

CORPORACIÓN ANDINA DE FOMENTO *(Andean Development Corporation)*

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

Pablo Cardinale
Bonn, July 18th, 2001



CAF MANDATE

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

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

Future Members

- Spain
- Argentina
- Uruguay
- Costa Rica
- Dominican Republic

CAF

KEY CREDIT STRENGTHS

CAF is the highest rated issuer in Latin America

- ✓ **Consistent profitability**
- ✓ **Sound asset quality**
- ✓ **High liquidity**
- ✓ **Strong capitalization**
- ✓ **Demonstrated shareholder support**
- ✓ **Supranational/Preferred creditor status**

**Investment
Grade
Ratings**

S&P:	A
Moody's:	A2
Fitch:	A
NAIC:	1



SUSTAINABLE DEVELOPMENT DEPARTMENT



UNEP Finance Initiatives
Innovative Financing for Sustainability

- Objectives
 - reduce environmental and social risks
 - improve the management of natural assets
 - promote social participation and values
 - support research and training
 - develop environmental business opportunities
- Organization
 - Operations' support and supervision
 - Research, training and outreach
 - Environmental business opportunities



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 Niño
 - 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

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

PLAC projects

- La Sierra – EE.PP.MM.
 - Expansion of natural gas cogeneration facility owned by Empresas Públicas de Medellín (EE.PP.MM), Colombia
- CAMETRO
 - Addition of new line for the metro system in Caracas, Venezuela

EE.PP.MM: Energy Efficiency

Natural gas fueled generation plant

- Total investment: US\$ 124.6 million
- CAF's financing: A/B loan US\$ 92.2 million
- Co-structured with Citibank NA and other international banks.
- Loan period: 12 years
- Changed from single to combined cycle.
- Plant efficiency increase from 35% to 56.5%
- Capacity increase from 381 MW to 481 MW, without increase in fuel consumption.
- Heat rate decrease from 9,780 to 6,033 BTU/KWh
- Emissions reduced from 642 to 405 Tons of CO₂ per GWh.
- From May 1999 to November 2000, over 2328 jobs have been created, out of which 2194 directly generated by the plant.
- Potential to reduce 3.3 MM tons of CO₂ in the 15 years of the project's life.



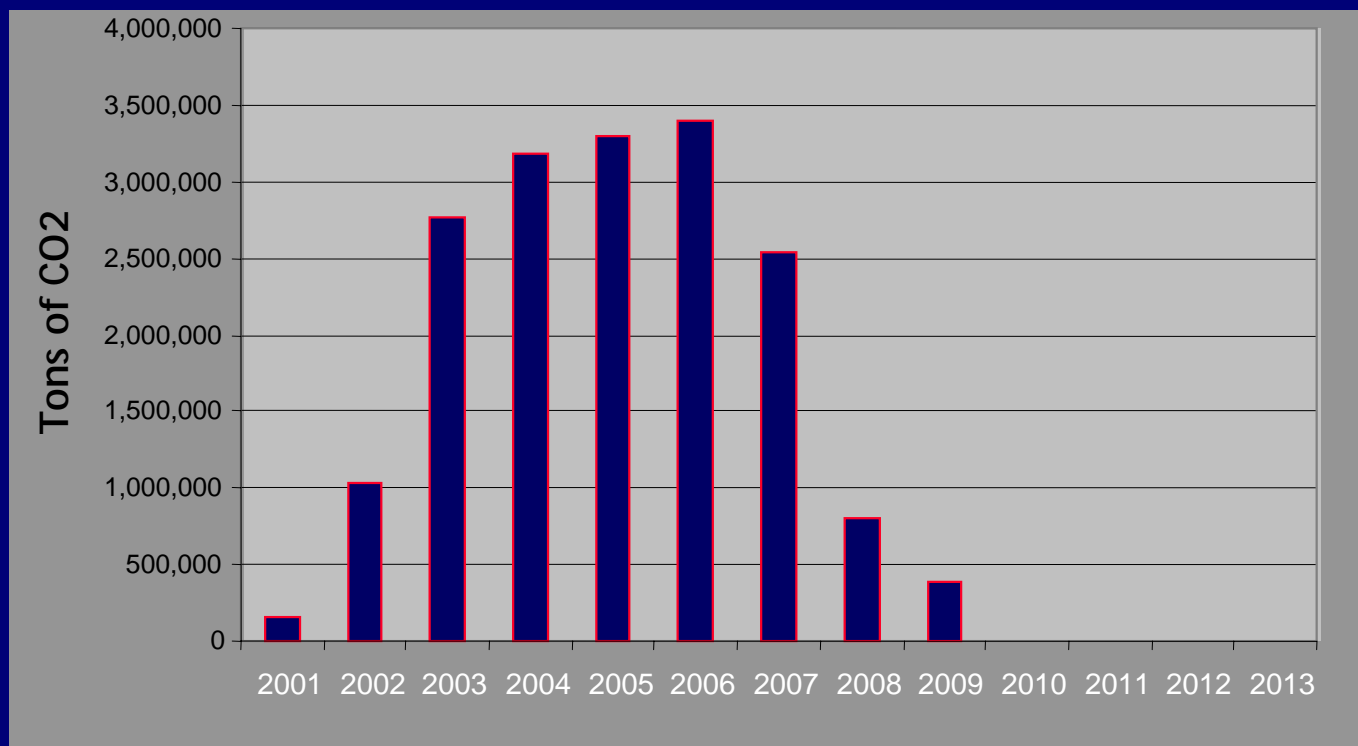
PROJECT PORTFOLIO

Project type	Annual T/CO2	Share
Renewable electricity	220,313	6.5%
Conventional Electricity	2,168,691	64.4%
Electricity transmission	79	0%
Energy efficiency	50,120	1.5%
Transportation	65,933	2.0%
Methane	850,000	25.3
Other	10,077	0.3%
TOTAL	3,365,213	100%

Total number of projects 24
Average CERs per project 120,186



Potential CERs Output of Current Project Pipeline



WEB SITES

- Corporación Andina de Fomento
 - <http://www.caf.com>
- Programa Latinoamericano de Carbono
 - <http://www.carbonprogram.com>
- Center for Sustainable Development in the Americas
 - <http://www.csdanet.org>