

COSTA RICA: A LEADER IN SUSTAINABLE PRACTICE AND POLICY

Impact: *Costa Rica has demonstrated that a country can implement environmentally-stringent policies, while simultaneously 1) sustainably manage and recover forests, 2) achieving economic growth, and 3) receiving recognition as a leader in sustainable development.*

Throughout the world, Costa Rica is known as a leader in placing natural capital at the center of development. The country has recently been voted the "greenest and happiest" nation in the world by the independent organization New Economics Foundation, and it's the only country considered a "BioGem" by the Natural Resource Council.

With nearly 30% of the landmass held in reserve, Costa Rica produces over 90% of its electricity through renewable means such as hydroelectric, geothermal and wind power. Furthermore, the country's local food production is abundant, rendering costs for basic items extremely affordable for everyone.

Costa Rica's government, committed to becoming carbon neutral by 2021, has launched attractive incentives for conservation and sustainable development projects. These incentives have spawned many green investment opportunities into areas like forestry, renewable energy and sustainable construction.

Reforestation and sustainable timber production has long been a focus in Costa Rica, and governmental incentives for investing in such projects has been provided. For example, a forest preservation project may receive up to \$300 per year per hectare; a reforestation project is eligible for \$150 per year per hectare. Due to this political prioritization the forest cover in Costa Rica has grown from a 21% low in 1987 to an impressive 52% in 2005.

In addition, many private forestry and reforestation projects are producing certified emission reduction (CER) credits, also known as carbon offset credits. These Forest Carbon Projects are offering wholesale investments into their programs, and then selling the carbon offset credits on the open market for very healthy returns for investors. The Costa Rica government also engages in this practice on behalf of its vast forest reserves.

Until recently, the government-run ICE (Institute of Costa Rican Electricity) has lowered the opportunities for private developers to produce electricity.

Since the ratification of CAFTA (Central American Free Trade Agreement), Costa Rica deregulated telecommunications and is now planning to open the electricity market. New incentives are being offered to developers to build renewable energy plants of seven megawatts or larger.

Once their plans are approved, developers will be able to import all necessary materials "duty free", and may be exempt from paying operating taxes for a period of time. These projects are also eligible for creating certified carbon offset credits with substantial value, thus making them even more attractive to investors and developers.

The production of biofuels is yet another industry where Costa Rica is offering similar tax-based incentives to entrepreneurs. Biodiesel production is expected to become the leading biofuel, as

the country produces a large supply of palm oil. Jatropha, is also being grown and studied in Costa Rica for future use in biodiesel production. Additionally, sugar-based ethanol production is incentivized and shows great potential.

With the prospect of mandatory Cap and Trade Legislation being passed in the United States, and a president who is encouraging G-20 members to sign on to reduce global carbon emissions, these green initiatives appear to be solid investments. They also possess terrific potential for high yields as the carbon offset market is poised for growth.