

REALISING THE CLIMATE ECONOMY IN LATIN AMERICA: A TASK FOR DIPLOMACY

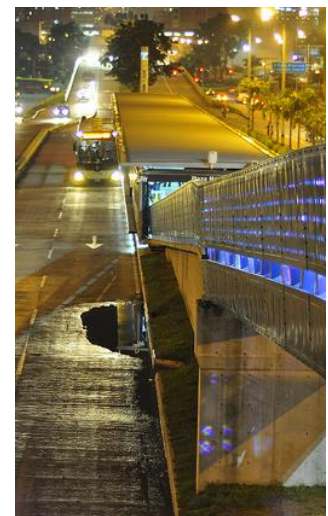
DARIA IVLEVA AND STEPHAN WOLTERS, DECEMBER 2016¹

Diplomacy can play a key role in creating an economy that is compatible with a 2°C world. In Latin America, the benefits of the climate economy are manifold and closely linked to overall development policies. Diplomacy can help to drive strategic action towards a climate economy by facilitating dialogue, enhancing cooperation and promoting integration. The plethora of alliances and approaches in the region represents both a challenge and an opportunity in this regard.

Realising the climate economy: a task for diplomacy

Diplomacy has an important role to play in creating an economy compatible with the target of staying below 2°C warming, agreed in Paris in 2015. At the climate conference in Marrakech (COP22) from 7 to 18 November 2016, dubbed the “implementation conference”, many new initiatives strengthened the impression that low-carbon transformation had gone mainstream. With its specific means and resources, foreign policy can make a major contribution in supporting this process and maintaining momentum.

Several foreign policy action areas are relevant to the climate economy, both from a global perspective and in the region specifically. For German diplomacy, climate action is an important element for stability and development. Latin American policy makers emphasise the fact that development agendas need to consider climate change in a cross-cutting way. Accounting for climate change in agriculture, land use, energy supply, the extractive sector and infrastructure is essential for forward planning. This insight has already been taken on board and resulted in increasing interministerial cooperation. Recently established international frameworks, notably the Paris Agreement and the Agenda 2030, also favour this integrated approach.



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¹ The authors would like to express their gratitude to the speakers and participants of the regional workshop “Contribuciones de la política exterior a la economía climática” on 30 November 2016 in Lima. The insights in this brief are based on the discussions held during the workshop.

supported by:

Dialogue, cooperation, integration – three instruments for strategic action

Barriers to the climate economy persist even though up to 90 % of measures that are necessary to keep global temperature rise below 2°C can be compatible with national development, equitable growth and improving living standards for large parts of the population, according to the *Global Commission on the Economy and Climate (GCEC)*. Often the barriers are rooted in the national political economy: externalities, path dependencies, distributional implications and imperfect information hamper a low-carbon transition. Government action needs to be based on a more comprehensive analysis of the economic, social and political costs and benefits of a low-carbon economy. Policies like carbon pricing can alter the decision criteria for individual actors, leading to more appropriate consideration of the costs and benefits of economic activities and the promotion of overall well-being.

Diplomacy can help drive strategic action towards the climate economy via **three instruments: dialogue, cooperation and integration**.² In the region, transitioning towards a climate economy is seen as a process with a pronounced international dimension and a significant role for ministries of foreign affairs (MFAs). In most of the countries represented, the MFAs are UNFCCC focal points or at least share that responsibility (see the map below). At the same time, diplomacy works to advance regional economic cooperation, as the Pacific Alliance exemplifies. OECD membership, and perhaps even more so aspirations towards it, also serves as a strong driver. The OECD is concerned with economic cooperation and advocates integrating environmental issues into public policies, so its environmental performance reviews and similar instruments help to make national economies more climate compatible.

Implementation of the nationally determined contributions (NDCs), which requires detailed long-term plans and instruments, as well as improvements in technical capacities and analysis of the economic implications, has emerged as a high priority for Latin America. This in turn reflects the global shift in climate politics towards implementation after Paris. Therefore, it is important to intensify exchange on climate-economy solutions available in the region.

The **regional workshop on Foreign Policy Contributions to Climate Economy in Latin America**³ was organized by adelphi, Fundación Futuro Latinoamericano (FFLA) and the German Embassy in Lima as part of the climate diplomacy initiative. It aimed to promote regional dialogue on the climate economy and brought together representatives from foreign ministries and other line ministries, civil society and the private sector from across Latin America, in particular the Andean countries. The discussion during the workshop demonstrated that the foreign policy tools of dialogue, integration and cooperation need to **concentrate on leveraging strategic action**.

Dialogue

Dialogue across sectors, stakeholder groups and political alliances is crucial:

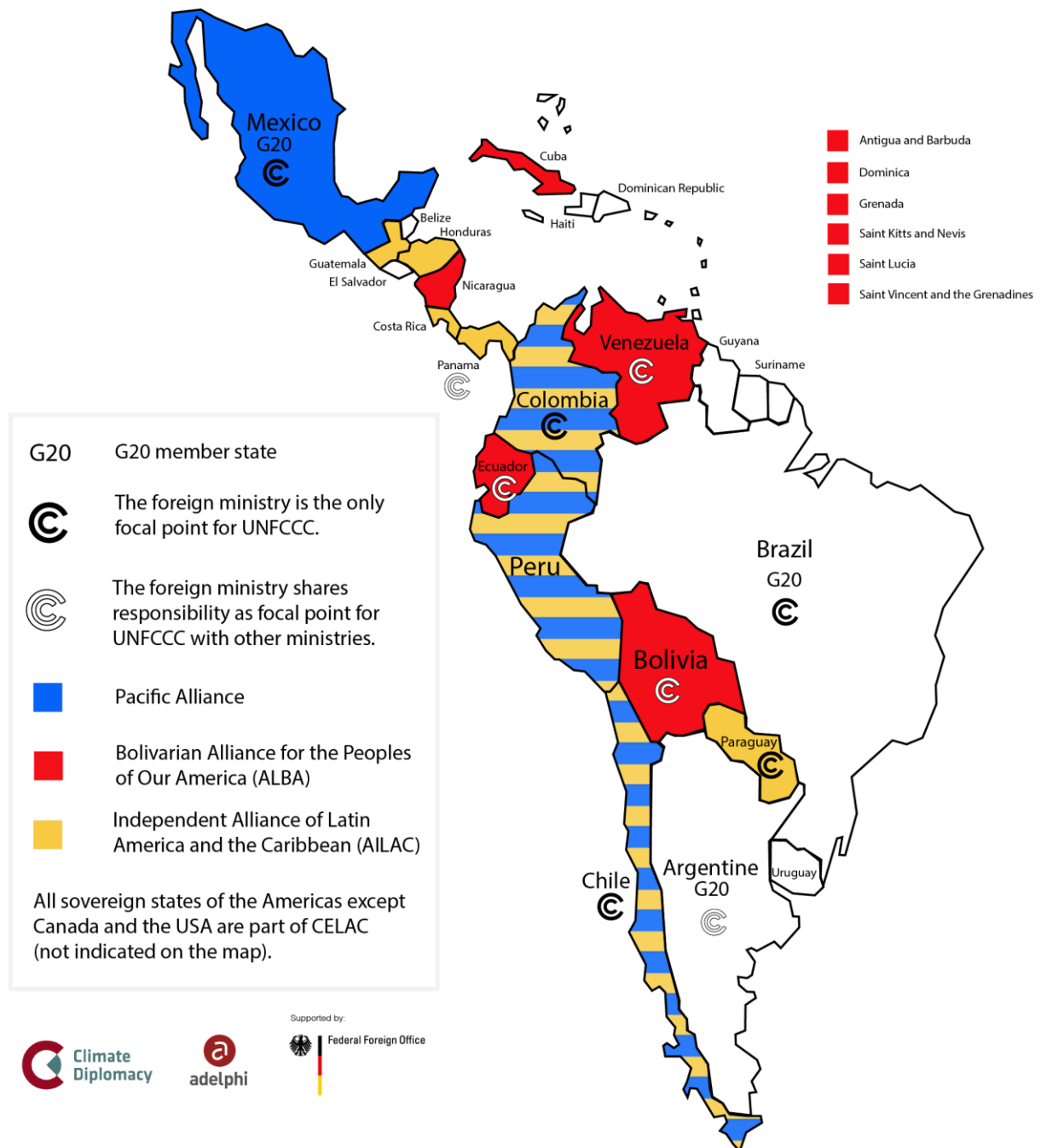
- Due to their role in coordinating different stakeholders, foreign ministries are well-equipped to **facilitate cross-sectoral exchange**. As an external actor, diplomacy can provide an impartial forum for exchange.
- Exchanging perspectives and knowledge across **civil society, the private sector and academia** is especially important in the implementation phase of the NDCs. The MFA of Chile, for instance,

² The adelphi study *Diplomacy: Realising the Benefits of Climate Action* will be published in early 2017 with detailed insights.

³ See the agenda attached.

conducted joint workshops with civil society and ensured accreditation of NGOs for COP21. Public diplomacy is therefore an important pillar in implementing and ratcheting up NDCs.

- Diplomacy can **bring together** Latin American countries from different political groupings as they share many challenges and can benefit from an exchange on different policy approaches. Diplomacy can also support **informal dialogue**.
- Diplomacy can **convey the message that climate action and development are compatible**. It can help simplify the language of climate policy, make the debate accessible and relatable for wider sectors of economy, politics and society. Increased visibility of economic benefits and links to key development challenges like sustainable cities are important entry points. For instance, the Colombian MFA collaborated with GCEC on the *New Climate Economy Report*.



Cooperation

There is much to be gained by scaling up cooperation in the region. Despite political differences, Latin American countries face similar challenges and bottlenecks in implementing climate-compatible economic structures.

- MFA capacities are often not commensurate with the responsibilities in climate policy. Therefore, it is indispensable to coordinate and to exploit synergies by working in alliances. As forums in the region proliferate, **diplomacy should search for the opportunities for strategic cooperation with the highest impact**, e.g. within the Independent Alliance of Latin America and the Caribbean (AILAC) or the (global) NDC partnership.
- Diplomacy can work to **strengthen joint positions**, so the region can speak with one voice and exert greater influence on the international stage, especially in light of capacity issues. The countries of the region represent different climate negotiation groups (AILAC, G77 and China, EIG, LDCs). These groupings have a more or less progressive stance on mitigation, prioritise adaptation to different degrees, and are willing to uphold or overcome the distinction between developing and developed countries. A political divide is also evident between regional economic organisations like the Bolivarian Alliance for the Peoples of Our America (ALBA) and the Pacific Alliance, which have both expressed joint positions on climate. Negotiating using alliances is a valid strategy to secure an efficient representation of interests. However, Latin America faces several common challenges in the areas of adaptation, sustainable forestry and land use, and access to finance. In fact, the Community of Latin American and Caribbean States (which unites all the sovereign states of Latin America) made joint declarations at COP20 & 21 and cooperates as a bloc with the EU. The establishment of the EUROCLIMA programme is another example of wider cooperation.
- **South-South and triangular cooperation** offers crucial opportunities, for instance on shared concerns such as mobility or land use. **Diplomatic services provide valuable knowledge** on context and action in different countries that can support effective cooperation. **Energy policy coordination** including regional interconnection is one of the promising fields for concerted regional action. AILAC has already started coordinating on this topic, and a Technical Group on Environment and Green Growth was recently established at the Meeting of Foreign Affairs and Foreign Trade Ministers of the Pacific Alliance, despite there not yet being a specific group for energy.

Integration

Climate policies need to be cross-cutting and multi-level, i.e. integrated across different sectors and levels of government. MFAs can be effective in driving integration of climate considerations, given that their work links national and international dimensions.

- MFAs in Latin America are **engaged in the national planning** of climate policies. The ministries participated in projects PlanCC in Peru and MAPS Chile, which elaborated mitigation scenarios and evaluated their economic implications, providing a basis for the respective INDCs. MFA Colombia is member of the Financial Management Committee of the National System for Climate Change (SISCLIMA), which works to align public and private finance with climate action needs. However, in some instances, MFAs and other ministries could coordinate better. MFAs can contribute to **integral national action under various international regimes** and processes relevant for the climate economy, e.g. UNFCCC, SDGs, Convention on Biological Diversity, OECD accession process.

- Cross-sectoral mitigation scenarios like PlanCC in Peru or integrated strategies like the national energy strategy in Chile (Energy 2050) help to build a comprehensive vision of low-carbon economy, provide leadership and send the right signals across government, to private and societal actors, channeling public and private investment. **Linking climate action to sectoral policies** creates important synergies. Often political, social and economic concerns are more important for progress than sustainability. In Mexico, it was air pollution and traffic congestion that proved decisive in the development of sustainable public transport, while in Chile scaling-up renewables became an attractive option to improve energy security and accessibility. However, climate policies in both cases built on this progress, which helped raise ambition.
- As research by the Economic Commission for Latin America and the Caribbean (ECLAC) demonstrates, it is challenging to identify public spending on climate change when ideally all sectoral budgets need to be climate-proof. The Colombian SISCLIMA shows that successful integration needs high-level support from influential actors like ministries of finance, economy and planning. Foreign policy can **link international climate politics to strategic processes within these influential ministries**. This provides support on the international stage, increasing the credibility of NDCs, and helping to mobilise finance. And, vice versa, international commitments can help sustain climate action momentum at national level, also by providing a counterweight to lobby interests.
- MFAs can **provide** national decision makers with **insights regarding the international implications of policies**, within the context of global trends (e.g. coal divestment, carbon pricing) and help overcome national barriers to the climate economy. For instance, MFAs can draw attention to the benefits of climate policies in geopolitical (energy security in Chile) or competitiveness (economy diversification for exporters of fossil fuels) terms.
- **Different levels of governance** need to contribute to climate action. The engagement of Mexico City in international climate politics through the C40 and other city networks shows that local actors can successfully promote the climate agenda. Furthermore, local actors assume ownership of climate action beyond election cycles and offer continuity, as observed in many cities in Latin America. Diplomacy can engage the local level more and improve access to finance for non-state actors.
- To be able to perform the tasks above, **diplomatic action needs to be consistent with the climate economy across all forums**, especially integrating economic cooperation (Pacific Alliance, ALBA) and development cooperation (in which MFAs in Latin America have an important role) with environmental and climate concerns.

AGENDA OF THE REGIONAL WORKSHOP

Foreign Policy Contributions to Realise Climate Economy in Latin America

30 November 2016, 9:00-17:00

Hotel Nobility, Av. Roosevelt 6461, Lima 18 Miraflores, Peru

HOW DIPLOMACY CAN CATALYSE THE CLIMATE ECONOMY 9:00-11:00		
10 min	Welcome speech	Jörg Ranau, Ambassador of Germany in Lima
10 min	Introducing the agenda	Volker Frank, Fundación Futuro Latinoamericano (FFLA), Ecuador
20 min	Introduction Climate challenges across Latin America after Paris & Marrakesh	Marianela Curi, Executive Director, FFLA
30 min	Preliminary study results Diplomacy: Realising the benefits of climate action	Stephan Wolters, adelphi
60 min	Discussion <ul style="list-style-type: none"> • What are the most important entry points for diplomacy? • Which are the key barriers to overcome? • How does the role of diplomats differ across countries? 	Marcos Alegre, Ministry of Environment, Peru Gonzalo Guaiquil, Ministry of Foreign Affairs, Chile Santiago Briceño, Ministry of Foreign Affairs, Colombia Irina Barba, Ministry of Foreign Affairs, Ecuador
Coffee break (11:10-11:30)		
DISCUSSING BEST PRACTICE 11:30-13:30		
20 min	Realising climate co-benefits of climate action in cities <ul style="list-style-type: none"> • Sustainable urban policies in Mexico City and the role of international actors 	Alejandro Villegas, Centro Mario Molina, México
20 min	Project <i>PlanCC</i> (Mitigation Action Plans and Scenarios, MAPS): leveraging the co-benefits of climate action	Luisa Elena Guinand, Director of Environmental Area,

	<ul style="list-style-type: none"> How to establish a knowledge base and integrate climate benefits across policies? 	University Antonio Ruiz de Montoya / Libélula, Peru
20 min	Renewable energy investments as a business case <ul style="list-style-type: none"> How to create conditions conducive to green and RE investment? 	Carlos Finat, ACERA (Renewable Energies Association), Chile
60 min	Discussion <ul style="list-style-type: none"> What are other best practice cases? How to replicate best practice? What is the potential of foreign policy? 	
Lunch (13:30-14:30)		
IDENTIFYING OPPORTUNITIES		
14:30-16:00		
15 min	Cooperation on the sustainable transformation of Latin American economies Lessons for integrating climate policy and development objectives	Jimmy Ferrer, Climate Change Unit, ECLAC
15 min	Foreign policy of Peru in the area of climate change and green growth	Liliam Ballón, Ministry of Foreign Affairs, Peru
60 min	Discussion <ul style="list-style-type: none"> What ways are there to improve horizontal learning? What opportunities exist for regional alliances, for South-South or triangular Cooperation? 	Moderated by Volker Frank, FFLA
16:00- 17:00 Closing and Reception		

The insights in this brief are based on the discussions at the regional workshop “Contribuciones de la política exterior a la economía climática”, held in Lima on 30 November 2016. The agenda is annexed.

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adelphi is a leading independent think tank and public policy consultancy on climate, environment and development. Our mission is to improve global governance through research, dialogue and consultation. We offer demand-driven, tailor-made services for sustainable development, helping governments, international organizations, businesses and non-profits design strategies for addressing global challenges.

The **Fundación Futuro Latinoamericano (FFLA)** aims to promote constructive dialogue, strengthen citizen, political and institutional capacities, and articulate processes towards sustainable development in Latin America. Therefore it utilizes multi-sectoral public policy dialogues and conflict prevention methodologies as its main strategies.

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