



CAF BANCO DE DESARROLLO
DE AMÉRICA LATINA
Y EL CARIBE

Sharm el-Sheikh Mitigation Ambition and Implementation Work Programme

Vice-presidency Private Sector (VSP)

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17th October 2023

Abu Dhabi, United Arab Emirates

CAF: towards a renewed agenda

The Green Bank of Latin America and the Caribbean

In 5 years, USD 25 billion in resources will be mobilized to boost climate action and biodiversity conservation. In this way we will go from 24% in 2021 to 40% in 2026 of green financing in all our operations. The following actions were prioritized:



Promote the **energy transition**, reforestation and better financial conditions to **reduce the carbon footprint** in economic sectors.



Incorporate **sustainability** criteria in **all operations**.



Develop new **financial instruments** and **attract capital** from international markets.



Promote **sustainable** and climate-resilient **infrastructure**.



Promote **alliances** with strategic actors to generate mitigation and adaptation solutions.



Promote productive transformation via **powershoring**

CAF bets on the Private Sector for development



It is only possible to reduce the infrastructure gap and meet the Sustainable Development Goals ("SDGs") with the participation of the Private Sector, which needs a robust legal framework and a sufficiently developed financial/capital markets.



PPP models in particular bring benefits to countries in terms of efficiency in construction costs, O&M, transfer of certain risks and international best practices.



From the CAF we must respond with **agility** and **competitive conditions** to the requirement of **high impact financing** to adjust to the needs of the market and its trends.



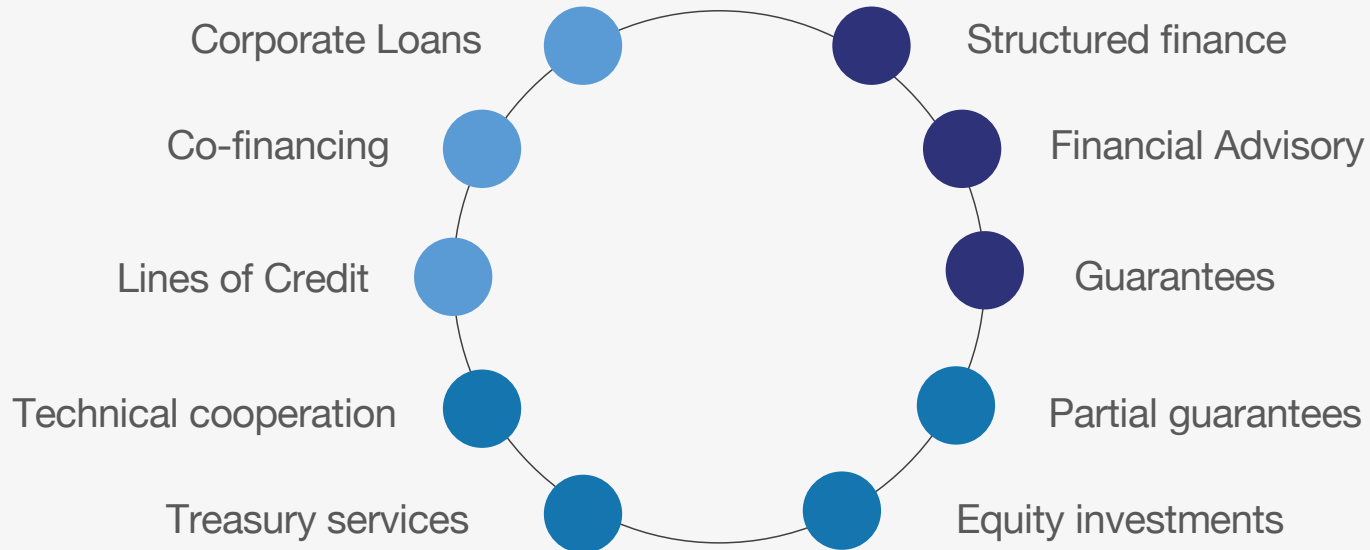
A properly **structured Project Finance (PF)** is a **robust credit product** (according to rating agencies, it is equivalent to investment grade) and adaptable due to its custom design, also standing out for its dissemination and advantages for the Private Sector and credit investors.



PF stands out within the area of structured financing for accompanying the high useful life of the cash-generating assets it finances and optimizing the allocation of public resources to infrastructure investments.



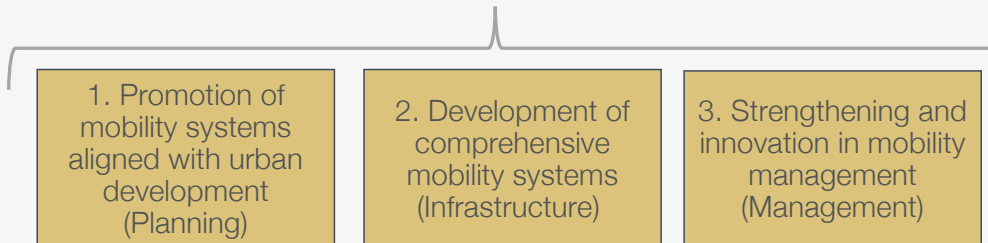
CAF's product dossier to support the private sector





Transport Sector in LATAM

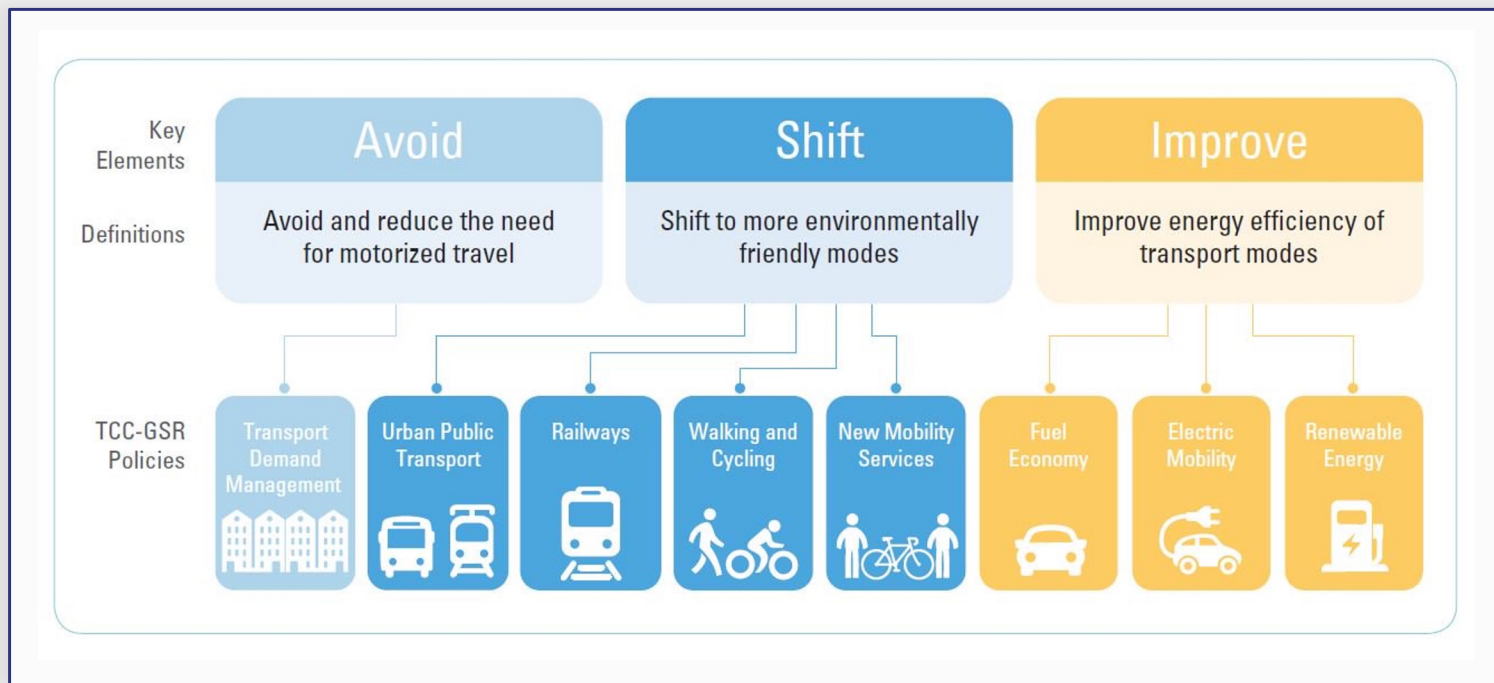
CAF, the Green bank of inclusion and recovery



STRATEGY AND ACTION PLAN 2023-2026



Sustainable Urban Mobility: Avoid, Shift & Improve



Emerging Markets - Main Barriers to Entry for Sustainable Urban Transport – Electric Busses

High upfront costs-profitability

High upfront cost is a challenge, particularly in owner-operation with less access to financing. Higher capex attracts higher financing and insurance costs making it unprofitable.

Governance and Institutional Limitations

Governance structures and business models not conducive to EV deployment. Lack of steering and supervision of public transport Policymakers and bus operators often lack a basic understanding of electric buses.

Technological Limitations

Limited know-how on optimal EV ecosystem design, maintenance & operations. Perceived higher technological vs conventional buses. Uncertainty of performance.

Regulation

EV targets have been established but concrete and tangible support policies which are conducive to EV uptake are still missing: tariff policy, battery disposal, etc.

Non-scalable Financing

Limited commercial funding available to support the mass adoption of e-buses, particularly in traditional own-operate models and in smaller cities.

Acquisition and Selection

Practices

Conventional procurement practices often discourage the adoption of new technologies, such as electric buses, in favor of diesel vehicles.

Investment Opportunities in Cities

With respect to developed countries



New mobility alternatives
and impact on public
transport

- Micro urban mobility
- Shared vehicle
- Travel Apps
- Electric mobility
- Integration



Public space, smart,
connected and sustainable
cities

- Complete streets
- Parklots
- Smart Grids - Charging
- IOT – BIG DATA
- Digitalization of services
- Sustainable DUM



Green alternatives to
address urban challenges

- Zero and low emission technologies in transport
- LED lighting
- Active mobility
- Green corridors
- Real-time measurement

Access,
Inclusion,
Productivity



Some examples of what we are doing in sustainable investments

E-Motion: CAF's Low Carbon Transportation Program

Description: E-Motion is a USD 250 million initiative that aims to enable a large-scale regional transition towards electro-mobility in Panama, Paraguay and Uruguay. Its focus are: intensive use vehicles, greenhouse gas emissions and air pollution.

Specific Objectives:

- Reduction of CO2
- Eliminate barriers (CAPEX/TA)
- Enable new business models
- Facilitate private investment (PPPs); and
- Mobilize and access green concessional funds.



Expected Program's Impact:

- **Improved air quality and GHG reduction:** lower lifecycle GHG emissions will result in cleaner air in urban areas.
- **Innovative business models:** Separation of fleet ownership and operations to allow entry, “fleet-as-a-service”, etc.
- **Reduced energy dependency:** EVs use domestic resources and reduce reliance on imported fossil fuels.
- **Increased energy efficiency:** EVs are up to 4x more energy efficient than fossil vehicles.
- **Scaling up and replication:** strong demonstrative effect may result in scaling and replication potential.

Metro in São Paulo: Line 6

Partial Credit Guarantee

Total cost USD 3,356 billion

Grantor: State of Sao Paulo.

Concession period: 24 years.

Line 6 / Orange / University.

15 stations, 18 ventilation Shafts, a yard and 22 trains.

Estimated demand: 630,000 pax/day.

Impacts: 1 hour of savings per trip / 103,000 tCO₂e/year.



Urban Micro Mobility

Partial Credit Guarantee

Partial credit guarantee (PCG) for the Latin America expansion of **urban micromobility (bikes & e-bikes)**, for short-distance individual transportation to alleviate traffic congestion and reduce carbon emissions.

Global Market: Expected market growth from USD 140 billion to approximately USD 340 billion USD by 2030. **Latin America:** Forecasted **market growth of over 50% by 2025** in countries like Brazil, Argentina, Colombia, and Chile.

Decarbonization Potential: significantly cut carbon emissions in the region, addressing congestion and promoting cleaner cities.

Challenges: Regulation (Government Support), **city congestion**, **low penetration** of shared mobility in Latin America. (Urban Congestion: Top 5 congested cities globally (Sao Paulo, Mexico City, Bogota).

Biggest challenge: profitability in these business models.



Electrification Mobility Platform in Santiago de Chile

Revolving Line of Credit

- Acquisition of **3,000 electric vehicles** via an SPV.
- **Fleet-as-a-service** for urban mobility platforms, including ride-sharing services like Uber.
- Total Capex: Approx. **USD 90 million**.
- Fleet Management: Local company with expertise in Uber services.
- Chinese-made vehicles to replace 6,500-7,000 combustion vehicles, reducing emissions.
- Phased delivery over about two years, prioritizing higher-rated platform drivers.
- Vehicles operate 20 hours daily in three shifts.
- Proof of concept with regional **expansion potential**, serving corporate clients.
- Source of repayment: Payments withheld by the fleet manager to drivers



Main takeaways

1. Barriers and challenges:

Barriers to entry, high capital requirements, low profitability of the asset, weak regulation, inefficient sector governance, technology performance risk.

2. Opportunities:

Innovative business models (ownership-operation separation), promote alternative micro urban mobility, shared vehicle, travel apps, electric mobility, integration, complete streets, parklets, smart grids – charging, IOT – BIG DATA, digitalization of services, sustainable DUM etc.

3. Actionable solutions:

From a multilateral development bank (MDB) perspective:

(i) Catalyze concessional funding into impactful projects in LAC, such as establishing funding alliances with GCF to reduce high costs.

(ii) Work alongside with public and private entities through technical assistance to develop robust regulatory frameworks to facilitate the





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