



**CAF**



---

# Programa Latinoamericano del Carbono (PLAC)

---

## Latin American Leadership in CDM

Maria Teresa Szauer  
Director Environment Department  
Vice-presidency of  
Social Development & Environment  
Buenos Aires, December 15, 2004

---



# Content

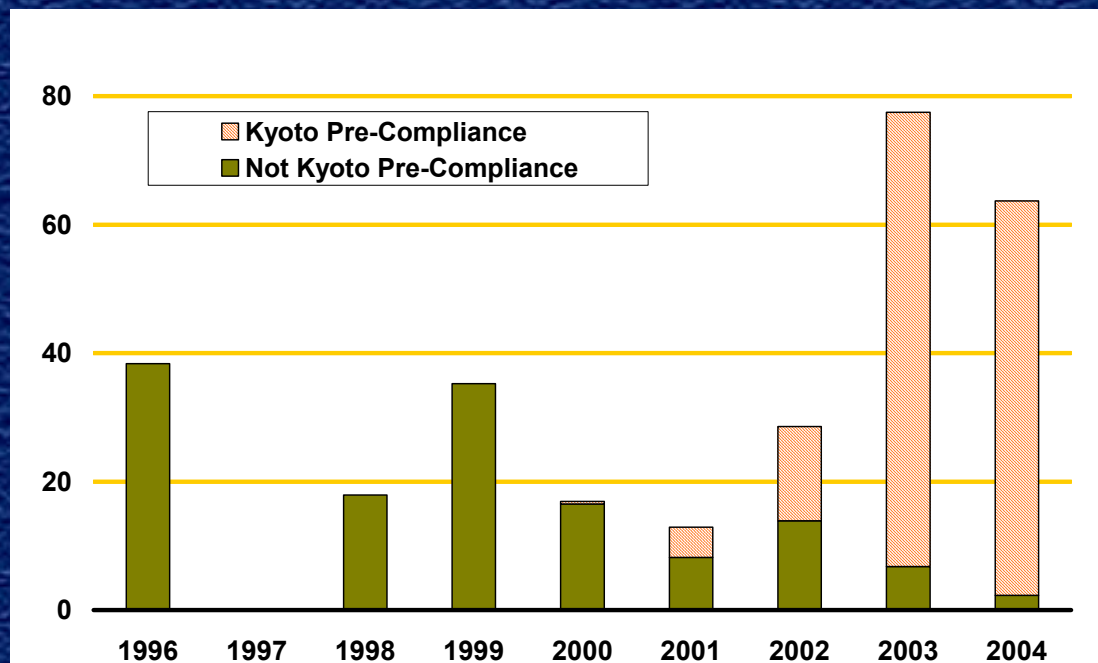
---

- Carbon Market Context
  - Corporación Andina de Fomento (CAF)
  - Programa Latino Americano de Carbono (PLAC)
-



# Carbon Market Growth

- ❑ Substantial growth over the last two years
- ❑ The market is picking up momentum
- ❑ Compliance driven (CDM project-based) transactions increasing

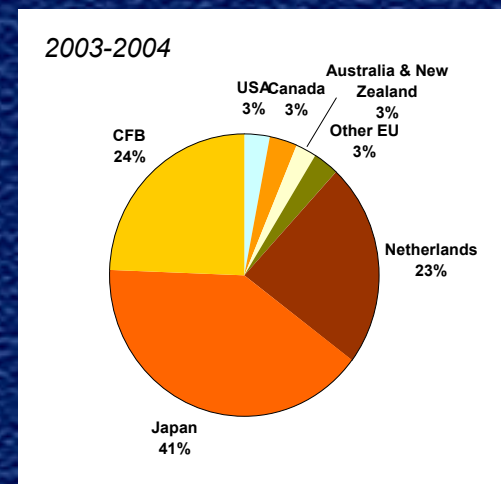
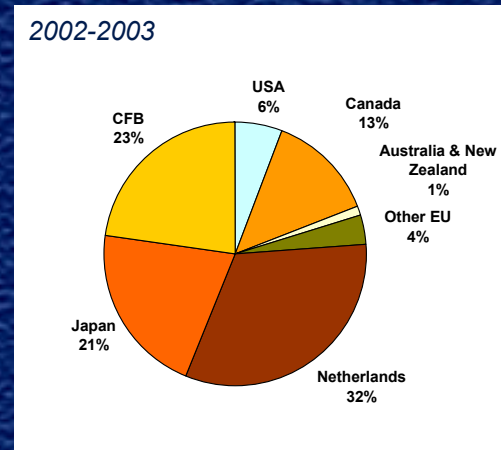


Source: World Bank ANNUAL VOLUMES (million tCO<sub>2</sub>e) OF PROJECT-BASED EMISSION REDUCTIONS TRADED (up to 2012 vintages)



# Buyers & Potential Buyers

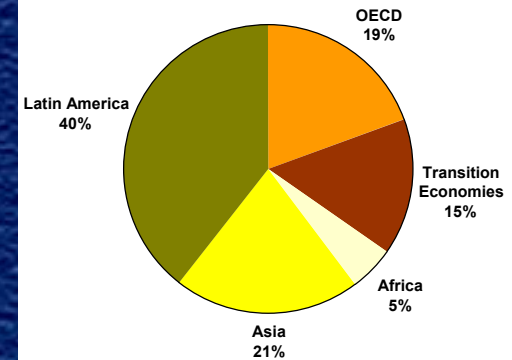
- Buyers:
  - Japanese private firms - 41% (03-04 ) from 21%
  - WB Carbon Finance Business- 24 % (steady)
  - Government of the Netherlands - 23% 03-04) from 32%
- Decline in US buyers
- Decline in Canadian buyers
- Finland, Sweden, Denmark, Spain and Austria already with active JI and CDM programs
- Retail market growing



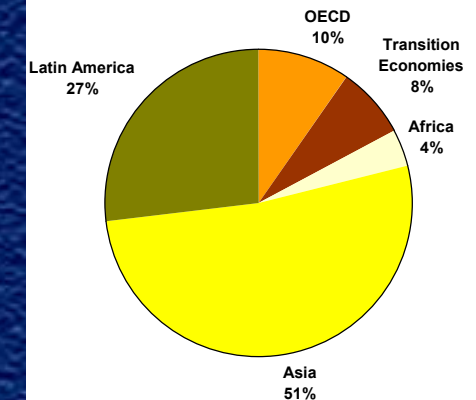
Source: World Bank Report: State and Trends of the Carbon Market, June 2004

- Most ERs in 03-04 from Asia (51%)
- Latin American & Caribbean (LAC) second with 27%
- LAC average project size 1 MtCO<sub>2</sub>e
- Two of the largest suppliers in LA (Brazil and Chile – 56% of period's volume)
- LAC region continues to represent a significant source of ER's
- High private sector involvement (60%)
- Largest share of tCO<sub>2</sub>e contracted from project-based transactions (CDM) vs. emission allowances.

2002-2003



2003-2004



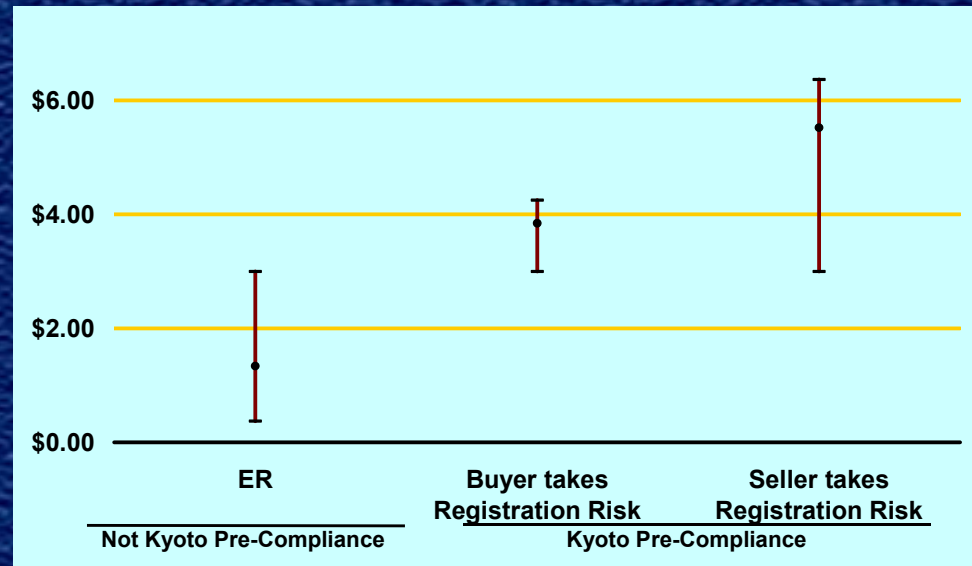
Source: World Bank Report: State and Trends of the Carbon Market, June 2004

- Wide range of prices
- Price drivers:
  - ✓ Risk allocation: The buyer or the seller (registration risk, financial, regulatory, etc.)
  - ✓ Track record of project participants
  - ✓ Transaction cost allocation
  - ✓ Host country support
  - ✓ Sustainable development benefits
  - ✓ Overall project quality

## Current Price Levels

- ✓ Kyoto CDM Market: €3-6/TCO<sub>2</sub>
- ✓ Non-Kyoto Market: \$1-2/TCO<sub>2</sub>
- ✓ EU-ETS Market: €6-12/TCO<sub>2</sub>

PRICES FOR NON-RETAIL PROJECT-BASED ERs 2003-2004 (in U.S.\$ per tCO<sub>2</sub>e)



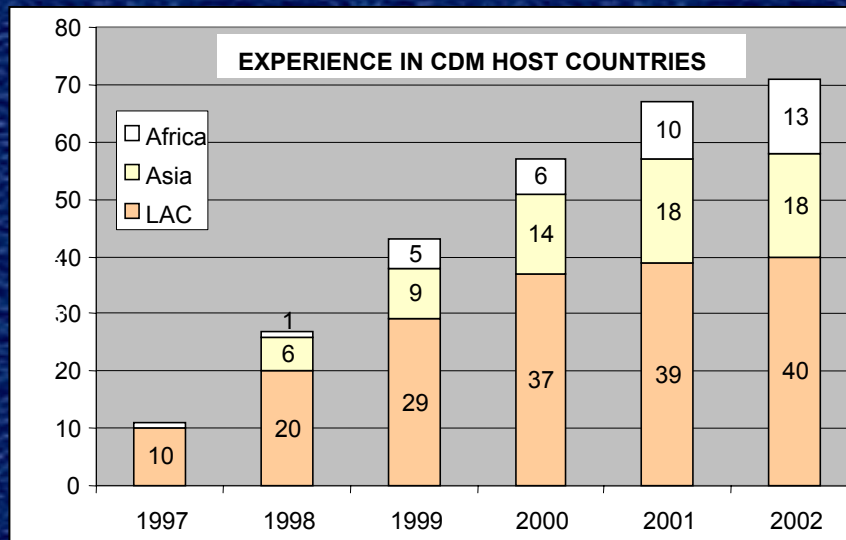
Source: World Bank Paper: State and Trends of Carbon Market June, 2004

1. **Multilateral Banks (Funds):** CAF, WB, IFC, EBRD, CABEL, Asian Development Bank, African Development Bank,.....
  2. **Brokers/Consultants:** Natsource, Evolution Markets, C02e,.....
  3. **Developers/Consultants:** Deuman, MGM, Ecoinvest, Ecosecurities, Econergy, ...
  4. **Designated Operational Entities:** INCONTEC (Colombia), TECPAR (Brazil), SGS, TUV, DNV, .....
  5. **Private Banks:** RaboBank, Banco Colombia, Unibanco (Brasil), ...
  6. **Consultants:** ICF, ERM, PriceWaterhouseCoopers, ...
  7. **Parallel Market Buyers:** Chicago Climate Exchange, Oregon Carbon Trust, U.S. States and Australian programs,....
  8. **NGOs:** TNC, WWF, CDM Watch, BCSE, Pew, ...
  9. **National Authorities/Promoters**
  10. **Insurance Companies**
-



# Projects in Latin America & Caribbean (LAC)

- Early Latin American stakeholder involvement
- LAC engaged during 'learning-by-doing' process



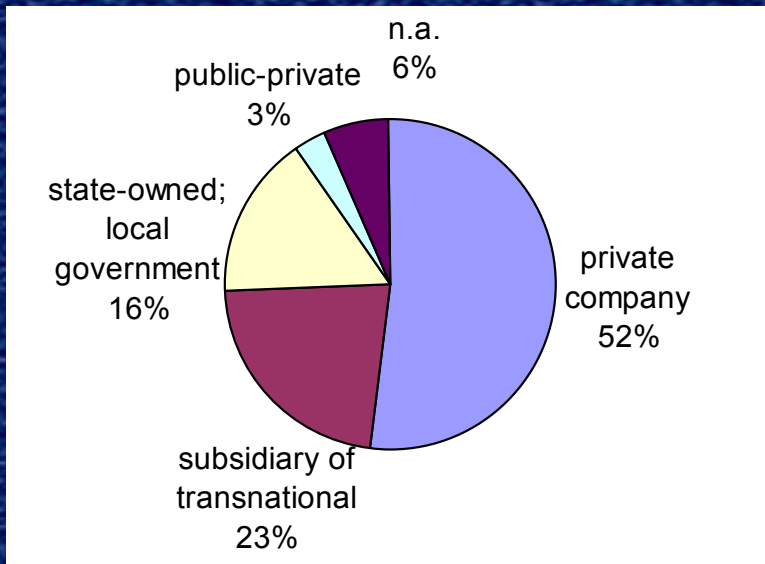
Source: UNFCCC 6th Report on AIJ, 2002; UNFCCC-CC:Info



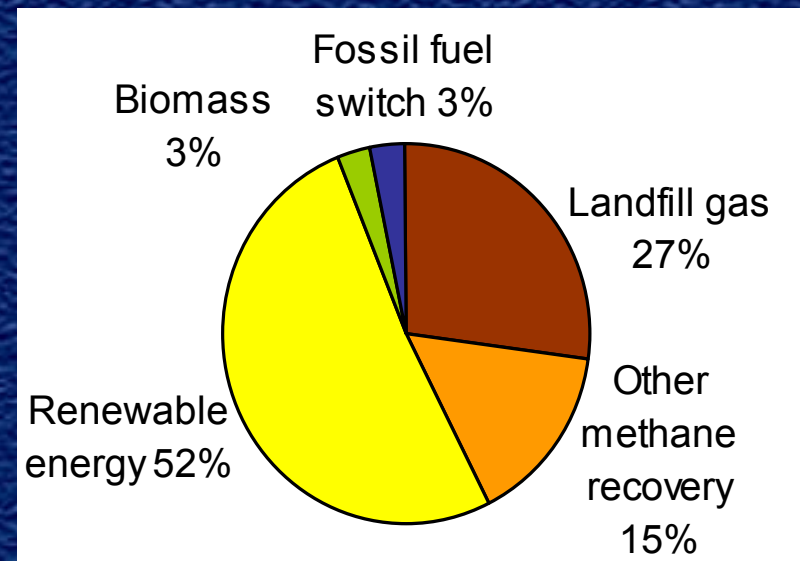
# Projects in Latin America & Caribbean

- Highest participation from private sector
- Sectoral diversification (dominated by Renewable Energy)

**PROJECTS IN LAC: TYPE OF HOST/SELLER**



**PROJECTS IN LAC: ACTIVITY TYPE**

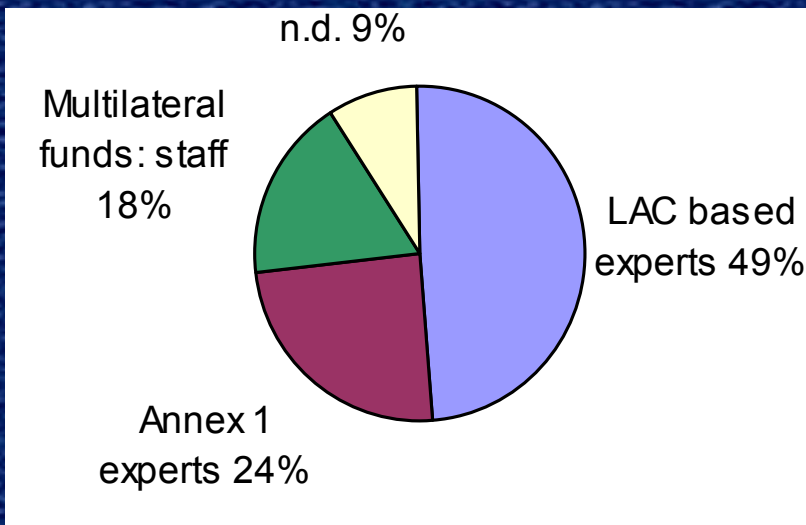




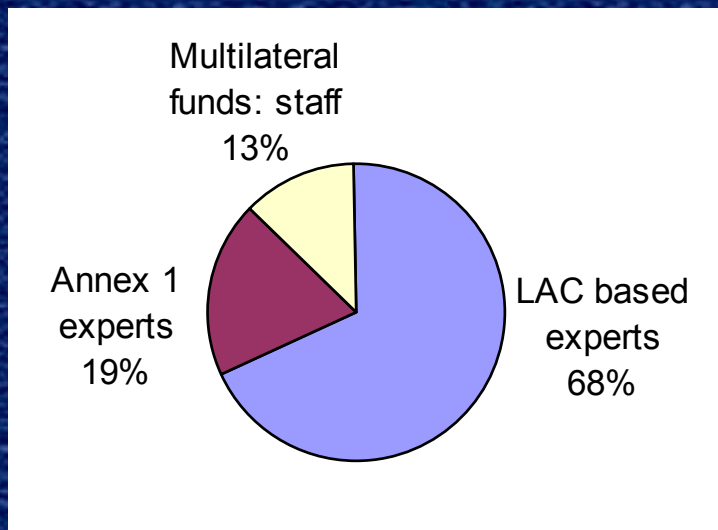
# Regional Expertise Leveraged

- Significant leverage of local resources during project development (PDD)
- Regional contribution for gaining methodological certainty
- Regional based entities notably contributing to shape the CDM supply
- Key consultant/developers established in the region

**PROJECTS IN LAC: PDD DEVELOPMENT**



**PROJECTS IN LAC: PROPOSED NEW METHDS**



- CDM Market growing
  - Buyers market mainly driven by regulatory/compliance factors
  - Project-based transaction dominating (CDM)
  - Prices reflect uncertainty and perceived risks
  - Private sector leading
  - LAC second seller after Asia
  - LAC involved from the beginning
  - LAC very well positioned in the CDM market
  - LAC region project diversity
  - Considerable regional expertise in project development
-



---

# Corporación Andina de Fomento

---



# CAF Member Countries



## Andeans

- Bolivia
- Colombia
- Ecuador
- Perú
- Venezuela

## Others

- Argentina
- Brazil
- Jamaica
- Panama
- Trinidad & Tobago
- 16 Private Banks

## Others

- Spain
- Uruguay
- Costa Rica
- Chile
- Mexico
- Paraguay



# Performance Summary

## CAF 2003-2004

---

- Loan Approvals 2004: US\$ 3.5 Billion
  - Portfolio 2003: US\$ 7.4 Billion: ~ 2004: US\$ 8 billion
  - Fresh Equity by Member Countries 2003: US\$ 234 Million
  - Placements in Capital Markets 2003 (US\$ 3.8 Billion):
    - ✓ Bonds US\$ 900 Million
    - ✓ Commercial paper US\$ 2.9 Billion
-



# Credit Ratings and Awards



A



Moody's

A2



A

LATINFINANCE  
(Nov., 2003)

Multilateral Bond  
Deal of the Year

Corporación Andina de Fomento  
€350 million  
Seven-year eurobond

Lead Managers:  
Dresdner Kleinwort  
Wasserstein and  
Merrill Lynch

LATINFINANCE  
(Feb., 2003)

Development  
Bank of the Year



CAF

EUROMONEY  
(Jun., 2003)



# Latin American Carbon Program (PLAC)

---



# PLAC Objectives

---

- **Fostering** the development and **consolidation** of the **carbon markets** in LAC region.
  - **Strengthening** and supporting **national climate change institutions** in the public and private sectors.
  - **Developing** programs to strengthen **renewable and alternative energy technologies** in LAC region.
-

## **Institutional Strengthening & capacity building**

- Support member countries' climate change offices
- Knowledge transfer & development of local experts network
- Capacity building for LAC negotiators.

## **Supply Side / Project Activities**

- Identify & develop projects with clear CDM potential in LAC
- Foster renewable & alternative energy projects and initiatives highlighting environmental and sustainable development value added

## **Demand Side Activities**

- Provide quality CDM project sourcing solutions for private & public sector buyers (CAF CDM Netherlands Facility)
-

- Projects in formulation portfolio: **Over 9 MtCO<sub>2</sub>e**
  - Projects currently in evaluation portfolio: **Over 17.5 Mt CO<sub>2</sub>e**
  - Infrastructure focus - Energy, Transport, Industry, and Waste Management
  - Regional presence - Andean Region, Central America, Mercosur and the Caribbean
  - Solid Projects - with financing closed or secure (CAF or other)
-

## Project in Formulation

- ✓ Brazil
- ✓ Bolivia
- ✓ Jamaica
- ✓ Nicaragua
- ✓ Costa Rica
- ✓ Ecuador
- ✓ Colombia
- ✓ El Salvador
- ✓ Panama

## Projects Under Evaluation

- ✓ Ecuador
- ✓ Peru
- ✓ Uruguay
- ✓ Chile
- ✓ Argentina
- ✓ Brazil
- ✓ Colombia
- ✓ Panama



- The CDM market is important for developing countries
  - It has been a learning process for all involved
  - LAC's tangible experience in this market positions it as a key player during this new market phase.
  - While the CDM institutionality needs to continue to evolve as the market evolves, much progress has been made
  - The financial sector in Latin America is already engaged in this market and this involvement is only expected to increase
-



---

**Corporación Andina de Fomento**  
Vicepresidencia de Desarrollo Social y Ambiental

**Dirección de Medio Ambiente**  
**Programa Latinoamericano del Carbono – PLAC**

Ave. Luis Roche – Torre CAF – Altamira.  
Caracas, Venezuela.

Tel.: (58.212) 209.2407 / 2144

Fax: (58.212) 209.2406

Contacto: María Teresa Szauer

[mszauer@caf.com](mailto:mszauer@caf.com)

[plac@caf.com](mailto:plac@caf.com)

[www.caf.com](http://www.caf.com)

---