LATIN AMERICA AND THE CARIBBEAN CARBON MARKET OBSERVATORY INITIATIVE - ILACC

EDITORIAL

This third edition of the ILACC bulletin examines the discussions that took place during the 28th United Nations Conference of the Parties on Climate Change (COP28), analyzes the results of the conference, and considers its implications for the development of carbon markets in Latin America and the Caribbean (LAC). Whereas the first bulletin presented a global and regional overview of voluntary and regulated carbon markets, opportunities arising from COP27, and news related to the sector, and the second bulletin focused on ensuring the integrity of projects and assets in carbon markets, this edition explores how international commitments and technical innovations are influencing the evolution of carbon markets in LAC.

Among the most important outcomes of COP28 was the negotiation of the first "Global Stocktake," which will review progress toward climate goals and increase the ambition of national emissions-reduction targets designed to limit global warming to 1.5°C above preindustrial levels. For the first time, an official COP text explicitly declared the need to "transition away from fossil fuels." Another milestone was the creation of a Losses and Damages Fund to deal with the inevitable impacts of climate change. However, disappointingly little progress was made on the financing and carbon-markets agendas.

Outside the official negotiations, the land use and forestry sector received considerable attention. The Forest Conservation Fund was launched, led by Brazil, and new financial commitments were made to the Amazon Fund and to conservation efforts in Papua New Guinea, the Republic of Congo, and the Democratic Republic of Congo.

Discussions continued to focus on the need to guarantee the integrity of carbon credits and advance the regulatory agenda for carbon markets. Backed by enhanced transparency and accountability criteria, new integrity initiatives are gaining momentum both on the supply and demand sides. Meanwhile, Brazil has begun the process of approving a law that will establish a regulated emissions-trading system, marking a major step toward establishing the administrative framework for carbon markets.

Following the structure of previous ILACC bulletins, this edition presents an overview of voluntary and regulated carbon markets, both globally and in LAC, along with the latest data, articles on pressing subjects, an expert perspective, and a list of upcoming events. The articles in this edition examine the main outcomes of COP28, new developments in the integrity agenda for carbon credits, details of the Brazilian legislation on carbon markets, and carbon-pricing instruments that have been introduced as part of Argentina's climate policy. The expert perspective in this bulletin is provided by María Elisa Vollmer, Product Leader at Viridios AI, a company that uses cutting-edge analytical technology to enable carbon-market participants to make informed strategic decisions.

We hope this edition of the ILAAC Bulletin will contribute to a robust ongoing global discourse on carbon markets, and we welcome feedback from our readers. Correspondence may be directed to the contact points identified at the end of the report.

Sincerely!
ILACC Team

VOLUNTARY CARBON MARKETS
GLOBAL OVERVIEW

While trading volumes fell, the average price of carbon credits reached a 15-year high in 2022[1]

The value of the global voluntary market reached US$1.9 billion in January 2024.

Carbon credits that utilize nature-based solutions (NBS) drove the increase in market value, and NBS credits currently represent about 46% of the total market value.

The use of NBS in agricultural projects has emerged as a major source of carbon credits

Carbon Credits in the Global Voluntary Market by Project Type

	2020			2021			2021-2022 PERCENT CHANGE			2023 (YTD)
CATEGORY	Volume ($MtCO_2e$)	Price (USD)	Amount (USD MM)	Volume ($MtCO_2e$)	Price (USD)	Volume (USD MM)	Volume ($MtCO_2e$)	Price (USD)	Volume (USD MM)	Increase of Value
Forestry & land use	242,339,151	$1,401,461,426	$5.78	113,253,651	$1,148,848,738	$10.14	-53%	-18%	+75%	$11.21
Renewable energy	214,508,581	$463,950,451	$2.16	94,477,042	$388,054,729	$4.16	-57%	-17%	+93%	$3.97
Chemical processing & industrial manifacturing	17,253,275	$53,877,016	$3.12	13,388,788	$68,531,895	$5.14	-23%	+27%	+65%	$4.69
Household / Community devices	8,867,821	$46,606,814	$5.36	9,070,331	$77,590,244	$8.55	+4%	+66%	+60%	+7.33
Energy efficiency / Fuel switching	10,936,656	$23,583,132	$2.16	6,601,354	$35,577,952	$5.39	-40%	+51%	+150%	$3.69
Waste disposal	11,647,530	$42,292,142	$3.63	6,207,615	$44,870,139	$7.23	-47%	+6%	+99%	$9.00
Agriculture	987,026	$9,525,119	$9.65	3,783,393	$41,700,362	$11.02	+283%	+338%	+14%	$6.43
Transportation	5,405,466	$6,257,391	$1.16	176,338	$770,485	$4.37	-97%	-88%	+277%	-

Source: State of Voluntary Carbon Market (2023)

[1] *Paying for quality. State of Voluntary Carbon Market* 2023 (https://www.ecosystemmarketplace.com/publications/state-of-the-voluntary-carbon-market-report-2023/)

MARKETS
CARBON VOLUNTEERS
GLOBAL OVERVIEW

Source: State of Voluntary Carbon Market (2023)

After peaking in 2021, global trading volumes on voluntary carbon markets (VCM) fell in 2022, but average credit prices reached their highest level in 15 years. Rising prices offset the drop in trading volume, and the total value of the global VCM remained broadly unchanged from the previous year at just under US$2 billion. The number of credits generated by the agricultural sector rose sharply between 2021 and 2022, while the number produced by other sectors declined. However, carbon credit prices rose across all sectors—a positive sign for the future of the global VCM. While data for 2023 are not yet available, the supply of agriculture-related credits is expected to continue to grow, as demand for agriculture, forestry, and other land use (AFOLU) climate solutions remains strong. The AFOLU segment was previously underexploited, but rising market prices have made it increasingly attractive. The number of new project registrations in the transportation category also increased in 2022, reflecting the expansion of electrification projects in North America.

Carbon credits usage and emission in the world (ref Jan/2024)

Projects Recorded	**4,993**
Total Volume Issued	**1,875,781,636**
Volume Used/Cancelled	**997,458,399**
Volume in Circulation	**878,323,237**

Source: Own preparation based on data from Climate Focus VCM Dashboard (24 Jan 2024)

As the global VCM continues to mature and integrate with regulated carbon markets, growing demand for CORSIA-eligible[2] credits and ongoing efforts to comply with Article 6 of the Paris Agreement are offering new opportunities. High-frequency indicators suggest that almost half the volume of VCM carbon credits was still in circulation as of early 2024, though discussions around the quality and integrity of these credits continue. Allaying those concerns could help unlock the enormous potential of VCMs and enhance their contribution to other climate mechanisms.

[2] CORSIA is the Carbon Offsetting and Reduction Scheme for International Aviation.

OVERVIEW IN LATIN AMERICA AND THE CARIBBEAN (LAC)

Latin America and the Caribbean (LAC) continues to account for a small share of global greenhouse gas (GHG) emissions, but industrial and urban development are driving up the region's total emissions—highlighting the urgent need to advance climate action both at the national and regional levels. However, the region is also becoming a major source of carbon credits. At the end of 2022, LAC accounted for 27.8% of the total volume of carbon credits in worldwide circulation, the second-largest share after Asia. Brazil and Colombia generated over half the region's credits. LAC countries have also assumed a leading role in implementing REDD+ and NBS projects. To reach its full potential, however, the region must improve the quality and integrity of the carbon credits it produces.

Volume of LAC carbon credits in circulation worldwide, by source and country

	Total	world %	LAC %	SBN (avoided)	SBN (removal)	EN. RENOV.	Others
Brazil	68,368,786	7.8%	28.0%	48,956,957	7,515,226	8,756,270	3,140,333
Peru	42,252,181	4.8%	17.3%	40,177,431	6,031	1,061,242	1,007,477
Colombia	63,764,976	7.3%	26.1%	43,041,656	8,314,773	11,172,118	1,236,429
Chile	2,299,720	0.3%	0.9%	22,798	318,613	1,311,162	647,147
Argentina	1,908,725	0.2%	0.8%	0	0	1,908,725	0
Mexico	5,876,513	0.7%	2.4%	0	2,926,424	1,081,058	1,869,031
Others (approx)	59,633,653	6.8%	24.4%	38,878,255	11,400,245	4,519,847	4,835,306
Total	**244,104,554**	**27.8%**	**100.0%**	**70.1%**	**12.5%**	**12.2%**	**5.2%**

Source: Own preparation based on data from Climate Focus VCM Dashboard, independent certification standards (24 Jan 2024)

The LAC region still has enormous untapped potential to generate carbon credits due to its vast natural resources, especially tropical forests, and enormous capacity for renewable energy. Among LAC countries, new leaders in carbon-credit production are emerging, with Colombia overtaking Peru as the region's second-largest source of carbon credits. Brazil continues to account for the largest volume of LAC carbon credit in circulation at 28%, followed by Colombia (26.1%), Peru (17.3%), and Mexico (2.4%). Most LAC credits in circulation are based on avoided emissions. These figures only include credits verified by the main independent international standards, such as VCS, GS, CAR and ACR, Plan Vivo, and GCC.

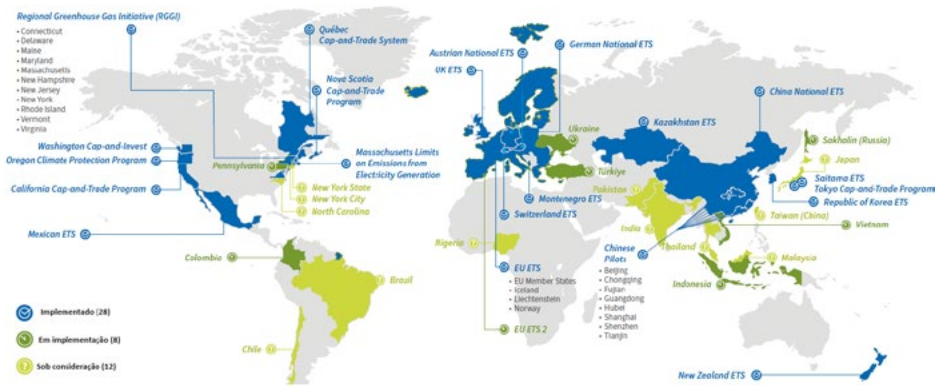
[3] The Voluntary Carbon Market Dashboard (https://climatefocus.com/initiatives/voluntary-carbon-market-dashboard/)

THE REGULATED CARBON MARKETS

GLOBAL OVERVIEW

6 Emissions Trading Systems (SCEs) implemented or being implemented around the world[3]	In addition to the European Union, **12** countries have national emissions-trading systems, and **23** jurisdictions have subnational systems	Almost **18%** of global emissions covered (approx. 9 $GtCO_2e$)	Around **55%** of global GDP and almost a third of the global population in jurisdictions covered by SCEs[4]	**US$ 63 billion** in government revenue and market value of around **US$ 900 billion** (2022);	Rising average prices (averaging **US$ 22,63** in 2022).

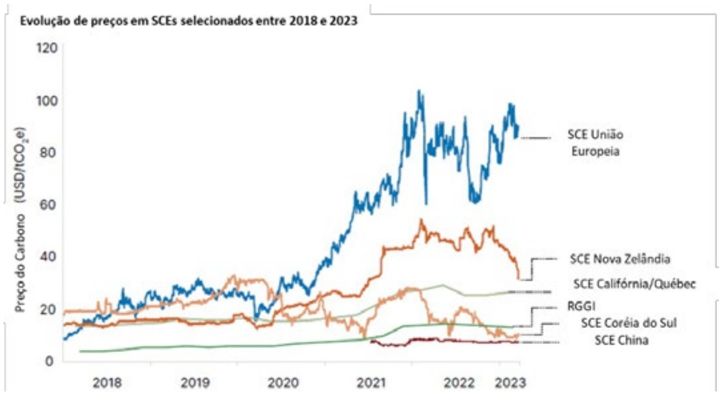
Map of Emissions Trading Systems in the World



Source: Emissions Trading Worldwide: Status Report 2023 (ICAP, 2023)

At the end of 2023, there were 36 SCEs implemented or being implemented in the world, and such systems cover around 9 $GtCO_2e$, or almost 18% of global GHG emissions. Within this framework, more and more countries are implementing new regulated carbon markets, such as in Mexico, Austria, Australia, Germany and Indonesia, as well as in subnational jurisdictions in the United States. Additionally, countries such as Colombia, Indonesia, Vietnam and Turkey continue to work to implement their domestic emissions trading systems and others, such as Brazil and Thailand, are expected to begin implementation soon.

Average Carbon Price in ETS Worldwide ($/$tCO_2e$)



In terms of values, the average price charged for SCEs in 2022 was around US$22.50, around twice the average value in 2020. Meanwhile, the market value and government revenues of SCEs have reached record highs, at around US$900 billion and US$63 billion, respectively. Throughout 2023, there was a slight drop in prices in the main SCE in the world, that of the European Union, while in other SCEs, such as California, there was an increase. Consolidation of average prices, market value and total government revenues of SCEs around the world in 2023 is expected to occur soon.

[3] World Bank's carbon pricing dashboard (https://carbonpricingdashboard.worldbank.org/).
[4] ICAP (2023). Emissions Trading Worldwide: Status Report 2023.

OVERVIEW IN LATIN AMERICA AND THE CARIBBEAN (LAC)

In recent years, there have been efforts to regulate GHG emissions in the path of carbon pricing in several LAC countries. Whether with SCEs or carbon taxes, it is important to highlight the importance of integrating these systems with voluntary carbon credit markets, as well as partnerships with the private sector, which will stimulate the development of markets in the region more quickly.

- Implementation of Emissions Trading Systems in LAC: only in Mexico;
- In Colombia, an SCE is already under development (Law approved);
- Brazil may be the next (legislation in progress).
- In addition to this, carbon pricing in the form of taxation is present in Mexico, Uruguay, Argentina, Chile and Colombia, applied to the consumption of fossil fuels.

In the LAC region, the only country with an SCE implemented to date is Mexico, although there are still steps to be taken towards the full implementation of the system. The '*Programa de prueba del sistema de comercio de emisiones*' is a pilot program started in 2020, lasting 3 years, when the operational phase comes into effect. The program covers approximately 40% of national emissions. In 2021, there were the first two emission permit allocations and the verified compliance rate was 97%. The pilot phase does not generate economic impacts, but non-compliance reduces the free allocation for the operation phase.

In Colombia, an SCE is in preparation following the approval of the *Ley de Acción Climática*, which provides for the implementation of an SCE in the country – the '*Programa Nacional de Cupos Transables de Emisión de Gases de Gases de Efecto Invernadero*'. In Brazil, since 2021 Bills (PL) have been presented in the National Congress to regulate an SCE in the country. In 2023, a PL was presented to the National Congress and, after preliminary approval in both houses, evaluation and approval in the Federal Senate is awaited. Finally, in Chile, the *Ley Marco de Câmbio Climático* defines the implementation of a market instrument for carbon pricing.

Other regulated carbon pricing initiatives:

Among the carbon pricing regulations adopted in LAC, carbon taxes stand out, most of which are applied to the consumption of fossil fuels. Mexico, Colombia, Chile, Argentina and Uruguay adopt carbon taxation.

In Brazil, the regulation that imposes a carbon price on fossil fuels is a type of tradable performance standard. RenovaBio has a peculiar design and an asset (CBIO) that represents 1 tCO_2e avoided throughout the life cycle of biofuels in relation to the fossil substitute. This must be purchased by distributors to meet regulatory targets.

Carbon pricing regulations in Latin America and the Caribbean are emerging, and with this, progress is expected in their respective implementation, involving challenges and opportunities that emerge specifically in each country.

Among the carbon pricing regulations adopted in LAC, carbon taxes stand out, most of which are applied to the consumption of fossil fuels. Mexico, Colombia, Chile, Argentina and Uruguay adopt carbon taxation.

COP28 AND ITS MAIN REPERCUSSIONS:

Table of Contents of outcomes

After some frustration at the 27th United Nations Conference of the Parties (COP27), COP28, held in Dubai, in the United Arab Emirates, brought some surprises. On the first day, the Parties finally reached an agreement and announced the launch of a 'Losses and Damages' fund, to compensate the most vulnerable countries for the losses caused by climate change. The election, led by island countries, existed for more than thirty years, making this the first time that a substantial result was achieved. However, at the end of COP28 the Parties had committed to allocating less than US$1 billion to the fund - which will be administered by the World Bank over the first four years -, an amount that is absolutely insufficient to deal with the problem.

In relation to the broader climate finance agenda - which includes resolving differences between countries to reach the target of US$100 billion annually in climate finance for developing countries, as well as setting new annual targets for the future – there was no significant progress. Developing countries were frustrated by the lack of new financial commitments to support agendas such as energy transition and adaptation to climate change, despite developed countries continuing to say they will meet the US$100 billion target. [1]

The Conference was marked by tensions and risks of negotiations not moving forward. The discussion on the text of the first Global Stocktake - essential for increasing countries' ambitions and efforts to limit the increase in the planet's temperature to 1.5ºC - was one of the highlights. Although it did not cover all aspects of ambition and expected measures, it brought somewhat innovative data, concepts, terms and directions into COP decisions.

Furthermore, the resolutions in the Global Stocktake mention, for the first time in an official COP text, the commitment of countries to 'transition away from fossil fuels'. Although less forceful than a gradual elimination of fossils, this commitment was somehow surprising and historic, given the expectation that a conference in the United Arab Emirates, a major player in oil exports, would avoid mention of fossil fuels, as occurred in previous COPs. Despite the distrust, in addition to this historic milestone, tripling the installed capacity of renewable energy and doubling the rate of energy efficiency improvements by 2030 were also mentioned as objective, as well as the operationalization of the UAE - Just Transition work programme.

Repercussions: Carbon Markets

COP27 brought a few advances in defining how the trade of mitigation results works between countries, without, however, addressing the necessary operationalization and technical definitions. In this regard, COP28 was also disappointing, as a clearer definition of the rules for Article 6 was expected, but it did not happen. After extensive negotiations and rough draft of decisions, countries have not reached agreement on the elements to implement the carbon market instruments of articles 6.2 and 6.4 of the Paris Agreement. In relation to 6.2, questions about transparency and supervision requirements generated major disagreements, with some countries advocating for stricter rules – with emphasis on the EU -, while others for more flexible rules – with emphasis on the USA. In the discussions on 6.4, the appropriate definition of baselines for projects, proof of additionality of projects and prevention of carbon leakage were contentious topics. How to treat forest removal and conservation credits was also an undefined topic. Therefore, the market mechanisms of the Paris Agreement continue to await definitions for their operationalization.

Out of official negotiations, discussions about the integrity of voluntary market carbon credit projects were the focus. In this context, GHG Protocol, Science Based Targets Initiative (SBTi), Voluntary Carbon Markets Integrity Initiative (VCMI) and Integrity Council for Voluntary Carbon Markets (ICVCM) launched a framework focused on ensuring the high quality and integrity of initiatives, with the support of each institution in climate actions [2].

Implications for the Latin America and Caribbean region

A major milestone of COP28 was the announcement of the operationalization of the loss and damage fund. In this respect, the fund will benefit developing countries affected by climate change, and this could represent a source of resources for countries in the region that are punished by the phenomenon. Additionally, the countries reaffirmed their commitment to multilateralism and remain united in their efforts to achieve the goals of the Agreement. With this in mind, the need to expand the financing available to developing countries, such as those in Latin America and the Caribbean (LAC) and strengthen the Sharm el-Sheikh dialogues was reinforced. Furthermore, training and engagement in developing countries, prioritizing indigenous peoples and local populations, becomes a priority – which could benefit countries in the LAC region.

COP28 decisions also emphasize the need to accelerate the implementation of mitigation measures, including through voluntary cooperation mentioned in Article 6 of the Paris Agreement. They also highlight the importance of nature-based solutions (NBS) and adaptation measures, in addition to the need for greater efforts to halt and reverse deforestation and forest degradation by 2030, among other terrestrial and marine ecosystems. Such definitions strengthen and spotlight the protagonism of the LAC region.

At COP28, Brazil surprised some by confirming its entry into OPEC+, the Organization of Petroleum Exporting Countries, an extension of OPEC to countries that can collaborate on issues, but do not have the right to vote. On the other hand, it presented important data, such as the reduction in deforestation in the Amazon, and launched the Forest Conservation Fund, which seeks to help finance the maintenance of standing forests in eighty tropical countries, with a capitalization objective of US$250 billion. Among several other initiatives, the Brazilian government announced R$120 billion over 10 years in the partnership between the Ministry of Agriculture and Livestock (MAPA), Embrapa, Banco do Brasil and the National Bank for Economic and Social Development (BNDES) to recover degraded pastures through livestock farming and regenerative agriculture [3].

The next Conference, COP29, will be held in Baku, Azerbaijan, which like the United Arab Emirates, is also a producer of fossil fuels. However, in 2025, COP30 returns to a Latin American country and will be held in Belém do Pará, Brazil. If well structured, such an event could become a window of opportunities for the interests of Latin America and the Caribbean, especially in relation to climate financing, fair energy transition and fighting against deforestation and protecting forests.

The next Conference, COP29, will be held in Baku, Azerbaijan, which like the United Arab Emirates, is also a producer of fossil fuels. However, in 2025, COP30 returns to a Latin American country and will be held in Belém do Pará, Brazil

[1] https://www.carbonbrief.org/cop28-key-outcomes-agreed-at-the-un-climate-talks-in-dubai/#9

[2] https://icvcm.org/achieving-high-integrity-corporate-climate-action-animation-and-infographic-launched-by-international-organizations-driving-and-supporting-corporate-climate-transitions/

[3] https://capitalreset.uol.com.br/clima/cop/governo-apresenta-programa-de-us-120-bi-para-recuperar-pastagens/

NEWS: WORLD

ARTICLE 1: STRENGTHENING AND BUILDING CONFIDENCE IN CARBON CREDITS

Surrounded by voluminous questions about the origin, accounting and integrity in the generation of carbon credits in the voluntary market, countless controversies and accusations of greenwashing, mainly related to forestry projects, new initiatives that seek to resolve and give credibility to this market with great growth potential were observed. These include: the Voluntary Carbon Markets Integrity Initiative (VCMI) and the Voluntary Carbon Markets Integrity Council.

VCMI [1] is an international non-profit organization with the aim of promoting high-integrity voluntary carbon markets. It serves as a multi-stakeholder platform to promote the credibility, integrity and liquidity of carbon credits in the voluntary market, and is co-funded by the Children's Investment Fund Foundation (CIFF) and the UK Department for Business, Energy and Industrial Strategy (BEIS). In 2023, for example, the Initiative launched a code of conduct (Claims Code of Practice) to guide companies when purchasing credits from the voluntary market.

The Council [2] is characterized as an independent governance body that establishes standards and rules for improvements in the coordination and generation of carbon credits. That way, it establishes detailed criteria to assess whether carbon credits and categories of carbon credits meet the Basic Carbon Principles (CCPs or Core Carbon Principles), and if assessed as eligible for CCP, projects will be able to use the CCP label on carbon credits from approved categories.

The aforementioned initiatives, together with the organizations We Mean Business Coalition (WMB), Climate Disclosure Project (CDP), Science Based Targets initiative (SBTi) and GHG Protocol, launched a framework focused on ensuring the high quality and integrity of initiatives, also demonstrating how each one of them plays a complementary role in supporting climate actions [3]. .

Among the factors that drive questions in the voluntary carbon market are the lack of technical quality, inspection and traceability, in addition to the absence of auditable mechanisms. Therefore, it is necessary to strengthen such initiatives, as, if cases of lack of integrity become frequent, such an important mechanism for the conservation and preservation of forests may be weakened, which will require additional efforts for companies to decarbonize.

In addition to collective initiatives in favor of greater credibility and integrity of carbon credits, it is necessary to count on the trust of suppliers and demanders, establishing a win-win relationship that is based on ethical principles and that looks at the sustainable development of markets and consequently its players. Finally, the presence of robust legal bases and efficient supervision plays a crucial role in the integrity of credits, also guaranteeing market transparency and predictability.

[1] https://vcmintegrity.org/about/
[2] https://icvcm.org/
[3] https://icvcm.org/achieving-high-integrity-corporate-climate-action-animation-and-infographic-launched-by-international-organizations-driving-and-supporting-corporate-climate-transitions/

NEWS: LATIN AMERICA AND THE CARIBBEAN

ARTICLE 2: BRAZILIAN EMISSIONS TRADING SYSTEM (SBCE)

On December 21, 2023, the Chamber of Deputies approved the bill that regulates the carbon market in Brazil (PL 2148/15), creating the Brazilian Greenhouse Gas Emissions Trading System (SBCE) and bringing provisions on the registration and transaction of carbon credits in the country for domestic and international compliance purposes. Still pending approval in the Federal Senate and Presidential Sanction, this law represents a great opportunity and a historic milestone in the Brazilian agenda to combat climate change.

First, the creation of a regulated Brazilian carbon market occurs at one of the most critical moments of the climate crisis so far, empowering Brazil as a global leader and providing opportunities for new investments, the promotion of innovation and the protection and recovery of forest areas – a protagonist element in the country. Furthermore, approval represents a historic struggle for many scholars on the subject, from the publication of one of the most complete studies regarding pricing mechanisms, the Partnership for Market Readiness (PMR) [1], to the most recent and long discussions in the Chamber and the Senate for text changes and amendments to the initially PL 412/2022 [2] (later attached to PL 2148/15 [3]).

In summary, the SBCE will work as a classic emissions trading system, establishing a GHG emissions limit for a set of regulated bodies. This limit is translated into emission quotas, distributed to regulated entities, which can trade among themselves to reconcile their real emissions with equivalent quotas. Added to this is the possibility of using registered carbon credits for compliance purposes.

The legislation defines that companies that emit more than 10 thousand tons of carbon dioxide equivalent (tCO_2e) per year will be subject to the obligation to measure, report and verify (MRV) emissions, and it is necessary to present an emissions monitoring plan to the responsible entity for market management. Companies that exceed 25 thousand tCO_2e per year will be subject to compliance obligations within the scope of the SBCE, having to reconcile

The legislation defines that companies that emit more than 10 thousand tons of carbon dioxide equivalent (tCO_2e) per year will be subject to the obligation to measure, report and verify (MRV) emissions, and it is necessary to present an emissions monitoring plan to the responsible entity for market management.

their reported emissions with emission quotas and/or carbon credits, sending a periodic reconciliation report to the SBCE management body obligations annually. The text, however, excludes agricultural activity, the second largest national emitter, behind land use change, from the scope of the SBCE.

Besides that, the legislation contains provisions on the national carbon credits market. A central registry for carbon credits will be created that will track assets from registration to retirement. To register in the central registry, carbon credits must meet a series of requirements, yet to be defined, related to methodology, certification standards, transparency, among others.

Registered carbon credits will be considered Verified Emissions Reduction or Removal Certificates (CRVEs) and, only from then on, will they be able to be traded for compliance purposes within the scope of the SBCE. Additionally, Brazilian carbon credits that aim to be the target of international transfers - particularly under Article 6 of the Paris Agreement - must necessarily undergo accreditation as CRVEs, as a way of guaranteeing greater control and credibility of the national offer.

Regarding their legal nature, the SBCE emission quotas and the carbon credits generated will be considered securities and will be subject to regulation by the Securities and Exchange Commission (CVM), however, only when traded on the financial and capital markets.

Amidst discussions about recent definitions and questions about established arrangements, the PL heads to the Federal Senate. If there are changes, the project will return to the Chamber for reevaluation.

To register in the central registry, carbon credits must meet a series of requirements, yet to be defined, related to methodology, certification standards, transparency, among others.

[1] https://www.gov.br/mdic/pt-br/assuntos/competitividade-industrial/pmr/partnership-for-market-readines-pmr

[2] https://www25.senado.leg.br/web/atividade/materias/-/materia/151967

[3] https://www.camara.leg.br/propostas-legislativas/1548579

More information about the definitions of the Brazilian carbon market can be found at:

https://www.camara.leg.br/noticias/1029046--approve-project-que-regulamenta-o-market-de-carbon-no-brasil-acompanhe/

BOX 1

ARGENTINE CARBON MARKET: APPROVAL OF THE NATIONAL STRATEGY

In a context of promoting sustainable development, poverty eradication and environmental integrity, Argentina enacted, in 2017, Tax Reform Law No. 27,430, which established a carbon tax on fossil fuels in all sectors.

On November 14, 2023, through Resolution 385/2023 [1] of the Ministry of Environment and Sustainable Development, the National Strategy for the Use of Carbon Markets (ENUMeC) [2] was approved. ENUMeC establishes nine strategies and 63 actions for the implementation of carbon markets in Argentina, and includes in its scope participation and access to all new and existing carbon markets, regulated and voluntary, subnational, national and international. Additionally, the Strategy also covers all sectors and greenhouse gases in the National Inventory.

Argentina has projects mostly associated with renewable energy and forestry compensation, and the purpose is to provide opportunities for expansion. Thus, resolution 385/2023 and consequently the ENUMeC represent a national legal framework still under development for the regulation and advancement of the national carbon market.

Among the main measures established in the Strategy are promoting the interaction of the national market with Article 6 of the Paris Agreement and with other national, subnational and international regulated markets, and supporting the participation of the private sector in voluntary markets, aligned with the national climate policy and compliance with climate commitments. Implementation will require the development of specific roadmaps consistent with national and subnational circumstances, priorities and capabilities. Furthermore, agreements and consensus between different third parties and institutions will be necessary. With this in mind, the Strategy proposes the creation of a National Carbon Markets Office and the creation of an ad-hoc consultative group of experts to provide technical support. Finally, there was the plan to promote the development and implementation of a Monitoring, Reporting and Verification (MRV) system, such as the Argentine National Greenhouse Gas Inventory System (SNI-GEI-AR) and the National Registry of Climate Change Mitigation Projects (ReNaMi). With the change of Argentine government and the change of vision, it will be important to follow the next steps to verify whether or not the implementation of such devices will continue.

Information link would complement the source: Mercados de carbono en Argentina | Argentina.gob.ar/ Argentina Carbon Markets;

Contact Details:

Bibliographic References:

[1] https://www.boletinoficial.gob.ar/detalleAviso/primera/298356/20231114

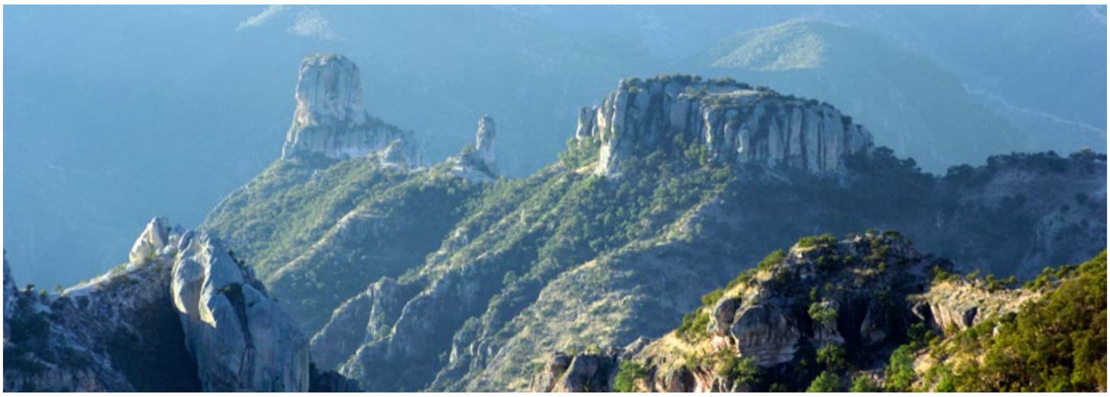
[2] https://www.argentina.gob.ar/sites/default/files/2023/06/2023_estrategia_nacional_para_el_uso_de_los_mercados_de_carbono_en_argentina.pdf

https://www.globalcompliancenews.com/2024/01/09/https-insightplus-bakermckenzie-com-bm-energy-mining-infrastructure_1-argentina-carbon-markets-national-strategy-approved_21122023/

INTERVIEW 1

KEEPING THE FOREST STANDING: OPPORTUNITIES AND CHALLENGES OF BRAZILIAN EFFORTS

María Elisa – Viridios



Despite the enormous potential of Latin America and the Caribbean (LAC) to be suppliers and active participants in this market, the region has not been as involved as it could be due to several factors, such as the lack of domestic demand for carbon credits, insufficient training for the development and implementation of high integrity projects, and the absence of infrastructure and knowledge to treat carbon credits as an asset class. At Viridios AI (VAI), we are focused on expanding access to carbon markets through data and market intelligence and helping to fill some of these knowledge gaps.

In response to these challenges, we established a strategic alliance with the Development Bank of Latin America - CAF in order to support those interested in participating in the region's carbon markets. Our collaboration aims to facilitate the monitoring of trends in LAC and the world in credit prices, supply and demand by project type, publishing updated data in each edition of the newsletter. As the market focus has traditionally been more global, we seek to give a regional perspective to buyers and sellers in the market. The carbon market is undergoing a rapid transition from a "voluntary" space to a space regulated by countries in the region. For example, Colombia implemented a national assessment system with the option of using credits from the voluntary market. Now, countries like Brazil, Chile, Argentina and others are defining how to take advantage of the carbon market to finance their decarbonization and development objectives.

At Viridios AI we seek to support participants interested in operating in this market, providing them with fundamental information for decision-making. For this reason, on our platform, users can now identify projects eligible for Article 6 of the Paris Agreement to be negotiated between countries to fulfill their Nationally Determined Contributions (NDC). Additionally, in the future, our users will be able to easily identify credits that can be used in domestic compliance markets.

Given these considerations, we invite everyone to explore the bulletins already launched by the Latin American and Caribbean Initiative for the Carbon Market, as well as the next ones that are to come, counting on our collaboration. Our objective is to collectively strengthen this promising market, joining efforts between governments, the private sector and you!

In response to these challenges, we established a strategic alliance with the Development Bank of Latin America - CAF in order to support those interested in participating in the region's carbon markets

For further information visit: https://scioteca.caf.com/handle/123456789/2155

ILACC – BRIEF PRESENTATION

The objective of the Latin American and Caribbean Initiative for the Development of the Carbon Market (ILACC) is to promote the global competitiveness of carbon credits generated in the Latin America and Caribbean (LAC) region, strengthening the conditions for future voluntary and regulated markets, and expanding their impact on job creation, income generation, new technologies, green business clusters and poverty alleviation.

EVENTS

2024 ECOSOC Partnership Forum
30th January 2024
https://sdgs.un.org/2024ECOSOCPartnershipForum

20th meeting of the Executive Committee of the Warsaw International Mechanism for Loss and Damage
12th March - 15th March 2024
https://unfccc.int/event/WIMExCom20

Annual Adaptation Forum 2024 by the Adaptation Committee
18th March - 19th March 2024
https://unfccc.int/event/2024-ac-adapt-forum

2024 Ocean Decade Conference
10th April -12th April 2024
https://www.unesco.org/en/articles/2024-ocean-decade-conference

EDITORIAL COMMITTEE:

Jorge Arbache - VP Private Sector CAF
Gladis Genua - Director CAF
Federico Vignati - Principal Executive (Coordination CAF)
Agustin Fregossi - Main Executive CAF
Nelson Larrea - Main Executive CAF
Marcelo dos Santos - Senior Executive CAF
René Gómez- García - Senior Executive
Fernando Branger - Senior Executive
Pablo Galindez - Senior Executive
Juan Odriozola - Principal Economist CAF
Jaime Paz - Senior Executive
Boris Olivas - Principal Executive
Patricio Scaff - Principal Executive
Hernan Vidal - Principal Lawyer CAF

CONSULTOR:

Bruno Paino

EMPLOYEES:

CLAUDIA PRATES (BNDES)
EDUARDO PIQUERO (MÉXICO2)
FRÉDÉRICK PERRON-WELCH (CAF)

TECHNICAL TEAM - UFRJ:

Emilio Lèbre La Rovere (Coordination), D.Sc.
Luan Santos, DSc.
Thauan Santos, DSc.
Guido Penido, MSc.
Carolina Grangeia, MSc.

TRANSLATION:

Ruth Carola Mittrany (Centro Clima / COPPE / UFRJ)

DRAWING:
Tundra Taller Creativo | Tundra.pe

PHOTOGRAPHY: Adobe Stock, Unsplash

ILACC FOCAL POINTS

Emiliano Fernandez	AFD
Marcelo de Campos e Silva	Banco do Brasil
Gabriel Maceron Santamaria	Banco do Brasil
Maria Soledad Ovando Green	BANCOESTADO
Solange Andrea Encina Acosta	BANCOESTADO
Claudia Marcela Gutierrez Cardenas	BANCOLDEX
Maria Fernanda Manrique Diaz	BANCOLDEX
Ana Villalta	BANDESAL
Edna Ayala	BANDESAL
Maya Leon	BANDESAL
Ariel Zabala	BDP
Felipe Bellott	BDP
Pablo Mazzino	BICE
Claudia Pimentel Trindade Prates	BNDES
Lorena Sanchez Campanella	BROU
Andrea Plua	CFN
Maria Isabel Moncayo	CFN
Paul Bringas	COFIDE
Navin Dookeran	EXIMBANK
Yoganan Dipchan	EXIMBANK
Ashwin Haresh Harpalani	ICO
Ivan Vicente Cornejo	NAFIN
Daniel Vazquez	NAFIN
Karen Garcia	NAFIN

DEVELOPMENT BANK OF LATIN AMERICA AND THE CARIBBEAN
ILACCO2 Latin American and Caribbean Initiative for the Carbon Market

The ILACC Observatory is a market intelligence tool produced by the Private Sector Vice Presidency of CAF

CAF-development bank of Latin America and the Caribbean

Av. Enrique Canaval y Moreyra Nº 380. Edificio Torre Siglo XXI, piso 13. San Isidro, Lima - Peru

For more information: info@caf.com

For more information and to access ILACC content:

https://www.caf.com/es/temas/m/mercado-de-carbono/