CAF in the emerging Carbon Market - a Latin American Initiative

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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
- Chile
- Mexico
- Paraguay
- Spain
- Argentina
- Uruguay
- Costa Rica
- Dominican Republic
OUR CUSTOMERS

- National Governments
- Local Governments
- Public and private corporations
- Public and private financial institutions
CAF’s competitive strengths

- Clearly defined objectives
- Strong shareholder commitment
  - well proven prefered creditor status
- Governance
  - high level political representation in Board
  - appropriate managerial autonomy
- Conservative financial and strict credit policies
- Flexibility, innovation and adaptability to change
- Widening shareholder base in Latin America
  - leadership role in regional integration
CAF’S STRENGTHS in the carbon market

- Presence in the region
- Direct access to public sectors for policy and regulation
- Long standing relationship with public and private enterprises as project sponsors
- Shareholders are sellers (other than Spain)
- Project origination expertise
- Efficient management of funds
- Catalytic role in the regional carbon market
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 Nino
  - 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 MISSION

• Develop real commercial opportunities within the emerging carbon market

• Leverage experience and competitive advantage to benefit its customers
  - competitiveness
  - knowledge transfer
  - technology transfer

• In a sustainable fashion – commercial viability – a PLAC goal
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
Vision – Pragmatic and evolving business model

- PLAC´s objective is to add value where it makes the most sense in any of the stages of the carbon project value chain
- Evolving as the carbon markets evolve
- Evolving as the needs of our customers evolve

![Diagram showing the stages of a carbon project value chain]

- Project
- Preparation
- Implement.
- Comercialic.

- Identification
- Feasibility
- Baselines
- Validation
- Registration
- Monitoring
- Verification
- Certification
- Sale & Registry
How to do business with PLAC

- Forward project brief detailing:
  - vital statistics of the project
  - stage of development of the project
  - objectives of the project
  - reason for contacting us

- PLAC determines level of participation (or not)

- PLAC schedules working meetings with all relevant parties to lay out work plan, schedule and expectations

- Customer is involved in entire process as part of knowledge transfer
How to do business with PLAC

- Determination of PLAC & parties’ field of action
  - contingent on project specifics & customer needs
  - where is value added for customer?
- Preliminary action plan, payment terms & schedule is discussed by parties
- Project development activities begin
- Customer is involved in entire process as part of knowledge transfer
Current projects

• La Sierra
  – Expansion of natural gas cogeneration facility owned by Empresas Publicas de Medellin, Colombia

• CAMETRO
  – New line metro system in Caracas, Venezuela
Other Projects currently in advanced review

- Transportation Project – Colombia
- Energy projects - Bolivia
- Energy projects - Ecuador
- Methane Capture Project – Argentina
- Energy & Efficiency projects – Colombia
- Transportation projects - Venezuela
- Market Development - buyers...
Transportation Project Colombia - sample

- Reductions generated from displacement of existing bus system & traffic reduction in center of city
- PLAC’s role is that of project developer of the carbon component
- Integrated approach
Energy – Ecuador - sample

- Small hydro plant
- Reductions generated from adding renewable generation to energy portfolio
- PLAC’s role is that of project developer for the carbon component
- PLAC is also taking a role in supporting development of market mechanisms in emerging power trading market
Methane Capture – Argentina - sample

- Increasing efficiency of gas pipeline
- Reductions generated from improving efficiency/reducing leakage of gas pipeline
- PLAC’s role is that of project developer for the carbon component
- PLAC is taking a role in improving overall efficiency, technology & know-how transfer
PLAC Program Highlights & Strengths

- In house project development expertise covers full cycle of project preparation
- Integrated approach
- Project Risk Reduction & portfolio approach
- PLAC quality assurance