



PROGRESS REPORT
**Addressing climate change strategically in
Latin America and the Caribbean**

Component 2

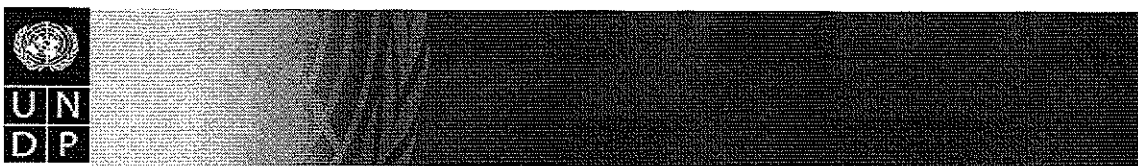
Carbon - 2012: Accessing Climate Change Investments for Sustainable Development in LAC
Section III
The Carbon 2012 Programme

Partner country (project site): Government of Spain		Project number: 00062377
Project title: The Carbon 2012 Programme		
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1. EXECUTIVE SUMMARY

This report aims to describe the progress of the C2012 to date, with an emphasis on the presentation of performance highlights, the principal results, the main milestones and recommendations for the future.

The Carbon 2012 program was launched in May 2008, is fully operational, and is under implementation in four countries in the Region, with others considering their participation.

Management of the project is underway at both Regional and National levels, with a Regional Coordinator and a Project Assistant based in Panama and a Carbon Officer each in Uruguay, El Salvador Honduras and Peru, in charge of the implementation of the Program at the national level.

A letter of agreement has been signed with UNEP to share specific activities and a coordinated work plan has been established between both institutions.

Four national work plans for the first implementation period have been developed, negotiated and established with local actors and institutions in the four participating countries and are already under implementation.

Regarding technical and specific implementation issues, several workshops have been carried out in the region, several potential projects with high MDG impacts have been assessed and feasibility studies are under development to highlight the best financial and technical options for specific projects in the areas of renewable energy, energy efficiency, landfill methane and fuel switching.

Over the coming 18-24 months, the program will be expanded in three key areas: first, by augmenting the geographic scope of the project to include 4-6 new countries. Second, new opportunities and challenges emerging in the carbon market component of the post-2012 international agreement will be explored and addressed through the project from capacity building to project development and market promotion. Finally, the nature of low carbon projects and the time required for the preparation of their first stages (feasibility studies, due diligence, funding, etc.) makes long term support for low carbon projects in the region a logical premise – this will be initially addressed on a pilot basis through the development of low carbon, climate resilient strategies and plans at national and sub-national levels.

2. PROJECT SYNOPSIS

In May 2008, UNDP launched a regional project to strengthen public and private sector capacity to access carbon finance, and to overcome barriers impeding the take-off of a low carbon projects market in the Latin America and the Caribbean Region (LAC).



The rapid increase in national and multilateral investments to address the challenge of climate change presents a new opportunity for developing countries to finance a transition to a more climate-resilient economy and pursue a low carbon path of development. International climate change-related investments are becoming increasingly relevant as a mechanism for achieving the Millennium Development Goals, as climate change is mainstreamed into national infrastructure development and investment decisions.

According to the last State and Trends of the Carbon Market (World Bank, May 2009) the overall carbon market continued to grow in 2008, reaching a total value transacted of about US\$126 billion at the end of the year, doubling its 2007 value. The second largest segment of the carbon market was the Certified Emission Reductions (CERs) market related to the Clean Development Mechanism established as a flexibility mechanism under the Kyoto Protocol. Unless the current uncertainty of these markets and the post-2012 climate change regime, the financial flow to developing countries to address mitigation and adaptation climate change issues throughout the carbon markets is expected to grow considerably in the post-2012 regime.

On the other hand, different funds to address climate change are expected to be created within the Copenhagen accord. These funds will allow developing countries to finance low carbon programs, actions and projects. The total financial flow, the implementation tools and the sectors and types of projects the funds will be focused on are still unclear.

However, the capacity of developing countries to access these global investments is a significant limiting factor to the uptake of this new revenue source for development. The ability to effectively understand, negotiate, and access multilateral funding for climate change mitigation technology, adaptation, and the carbon markets is fundamental to the success of developing countries in realizing the emerging opportunities to climate-proof their economies and pursue a path of clean development.

The project Carbon 2012 is now under implementation in four countries in the region and several others are considering their participation. The ultimate objective of the project is to prepare the countries that have had limited access to the carbon market during its first years of existence to profit from the opportunities that the coming post 2012 carbon market will provide, and develop low carbon projects using carbon finance as a regular and necessary tool.

The overall goal of the project is:

- Capacities of the public and private sector in selected LAC countries to understand, develop and maintain CDM and projects using carbon finance tools are enhanced through the LCF and Carbon-2012 Projects;

Participating countries undertake three main activities at the national level in support of the project goal:



1. Develop and disseminate effective communications products and tools to increase awareness and understanding of CDM opportunities under the post-2012 regime;
2. Provide CDM technical support and assistance to public and private sector to increase participation of under-represented LAC countries in the post-2012 carbon market, and
3. Develop strategic partnerships within the public and private sectors to identify and develop a robust pipeline for the post-2012 carbon market of CDM projects with strong positive impacts on the MDGs.

Additionally, and due to the regional nature of the project, management and multi country activities are conducted from the UNDP RSC in Panama:

1. Providing Project Management Services for Carbon-2012;
2. Developing strategic partnership to carry out multi agency activities;
3. Assessment of National participants;
4. Assessment of Regional projects, and
5. Providing programme visibility at a Regional level.


The project was launched in May 2008 with four pilot countries: **Honduras, El Salvador, Peru and Uruguay**. Four Carbon Officers have been hired to implement the programme at the national level. The **Dominican Republic** has joined the programme recently and the Carbon Officer has been recruited. Others country's participation is being considered and at least two more countries are expected to join the programme over the near term.

In September 2009, the project was expanded to include two projects piloting a systematic planning approach (TACC – the Territorial Approach to Climate Change) in Colombia and Peru that identifies and prioritizes low carbon, climate resilient investment based on carefully calculated cost curves. The formulation of TACC plans and strategies will effectively identify and develop projects and construct pipelines of eligible projects for international funding. These pilots will provide the experience and lesson learned for broader extension of this approach to other countries in the region.

The UNDP LAC Regional Service Center leads project coordination, assessment of new opportunities, coordination of Regional level activities, and technical support to UNDP Cos, while country staff take the lead on project implementation at the national level.



BUDGET

		 THE CARBON 2012 PROGRAMME		
		2009 (USD) - Spent	2010 (USD) - Committed	2011 (USD) - Committed
1	Project Management services for the LCF Project			
	Project Coordination and Regional Support	130,921.19	20,000.00	293,547.00
	El Salvador	9,684.00	30,000.00	60,000.00
	Dominican Republic		30,000.00	55,000.00
	Peru		30,000.00	50,000.00
	Uruguay	10,905.44	30,000.00	50,000.00
	Honduras		30,000.00	50,000.00
	UNEP			
2	Carbon Finance capacity-building			
	Project Coordination and Regional Support			
	El Salvador	1,927.00	15,000.00	50,000.00
	Dominican Republic		25,000.00	75,000.00
	Peru	2,917.50	25,000.00	75,000.00
	Uruguay	7,288.00	30,000.00	55,000.00
	Honduras	6,596.67	15,000.00	70,000.00
	UNEP		237,000.00	
3	Project development exercises/initiatives			
	Project Coordination and Regional Support		19,000.00	50,000.00
	El Salvador		15,000.00	80,000.00
	Dominican Republic		20,000.00	55,000.00
	Peru		30,000.00	60,000.00
	Uruguay		30,000.00	70,000.00
	Honduras		30,000.00	85,000.00
	UNEP			
4	Develop and disseminate effective communications products and tools			
	Project Coordination and Regional Support		15,000.00	40,000.00
	El Salvador		15,000.00	50,000.00
	Dominican Republic		20,000.00	50,000.00
	Peru		20,000.00	50,000.00
	Uruguay		25,000.00	45,000.00
	Honduras		20,000.00	50,000.00
	UNEP			
5	Provide GDM technical support and assistance in the post-2012 carbon market.			
	Project Coordination and Regional Support			40,000.00
	El Salvador		15,000.00	50,000.00
	Dominican Republic		20,000.00	50,000.00
	Peru		20,000.00	50,000.00
	Uruguay		15,000.00	40,000.00
	Honduras		20,000.00	40,000.00
	UNEP			



6	Develop strategic partnerships within the public and private sector to identify and develop a robust pipeline for the post-2012 carbon market of CDM projects with strong positive impacts on the MDGs.			
	Project Coordination and Regional Support		15,000.00	90,000.00
	El Salvador		15,000.00	100,000.00
	Dominican Republic		20,000.00	100,000.00
	Peru		20,000.00	90,000.00
	Uruguay		20,000.00	80,000.00
	Honduras UNEP	495.69	25,000.00	70,000.00
7. Capacity Development for the Territorial Approach to Climate Change – planning and management of pipeline development at national/subnational levels				
Colombia		350,000.00	150,000.00	
Peru		350,000.00	150,000.00	
8. MOU UNEP-RCLAC: UNEP execution of regional capacity development activities for CDM		214,000.00		
TOTAL - Year		298,915.97	2,346,000.00	2,668,547.00
SPANISH FUNDS		218,915.97	1,895,000.00	2,668,547.00
UNDP TRAC FUNDS		80,000.00		
UNEP/OTHER FUNDS			451,000.00	
TOTAL 2009/10/11			5,764,463	

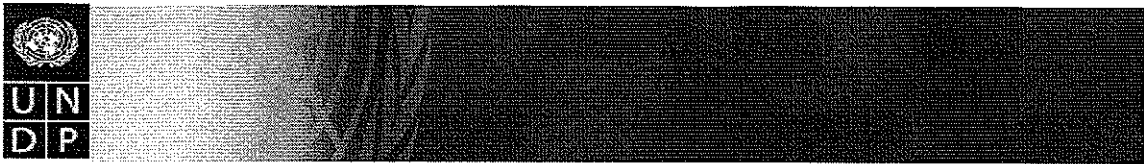
3. SUMMARY OF PROGRESS

Overall progress on achieving results during 2009 was hampered by late release of funding in August 2009. Nevertheless, important progress was made in establishing the project and initiating activities that will make it possible for the project to strengthen its foundations, build more capacities and expand to more countries.

Regional Level

Project Management Services for the Carbon-2012 Program are fully operational at a regional level. The team is fully constituted, trained and at work.

The team has undertaken project coordination activities between the LAC RSC and the UNDP COs to provide administrative services, technical assistance and regional coordination between the countries participating in the program.



Additionally, several project opportunities have been assessed at the regional level and a number of actors have been identified. Specific activities are expected to be coordinated from the LAC RSC at the regional level.

Peru

Peru was identified as a country with high potential to enhance its capacities to access the carbon market. UNDP, through its Peru CO, is working closely with the Ministry of Environment (MINAM) and the National Environment Fund (FONAM) to strengthen local capacities to develop low carbon projects.

A work plan has been established with local authorities to carry out the program.

Several capacity building activities have been carried out or are under development throughout the country which are focused on specific issues such as identification of carbon finance opportunities, PoAs, REDD and NAMAs and necessary MRV activities for projects. These activities have been identified and developed in coordination with local actors and tailored to the specific needs of the relevant region.

The program is also elaborating specific technical material such as guides to provide local actors with information about necessary tools to manage carbon finance aspects such as MRVs and NAMAs.

The DNA web page is being revamped with Carbon 2012 assistance in order to strengthen the capacity of the local authority to disseminate information about CDM activities, projects and general information about the carbon markets.

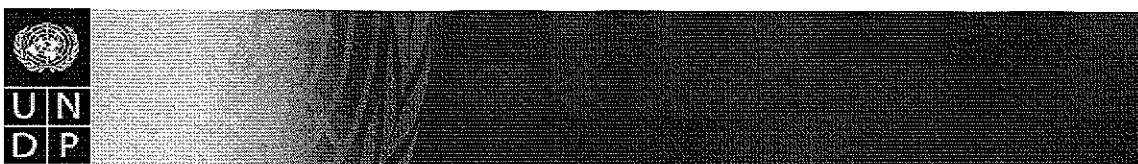
Project development level activities under development include a study to assess the use of renewable biomass in CDM specific projects and another study to assess the implementation of improved cook stoves is being considered.

Uruguay

UNDP, through its Uruguay CO, is working closely with the National Climate Change Unit in order to identify and implement local activities in regard to the carbon market.

A work plan has been established with the local authorities to carry out the program in the country.

A number of capacity building activities have been carried out in the country and are scheduled during 2010. Specifically, workshops and capacity development activities in the field of the use biomass, energy efficiency, GHG footprint characterization, landfills and sanitary refilling in interior cities as well as treatment of industrial waste are within the national work plan. A study in the identification of NAMAs is also expected as a capacity building activity.



A part time technician is financed by the program to improve local capacities in climate change mitigation and to support the Carbon 2012 at the national level. In 2010, the technician will continue supporting the project and continue identifying potential opportunities for cooperation for the planned activities.

The Climate Change Unit web site is being revamped with Carbon 2012 assistance to strengthen the capacity of local authorities to disseminate information about CDM activities, projects and general information about the carbon markets.

As project development activities, UNDP (through the Uruguay CO) plans to support the IMM wind farm project. The specific support will focus on the development of an feasible project, a business plan, data certification and training of IMM personnel. It is expected that the consultancy services be awarded sometime during the middle of 2010 and executed between 2010 and 2011. A pre-feasibility study of a potential CDM project of methane recovery in the solid waste landfills of Maritas and Cañada Grande in the department of Canelones is also scheduled.

Honduras

In Honduras the program suffered unexpected delays due to the political developments of the last year and the difficulty of dialogue with the government. Nonetheless, planning of activities has continued with specific local actors to begin implementation once the political situation has been clarified.

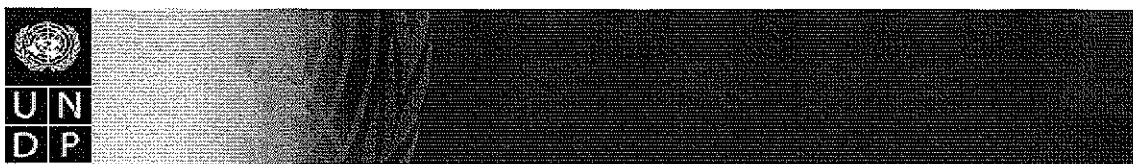
A work plan has been established in order to carry out the program in the country.

A study will be undertaken to identify, evaluate and analyze the gaps and barriers as well as the opportunities of the CDM market in the country. The role of the DNA will be evaluated and a strategic work plan for a national CDM program will also be prepared.

The DNA web site will be revamped with Carbon 2012 assistance to strengthen the capacity of local authorities to disseminate information about CDM activities, projects and general information about the carbon markets.

In order to develop capacity building activities in the country, three workshops are scheduled to take place during 2010. They will be focused on specific sector CDM, PoAs and NAMAS. The workshops aim at analyzing capacities and barriers for the development of CDM in the country. Another workshop will be focused on the key specific sectors and their opportunities in the carbon market.

Some educational material is expected to be financed with program funds. Guides, videos and articles will be disseminated with the purpose of providing local actors with material to understand and access the carbon market.



Case studies to support pilot projects with high potential to access the post 2012 carbon market specifically focused on biomass. In addition, another case study is underway in support of the hydroelectric dam in Tomala. This project could represent a successful social model by creating links between public and private institutions. This activity will assess the potential and capacity of the project so it can be replicated throughout the country.

El Salvador

Workshops are scheduled to take place in 2010 and will focus on programmatic CDM projects in the public and private sectors using various technologies and methodologies. Also another workshop will take place that aims at an international exchange of CDM experiences in the transport sector.

Support of the design and development of a CC web site for the National Climate Change Office is expected with program funds.

Support of the turbococinas (improved cook stoves) project is expected with some guides to the correct use of the improved cook stoves and another guide to study the correct dissemination of the devices.

In project development, tools to remove barriers to financing projects by banks will be developed. Specifically, the design of a financing mechanism for an energy efficiency programmatic CDM project with small and medium companies will be developed.

The support of a study to carry out the implementation of a residential efficient lighting programmatic program is under development.

Dominican Republic.

This country joined the program in early 2010. The Carbon Officer has only recently been recruited, and a national work plan is under development with local authorities for mid 2010.

Pilot projects for Territorial Approach to Climate Change (TACC)

Two countries – Colombia and Peru - were selected to pilot the TACC comprehensive planning process at two sub-national levels. A missions was fielded to each country to initiate the process of project design, and a full Project Document was elaborated for the Colombia pilot. The pilots have been linked to other TACC initiatives under development in Uruguay and around the world. Further resource mobilization efforts are underway and potential donors have been identified and approached. Pilot project implementation is starting up in Colombia (Cundinamarca) and ProDoc elaboration will start for the Peru pilot in Piura.

UNEP



A MoU has been signed with UNEP to manage the development of several coordinated interagency activities. Specifically UNEP will be in charge of South-South cooperation and some capacity building activities shared with UNDP.

4. ASSUMPTIONS, CONCLUSIONS AND RECOMMENDATIONS

The program has experienced a number of unexpected delays due to, on the one hand, the regional nature of the project and its logistical complexity, and on the other, the evolution that the carbon markets have experienced in the last years and the level of uncertainty that this evolution has caused both in public institutions and project proponents. An important number of project ideas have been deferred due to uncertainty regarding the future revenues that the carbon markets is expected to produce for the project.

In the light of the last COP (Copenhagen) and its main conclusions, it appears to be necessary to adapt local economies to a new carbon market, with different opportunities such as CDM, the voluntary market, international environmental funds, etc. The TACC comprehensive planning process will assist in identifying appropriate donors and market mechanisms for different local or sub-national administrative units. The TACC methodology will be readily replicable to the multitude of other sub-regions in LAC and will help local governments and private sector entities identify the most cost-effective investment options.

The internal structure of the Carbon 2012 program, with a network of professionals located within the countries, is designed to be able to provide appropriate technical assistance to both public and private sectors to better ensure that the best options for access to the carbon finance market are available.

UNDP, with its different facilities, is prepared to provide the project proponent with the advice needed to identify the best financial option once the project idea is assessed. Different tools such as the GEF, the MDG Carbon Facility and others are designed to provide the project idea with the necessary funding to assure its development and implementation.

Specifically, the MDG Carbon Facility takes the lead in the carbon finance layer of the project once the project idea has been assessed and once assured the probability and capacity of this idea to access the carbon market. The technical capacity of the MDG Carbon Facility is needed to accompany the project proponent during the process of registering the project and providing it with the necessary advisory services to sell the expected carbon credits generated in the international carbon market. Different instruments such as National Funds can benefit from the opportunity to invest in credits issued in specific projects with high MDG impacts.

It is evident that the C2012 program has been a useful tool to support the first stages of low carbon project development in the region and is complementary to other UNDP facilities (e.g. MDG Carbon



Facility) that have been designed to provide financing to projects at a more mature stage. The C2012 program will evolve over the near term to include a larger number of countries, which will result in greater country capacities to access the carbon markets with more and better proposals from which MDG impacts can be derived. At the same time, as negotiations proceed around the follow-on regime to the Kyoto Protocol, the opportunities to link sellers of carbon credits to buyers will become clearer and more straightforward.

5. FINANCIAL REPORT

PROJECT 00062377	
SPANISH FUNDS 2	
Activity	2009 Expenses
	Total US\$
Capacities of the public and private sector in selected LAC countries to participate in the CDM under a new international agreement on Climate change are enhanced through the Carbon 2012.	218,915.97
Total Expenses for Spanish Funds 2	218,915.97
UNDP TRAC FUNDS	
Activity	2009 Expenses
	Total US\$
Enhance Public and private sector capacity to understand and develop CDM projects	26,152.66
Develop, Approved and maintain a CDM pipeline.	278.37
Capacities of the public and private sector in selected LAC countries to understand, develop and maintain CDM projects are enhanced through the leveraging carbon finance for sustainable development LCF initiative	53,568.97
Total Expenses for UNDP TRAC Funds	80,000.00
UNDP TRAC FUNDS	80,000.00
SPANISH FUNDS 2	218,915.97
Total Expenses 2009	298,915.97



APPENDICES

List of acronyms

Regional project	The Carbon 2012 Programme
MDG	Millenium Development Goals
MDG CF	MDG Carbon Facility
DNA	Design National Entity
UNDP	United Nations Development Programme
UNEP	United Nations Environmental Programm
RBLAC	Regional Bureau for Latin America and the Caribbean
ECLAC	Economic Commission for Latin America and the Caribbean
UNDP CO	United Nations Development Programme Country Office
UNDP RSC LAC	United Nation Development Programme regional Service Center Latin America and the Caribbean
MRV	Measurement, Reporting, and Verification
CER	Certified emissions reductions
