

Markets

Interview: Colombia to launch forestry VER exchange

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Colombia is developing an offset exchange to promote voluntary domestic greenhouse gas reductions.

It will be launched next year with \$10.4 million in funding from the Global Environment Facility (GEF), and developed by environmental NGO Fundación Natura with Colombia's environment ministry and Inter American Development Bank.

Programme proponents hope that a pilot platform for transacting voluntary emission reduction (VER) credits can stimulate investment in Colombia's forests and help domestic firms account for and reduce their greenhouse gas emissions.

Christian Dannecker, a Colombia-based principal at carbon asset manager South Pole, is one of a handful of external consultants selected to help set up the programme.

He said while forest carbon project developers in Colombia are familiar with the clean development mechanism (CDM), none know about the voluntary carbon market.

"The knowledge about CDM forestry projects is there but the knowledge that there is an alternative market is zero," Dannecker told Point Carbon News in an interview.

Identifying potential

Over the next few months, Dannecker will help develop the platform that can link to a carbon credit registry, such as one run by Markit.

He will also identify where there is possible VER demand, identify potential projects and evaluate what kind of project design standards should be used for the exchange.

"By mid-October we will have to deliver all this and put the final proposal for GEF together," he said.

Dannecker said he expects demand to come from "pioneer" Colombian companies that are seeking to improve their corporate sustainability image by offsetting their emissions.

He noted that nearly 90 per cent of Colombia's leading companies have already started finding out about greenhouse gas accounting to understand their "carbon footprint".

He added that the transparency a VER exchange can bring to Colombian projects may also attract demand international investors.

Redd and native forests

So far, Dannecker said he has around 50 project leads in his pipeline.

Around half of those projects are to reduce emissions from deforestation (Redd) and the other half are to replant forests with native species trees and other project types, he said.

He said project developers in the country are only just now learning about reforestation. As for Redd, he said such projects haven't materialised due to a lack of legislation on deforestation.

According to the programme details submitted to the GEF, the exchange is expected to transact at least 200,000 VERs from Redd or reforestation projects that have avoided or cut greenhouse gases in its first four to five years.

The credits should stem from at least five projects in at least two different regions in Colombia and validated by an internationally recognised project standard.

The project proponents have envisaged at least 20 companies participating in offset trading on the exchange, reducing at least 100,000 tonnes of CO₂e.

Emerging markets?

Colombia is the latest developing country to launch or explore the creation of a domestic carbon market.

Brazil, China, Mexico and South Korea have all announced plans to launch some form of carbon allowance or offset market.

Earlier this year, Costa Rica announced it was planning to create voluntary offset market for the countries for central America.

Dannecker said Colombia's news did not mark the continuation of a "big trend" but said he expects to see a few more carbon markets emerge in other developing countries.

"There is domestic demand emerging (in developing countries)," he said.

"The aim is create alternative routes to the (global) carbon market."

By Valerie Volcovici – vv@pointcarbon.com

Washington DC