We would like to thank our Partner Sponsors:

Supported by

Federal Ministry for the Environment, Nature Conservation and Nuclear Safety
Carbon Finance Labs
CF Partners
INTERNATIONAL CLIMATE INITIATIVE (IKI)
VIVIDECONOMICS
LAUNCH EVENT & EXPERT WORKSHOP:
Carbon Pricing Landscape and Outlooks in Latin America

Hosted by

IDB
icap
IETA
Welcome Remarks & Introduction

Dirk Forrister
President & CEO
IETA
Carbon Pricing Landscape and Outlooks in Latin America

Presenters:

Stefano De Clara  
Head of Secretariat  
ICAP

Katie Sullivan  
Managing Director  
IETA
Status and Trends of Compliance and Voluntary Carbon Markets in Latin America
Achieving Goals of the Paris Agreement

- **Net-Zero Targets** adopted to date cover around 70% of global GHG emissions
  - But many are not yet supported by the near-term policies
- **Domestic Carbon Pricing** can be an essential part of these policy frameworks
- **Cooperation Initiatives** are emerging under the framework of Article 6
- **Private Actors** are engaging in voluntary carbon market activities to drive additional finance and mitigation.
A Typology of Carbon Markets and Demand
Three Mexican states have a carbon tax in operation, with another one taking steps to develop this policy.

Mexico has both a carbon tax and an ETS in operation. Offsets are allowed under both instruments. Offset protocols are under development for the ETS.

Joint Crediting Mechanism activities in Costa Rica.

Colombia has a carbon tax with an offsets component in place and is developing an ETS.

Peru recently signed the first bilateral agreement under the framework of Article 6 of the Paris Agreement with Switzerland.

Brazil has undertaken studies to consider CPI. Legislation is being discussed focusing on a domestic voluntary carbon market.

Chile has a carbon tax in place that includes offsets. The government is also considering the implementation of a compliance carbon market.

Argentina has a carbon tax in operation.

- **Carbon tax in operation**
- **Carbon tax under consideration/development**
- **ETS in operation**
- **ETS under consideration/development**
- **TPS under consideration/development**
- **Use of offsets for CPI**

Source: own elaboration
Implementing CPIs/carbon markets in Latin America

CPIs in Latin America fulfill environmental, as well as broader socio-economic objectives:

- Use of revenues of carbon taxes in Argentina and Colombia
- Use of offsets in the Colombian and Chilean carbon taxes
- Use of offsets in the Mexican ETS
Analysis and assessment of CPIs has been extensive – often involving stakeholders.

- International cooperation and experiences from other jurisdictions have helped inform this process.
CPIs can be implemented progressively to build capacities and improve design (such as the Mexico ETS pilot)...

...and actual implementation experience can and has helped improve CPIs already in operation (such as the carbon tax in Chile)
Voluntary Carbon Markets (VCM)

• **Multiple drivers for VCM participation (and growth)** including ESG commitments, investor demand, market differentiation, reputational or supply chain risks

• **Channels finance** to projects which deliver independently-verified mitigation action

• **Enables corporates and non-state actors to measurably achieve climate and net zero commitments** – complements internal decarbonization through use of verifiable carbon credits
LATAM VCM Regional Trends

• LATAM is currently the world’s 2nd largest provider of voluntary credits, with nearly 20% of the total global credit supply coming 2020 and 2021

• LATAM VCM Credit Issuances are increasing, accounting for ~25% of global issuances in Q2 2021 compared to 12% in Q2 2020

• Majority of LATAM Project Types are Nature-Based Solution (Forestry) and Renewable Energy
  • Future NBS supply set to increase in volume
  • Future Renewable Energy supply set to decrease in volume
VCM Transacted Sizes & Prices By Project Type

Source: Ecosystem Marketplace
LATAM Project Types (Credits Retired)

- REDD+
- Renewables
- Other NBS
Key Messaging & Conclusions

• LATAM is a growing hub of compliance and voluntary carbon market activity and innovation (including policy innovation).

• This decade will be a critical transition period for the VCM – and this will have impacts on LATAM climate investment flows.

• VCM growth not only expected alongside CPIs, but the VCM could play a critical catalytic and complementary role to LATAM compliance programs.

• Critical to send the right signals to corporates and investors to grow demand and create markets capably of driving high-integrity credit supply at scale.

• Advancing LATAM CPIs can be further accelerated through strong and robust regional carbon pricing and market cooperation.
Carbon Pricing Landscape and Outlooks in Latin America

Moderator:

Maria Netto
Financial Markets Principal Specialist
IDB

Respondents:

Luis Gilberto Murillo
Former Minister of Environment and Sustainable Development, Colombia and Scholar Professor at MIT

Mariama Vendramini
Director
EcoSecurities, Brazil
Closing Remarks

Susana Cordeiro Guerra
Manager, Institutions for Development
Inter-American Development Bank
We would like to thank our Partner Sponsors: