LAC Regional Workshop on Carbon Finance
Design, implementation and operation of SCX
SCX’s starting point

A “supermarket” with carbon credits was our first approach
Today we run models that can support the design, implementation and operation of market based mechanisms to help transform Climate Change into a source of competitive advantage

- Learning from international experience
- Fully integrated with the national corporate reality
- Applicable to both, pre-compliance and compliance environments

**SCX TODAY**

- Trading VCU's y CERs
- CO2 Neutrality Certification
- Reduction and compensation of GHG emissions
- Insetting
- Programs
- Tools for Compliance Markets
- Promotion systems / connection with Industries
SCX: “Takeaways”

It isn’t only about trading, it’s about making viable low carbon industries.
- Financial integration with the circulatory systems of the economy is required.

Design, implementation and administration of the certification systems that support a new value offer

Encourage Public-Private Integration | Partnerships which are transparent, traceable and open sourced

Opportunity for Instruments / Market Mechanisms for two periods:
- Pre compliance: performance-based incentives
- Compliance: market mechanisms which complement the CO2 Tax
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A REGIONAL CARBON MARKET?

INTEGRATION AT INSTRUMENT LEVEL

- “Happens at the end of the road”
- Requires full markets working
- Requires additional infrastructure on top of them (Political, IT, etc.)

INTEGRATION AT INFRASTRUCTURE LEVEL

- Economies of scale
- Lower operational costs
- Helps to integrate the market’s “underground processes”

INTEGRATION AT GROUND RULES LEVEL

- Local Interests
- Different frameworks
- Public approaches
- Credibility based on MRV
WERE DO WE SEE AN OPPORTUNITY IN LATAM?

• WHAT WE “KNOW”:
  • There will be targets per country some time soon
  • Most of the regulations grandfathered the companies at its early stages, “just” giving away exemptions (free allowances, lower tax rate, etc.)
  • The most common strategy for the PS is to “hold the action” related to CO2 emissions until is inevitable

• HOW CAN WE TURN AROUND THIS DELAY?
  • An incentive system/program could facilitate a transparent allocation of “grandfathered” exemptions based on performance, creating a future competitive advantage (in cost) for the private sector at virtually no cost to the public sector
  • Acknowledging the achieved emissions reduction based on strong technical protocols and 3rd party verified
  • Under a Regional Framework but connected to local needs/interests and of course respecting local sovereignty
    • Design should be done by a multidisciplinary team
    • Not only “carbon related capacities” must be included
    • Pilots at early stage
JUST AN IDEA…

- Define Base Year for Companies
- Accrue Accredited Emissions Reduction
- Classify the reductions
  - Additional
  - Non Additional

Accrued reductions turn into value
- Allowances
- Lower Tax
- “FX” will depend on each country
- Other sources of value

Leaders time for accruing

2nd tier time for accruing

“Xst” tier time for accruing

Sizing the advantage / Opportunity