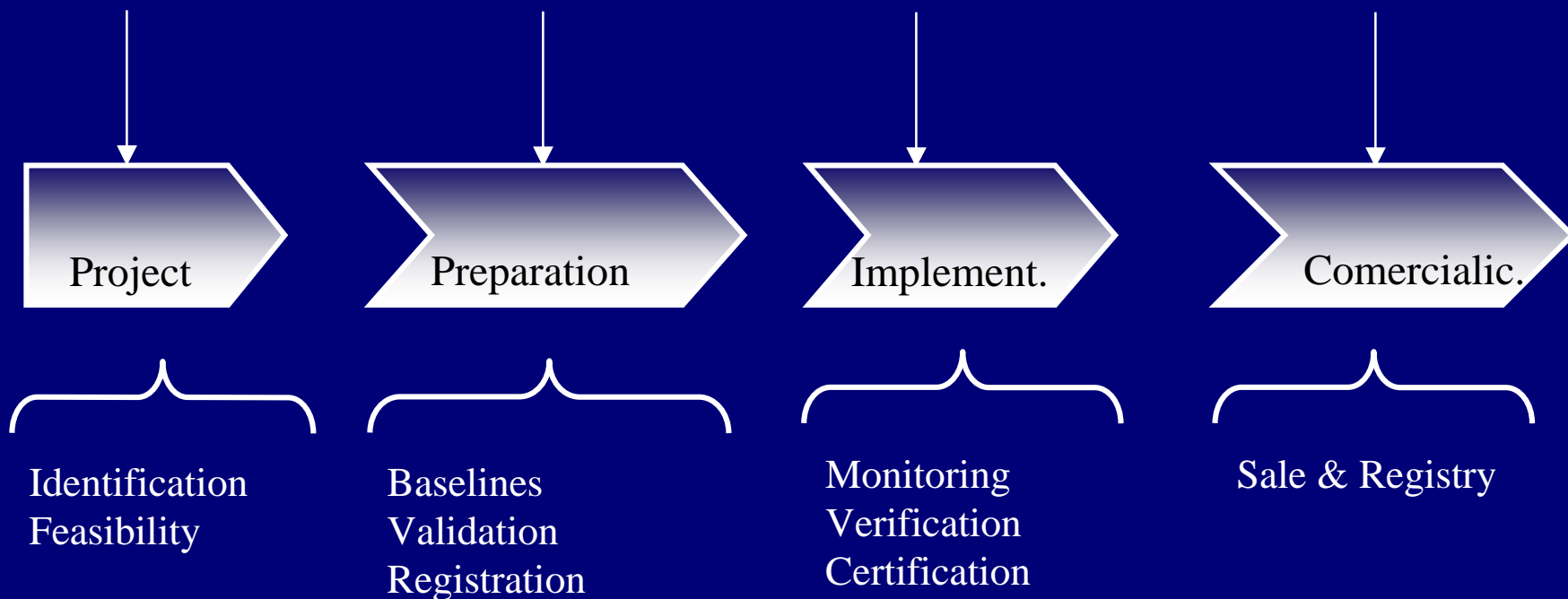
- **Develop real commercial opportunities within the emerging carbon market**
- **Leverage experience and competitive advantage to benefit its customers**
 - competitiveness
 - knowledge transfer
 - technology transfer
- ***In a sustainable fashion – commercial viability – a PLAC goal***

PLAC components

- ✦ Technical assistance and exchanges
- ✦ Capacity building among public and private sectors
- ✦ Studies, publications and outreach materials
- ✦ Project development:
 - Contribute to sustainable development of country/region
 - Use methodologies acceptable under Kyoto Protocol
 - Produce reductions which are measurable/verifiable

Vision – Pragmatic and evolving business model

- PLAC's objective is to add value where it makes the most sense in any of the stages of the carbon project value chain
- Evolving as the carbon markets evolve
- Evolving as the needs of our customers evolve



How to do business with PLAC



◆ Forward project brief detailing:

- vital statistics of the project
- stage of development of the project
- objectives of the project
- reason for contacting us

◆ PLAC determines level of participation (or not)

◆ PLAC schedules working meetings with all relevant parties to lay out work plan, schedule and expectations

◆ Customer is involved in entire process as part of knowledge transfer



How to do business with PLAC

- ◆ Determination of PLAC & parties' field of action
 - contingent on project specifics & customer needs
 - where is value added for customer?
- ◆ Preliminary action plan, payment terms & schedule is discussed by parties
- ◆ Project development activities begin
- ◆ Customer is involved in entire process as part of knowledge transfer

Current projects

- La Sierra
 - Expansion of natural gas cogeneration facility owned by Empresas Publicas de Medellin, Colombia
- CAMETRO
 - New line metro system in Caracas, Venezuela

Other Projects currently in advanced review

- **Transportation Project – Colombia**
- **Energy projects - Bolivia**
- **Energy projects - Ecuador**
- **Methane Capture Project – Argentina**
- **Energy & Efficiency projects – Colombia**
- **Transportation projects - Venezuela**
- **Market Development - buyers...**



Transportation Project Colombia - sample

- **Reductions generated from displacement of existing bus system & traffic reduction in center of city**
- **PLAC's role is that of project developer of the carbon component**
- **Integrated approach**

Energy – Ecuador - sample

- **Small hydro plant**
- **Reductions generated from adding renewable generation to energy portfolio**
- **PLAC's role is that of project developer for the carbon component**
- **PLAC is also taking a role in supporting development of market mechanisms in emerging power trading market**

Methane Capture – Argentina - sample

- **Increasing efficiency of gas pipeline**
- **Reductions generated from improving efficiency/reducing leakage of gas pipeline**
- **PLAC's role is that of project developer for the carbon component**
- **PLAC is taking a role in improving overall efficiency, technology & know-how transfer**

PLAC Program Highlights & Strengths

- **In house project development expertise covers full cycle of project preparation**
- **Integrated approach**
- **Project Risk Reduction & portfolio approach**
- **PLAC quality assurance**