

THE ARGENTINE CARBON FUND

FINANCE FOR CARBON SOLUTIONS:

THE CLEAN DEVELOPMENT MECHANISM
FROM THE FINANCIAL SECTOR PERSPECTIVE

UNEP FI SIDE EVENT

SECRETARIAT OF ENVIRONMENT AND SUSTAINABLE DEVELOPMENT
MINISTRY OF HEALTH AND ENVIRONMENT, ARGENTINA

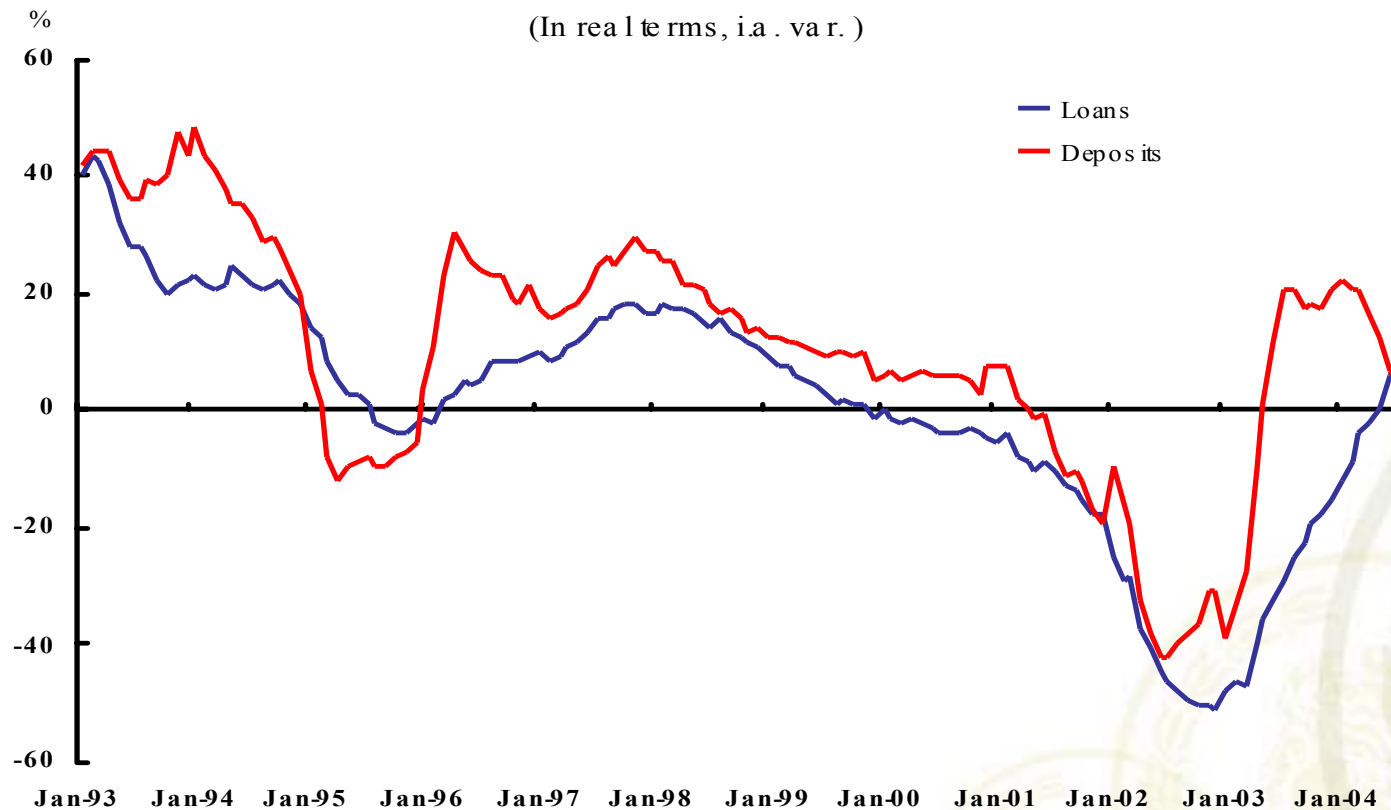
FEATURES OF THE FINANCIAL SYSTEM IN ARGENTINA

1. FINANCIAL INSTITUTIONS ARE SLOWLY RECOVERING PROFITABILITY, LIQUIDITY AND SOLVENCY, AFTER THE CRISIS OF 2001-2002.

THE FINANCIAL SYSTEM IS RECOVERING AFTER A DEEP CRISIS

PRIVATE SECTOR LOANS AND DEPOSITS

(In real terms, i.a.v.a.r.)

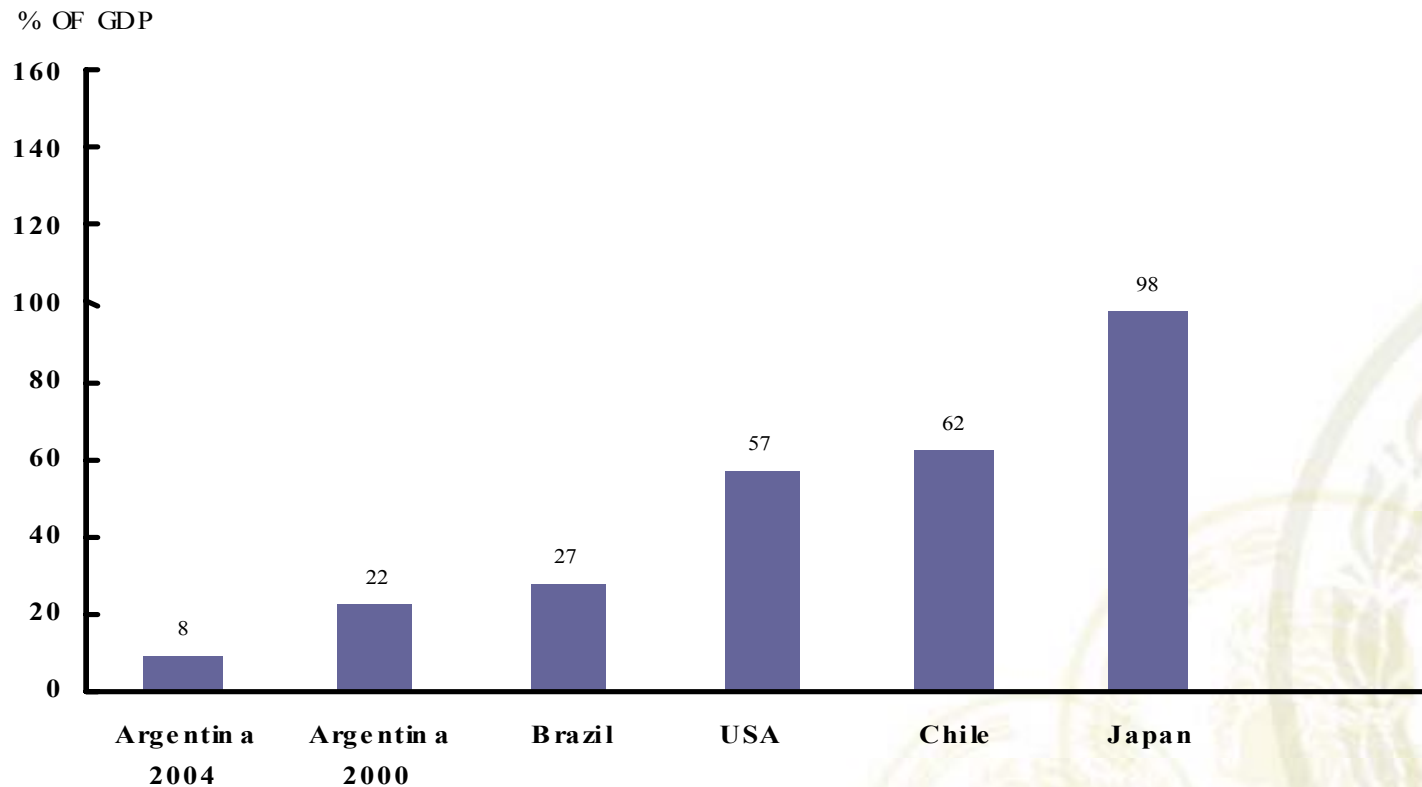


FEATURES OF THE FINANCIAL SYSTEM IN ARGENTINA

2. LOANS ARE NOW GROWING AT A 30% ANNUAL RATE, BUT IN FACT ONLY SHORT TERM LOANS GROW.
3. IN TERMS OF LOANS TO THE PRIVATE SECTOR, THEY BARELY ACCOUNT FOR 8% OF ARGENTINA'S GDP IN 2004, WHILE IN 2000 THEY ACCOUNTED FOR 22%.

LOANS TO THE PRIVATE SECTOR ARE EXTREMELY LOW AS COMPARED TO INTERNATIONAL LEVELS

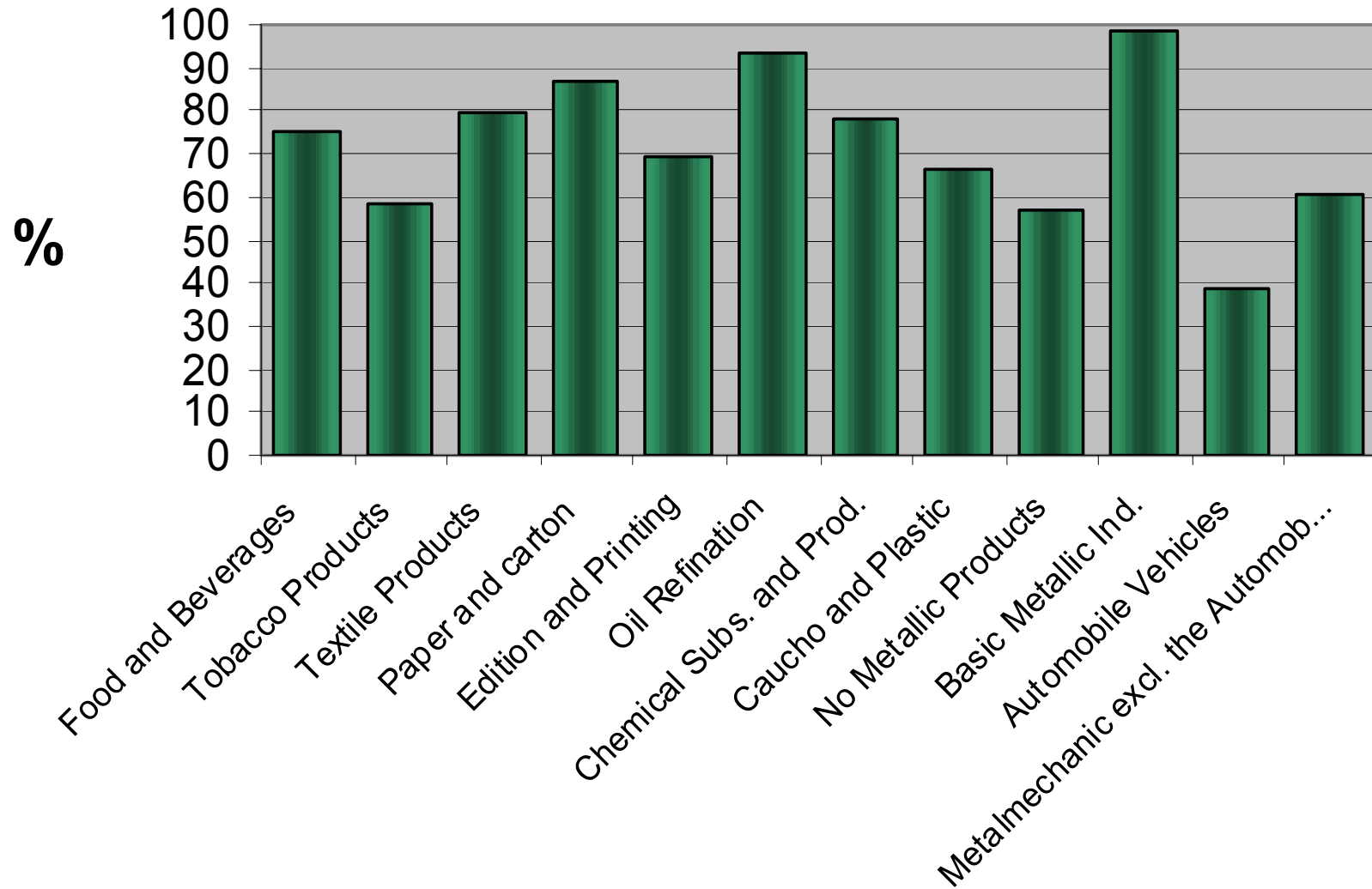
LOANS TO THE PRIVATE SECTOR



FEATURES OF THE FINANCIAL SYSTEM IN ARGENTINA

4. ALMOST ALL DEPOSITS IN THE FINANCIAL SYSTEM ARE SHORT TERM. BANKS CAN NOT BE REQUESTED TO GIVE LONG-TERM LOANS IF THEIR WHOLE FUNDING IS SHORT TERM.

INDUSTRIAL INSTALLED CAPACITY



THE CASE FOR THE ARGENTINE CARBON FUND (1)

1. ARGENTINA WAS AMONG THE FIRST COUNTRIES TO SIGN THE KYOTO PROTOCOL IN 1998.
2. OUR COUNTRY HAS BEEN WORKING ON THE ISSUE OF CLIMATE CHANGE SINCE THE INCEPTION OF THE CLIMATE REGIME.
3. THE ARGENTINE PROJECT APPROVAL SYSTEM UNDER THE CDM IS FULLY OPERATIONAL.

THE CASE FOR THE ARGENTINE CARBON FUND (2)

4. FOR MANY POTENTIAL CDM PROJECTS IN ARGENTINA, FINANCING IS BECOMING THE SINGLE-MOST IMPORTANT FACTOR FOR THEIR SUCCESSFUL IMPLEMENTATION.
5. HAVING NO ACCESS TO EXTERNAL FUNDING, FIRMS MUST RELY HEAVILY ON INTERNAL FUNDING FOR THEIR INVESTMENTS.
6. THIS SITUATION IS WORSE FOR SMALL SCALE PROJECTS, SINCE MANY FINANCING INSTITUTIONS ARE RELUCTANT TO FUND INDIVIDUAL PROJECTS THAT ARE RATHER SMALL.

THE CASE FOR THE ARGENTINE CARBON FUND (3)

7. THE AVAILABILITY OF A PORTFOLIO OF PROJECTS ALREADY UNDER REALIZATION COULD HELP ACHIEVE A CRITICAL MASS THAT WOULD ATTRACT FINANCING FROM LENDERS AND COMPANIES SEARCHING FOR ATTRACTIVE CERS.
8. ANOTHER ADVANTAGE IN THIS APPROACH IS THE SHARING OF CDM AND FINANCING TRANSACTION COSTS AMONG INDIVIDUAL PROJECTS THAT COULD BE PROHIBITIVE FOR A SINGLE PROJECT.

THE ARGENTINE CARBON FUND (1)

- THE ARGENTINE CARBON FUND CAN PLAY A BIG ROLE IN CONTRIBUTING TO THE REMOVAL OF BARRIERS AND PROVIDING FUNDS TO POTENTIAL CDM PROJECTS.
- THE PARTICIPANTS OF THE ARGENTINE CARBON FUND WOULD BE INTERNATIONAL AND NATIONAL FINANCING INSTITUTIONS, AS WELL AS PRIVATE COMPANIES. AND PRIVATE PENSION FUNDS.

THE ARGENTINE CARBON FUND (1)

- THE ARGENTINE CARBON FUND HAS THE BASIC AIM OF MITIGATING CLIMATE CHANGE AND CONTRIBUTING TO SUSTAINABLE DEVELOPMENT.
- IT INTENDS TO DEMONSTRATE THE POSSIBILITIES OF PUBLIC-PRIVATE PARTNERSHIPS THAT MIGHT PRODUCE HIGH QUALITY GREENHOUSE GAS EMISSION REDUCTIONS.

THE ARGENTINE CARBON FUND (2)

THE OPERATIVE FOCUS OF THE ACF IS TO BE PLACED PRIMARILY IN:

- THE FINANCING OF SMALL AND MEDIUM SCALE CDM PROJECT ACTIVITIES.
- “UMBRELLA PROJECTS”, IN TRANSPORT, F&R, ANIMAL HUSBANDRY, ENERGY EFFICIENCY AND OTHERS

THE ARGENTINE CARBON FUND (3)

- THE FUND WILL STRENGTHEN INSTITUTIONAL CAPACITY IN THE FINANCE AND INSURANCE INDUSTRY, ENSURING ITS INVOLVEMENT IN CARBON FINANCE ACTIVITIES AND PROVIDING ADDITIONAL FUNDING FOR PROJECTS TO FINANCE THE INITIAL INVESTMENT COSTS.
- THIS FUND WILL ALSO TRIGGER PUBLIC SECTOR INVOLVEMENT IN CARBON FINANCE AT THE THREE LEVELS OF GOVERNMENT: MUNICIPAL, PROVINCIAL, FEDERAL.

THE ARGENTINE CARBON FUND (4)

- THE ACF WILL CONTRIBUTE TO DECREASE THE LEVEL OF RISK ASSOCIATED WITH PROJECT ACTIVITIES, DUE TO THE ADDITIONAL COMPARATIVE KNOWLEDGE OF THE LOCAL FINANCIAL INSTITUTIONS MANAGING THE FUND.
- THE ACF WILL ALSO CONTRIBUTE TO DIMINISH TRANSACTION COSTS, PARTICULAR IN THE INITIAL PHASES OF THE PROJECT CYCLE.

THE ARGENTINE CARBON FUND (5)

- THE ACF COULD ALSO PROVIDE GUARANTEES FOR PROJECT LOANS.