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

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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
- Brazil
- Jamaica
- 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

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
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

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

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