

# **LAC REGION PARTICIPATION IN THE INTERNATIONAL CARBON MARKET**

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## **THE LAC REGION IN THE CLIMATE CHANGE NEGOTIATIONS**

The Fifth Conference of the Parties (COP5) to the United Nations Convention on Climate Change (UNFCCC) was held in Bonn, Germany from October 25 to November 5, 1999. The meeting was attended by representatives of 166 countries, and observers from non-governmental organizations and industry associations.

On the agenda was the continuing effort to hammer out the details necessary to implement the 1997 Kyoto Protocol. Last year's COP meeting, in Argentina, concluded with the Buenos Aires Plan of Action, a process roadmap for taking decisions on the details necessary to implement the Kyoto Protocol by 2000. In contrast to COP4 held in Buenos Aires in 1998, COP5 was of a procedural nature. COP5 established a clear decision process and a definite timeline for most of the issues contained in the Buenos Aires Action Plan.

Although the expectations for COP5 were low, the Conference was surprising in its overall tone of commitment. Parties made clear their commitment to abide by the deadline of COP6<sup>1</sup> for design issues, as well as to take on an accelerated work program, which prepares the challenging decisions for COP6. Most surprising of all were Parties' expressions of interest for the Kyoto Protocol to be ratified by 2002, the tenth anniversary of the Earth Summit. In order for the Protocol to go into force it needs to be ratified by 55 countries representing 55% of the emissions of Annex I. Currently only 16 countries have ratified the Protocol. None of these countries are members of Annex I.

COP5 addressed several issues, which are of particular importance to Latin America and the Caribbean.

### **AIJ Pilot Phase**

1995 saw the beginning of an Activities Implemented Jointly (AIJ) pilot phase, which would end no later than the end of the decade. However, as the rules of the CDM are still under discussion, there could have been an undefined gap between the two mechanisms, had the pilot phase finalized before the beginning of the CDM.

While some countries hold that prolonging the pilot phase also prolongs the uncertainties that impede investment in new projects, most Latin American countries favor its continuation until the CDM is operational. By continuing the pilot phase, Parties hope to promote learning in countries that have not yet participated. COP5 took a decision to extend the AIJ pilot phase beyond the end of the present decade.

Latin America has 26 projects approved by the USJI under the AIJ pilot phase. How to transition from the AIJ pilot phase (without crediting) under the Framework Convention to projects with crediting under the Kyoto Protocol remains a difficult procedural issue. Most of Latin America, the U.S., the European Union and others continue to push for crediting of pilot projects, yet chose not to push for specific language in the final COP-5 decision on AIJ. While all parties oppose crediting of pilot phase activities before 2000, most support crediting of

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<sup>1</sup> COP6 will be held November 13-24, 2000, in The Hague, Netherlands.

activities *after* 2000 if they meet future CDM criteria. Current language does not explicitly preclude crediting under the CDM of existing or new AIJ pilot phase projects.

### **Clean Development Mechanism**

The Buenos Aires Action Plan calls for the development of the three “flexibility mechanisms”: trading, Joint Implementation and the Clean Development Mechanism. The CDM is of most interest to the Latin American and Caribbean countries, as it is the only one which developing countries can access.

At COP-5, discussions on the flexibility mechanisms were successful in producing an agreed work plan to formulate a draft text before COP-6 that will be the basis for further negotiations. A considerable effort was made to conclude a draft negotiating text during COP-5 but was hindered by developing countries, which wanted more time to make proposals on how the mechanisms should operate. Nonetheless, the ultimate decision to consider a draft text by June 2000, with a view toward taking decisions on all mechanisms at COP6, opens the possibility for the CDM to be operational by 2001.

Latin American and Caribbean countries support an early operation of the CDM, as established by the Protocol itself. The region is united in its approach to key design issues:

- The contribution to sustainable development shall be determined by the non- Annex I country in which the project is implemented.
- Non-Annex I countries shall be allowed to formulate, finance and implement CDM projects, placing the emerging certified emission reductions on the market once the project is operational.
- The baseline shall be established project by project.
- AIJ projects shall not be excluded from being presented to the CDM .

There is however, a divergence of opinion among the LAC countries about recognition of credits in an AIJ/CDM transition. Some countries are of the opinion that credits emanating from current AIJ projects eventually accepted under the CDM should be recognized as of the beginning of the year 2000, the date established by the Kyoto Protocol. Other countries argue that recognition of credits from current projects should start only at the point when CDM rules and procedures have been established. The issue shall be decided at COP6.

### **Inclusion of land use change and forestry projects in the CDM**

The major rift in the LAC position is on the inclusion of land use change and forestry (LUCF) projects in the CDM.

Emissions from LUCF account for approximately 22% of total anthropogenic sources of greenhouse gases. The Kyoto Protocol addresses the issue of greenhouse gas emissions from land-use change and forestry in Articles 3.3, 3.4 and 3.7, within the context of the quantified emission reduction commitments of Annex I countries. The articles mention three LUCF activities (afforestation, reforestation, and deforestation) but are vague on the definitions that will

be used for each of these activities. The articles also leave undefined which additional LUCF activities will be considered as part of Annex I commitments.

Article 12 of the Kyoto Protocol (the Clean Development Mechanism) does not explicitly include nor exclude LUCF projects in the CDM. Brazil and Peru are opposed to the inclusion of LUCF in the CDM, arguing difficulties in measurement and lack of permanence in carbon sequestration. They prefer for the CDM to focus exclusively on energy and transportation projects. The issue has been frequently debated in Latin America, with the result that Brazil recently expressed its agreement to including reforestation, but not conservation, in the CDM.

Most of the other LAC countries favor including all LUCF activities in the CDM. At COP5 the following countries made statements about their interest in all forestry-based projects: Chile, Argentina, Bolivia, Colombia, Costa Rica, The Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, and Uruguay. (See Appendix I, FCCC/SB/1999/MISC.10/Add.3)

In order to have a scientific basis with which to resolve the LUCF issues, the COP requested a special report from the Intergovernmental Panel on Climate Change. The IPCC presented its first findings at COP5. The final version of the report is due in the Spring of 2000. The report will be discussed at the technical level meetings planned for 2000, with a view toward a decision at COP6.

### **Capacity Building**

The call for climate change capacity building in developing countries has increased since the signing of the Kyoto Protocol, and the immanence of the international carbon market. Although the request has been most vehement in the African region, the LAC region has also expressed a need for technical training in carbon quantification and project preparation.

The UNFCCC Secretariat has asked for specific requests to be made within the framework of non-Annex I communications. These will be compiled and presented to Annex I countries at the next negotiating session.

The following document is a country-by-country inventory of interest and participation in the international carbon market. These individual analyses make it plainly evident that there are two immediate capacity building needs in the region:

- Technical cooperation in the formation of national AIJ/CDM offices;
- Financial resources for the operation of national AIJ/CDM offices.

Latin American countries not mentioned below have not been particularly active in the climate change arena.

## ARGENTINA

### UNFCCC Focal Point

#### Contact information

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### National CDM/AIJ office

#### Background

Argentina has legally established an office of Joint Implementation in the Ministry of Natural Resources and Sustainable Development. However, the recently inaugurated administration has promised to eliminate the Ministry of Natural Resources. The destination of the JI office is unknown.

#### Contact information

Not available at this time.

#### Staff

#### Technical capacity

#### Budget

#### Influence on decision-making

#### Approved Projects

- Capex, SA Electric Generation Project
- Landfill Gas Management in Greater Buenos Aires

### **Future needs**

Argentina has national technical and policy capacity, however, they require financial assistance to create and support more positions in the climate change area.

### **Special needs and interests in climate change at the National level**

In Argentina there are several Ministries that work closely in climate change issues. The Ministry of Foreign Relations, International Trade, and Culture is responsible for the negotiations of the UNFCCC and the Montreal Protocol. The General Directorate within the Ministry coordinates actions with the regional Latin American and Caribbean group, with the G-77 and China group, and the Valdivia group (Southern Hemisphere group with coordinates on environmental issues). The office of International Cooperation is the focal point for the Global Environment Fund (GEF).

The Energy and the Agriculture, Livestock and Fisheries Ministries, follow the climate change debate from their respective perspective. They are also indirectly involved in the international negotiations.

Argentina has finished its national greenhouse gas inventory. Recently it has undertaken the task of baseline identification. The private sector has already participated in project development and implementation, approved by the USIJI. Also, much of the scientific services are developed through institutions such as the National Meteorological Service (charged with studying climate change and recording data changes), and the Naval Hydrography Service (through the "Global Sea Level Observation System" program). The latter institution is responsible for monitoring sea level changes. However, Argentina is unable to carry out all these activities on a constant basis, due to financial scarcity. Argentina is also part of the Inter-American Institute for Research on Climate Change (IAI). This is an institute that was created to provide a network among institutes in the Americas to research different perspectives of climate change. While the funding is limited, it does provide regional support.

### **Political position on climate change at the international level**

Argentina was the first non-Annex I country to voluntarily announce its intent of taking on emission reduction commitments. At the Fourth Conference of the Parties in 1998 President Menem made the intent public. Accordingly, at the Fifth Conference of the Parties in Bonn, Argentina announced its target of a 2-10% emission reduction from the projected emission level during the first commitment period, determined by the average GDP growth during those years. The reduction commitment is different in quality from the reduction commitment of Annex I countries, as there is no pre-established baseline year, but rather reference points of projected growth scenarios. Argentina is requesting a "third option" within the Kyoto Protocol, as it would neither enter Annex I nor remain without reduction obligations as non-Annex I. The new government of Argentina will decide with what vehemence the country pursues the third option within the climate change negotiations.

On the flexibility mechanisms, Argentina originally subscribed to the G-77 and China position.

However, the recent announcement declares interest in accessing and using all mechanisms of the Protocol, a position not shared by any other non-Annex I country.

(See Appendix II)

## **BOLIVIA**

### **UNFCCC Focal Point**

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### **National CDM/AIJ office**

#### **Background**

The National Program on Climate Change (PNCC) is currently executing the functions of a national CDM/AIJ office. This entity is in charge of supporting all technical aspects to implement the Convention and the Protocol of Kyoto, including providing technical research and information.

#### **Contact information**

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**Staff****Technical capacity**

The personnel of the PNCC is trained to develop the national inventories for GHG emissions, analyze the options for mitigation in the areas of energy, forestry, and agriculture, develop studies of vulnerability and adaptation to climate change in the areas of hydrological, agriculture and forestry resources. They are also trained to generate baselines with the support of simulation models.

The PNCC has already completed:

- The GHG emissions inventory of 1990 and 1994
- Analysis of vulnerability and adaptation to climate change in different economic sectors at the national level.
- Studies of climate scenarios
- Studies including mitigation options
- A national plan of action for climate change in the sectors of energy, forestry, and agriculture
- The first national communication (currently in its final stage) from a non-Anex I country.

**Budget**

The PNCC has received funding for the past five years from the U.S. EPA, the government of Holland, and the UNDP. However, these resources were project specific, and there is an urgent need for financial resources that will make the PNCC sustainable.

**Influence on decision-making**

The PNCC is the entity that provides the technical information for the policy development of the Bolivian government. However, a technical group on international relations that reports directly to the Minister, develops the government policies. Once the policies and decisions are made, these are communicated to the entity dealing with the issue in question, in this case the Inter-Institutional Committee on Climate Change.

**Approved Projects**

- Noel Kempff Mercado Climate Action Project
- Rural Solar Electrification in Bolivia: Pilot Phase

**Future needs**

The PNCC is in great need of financial resources. The office needs to gain support in order to fulfill its tasks in the coming years. The previous funding was project based and these projects are in their final stages. The office needs resources to maintain its personnel and recruit new ones, in order to cover other areas important to the development and implementation of Bolivia's participation in the Convention and the Kyoto Protocol.

**Special needs and interests in climate change at the National level**

Bolivia is studying the possibility of establishing voluntary targets, as long as the international community includes forestry-based projects within the CDM. Bolivia has been an important proponent of including Land-Use, Land-Use Change and Forestry projects in the CDM.

**Political position on climate change at the international level****The mechanisms**

Bolivia adhered to the official G-77 and China position on the flexibility mechanisms.

(See Appendix II)

## **BRAZIL**

### **UNFCCC Focal Point**

#### **Contact information**

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### **National CDM/AIJ office**

#### **Background**

Brazil does not currently have a separate office for CDM/AIJ issues. However, Brazil has one of the largest governmental climate change teams in Latin America. The agency in charge of climate change and carbon mitigation issues is the Ministry of Science and Technology.

#### **Contact information**

As above.

#### **Staff**

The Ministry has a total of 14 direct staff members working on climate change issues. Eleven of those are in the office in Brasilia and there are three others working from the offices in Rio de Janeiro.

#### **Technical capacity**

The Ministry has a wide range of technical capacity, which includes scientists, policy makers and administrators addressing the climate change issue.

#### **Budget**

The Ministry of Science and Technology receives funding from the public and the private sector. During 1999, they received funding from the Global Environmental Fund (GEF), IBAMA/ELETRONBRAS. For the year 2000 they will obtain funding from the national budget, the GEF/USCS, and other private funding.

**Influence on decision-making**

The MCT is the ministry responsible for technical assessment of the Brazilian position in the climate change negotiations and MCT holds the presidency of the Inter-ministerial Commission on Global Climate Change established by Decree on July 7, 1999.

**Approved Projects****Future needs**

Brazil would require the most help in the following areas:

- Preparation of inventory
- Development in the flexible mechanisms
- Compliance
- Land-use change and forestry
- Climate change modeling
- Vulnerability
- Education and awareness.

**Special needs and interests in climate change at the National level**

At the national level, Brazil has special needs and interest in the areas of carbon inventory, CDM development, and climate change awareness.

**Political position on climate change at the international level**

Brazil adhered to the official G-77 and China position on the flexibility mechanisms.

(See Appendix II)

## CHILE

### UNFCCC Focal Point

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### National CDM/AIJ office

<b>Background</b>  Chile does not have an AIJ/CDM office. Chile is trying to define the institutional development the country will need to best utilize the flexibility mechanisms. The National Commission for Environment (CONAMA) is the national focal point and as such it is currently in charge of all climate change activities in Chile.
<b>Contact information</b>
<b>Staff</b>
<b>Technical capacity</b>
<b>Budget</b>
<b>Influence on decision-making</b>
<b>Approved Projects</b> <ul style="list-style-type: none"><li>• Wind Energy Project</li></ul>
<b>Future needs</b>  Chile needs institutional capacity building and technical assistance to develop climate change activities in the country.

## **Special needs and interests in climate change at the National level**

CONAMA and the Ministry of Foreign Relations, coordinate the elaboration of national proposals to be submitted to the UNFCCC Secretariat on all the issues covered in the Climate Change Convention and the Kyoto Protocol.

## **Political position on climate change at the international level**

### **The mechanisms**

Chile submitted a position on Articles 6, 12, and 17 (Appendix III) which included the following major points:

- Support AIJ projects moving into the CDM
- Continue the AIJ process
- Require that developing countries receive assistance
- Projects need to be actualized
- The intention of CERs must be stated
- Additionality must be baseline based

### **Adaptation**

Chile does not support the CDM being responsible for administering the adaptation funds for developing countries. Instead Chile proposes that the Financial Mechanism of the Convention (GEF) should administer such funds.

(See Appendix III)

## COLOMBIA

### UNFCCC Focal Point

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### National CDM/AIJ office

<p><b>Background</b></p> <p>Colombia is currently in the process of developing an AIJ/CDM office. It is intended to be operational in the first semester of the year 2000. The effort is being lead by the Office of Economic Analysis of the Ministry of the Environment.</p>
<p><b>Contact information</b></p> <p>Dr. Thomas Black Ministerio del Medio Ambiente Calle 37 #8 – 40 Piso 4 Bogotá, Colombia Tel: 571/ 340-6279 Fax: 571/ 288-9540</p>
<p><b>Staff</b></p> <p>Not Applicable</p>
<p><b>Technical capacity</b></p> <p>In preparation for the functioning of an AIJ/CDM office, Colombia is currently undertaking the National Strategy Study of the World Bank. In parallel, Colombia has organized capacity building workshops in baseline determination, quantification methodologies, and design of forestry projects. The outreach process has awakened the interest of a broad range of stakeholders in both the private and the public sectors.</p>
<p><b>Budget</b></p> <p style="text-align: right;">Not Applicable</p>

### **Influence on decision-making**

The Ministry of Environment is highly involved in the negotiations of national and international policies on climate change issues.

### **Approved Projects**

The first Colombian project has been nationally approved and is currently under review on the part of USJI.

### **Future needs**

Colombia needs financial support to develop the AII/CDM office. Colombia also needs financial and technical support for the implementation of the Kyoto Protocol at the national level, in the following areas:

Implementation of the Office of Climate Change in Colombia, which would concentrate on inter-institutional workshops, design and legal viability.

Capacity Building: Second phase for tutoring project development. This program organizes seminars with international experts in the area of project development, the CDM, baselines, trading, leakage, etc. This program also develops guides for formulation, and it organizes workshops for project development for incrementing the Colombian portfolio.

Finally, Colombia needs support in the area of research application. This focuses on establishing national baselines in the forestry area and sectoral baselines in the energy sector.

## **Special needs and interests in climate change at the National level**

The Ministry seeks to maximize the environmental, economic, and social benefits that the Kyoto Protocol can provide for the country. To do this, Colombia supports the idea that projects that reduce GHG emissions, in any sector must be included in the CDM, but specifically for Colombia, land-use, land-use change, and forestry (LUCF) projects should be included.

## **Political position on climate change at the international level**

The following are included in Colombia's most recent National Communication:

- Colombia will implement the CDM after COP-6 in the year 2000
- Colombia strongly supports the inclusion of LUCF projects into the CDM
- Criteria for sustainable development should be defined by the host country
- The CDM should include a unilateral formulation to minimize risks and maximize participation
- Free trade in secondary markets for CERs
- Minimize costs of transactions associated with international institutions

- Complementarity limits should be voluntary for Annex I countries
- Optimize compensation opportunities of the Kyoto Protocol to export carbon
- Equal treatment among the three flexibility mechanisms
- Promote financial support for vulnerability and adaptation

## **COSTA RICA**

### **UNFCCC Focal Point**

#### **Contact Information**

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### **National CDM/AIJ office**

#### **Background**

The Costa Rican Office on Joint Implementation (OCIC) was established in 1995 through a cooperation agreement signed among the Government, the non-governmental and the private sector. This agreement was subscribed by the Ministry of Environment and Energy (MINAE), the Coalition of Development Initiatives (CINDE), the Foundation for the Development of the Central Volcanic Mountain Range (FUNDECOR), and the Costa Rican Association of Energy Producers (ACOPE).

The OCIC is the national entity that promotes investment, provides the general guidelines, evaluates and does follow-up on AIJ projects, makes reports to the Secretariat of the UNFCCC and represents the Costa Rican government in the climate negotiations within the UNFCCC and other multilateral and bilateral organizations.

To legally consolidate this initiative, in 1996 the OCIC was elevated to the rank of “maximum de-concentration office” of the Ministry of the Environment. This ranking allows technical and administrative autonomy for the Office.

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**Staff**

The OCIC has a team composed of a Director, a Manager, a Forestry Engineer, and a Legal Counsel. The team, due to its wide range of expertise, allows the office to have the technical capacity necessary to develop and implement projects and to provide policies for the consideration of the government.

**Technical capacity**

The OCIC is highly involved in the process of policy making at the national and international level on climate change issues. The personnel is highly qualified at the technical level as well, allowing the office to determine such things as targets, baselines, and caps on climate change whether it may be for project or policy development, nationally and internationally.

**Budget**

OCIC is run on a combined budget, the result of public sector funding, and in-kind contributions from the private sector and a leading NGO.

**Financial Instrument**

In 1996 a financial instrument was designed for the international commercialization of greenhouse gas emission reductions, known internationally as CTO (Certifiable Tradable Offset). CTOs are a determined quantity of greenhouse gas emission reductions, expressed in equivalent units of Carbon, which have been reduced or compensated through AIJ projects implemented in Costa Rica, and which have been reported to the Secretariat of the UNFCCC. Costa Rica has sold CTOs internationally and is currently negotiating further sales.

**Influence on decision-making**

OCIC is responsible for the definition of climate change policy within the country. More importantly, however, OCIC has been the single most influential entity in the development of the AIJ pilot phase and the CDM at the international level. OCIC has pioneered every aspect of the carbon offset concept years before the UNFCCC considered the topic. History shows that many international definitions have been highly influenced by the OCIC experience.

**Approved Projects**

Since 1995, Costa Rica has been able to develop four forestry and four energy projects during the pilot phase, all reported to the Secretariat of the UNFCCC.

- Aeroenergia SA Wind Facility
- Dona Julia Hydroelectric Project
- ECOLAND: Piedras Blancas National Park
- Klinki Forestry Project
- Plantas Eolicas SRL Wind Facility

- Territorial and Financial Consolidation of Costa Rican National Parks and Biological Reserves
- Tierras Morenas Windfarm Project

#### **Future needs**

### **Special needs and interests in climate change at the National level**

Costa Rica is particularly interested in the rigor with which climate change projects are implemented. It is the only non-Annex I country that has attained international certification of an AIJ project.

### **Political position on climate change at the international level**

#### **The mechanisms**

Costa Rica submitted a national position on Articles 6, 12, and 17 to the UNFCCC Secretariat. The submission includes the following statements: (For more detail see attached Appendix IV).

- Sinks should be included in the CDM.
- The trading of CERs should operate under a portfolio framework.
- The certification process should be independent.
- Once certified, the baseline must remain static through a project's life cycle.
- Additionality must be independently calculated for each project
- Projects under the AIJ pilot phase should be able to become CDM projects.

Through the CDM, the Parties should be able to accomplish up to 25% of its assigned amounts goals.

#### **Adaptation**

In its submission to the Secretariat on Articles 6, 12, and 17, Costa Rica recommends that a 3% of the market value of the emission reductions must be used to cover the administrative costs for the Executive Board of the CDM.

The cost of adaptation must be shared by all Parties, as long as Annex I countries assume a greater proportion.

(See Appendix IV)

## ECUADOR

### UNFCCC Focal Point

#### Contact information

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### National CDM/AIJ office

#### Background

Ecuador does not currently have an office for AIJ/CDM. The efforts to create an office are being lead by the Ministry of the Environment.

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#### Staff

#### Technical capacity

#### Budget

#### Influence on decision-making

The Ministry of Environment and Natural Resources is highly involved in the national and international policies in climate change.

#### Approved Projects

- Bilsa Biological Reserve

**Future needs**

Ecuador needs institutional building. They have offers for technical support to develop projects, but they have yet to develop their AIJ/CDM office. This area would further move along the project development and project implementation that the country so eagerly is taking on.

## **EL SALVADOR**

### **UNFCCC Focal Point**

#### **Contact information**

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### **National CDM/AIJ office**

#### **Background**

On the heels of the Kyoto Protocol, El Salvador was the first developing country to establish a national CDM office: the Salvadorian Office for Clean Development (OSDEL). This office was established by Ministerial Decree in 1998 and has governmental support to cover administrative costs. This office is currently defining the new institutional requirements necessary to meet the Kyoto Protocol and to establish a program that attracts investors for CERs in El Salvador.

#### **Contact information**

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**Staff**

There are two staff members assigned to the OSDEL. The Director and a specialist in Clean Development.

**Technical capacity**

Both staff members bring a wide range of expertise in the area of economics, sustainable development, and climate change issues such as joint implementation and the Clean Development Mechanism.

**Budget**

The only source of income of the OSDEL is that assigned from the national budget, through the Ministry of Environment. The budget only includes salaries for the two staff members.

This budget greatly limits the results that can be obtained. Other sources of funding that have been requested did not come through in a timely manner in order to support the establishment of the office and all its activities.

**Influence on decision-making**

This office is influential in the negotiations at the national and international levels in all areas of climate change, specifically with those related to the flexibility mechanisms in the Kyoto Protocol.

With the new Plan of the Government “The New Alliance”, there exists a strong inter-institutional cooperation among the Ministries. The OSDEL also follows this policy.

**Approved Projects**

- CESSA Cement Energy Efficiency Project

**Future needs**

The OSDEL needs to strengthen its offices with financial resources and personnel in different areas of specialization. For example, the office requires a specialist in energy and a specialist in the forestry sector to work full time. These areas are currently covered through institutional support through the MARN; however, the support is limited since it can only be provided part time.

El Salvador also needs to provide studies and documentation such as: an inventory in the forestry sector and a balance sheet in the energy sector. However, due to the limited resources these have not yet been accomplished.

## **Special needs and interests in climate change at the National level**

The OSDEL has requested financial assistance from the World Bank for a total of \$250,000 for institutional strengthening and effective application of the flexibility mechanisms of the Kyoto Protocol. However, these funds have not materialized. The funding was requested for the following activities: definition, responsibility and work content for the CDM focal point (manual of organization, manual of proceedings, monitoring, and implementation of projects), also, capacity building for the private sector in project development, trading, carbon financing, implementation of projects and evaluation.

Assistance such as this would allow the OSDEL to continue its work in the following already initiated areas:

- Proposed institutional framework for the implementation of the CDM
- Eligibility criteria
- Preliminary survey to determine the eligibility of the projects
- Identification of projects available in the energy and forestry sectors
- Project evaluation format
- Procedures to present and evaluate projects.

El Salvador also participates in the process of the Central American Commission of Environment and Development (CCAD), which coordinates meetings among member countries, so that these may create policies where they reach consensus, to be submitted internationally.

## **Political position on climate change at the international level**

El Salvador adhered to the official G-77 and China position on the flexibility mechanisms.

(See Appendix II)

## **GUATEMALA**

### **UNFCCC Focal Point**

#### **Contact information**

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### **National CDM/AIJ office**

#### **Background**

With technical support from CSDA, Guatemala created the Guatemalan Office for Activities Implemented Jointly (OGIC) in 1996. Its purpose is to actively promote investment opportunities in environmental projects related to climate change and carbon mitigation. OGIC is a technical and executive office with the ability to propose policies, criteria, and formulate mechanisms to evaluate and approve the reduction or sequestration of greenhouse gases. In addition, OGIC has the mission to promote and market projects.

OGIC was created by the government, and is composed of representatives from: the Guatemalan Ministries of Energy, Agriculture, and Environment, Universidad del Valle, ASOREMA (NGO), and FUNDESA (a private development foundation).

#### **Contact information**

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OGIC  
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4° Nivel Of. 402  
Guatemala 01010 Guatemala  
Tel: 502/332-7952  
Fax: 502/332-7958

<p><b>Staff</b></p> <p>There are only two staff members. However, OGIC relies on external support from the different organizations that contributed to its development. This has allowed the OGIC to gain the technical support necessary to implement their goals and objectives, and they continue to do so.</p>
<p><b>Technical capacity</b></p> <p>OGIC has developed a procedural manual for project evaluation. The office does not generate projects; instead it is in charge of promoting the process and providing guidance and facilitating those interested in developing projects.</p>
<p><b>Budget</b></p> <p>OGIG has been functioning thanks to the support offered by the private sector entity FUNDESA. However, OGIC has just received approval of a World Bank grant, which will provide basic operational funds for a period of two years.</p>
<p><b>Influence on decision-making</b></p> <p>The OGIC office contributes to the national and international policies on climate change, and it contributes with its experience, making their expertise very influential in the negotiations.</p>
<p><b>Approved Projects</b></p> <ul style="list-style-type: none"> <li>• Matanzas Hydroelectric Project</li> <li>• Santa Teresa Hydroelectric Project</li> <li>• The Rio Hondo II Project</li> </ul>
<p><b>Future needs</b></p>

### **Special needs and interests in climate change at the National level**

<p>Guatemala has engaged in a national plan to address climate change. The following are the national goals of Guatemala's plan:</p> <p>Create national capacity to analyze, research and prevent climate change.  Increase national awareness of the impacts of climate change.  Improve the understanding of greenhouse gas sinks and sources.</p> <p>In order to accomplish such goals, the government of Guatemala plans to elaborate their greenhouse gases inventory, as obligated by the UNFCCC. In the area of research they will evaluate the potential impacts of climate change in Guatemala and will analyze the possible means to reduce GHG emission growth.</p>
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Within the Guatemalan government, several ministries actively participate in the area of climate change policy and project development. The Ministry of Energy and Mines, is in charge of the policies related to developing energy projects that are environmentally sustainable. This includes policies on energy efficiency as well as renewable energy.

The Ministry of Foreign Affairs in Guatemala represents the environmental policy at the international level. The agenda of this Ministry has increasingly focused on all the environmental concerns in their foreign policy to support environmental effort at the national, regional, and global level.

Finally, Guatemala research technical centers, universities, NGOs, and the private sector also contribute directly or indirectly to policy making in the climate change arena. These organizations contribute by offering knowledge, scientific data, project implementation, etc. Two major organizations highly involved in contributing to Guatemala's national and international policy making in climate change are the Instituto de Sismología, Vulcanología, Meteorología e Hidrología, CACIF through la Fundación para el Desarrollo de Guatemala, (FUNDESA) through the Oficina Guatemalteca de Implementación Conjunta – OGIC, and La Asociación Nacional de Organizaciones de los Recursos Naturales y Medio Ambiente (ASOREMA).

## **Political position on climate change at the international level**

### **The mechanisms**

Guatemala was and will continue to be active in the pilot phase of activities implemented jointly. The Clean Development Mechanism is seen as an opportunity to attract foreign investment while achieving sustainable development through environmentally friendly projects.

While Guatemala supports using the mechanisms as a means of developing countries meeting their assigned amount targets, there are several issues which are of particular importance to Guatemala:

- The host country must define sustainable development.
- The National Operational Entity will establish the criteria for evaluating the projects.
- Each Party will define its own baseline.
- The host country will negotiate the trading of their CERs.

**Adaptation**

In the adaptation policies, Guatemala supports the following:

A percentage of the CERs should be used to go into “the adaptation fund”

The methodology that will be used to trade CERs, will need to be decided by COP-6.

At COP-6 the Parties will need to decide how the CERs will become financial resources for the most vulnerable countries.

(See Appendix V)

## **HONDURAS**

### **UNFCCC Focal Point**

#### **Contact information**

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Sr. Ministro del Ambiente  
Ministerio de los Recursos Naturales y del Medio Ambiente  
P.O. Box 4710  
Tegucigalpa, Honduras  
Tel: 504/ 237-5725  
Fax: 504/237-5726

### **National CDM/AIJ office**

#### **Background**

Honduras has developed the Oficina de Implementación Conjunta, which opened its doors to the public, on December 16, 1999. However, the office has been active since November 15, 1999.

#### **Contact information**

Sergio Zelaya  
Director Ejecutivo  
La Oficina de Implementacion Conjunta y Mecanismo de Desarrollo Limpio de Honduras (OICH)  
  
Tel: 504/ 239-3631 or 232-1579  
Fax: 504/  
E-mail: oich@sdnhon.org.hn

<p><b>Staff</b></p> <p>There are currently five members working full time in the OICH. The Executive Director whom has a PhD in Environmental Economics and has experience in the private and public sectors. There is also an expert in energy, an expert in market and business administration, an expert in forestry and an administrative assistant.</p>
<p><b>Technical capacity</b></p> <p>The new OICH office has the necessary technical capacity to carry out many of its goals. While the office is young, they have developed initial technical studies for the Secretariat of Natural Resources and Environment. Currently, the OICH is developing the Institutional Strategic Plan of Action, to be executed during the years 2000-2001.</p>
<p><b>Budget</b></p> <p>The current budget covers overhead, fixed investment, and operational costs. The funding has come through a bilateral agreement between Honduras and Canada.</p>
<p><b>Influence on decision-making</b></p>
<p><b>Approved Projects</b></p> <ul style="list-style-type: none"> <li>• Bio-Gen Biomass Power Generation Project, Phase I</li> <li>• Bio-Gen Biomass Power Generation Project, Phase II</li> <li>• Solar-Based Rural Electrification</li> </ul>
<p><b>Future needs</b></p> <p>The OICH needs further financial support for capacity building, for national and international consulting, for services for submitting projects to certifying international organizations, and for attending forums and international negotiations.</p>

### **Special needs and interests in climate change at the National level**

<p>Honduras has been involved in the international negotiations for climate change from the beginning of the process. The main objectives for climate change at the national level are:</p> <ul style="list-style-type: none"> <li>• To begin the process of formulation, negotiation, design, and implementation of projects that fall under the pilot phase of AIJ and future CDM.</li> <li>• To define the legal framework for agreements and implementation procedures for AIJ and CDM projects.</li> </ul>
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## **Political position on climate change at the international level**

### **The mechanisms**

Honduras adhered to the official G-77 and China position on the flexibility mechanisms.

(See Appendix II)

## MEXICO

### UNFCCC Focal Point

#### Contact information

S.E. Sra. Julia Carabias Lillo  
Secretaría de Medio Ambiente y Recursos Naturales  
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México D. F., México  
Tel: 52-5/628-0650  
Fax: 52-5/628-0653

### National CDM/AIJ office

#### Background

Mexico plans to develop its office in the year 2000. Meanwhile, the entity that handles climate change issues is the Instituto Nacional de Ecología.

#### Contact information

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Directora de Cambio Climático Global  
Instituto Nacional de Ecología  
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Col. Tlacopac San Angel  
Del. Álvaro Obregón  
C.P. 01040, México D.F.  
Tel: (52 5) 624-35-46  
Fax: (52 5) 624-35-93  
email: [jmartine@ine.gob.mx](mailto:jmartine@ine.gob.mx)

#### Staff

#### Technical capacity

#### Budget

#### Influence on decision-making

#### Approved Projects

- APS/CFE Renewable Energy Mini Grid Project

- Community Silviculture in the Sierra Norte of Oaxaca
- Project Salicornia: Halophyte Cultivation in Sonora
- Scolel Te: Carbon Sequestration and Sustainable Forest Management in Chiapas

**Future needs**

**Special needs and interests in climate change at the National level**

Mexico has developed two workshops through its national program on climate change. These workshops have served to develop Mexico's inventory of GHG emissions in the energy and forestry sectors. Mexico has demonstrated a strong interest in mitigation through reforestation.

Mexico has also developed different climate change scenarios at the global, regional, and national levels. At the national level, they have also developed different GHG emission scenarios, which have allowed the analysis of the economic implications in the industry sector. These analyses have impacted the national policies on environmental and climate change issues.

Mexico's vulnerability to climate change has been analyzed at the following levels:

- Industry and energy
- Human settlement
- Agriculture
- Hydrological resources
- Forest and ecosystems
- Coastal areas

(Appendix VI)

## NICARAGUA

### UNFCCC Focal Point

#### Contact information

Mario José Torres Lezama  
Director  
Ministerio del Ambiente y Recursos Naturales  
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Managua, Nicaragua  
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Fax: 505/233/4690

### National CDM/AIJ office

#### Background

With the support of the government of Finland, the government of Nicaragua developed a plan to initiate the country's AIJ/CDM office in 1998. Due to some funding issues, the office has been unable to open its doors, as the funds for supporting the personnel necessary during the first two years are insufficient.

The Ministry of Environment and Natural Resources is responsible for carrying out the policy issues as well as project development, approval, and implementation. Recently, the government of Nicaragua has received some funding from the government of Norway to enable climate change activities. This project will attempt to increase local capacities by providing a network of institutions that can offer the technical expertise necessary to implement projects, provide investment expertise, and create policies nationally and internationally.

#### Contact information

Same as the National Focal Point.

**Staff**

The Ministry of Environment and Natural Resources has a team of five nationals and five internationals working on climate change issues. These individuals create technical expertise as well as support for carrying out activities related to the Convention as well as the Kyoto Protocol. However, these individuals are not full time.

**Technical capacity**

Nicaragua has a strong team of individuals, however, they lack the funding necessary to carry out all the activities for the AIJ/CDM future office.

**Budget****Influence on decision-making**

The representative for the National Focal point is involved in all the national and international policy development for climate change issues.

**Approved Projects**

- El Hoyo-Monte Galan Geothermal Project (this project has since been cancelled)

**Future needs**

Nicaragua needs funding for the salaries of the personnel for the AIJ/CDM office during the first two years of operation. The government is committed to maintaining the office after the first two years by including specific funding in the national budget for the following fiscal years.

**Special needs and interests in climate change at the National level**

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**Political position on climate change at the international level**

Nicaragua adhered to the official G-77 and China position on the flexibility mechanisms.

(See Appendix II)

## PANAMA

### UNFCCC Focal Point

#### Contact information

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ANAM (Autoridad Nacional del Ambiente)  
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Paraiso, Ancon  
Panama, Rep de Panama  
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### National CDM/AIJ office

#### Background

Since November 1998 CSDA has been offering technical support to the National Authority for Environment (ANAM) for the establishment of the national AIJ/CDM office. The Panamanian Foundation of Environmental Services (FUPASA) was started in 1999 as a private non-profit organization.

#### Contact information

Enidd Sopalda  
Coordinadora Tecnica, FUPASA  
Autoridad Nacional del Ambiente  
[ipimen@sinfo.net](mailto:ipimen@sinfo.net)

#### Staff

FUPASA will have an Executive Director and a Technical Coordinator, as well as a forestry and an energy expert.

#### Technical capacity

#### Budget

FUPASA will need to search for financial resources in order to gain self-financing in the long term. The diversity of financial resources could come from the following:

- Tax deductible donations from the private sector
- In kind support from the member institutions that form the Board of Directors
- Grants from the multilaterals: IDB, World Bank, USAID, UNDP, etc

- Service fees

### **Influence on decision-making**

FUPASA will be in charge of coordinating the National Communications for the Secretariat of the Climate Change Convention. This will mean that FUPASA will be working very closely with the government officials in Panama's policy making on Climate Change issues.

FUPASA will also be involved in the coordination of all other activities related to climate change in Panama. The following include some of the initial objectives:

- Ensure that the national priorities on sustainable development are compatible with projects that reduce or halt GHG emission.
- Promote mitigation projects
- Position the country in the international carbon market through a strategic plan for marketing Panama's projects

### **Approved Projects**

- Commercial Reforestation in the Chiriqui Province

### **Future needs**

Panama will need the following in the future:

- Financial resources to hire new technical and administrative personnel
- Train the new personnel in order to evaluate climate change projects
- Equip the office
- Develop a portfolio of projects and identify the players in the international market
- Participate in international forums related to climate change

## **Special needs and interests in climate change at the National level**

Currently, Panama is exclusively interested in the CDM as it may relate to forestry-based projects. Energy and transportation may be included in the future.

One challenge that Panama will soon be facing is the adjudication of maritime bunker emissions. Having by far the largest flagged fleet in the world, Panama is particularly interested in the decision currently under discussion in the International Maritime Organization and the UNFCCC.

## **Political position on climate change at the international level**

**The mechanisms**

Panama adhered to the official G-77 and China position on the flexibility mechanisms.

(See Appendix II)

## **PARAGUAY**

### **UNFCCC Focal Point**

#### **Contact information**

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Viceministro de Recursos Naturales  
Subsecretaria de Medio Ambiente y Recursos Naturales  
Ministerio de Agricultura y Ganadería  
Tacuary 443 Edf. Patria  
Asunción, Paraguay  
Tel: (595-21) 49-3793  
Fax: (595-21) 44-017

### **National CDM/AIJ office**

#### **Background**

The Moisés Bertoni Foundation, a leading conservation NGO in Paraguay has taken an interest in climate change issues, and is endeavoring to promote the creation of a national AIJ/CDM office.

#### **Contact information**

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Moisés Bertoni Foundation  
Procer Carlos Arguello208  
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## PERU

### UNFCCC Focal Point

<b>Contact information</b>  Sra. Patricia Iturregui Presidente de la Comisión Nacional de Cambio Climático Consejo Nacional del Ambiente Av. San Borja Norte 226 Lima 41 Peru Tel: (511) 941-1999 Fax: (511) 225-5369
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### National CDM/AIJ office

<b>Background</b>  Peru does not currently have an AIJ/CDM office.
<b>Contact information</b>
<b>Staff</b>
<b>Technical capacity</b>
<b>Budget</b>
<b>Influence on decision-making</b>
<b>Approved Projects</b> <ul style="list-style-type: none"><li>• The Central Selva Climate Action Project</li></ul>
<b>Future needs</b>

### Special needs and interests in climate change at the National level

<p>Peru has developed a plan of action to deal with climate change issues for the years 1999-2004. This will be submitted to the following Ministries for consideration: the Ministry of Transport, Communication, Planning, and Construction, the Ministry of Energy and Mines, the Ministry of Industry, Tourism, Integration, and International Commercial Negotiations, the Ministry of Agriculture , and the Ministry of Economics and Finances.</p> <p>The National Council of Environment (CONAM) prepared the aforementioned plan with the</p>
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goal of establishing a cost effective program that will promote economic growth and avoid growth in GHG emissions. In order to implement this goal, CONAM has stated four important points: 1) create a national strategy to address climate change through an economic model; 2) create leadership in the aforementioned strategy; 3) to create a strategic alliance with key members prior to the CDM; and 4) prepare the necessary access to the CDM prior to its implementation.

### **Political position on climate change at the international level**

Peru submitted a national position on Articles 6, 12, and 17 to the Secretariat of the Climate Convention (attached). The following are some of the points stated in the submission:

#### **The mechanisms**

Adaptation should be included in all the flexibility mechanisms  
The mechanism must abide by the commitments stated in the Kyoto Protocol  
Baselines must be project by project, with a regional reference.

(See Appendix VII)

## **URUGUAY**

### **UNFCCC Focal Point**

#### **Contact information**

Sr. Luis Santos  
Dirección Nacional del Medio Ambiente  
Ministerio de Vivienda, Ordenamiento Territorial y Medio Ambiente  
Zabala 1440 –Planta Baja  
CP 11000 Montevideo, Uruguay  
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## **VENEZUELA**

### **UNFCCC Focal Point**

#### **Contact information**

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Ministerio de Relaciones Exteriores  
Esquina de Carmelitas Torre MRE  
Piso 14 1010  
Caracas, Venezuela  
Tel: (58-2) 862-8197  
Fax: (58-2) 83-1662

### **Political position on climate change at the international level**

#### **The mechanisms**

Venezuela submitted a national position on Articles 6,12, and 17 to the UNFCCC (attached).  
The following were the more outstanding issues stated in the submission:

The baselines should be made on a project-by-project basis and not a sectoral basis.  
The host country should define sustainable development  
There should be additional funds to help developing countries  
There should be economic and social feasibility studies included in the AIJ/CDM projects  
The host country should not be faced with additional costs.

(See Appendix VIII)

# **APPENDIX I**

**LUCF Statement made by several Latin American countries, and presented to the UNFCCC**

## **APPENDIX II**

### **UNFCCC Submission made by the G-77 and China on Articles 6, 12, and 17**

## **APPENDIX III**

### **UNFCCC Submission made by Chile on Articles 6, 12, and 17**

## **APPENDIX IV**

**UNFCCC Submission made by Costa Rica on  
Articles 6, 12, and 17**

# **APPENDIX V**

## **UNFCCC Submission made by Guatemala on Articles 6, 12, and 17**

# **APPENDIX VI**

## **UNFCCC Submission made by Mexico on Articles 6, 12, and 17**

# **APPENDIX VII**

## **UNFCCC Submission made by Peru on Articles 6, 12, and 17**

# **APPENDIX VIII**

## **UNFCCC Submission made by Venezuela on Articles 6, 12, and 17**