



## **Latin American Carbon Program (PLAC): A Concrete Product from a Latin American Bank**

The Corporación Andina de Fomento, or CAF, was established pursuant to the *Agreement establishing the Corporación Andina de Fomento*, an international treaty entered into in 1968, to foster and promote economic development within the Andean Community. CAF is a multilateral financial institution whose specific mission is to support sustainable development and economic integration in the Andean and Latin American regions by helping diversify the economies of its member countries and making them more competitive and responsive to social needs. Our primary operations are project and corporate lending and trade finance. We provide financing for public and private sector projects – especially in the areas of infrastructure - and, through trade finance, promote access to world markets for public and private companies in the region. We are able to provide these services by intermediating financial resources through borrowings in international capital markets, from commercial banks, and through lines of credit and medium and long-term loans from multilateral and bilateral financial institutions of OECD countries. CAF has developed a strong credibility and a well earned reputation in international capital markets, as reflected in the continuous improvement of its investment grade credit ratings since these were first obtained in 1993. CAF is currently the highest rated bond issuer in Latin America.

Our principal shareholders are the current member countries of the Andean Community – the Republics of Bolivia, Colombia, Ecuador, Peru and Venezuela, which collectively account for 96.2% of the nominal value of the paid-in capital. Brazil, Chile, Jamaica, Mexico, Panama, Paraguay and Trinidad and Tobago are non-regional shareholders, which collectively account for 3.7% of the nominal value of the paid-in capital. Our shares are also held by 22 financial institutions based in the Andean Community countries, which collectively account for 0.1% of the nominal value of the paid-in capital. CAF commenced operations in 1970. Our headquarters are located in Caracas, Venezuela, and we have regional offices in the capital cities of each of the other four Andean Community countries.

In 1995, CAF created its Sustainable Development Department with objective of reducing environmental and social risk of all direct investments, improve management of natural assets of its shareholder countries, promote social participation and values, support research and training, and develop environmental business opportunities. In March 1999, CAF's Sustainable Development Department with the Centre for Sustainable Development for the Americas (CSDA) as an strategic partner, launched with the support of the five Andean Presidents, the Latin American Carbon Program, (PLAC). The objective of PLAC is (i) to support and engage both governments and private sector in every aspect of the development of the carbon market, and (ii) to provide risk financing for the carbon component of mitigation projects in the region. The activities of PLAC are extensive and can be found in [www.carbonprogram.com](http://www.carbonprogram.com). PLAC has a pipeline of over two dozen projects with an average CERs per project of 120,000 Tons CO<sub>2</sub> per year.

## Case Study : *La Sierra* – EE.PP.MM – Colombia

The first operation PLAC closed, was an expansion of natural gas cogeneration facility named *La Sierra* in Colombia, owned by *Empresas Públicas de Medellín* (EE.PP.MM). This project involved a significant efficiency improvement of a natural gas fuelled generation plant. It involved a total investment of US\$ 124.6 MM, where CAF syndicated an A/B loan for US\$ 92.2 MM, co-structured with Citibank NA and other international banks. *La Sierra* changed from single to combined cycle, increasing efficiency from 35 to 56.5% as well as capacity from 381 MW to 481 MW, without increase in fuel consumption. This improvement reduced heat rate from 9,780 to 6,033 BTU/Kwh, and CO<sub>2</sub> emissions from 642 to 405 tons of CO<sub>2</sub> per Gwh. This project not only has directly employed over 2,300 people contributing to sustainable development in Colombia, but it has the potential to reduce 3.3 MM tons of CO<sub>2</sub> in the 15 years of useful life of the project. *La Sierra* has been recognized by USIJI as a project fulfilling all the requirements to qualify under the MDL, and it is now in the final stages of development the monitoring protocol, to be able to generate and verify the first CREs by the end of this year.