Programa Latinoamericano del Carbono (PLAC)

Latin American Leadership in CDM

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Content

- Carbon Market Context
- Corporación Andina de Fomento (CAF)
- Programa Latino Americano de Carbono (PLAC)
Carbon Market Growth

- Substantial growth over the last two years
- The market is picking up momentum
- Compliance driven (CDM project-based) transactions increasing

Source: World Bank ANNUAL VOLUMES (million tCO₂e) OF PROJECT-BASED EMISSION REDUCTIONS TRADED (up to 2012 vintages)
Buyers & Potential Buyers

- Japanese private firms - 41% (03-04) from 21%
- WB Carbon Finance Business - 24% (steady)
- Government of the Netherlands - 23% (03-04) from 32%

- Decline in US buyers
- Decline in Canadian buyers
- Finland, Sweden, Denmark, Spain and Austria already with active JI and CDM programs
- Retail market growing

Most ERs in 03-04 from Asia (51%)
- Latin American & Caribbean (LAC) second with 27%
- LAC average project size 1 MtCO2e
- Two of the largest suppliers in LA (Brazil and Chile – 56% of period’s volume)
- LAC region continues to represent a significant source of ER’s
- High private sector involvement (60%)
- Largest share of tCO2e contracted from project-based transactions (CDM) vs. emission allowances.

Market Trends

- Wide range of prices
- Price drivers:
  - Risk allocation: The buyer or the seller (registration risk, financial, regulatory, etc.)
  - Track record of project participants
  - Transaction cost allocation
  - Host country support
  - Sustainable development benefits
  - Overall project quality

- Current Price Levels
  - Kyoto CDM Market: €3-6/TCO2
  - Non-Kyoto Market: $1-2/TCO2
  - EU-ETS Market: €6-12/TCO2

1. **Multilateral Banks (Funds):** CAF, WB, IFC, EBRD, CABEI, Asian Development Bank, African Development Bank, …

2. **Brokers/Consultants:** Natsource, Evolution Markets, C02e, …

3. **Developers/Consultants:** Deuman, MGM, Ecoinvest, Ecoscurities, Econergy, …

4. **Designated Operational Entities:** INCONTEC (Colombia), TECPAR (Brazil), SGS, TUV, DNV, …

5. **Private Banks:** RaboBank, Banco Colombia, Unibanco (Brasil), …

6. **Consultants:** ICF, ERM, PriceWaterhouseCoopers, …

7. **Parallel Market Buyers:** Chicago Climate Exchange, Oregon Carbon Trust, U.S. States and Australian programs, …

8. **NGOs:** TNC, WWF, CDM Watch, BCSE, Pew, …

9. **National Authorities/Promoters**

10. **Insurance Companies**
Projects in Latin America & Caribbean (LAC)

- Early Latin American stakeholder involvement
- LAC engaged during ‘learning-by-doing’ process

Source: UNFCCC 6th Report on AIJ, 2002; UNFCCC-CC:Info
Projects in Latin America & Caribbean

- Highest participation from private sector
- Sectoral diversification (dominated by Renewable Energy)

Source for project information:
CDM EB web page, Nov.2004
Regional Expertise Leveraged

- Significant leverage of local resources during project development (PDD)
- Regional contribution for gaining methodological certainty
- Regional based entities notably contributing to shape the CDM supply
- Key consultant/developers established in the region

**PROJECTS IN LAC: PDD DEVELOPMENT**

- Multilateral funds: staff 18%
- LAC based experts 49%
- Annex 1 experts 24%
- n.d. 9%

**PROJECTS IN LAC: PROPOSED NEW METHODS**

- Multilateral funds: staff 13%
- Annex 1 experts 19%
- LAC based experts 68%

Source for project information: CDM EB web page, Nov. 2004
Summary

- CDM Market growing
- Buyers market mainly driven by regulatory/compliance factors
- Project-based transaction dominating (CDM)
- Prices reflect uncertainty and perceived risks
- Private sector leading
- LAC second seller after Asia
- LAC involved from the beginning
- LAC very well positioned in the CDM market
- LAC region project diversity
- Considerable regional expertise in project development
Corporación Andina de Fomento
CAF Member Countries

Andeans
- Bolivia
- Colombia
- Ecuador
- Perú
- Venezuela

Others
- Argentina
- Brazil
- Jamaica
- Panama
- Trinidad & Tobago
- 16 Private Banks

Others
- Spain
- Uruguay
- Costa Rica
- Chile
- Mexico
- Paraguay
Performance Summary
CAF 2003-2004

- Loan Approvals 2004: US$ 3.5 Billion
- Fresh Equity by Member Countries 2003: US$ 234 Million
- Placements in Capital Markets 2003 (US$ 3.8 Billion):
  - Bonds US$ 900 Million
  - Commercial paper US$ 2.9 Billion
Credit Ratings and Awards

STANDARD & POOR’S

Moody’s

Fitch Ratings

CAF

LATINFINANCE
(2003)

DEVELOPMENT
BANK OF THE YEAR

EUROMONEY
(June, 2003)

LA Multilateral Bond Deal of the Year

€350 million Seven-year eurobond

Lead Managers:
Dresdner Kleinwort
Wasserstein and
Merrill Lynch

BORROWERS’ AWARDS 2003

This is to certify that
CAF
has won the award for
Best agency borrower of
the year

Signed
Peter Lee, Editor
Latin American Carbon Program (PLAC)
Fostering the development and consolidation of the carbon markets in LAC region.

Strengthening and supporting national climate change institutions in the public and private sectors.

Developing programs to strengthen renewable and alternative energy technologies in LAC region.
PLAC Operational Focus

Institutional Strengthening & capacity building

- Support member countries’ climate change offices
- Knowledge transfer & development of local experts network
- Capacity building for LAC negotiators.

Supply Side / Project Activities

- Identify & develop projects with clear CDM potential in LAC
- Foster renewable & alternative energy projects and initiatives highlighting environmental and sustainable development value added

Demand Side Activities

- Provide quality CDM project sourcing solutions for private & public sector buyers (CAF CDM Netherlands Facility)
Program Statistics

- Projects in formulation portfolio: **Over 9 MtCO2e**
- Projects currently in evaluation portfolio: **Over 17.5 Mt CO2e**
- Infrastructure focus - Energy, Transport, Industry, and Waste Management
- Regional presence - Andean Region, Central America, Mercosur and the Caribbean
- Solid Projects - with financing closed or secure (CAF or other)
Project Geographic Diversification

**Projects Under Evaluation**
- Ecuador
- Peru
- Uruguay
- Chile
- Argentina
- Brazil
- Colombia
- Panama

**Project in Formulation**
- Brazil
- Bolivia
- Jamaica
- Nicaragua
- Costa Rica
- Ecuador
- Colombia
- El Salvador
- Panama
Reflections...

- The CDM market is important for developing countries.
- It has been a learning process for all involved.
- LAC’s tangible experience in this market positions it as a key player during this new market phase.
- While the CDM institutionality needs to continue to evolve as the market evolves, much progress has been made.
- The financial sector in Latin America is already engaged in this market and this involvement is only expected to increase.
Corporación Andina de Fomento
Vicepresidencia de Desarrollo Social y Ambiental

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