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Reconciling development with the need to 'decarbonize' the economy

A perspective from Latin American and Caribbean think tanks on climate change issues Series

Maria Elena Gutiérrez, María Paz Cigarán, David García, Carolina Chambi (Libélula, Peru)

This publication is part of a collection of papers that analyze several of the technical and political issues in the UN climate change negotiations, including those related to climate finance and to the international adaptation framework; and how to support and encourage low-carbon and climate-resilient development. This work series was led by IDDRI (Teresa Ribera, Celine Ramstein) and jointly prepared with experts from four Latin American think tanks: Maria Elena Gutierrez, Maria Paz Cigaran, David Garcia and Carolina Chambi (Libelula, Peru), Rene Castro and Mario Chacon Leon (CATIE, Costa Rica), Hernan Carlino (Fundacion Torcuato Di Tella, Argentina) and Renato Flores and Marina Drummond (Fundacao Getulio Vargas, Brazil), as well as from IDDRI (Alexandre Magnan, Teresa Ribera, Sebastien Treyer and Thomas Spencer).

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The LAC region is at a crossroads: while its emissions are still relatively low compared to global emissions, they are changing quickly. The region will face tremendous impacts from climate change, while adaptation and mitigation policies could present many opportunities for strengthening regional integration. This collection has been prepared by think tanks in countries that belong to many different negotiating groups within the UNFCCC, as well as economic alliances, and therefore can play a key role to advance new ideas and find "bridges" between different positions.

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"There are various barriers to low-carbon development in the LAC region arising from both the political economy and the socioeconomic focus of the countries, as well as the perceptions of decision makers and other actors who have a high level of influence. In some cases these are paradigms, political realities and perceptions, while in others they are actual circumstances.
At the same time, although climate change and its management are a great challenge for the countries in LAC, the regional context may offer opportunities to advance towards climate compatible development."

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This collection of papers was written by a group of independent experts acting in their organization's capacities and who have not been nominated by their respective governments.

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This project has greatly benefited from the discussions held during the think tank workshop organized in Santiago, Chile on October 8th, 2014. We would like to thank the Economic Commission for Latin America and the Caribbean (ECLAC), the United Nations Environment Programme (UNEP), the EUROCLIMA programme and the Climate and Development Knowledge Network (CDKN), as well as the experts and negotiators who participated in this dialogue.

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FOREWORD

As part of its work on international climate coordination, IDDRI is animating a series of informal dialogues among negotiators from Latin America and the Caribbean (LAC), with the aim of contributing to the discussions ahead of the United Nations Framework Convention on Climate Change Conference of the Parties (UNFCCC COP 20) to be held in Peru in 2014, and of the UNFCCC COP 21 to be held in France in 2015. These dialogues are co-organized by the governments of Brazil, Chile and Peru, together with the Economic Commission for Latin America and the Caribbean (ECLAC) and the United Nations Environment Program (UNEP).

To infuse the discussions with innovative ideas and to involve key stakeholders, IDDRI organized a workshop on October 8, ahead of the negotiators' dialogue held in Santiago, Chile, on October 9 and 10, 2014, which gathered representatives from various think tanks and institutions from across the region and regional climate change negotiators. We would like to take this opportunity to express our sincere gratitude to the ECLAC and UNEP regional teams for their support during this project and for the organization of this workshop and dialogue, as well as CDKN for funding these dialogues.

In the months leading up to this workshop, IDDRI worked with these think tanks to prepare background papers that analyze several of the technical and political issues in the UN climate change negotiations, including those related to climate finance, and how to support and encourage low-carbon and climate-resilient development. These background papers were discussed during the workshop by regional experts and negotiators. The authors of the final versions that are presented here have integrated into their texts the most notable comments that emerged throughout this process. We would also like to thank the workshop participants and the think tanks involved in the project who wrote the papers presented here, in particular Maria Elena Gutiérrez, María Paz Cigarán, David García and Carolina Chambi (Libélula, Peru), René Castro and Mario Chacón León (CATIE, Costa Rica), Hernán Carlino (Fundación Torcuato Di Tella, Argentina) and Renato Flores and Marina Drummond (Fundação Getulio Vargas, Brazil), as well as Gladys Hernandez (from the Centro de Investigaciones de la Economia Mundial) whose participation and comments during the workshop were extremely valuable. Thanks also to my colleagues at IDDRI who contributed to this publication: Céline Ramstein, Alexandra Deprez, Thomas Spencer, Alexandre Magnan, Sebastien Treyer, Michel Colombier, Sáni Zou and Pierre Barthélemy.

These papers are important regional contributions to the global debate leading up to COP 21, and our work on these dialogues gives a platform to these ideas and the voices of LAC countries, helping to build common perspectives. Coming directly from LAC, these contributions are particularly important for a number of reasons. First, despite the efforts of the Intergovernmental Panel on Climate Change (IPCC) and others, the literature on climate change is still somewhat dominated by researchers from North America, Europe and other Annex 1 countries. However, there is a vast amount of policy experience and research expertise that can be referred to in LAC, as these papers rightly demonstrate. Second, as the opening chapter outlines, the region has specific circumstances, which means that perspectives on policy and research coming from this region can be particularly innovative and valuable for discussion at the global level.

The results of this exercise went well beyond our expectations. We have been greatly encouraged and inspired by the concrete, pragmatic and innovative proposals formulated in the papers and the potential areas of consensus discussed during the workshop. Our hope is that this dialogue will help to address deadlocks in the negotiations in the coming months.

Teresa Ribera, director of IDDRI

Although IDDRI supports many of the views and recommendations presented here, each paper reflects the view of its authors.

SUMMARY

This working paper discusses to what extent it is possible to reconcile economic growth with the fight against climate change in Latin America and the Caribbean, including the challenges and opportunities in a low-carbon, climate-resilient development model for the region. With the forthcoming Conference of the Parties to the UN Framework Convention on Climate Change to be held in Lima, Peru, and in preparation for the important Paris conference in 2015 where a new climate agreement is expected, it also discusses how to address these real and perceived dilemmas through the outcome of Paris and new narratives.

INTRODUCTION

This working paper is intended to contribute to the debate ahead of the UNFCCC COP 20 to be held in Peru in 2014 and the COP 21 which will take place in France in 2015. It provides information and ideas as an input to informal dialogues in Latin America and the Caribbean, organized by IDDRI together with ECLAC and UNEP and chaired by the governments of Brazil, Chile, and Peru.

Is it possible to reconcile economic growth with the struggle against climate change? What challenges and opportunities are there in a low-carbon, climate-resilient development model? How can this discussion be addressed effectively in the run-up to Lima and Paris? These are some of the key questions that this paper seeks to analyze and answer.

The paper is divided into three main sections. The first is aimed at constructing a common understanding of the challenges and opportunities in defining and implementing climate change management policies at the national level in Latin America and the Caribbean (LAC). This is framed as an input to better understand the challenges to establishing a multilateral climate agreement that includes the effective participation of LAC. The second section places the reader in the context of the negotiations in order to demonstrate the range of views and expectations in the region for the COP 20 and COP 21 and how these relate to the "dilemma" of reconciling development and decarbonization. The third section puts forward some initial ideas about options in terms of the possible sequence of negotiation of the most important issues for a new global agreement; ideas of narratives that might contribute to resolve the "dilemma"; and possible actions and initiatives within and outside the scope of the Convention that can contribute to an effective global agreement.

As a complement to the working paper, the Annexes provide additional information, including: sustainable development indicators for LAC, the different negotiation groups within the UNFCCC to which countries in LAC belong, and other spaces in which they participate and other commercial and economic groups which, although they do not function as negotiation groups, do influence the positions of the member countries; and finally, a summary of the positions of these groups regarding the central issues under negotiation.

1. THE "DILEMMA": HOW TO RECONCILE DEVELOPMENT WITH THE NEED FOR DECARBONIZATION IN LATIN AMERICA AND THE CARIBBEAN

1.1. The LAC region and climate change

Latin America and the Caribbean (LAC) represents around 8.5% of the world population, with a population of approximately 618 million people, most of whom are of working age (20 to 65 years of age). Some 79% of the population of LAC is urban. As economic conditions improve in the more advanced economies in 2014 and beyond, the economic prospects look positive for LAC. For the first time in history, the number of middle class people in the region has overtaken the number of poor. Despite the progress made in recent years, inequality in the region remains high and could be stagnating.

Table 1. Estimates of annual damages from some key physical impacts by 2050

Impact	Area	Projected Annual Costs (2005 $ billion)	Projected Cumulative Costs (2005 $ billion)	Source
Loss in net export agricultural revenues: wheat, soybean, maize, and rice	LAC	26-44		Fernandes et al. 2012a
Sea-level rise (1m)	LAC	22		Dasgupta et al. 2007
Coral bleaching	Caribbean	8-11		Vergara et al. 2009
Intensification and frequency increase of extreme weather events	CARICOM Mexico's Gulf coast, Central America, and the Caribbean	5	110 - 149 for 2021 - 2025	Toba 2009 Curry et al. 2009
Health (increase in incident cases of diarrhea and malnutrition)	LAC	1		Ebi 2008
Amazon dieback	LA	4-8		Authors' estimation
Glacier retreat	Peru	1		Vergara et al. 2007
Loss of ecosystem services	AL		36	Authors' estimation
Hydropower generation	Brazil	18		Authors' estimation
Estimated total (% LAC GDP)		85 - 110 (1.8 - 2.4)		

Source: Inter-American Development Bank, 2013

The LAC region is already showing the effects of climate change and the associated impacts in human and productive systems. A few figures on annual estimates of damage caused by climate change in LAC are shown below. LAC could lose approximately 2% of its GDP annually due to the influence of climate change change by 2050.

Thus, adaptation to climate change emerges as a current need, a priority for climate change management in LAC which will only increase over time and to a greater extent if global actions to stabilize emissions of greenhouse gases (GHGs) continue to be delayed.

Due to the region's high vulnerability to climate change, a universal agreement that leads to drastic reductions of emissions is crucial to LAC because, if not, future competitiveness will be lost and there will have to be sufficient adaptation in an scenario of increasing emissions. Thus, mitigation is the only option for long-term adaptation. Under this premise, it is expected that LAC could also contribute to mitigation of GHGs as a risk prevention measure.

In terms of carbon emissions, LAC represents roughly 11% of the world total.[1] According to the Climate Analysis Indicators Tool (CAIT) 2.0, developed by the World Resources Institute (WRI), emissions from Latin America and the Caribbean reached 3310.54 $MtCO_2e$ in 2011, not including emissions related to land use, land-use change and forestry (LULUCF). If the latter sector is included, then emissions climb to 4206.98 $MtCO_2e$. The LAC countries with the highest emissions in 2011 (including the LULUCF sector) were Brazil (34% of the LAC total), Mexico (17%), Venezuela (9%) and Argentina (10%).[2]

According to the Inter-American Development Bank (IBD), LAC's business-as-usual (BAU) trajectory would bring the region to a level of annual emissions levels close to 9.3 tons per capita by 2050 (emissions were approximately 7 tons per capita in 2010, according to the report) and the emissions shares of transportation and power generation are also expected to grow by 50%. Achievement of global climate stabilization goals associated with limiting the temperature increase to less than 2°C above pre-industrial levels, which requires that LAC emits 2 tons per capita, would cost the region approximately US$ 100 billion per year (2.2% of the region's GDP in 2010), with an average abatement cost (or the cost of implementing mitigation measures) of less than US$ 20 per tCO_2e[3], partially considering the environmental benefits of these measures.

The IBD report concludes that "there is evidence of some decoupling of economic growth from carbon emissions in Latin America and the Caribbean".[4,5] The total carbon footprint of the LAC region has decreased by about 11% since the start of the century, while its GDP has grown at an annual rate of about 3%. This is attributed to a decreased rate of deforestation and improvements in energy efficiency. Significant mitigation efforts

1. Vergara, W. et al. "The Climate and Development Challenge for Latin America and the Caribbean: Options for climate-resilient, low-carbon development". Inter-American Development Bank 2013.
2. WRI (2014) CAIT2.0 http://cait2.wri.org/wri
3. Vergara, W. et al.
4. Vergara, W. et al.
5. The study warns that this trend is still too short-lived to draw long-term conclusions

are still required that affect both land use and energy in LAC.

Some countries in LAC, including Brazil, Mexico, Chile, Colombia, Peru and Dominican Republic, have already identified and assessed a wide range of mitigation opportunities. Some countries even have Marginal Abatement Cost Curves for carbon in which specific measures can be identified that generate savings when compared with the baseline scenario, and where investment would produce attractive returns and business opportunities according to a case-by-case analysis.

A number of countries are also assessing options to apply market mechanisms as cross-cutting measures. The World Bank project "Partnership for Market Readiness" supports countries in the region[6] in these efforts. The region's experience with the Clean Development Mechanism (CDM) under the Kyoto Protocol could represent a starting point for the successful application of market schemes for mitigation.

1.2. Development versus decarbonization: challenges and opportunities in the regional context

There are various barriers to low-carbon development in the LAC region arising from both the political economy and the socioeconomic focus of the countries, as well as the perceptions of decision makers and other actors who have a high level of influence. In some cases these are paradigms, political realities and perceptions, while in others they are actual circumstances.

At the same time, although climate change and its management are a great challenge for the countries in LAC, the regional context may offer opportunities to advance towards climate compatible development. It should be mentioned that many of the "opportunities" that are presented in this section are related to new narratives or arguments to be defended, as well as to the adoption of new development paradigms.

Below we discuss some of the "challenges", presenting real data and also counterbalancing them with future opportunities to be worked upon under an approach that incorporates the vision of climate change.

1.2.1. Competitiveness, investments and decarbonization in LAC

LAC is an emerging region, where "growth" and "competitiveness" are political priorities. "Climate compatible" investments involve change and learning. It can be assumed that there will be associated costs and risks that would be greater than or additional to the current alternatives (the latter cases being more polluting and less resilient), making the region's prices less competitive than those of other parties.

Large investments have been planned and some have already been made in countries in the region, which could "lock" countries in a business-as-usual trajectory which is carbon-intensive and vulnerable to climate change. One specific example are the 120 bilateral agreements recently signed between China and Argentina, and Venezuela and Cuba, which focus heavily on infrastructure, energy and transport. President Xi Jinping also recently proposed the creation of a new US$ 20 billion infrastructure fund for Latin America.[7] China's trade with Latin America reached more than US$ 261 billion in 2013. It is important to note that while some investments appear to reflect a trend towards energy diversification (investments in renewable energy in Cuba and nuclear energy in Argentina) and energy efficiency (improvements in transportation and smart cities in Brazil), most of them could be considered to be normal or "business as usual" investments.

Investments in infrastructure, energy and industry tend to have long life spans, so they influence the ability of countries to undertake low-carbon, climate-resilient planning and investments. Furthermore, these investments could even come to represent "leakage" to our region if it continues to have more lax standards and regulations regarding GHG emissions. **It therefore becomes crucial to develop a framework of global cooperation to prevent this leakage and create a more cooperative relationship between the donor country (in this case, China) and recipient countries, which promotes more climate compatible investments.**

So, it seems that growth and competitiveness are currently at odds with decarbonization in LAC. This is partly because economic assessment tools, such as cost/benefit analysis of investments, internal rates of return for projects or the value of domestic production, do not include environmental and social externalities. Even though existing neoclassical tools for measuring economic development may be outdated or even obsolete in terms of measuring sustainable development, they are still used today to define national policies in LAC.

6. Brazil, Chile, Colombia, Costa Rica, Mexico and Peru

7. http://www.nivela.org/updates/will-china-become-latin-america-s-new-partner-for-infrastructure/en

Another major barrier to climate compatible development planning is the short-termism that prevents incorporation of climate risk into public and private investment strategies. This is even more of a problem when the long term can mean 10 or 20 years (or even 50). Current policies and strategies privilege short-term benefits over the benefit to future generations. Thus, they do not consider climate change resilient investments or mitigating emissions since there is no willingness to pay now to avoid future risk, even though many studies claim that the cost of inaction could be far greater.

Considering LAC's competitiveness in an international context, there is some evidence that countries that have included mitigation conditions in their policies–-in a context where only a small number of nations have assumed legally binding mitigation commitments–-may have suffered from capital flight or reduced investment in "high-carbon" sectors. A recent analysis of the impact of the First Commitment Period of the Kyoto Protocol concludes that: "low-carbon growth [in countries with reduction targets under the KP] can be partly explained by ... outsourcing the production of goods overseas".[8] In other words, it is evident that there actually was "leakage" from polluting industries to countries without reduction goals.

The lack of certainty about the financial and technological means and the capabilities to support mitigation and adaptation exacerbates the problem, paving the way for some actors in the countries to reject the possibility of LAC countries promoting mitigation, arguing that it is the responsibility of those who have been historically responsible for causing global warming and who have failed to fulfill their commitments.

Managing to reconcile economic development is possible in LAC, but, on the one hand, it would require successfully negotiating a universal Multilateral Agreement that promotes global mitigation (preventing leakage) and creating real incentives for countries to mitigate, as well as cooperation mechanisms for mitigation, and to support adaptation.

Another opportunity to advance with an agenda of greater competitiveness and greater protection of the environment can be found in regional integration and LAC countries' access to international organizations. There are various platforms and initiatives for integration in the region, such as the Pacific Alliance, Mercosur, Union of South American Nations and Bolivarian Alliance for the Americas. Two countries in the region, Mexico and Chile, already belong to the Organisation for Economic Co-operation and Development (OECD) and another three–Colombia, Costa Rica and Peru–have also expressed their desire to join. In the case of Mexico and Chile, it is apparent that joining the OECD has been a catalyst for the adoption of emissions reduction goals and has also strengthened their emissions management systems to meet OECD requirements. Another specific example includes the desire expressed by the Pacific Alliance countries (Peru, Colombia, Mexico and Chile) to make a joint contribution to the Green Climate Fund (GCF).

On the other hand, **structural changes will be required in the economies and patterns of use of the LAC region's natural resources. These changes represent a cost, but are also a real opportunity to achieve greater levels of efficiency, wellbeing, productivity and competitiveness compared with more carbon-restricted international markets.** Sustainable actions in the forestry and agriculture sector (AFOLU) represent an opportunity for differentiation for LAC, to add value to areas that are currently used for low-profitability activities or illegal activities that generate no value for the economy.

In several of the region's countries, increasing international cooperation in this field has already paved the way for advances in the process of economic valuation of environmental or ecosystem services, specifically water (as a resource at risk due to climate change) and forests (as carbon sources and sinks). For example, in Peru the cooperation agenda for climate change has allowed progress in management of forests and the country now has a Forestry Investment Plan and an Ecosystem Services Law which will help contribute to meeting mitigation goals while increasing the value of primary forest.

Central America is a good example regarding the management of water resources. Due to the region's high vulnerability and as part of its regional climate change strategy, it has prioritized the implementation of integrated management schemes for water resources as an adaptation measure, as well as diversifying the energy mix to include more renewable sources such as bioenergy (since generation of hydro power is at risk) as a mitigation measure.[9]

1.2.2. The energy situation in LAC: challenges and opportunities for mitigation

There is a perception that mitigation in the energy sector in LAC is costly. It is true that in LAC, as is

8. CDC Climat Research. « Ex-post Evaluation of the Kyoto Protocol : Four key lessons for the 2015 Paris Agreement » Climate Report N°44. May 2014

9. Comisión Centroamericana de Ambiente y Desarrollo (Central American Commission on Environment and Development) - CCAD/SICA. Regional Climate Change Strategy. 2010.

the case globally, new technologies –such as non-conventional renewable energy sources that do not produce GHG emissions– require capital injections and sometimes subsidies or grants. It is important to note that the same was the case with conventional energy technologies, but the difference is that fossil fuel infrastructure has been under development for many decades, which reduces the current cost.

In addition to the existing infrastructure, conventional fossil energies are subsidized to promote their use. According to a study conducted by the Latin American Energy Organization (OLADE by its Spanish acronym), in 2005 it was estimated that subsidies for LAC fossil fuels (liquefied petroleum gas [LPG], diesel oil, gasoline and fuel oil) were US$ 25.6 billion in current terms. Updating the data shows that by 2013, only very few countries did not have a subsidy for fossil fuels, these including Brazil, Honduras and Jamaica. Paraguay has removed the subsidy on gas oil (diesel oil), but is instead subsidizing public transport. Uruguay subsidizes LPG for lower-income sectors.[10]

The availability of energy resources is another factor to consider. There are countries in the region that have abundant fossil energy resources, such as oil (Venezuela, Ecuador) and gas (Bolivia, Peru). This is countered by the region's high potential for renewable energy, both in terms of conventional energies such as hydro power (which is at risk in those countries that are prone to water stress due to climate change) and non-conventional renewable energies, which are vastly underexploited.

The energy wealth is unequally distributed in LAC: "Approximately 34 million people lack access to modern electricity services, and fuel imports consume a growing percentage of smaller countries' budgets."[11]

There are also groups that represent private interests (related to the exploitation of fossil energy resources) worldwide that promote the idea that aiming towards renewable energy in some countries in LAC could be synonymous with following foreign trends or impositions, suggesting that technology such as solar, wind or geothermal energy is foreign and could be more costly. In Peru, for example, these interests have translated into a lobbyists' message that argues that the country's efforts to combat climate change should be focused solely on adaptation. However, it should be stressed that the lobby is not necessarily well organized in LAC, except in emerging countries like Brazil and Mexico, partly due to the predominance of small and medium-sized enterprises in the region. This could represent an opportunity given the challenge mentioned above.

As a counterargument, **there are numerous low- or negative-cost opportunities to reduce emissions in the energy sector in LAC, as well as options that involve the generation of substantial "cobenefits"** in terms of improving human health, welfare, increasing food and energy security, efficient use of natural resources and rapid technological development. It has been estimated that the cobenefits of mitigation can reach between 30% and 100% of the total abatement cost.[12] "This concentration of health-related cobenefits suggests that within the region's overall mitigation efforts, low-carbon energy strategies—particularly transportation policy interventions in urban zones and the promotion of distributed renewable power, including modern cook stoves, in rural areas—should be prioritized, along with mitigation interventions in the waste and sanitation sectors."[13] In these areas, mitigation does not get in the way of economic development but can help strengthen it. Given the high level of urbanization in the region, cities must be prioritized as areas for immediate action.

The integration of energy markets in LAC is an opportunity that has been discussed since the 1970s through the creation of regional organizations (OLADE, CIER, CARICOM), and above all with the implementation of bilateral projects, as in the case of Mexico and Guatemala. So, we have different countries with different energy potentials and availability of energy sources, including renewable sources, but all the countries of the region need energy to fight poverty.

1.2.3. Positioning the climate change issue in LAC

In practice, one of the barriers to promoting climate compatible development in LAC countries is that climate change spokespersons or advocates are frequently the same actors that are involved in environmental issues and are labeled as "environmentalists", who are often mistakenly described as opponents of economic growth. For example, in 2007 then Peruvian presidential candidate Alan García Pérez described environmentalists as "dogs in the manger" for not allowing natural

10. OLADE. "La Tarifa Social de la Energía en América Latina y el Caribe". 2013

11. Inter-American Development Bank. http://www.iadb.org/en/topics/energy/energy-in-latin-america-and-the-caribbean,1272.html

12. Information from Bollen et al. 2009; Pearce et al. 1996 and the IPCC 2001, cited in the IDB report "The Climate and Development Challenge for LAC".

13. Vergara, W. et al.

resources to be used.[14] In the regional press there is increasing coverage of cases where investments and economic growth are halted in the interest of protecting the environment.

Although this apparent dichotomy between the two objectives can delay investments or even cause capital flight, the real underlying causes would have to be analyzed, such as inefficient bureaucratic procedures, antiquated regulations or inorganic sectoral focuses, rather than a conflict between investment or environmental protection.

The greatest affirmation that climate change is considered to be a predominantly environmental issue in LAC is the fact that, in most cases, the governing body in this area is the Ministry of Environment or similar agencies. It is possible that this is the reason why there is evident inconsistency between domestic policy and international positions in some cases. In various countries in LAC, there seems to be a split between those who discuss these issues at the international level (UNFCCC negotiators, mostly from the environmental sector) and those who actually take decisions at the national level. Spokespersons for "climate compatible development" often fail to lead the processes needed for decision-making at national level.

It should be noted that this trend is changing and it is clear that there is now greater participation by other sectors in international negotiations, specifically the financial and economic sector. Institutions such as the Inter-American Development Bank (IDB), the World Bank and the International Monetary Fund are promoting this trend.

As a complement to this barrier, which confronts us with the challenge of "de-environmentalizing" the issue of climate change, there is the fact that many LAC countries do not prioritize the agenda and nor do they necessarily link climate change with urgent development needs, such as poverty, health and security, in the region. The climate agenda, and even more so mitigation, are not part of the priority agenda, often because ignorance reigns regarding the relationship between everyday concerns perceived as being close at hand and climate change, which is perceived as a distant problem. So, there is a clear need to continue with the task of raising awareness and sensitization regarding the problem as a step towards involving decision makers and consumers.

For example, a study conducted in Peru in 2013[15] to mark the beginning of a research programme into possible mitigation scenarios, concluded that: "The problem [of climate change] is definitely defined by the majority of those surveyed as merely an environmental issue rather than an economic or development issue," and also that "The issue of climate change is a problem that is in itself gaining importance, but it is watered down as it is perceived that there are more pressing problems in the country." [16]

There is a real opportunity in LAC to position the subject of the region's high vulnerability to climate change as a common factor that can potentially increase integration in the region. The countries in LAC share various issues that demand action, such as the lack of capacity for adaptation, the absence of institutions to manage the impacts of climate change, and the fact that significant segments of the population live in poverty and in a state of high climatic risk. There are also countries in the region that have already had experience in moving forward with an agenda for adaptation and climate risk management. These conditions create an opportunity to consolidate an agenda for common action and communication and a coordinated position on issues of adaptation, as well as to transform common concern and the experience gained into renewed international and national political will.

This opportunity could extend to mitigation if it could somehow be seen as the main alternative to managing long-term climate risk. Bearing in mind the latest reports from the Intergovernmental Panel on Climate Change (IPCC) and the Emissions Gap Report from the United Nations Environment Programme (UNEP), there is still a considerable gap to bridge to avoid an average global temperature increase of more than 1.5°C - 2°C. Therefore, raising the global target should be a priority for LAC in the negotiations and to do that the region must display a coordinated position which can be supported by the risk and the lack of capacity for an adequate response to climate change.

1.2.4. Other challenges for the region and the opportunity for climate change-focused management

There are other, more structural limitations that do not have a direct impact but which represent obstacles to the adoption of public policies in climate change and, in particular, to the application, supervision and control of such policies.

The management model in many LAC countries keeps sectors totally separate from each other, which does not facilitate organic coordination with a comprehensive vision and systemic approach,

14. http://pospost.blogspot.com/2007/10/el-sndrome-perro-del-hortelano-por-alan.html

15. The sample included 1200 survey respondents in Lima (capital of the country) and 3 regions in the Coast, Highlands and Rainforest areas of the country.

16. PlanCC Project. Estudio de Percepciones sobre Cambio Climático. 2013

which is essential for managing climate change. In addition to this there is a lack of dialogue with the private sector and also, the state bureaucracy suffers from reluctance to implement new tasks and therefore mitigation measures can be viewed more as a chore or distraction, especially if they are not perceived as being concrete, or if they involve some factor seen as "negative".

Another structural obstacle is the low level of technological and business innovation in LAC. A report prepared by the World Bank establishes that despite the high level of entrepreneurship, as represented by a large number of new firms, in LAC introduction of new products happens less frequently than in other developing regions. Furthermore, the regional average investment in research and development is much lower (less than 0.5% of GDP), with the exception of Brazil which invests 1% of its GDP in R&D. This is one third of the level of investment by China. In Bolivia, Paraguay, El Salvador, Honduras, Guatemala and Peru, the number of patents per million people is lower than one, which is much lower than would be expected considering their level of development.[17]

We can also point to other factors which make public management troublesome in LAC: the large informal sector of the economy, persistent poverty and inequality, and insecurity that is reflected by the high country risk for investments. However, it is worth mentioning that this is changing, as there are various countries which are recommended for investment, such as Mexico, Panama, Chile, Costa Rica, Peru, Colombia, Brazil and Uruguay. Meanwhile, the risk appears to persist in countries like Venezuela, Argentina and Ecuador.[18]

The task of moving towards climate compatible development requires effective management of climate change as a mega-trend. This management—which includes the study of vulnerability, development of adaptation and mitigation strategies, as well as the adoption of policies to provide incentives for climate finance, deployment of technology and capacity building—translates into a need for multi-sectoral and coordinated work. The application of management pilot projects could be an opportunity to address economic and social problems using a systemic approach. The climate agenda would be an opportunity to include more natural resources in public accounting.

Similarly, the need to improve information systems in government offices and the public administration to facilitate the process of identifying, formulating and assessing effective adaptation and mitigation actions could represent an opportunity for the development of integrated sectoral information systems. For example, implementing systems to monitor and report emissions, and to monitor flows of finance and investment for climate change, could facilitate the implementation of policies that increase countries' efficiency and productivity. This is working on the basis that improved information and measurement will make it possible to achieve increasingly efficient management for both emissions and financial resources.

3. CLIMATE CHANGE NEGOTIATIONS AND THEIR RELEVANCE TO THE DISCUSSION OF DEVELOPMENT VS. DECARBONIZATION IN LATIN AMERICA AND THE CARIBBEAN

3.1. The negotiations and their impact on national policies

Climate change negotiations started in 1994 with the first UNFCCC Conference of the Parties (COP). Twenty years on, there has been progress in terms of: coordination of efforts against a global problem that cannot be resolved either unilaterally or bilaterally; increased awareness of the issue and its importance on the world political agenda; implementation of concrete policies and actions for adaptation and mitigation; establishment of a rigorous reporting and review regime for developed countries, and an emissions accounting system that has paved the way for an international carbon market; control of deforestation; mobilization of funds for climate change; or through the establishment of a mechanism for facilitating technology transfer, as well as other advances.

However, this scheme, which generates marginal progress through decisions, has proved to be inadequate. Thus, since it went into force in 2005, the Kyoto Protocol (KP) has sought to be a more effective mechanism than the Convention, insofar as it established legally binding commitments to reduce emissions for those bearing the bulk of the responsibility for GHG emissions made between the start of industrialization and 1990.

As from 2005 –in light of changes in world economic policy, the composition of GHG gases, and evidence of the effects of climate change– it

17. The World Bank (2014). Latin American Entrepreneurs: Many Firms but Little Innovation, Washington DC. http://www.worldbank.org/content/dam/Worldbank/document/LAC/LatinAmericanEntrepreneurs.pdf

18. http://www.elcomercio.com/actualidad/paises-riesgos-inversion-america-latina-economia.html

became indisputable that there was a need for a tool to complement or replace the KP. So, after a first unsuccessful attempt to adopt a new accord at the Copenhagen Summit (2009), political will was reaffirmed in Cancun (2010) and in Durban (2011), beginning a process that will come to a head at the COP 21 in Paris, where a new agreement should be adopted that comes into force in 2020.

The "new agreement" reached in Paris will influence countries' capacity to address climate change and will set new mitigation commitments. So, this will have an impact on the welfare of the population, national economies and the competitiveness of countries across multiple sectors, including the energy sector. The fact that these negotiations will impact the national interests of all countries –essentially in the debate of development versus decarbonization– makes them highly complex. Nevertheless, all countries should strive to achieve this multilateral agreement because the impact of inaction on global climate change would lead to even worse effects, as science has shown.

3.2. Major issues under negotiation in the run-up to Paris

Climate change negotiations are a complicated process and numerous agenda items are discussed in a COP and, in many cases, are closely related to one another. This section will focus on the most substantive issues involved in preparing a new climate deal that must be agreed by the Parties to the Convention in 2015 so it can enter into force in 2020. These issues, set out below, are mainly discussed in the subsidiary body of the Durban Platform (ADP).

3.2.1. The draft text of a new climate agreement

This draft text could be considered to be the most important of the possible outcomes of Lima. Talks began on the preliminary text at the June meeting of the Subsidiary Bodies of the Convention based on a document entitled "landscape of views", which was prepared by the co-chairs of the ADP. After that meeting, the co-chairs prepared a "non-paper" in which they included their perception of the Parties' views in bullet-point format.

The non-paper has 22 pages and is divided into 10 sections: general and preambular elements; mitigation; adaptation; means of implementation (finance, technology and capacity-building); finance; technology development and transfer; capacity-building; transparency of action and support; cycle of commitments/contributions; and relationship with other organizations and actors.

This draft text must be completed before May 2015 because, under the procedures of the Convention, a draft that has been agreed by the Parties must be delivered to the 196 governments of those Parties six months before it is signed.

3.2.2. The decision on the information to be presented by the Parties (in March 2015) on their intended nationally determined contributions (INDCs)

After Durban, it was agreed that the new global agreement would have universal participation through commitments from all countries to reduce emissions. Later, in Warsaw (2013), it was agreed that countries would submit "contributions". While initially it was implicitly agreed that these would involve mitigation, several Parties have recently expressed an interest in including adaptation and the means of implementation.

The information on the "contributions" (known as intended nationally determined contributions - INDCs) of the countries should be as transparent and as uniform as possible (and therefore comparable or aggregatable) among the parties in order to allow understanding of the level of reduction or limitation of emissions that the Parties will meet individually and collectively through their contributions, as well as their actions (and/or needs) for adaptation and, possibly, the required implementation for this set of actions.

For this reason the COP 19 requested that the content of the information on INDCs to be submitted by March 2015 should be defined during the COP 20.

During 2014 most of the Parties have expressed the need for a definition of the ex ante assessment process (i.e. before the intended contributions become actual contributions) applicable to these intended contributions so they can be inscribed in the new agreement.

3.2.3. Decision on Workstream 2 regarding pre-2020 climate action

The COP 17 in Durban noted with grave concern the significant gap between the aggregate effect of the mitigation pledges of the Parties up to 2020 and aggregate emission pathways consistent with the possibility that the increase in the average global temperature does not reach in excess of 2°C or 1.5°C above pre-industrial levels.

The COP decided to launch a work plan to identify and explore options for action that could close the ambition gap. This plan has been implemented through Technical Meetings of Experts on topics such as renewable energy, energy efficiency, urban environments and land use (forests). For the ADP meeting in October, two additional meetings are

planned on carbon capture and storage and greenhouse gases other than carbon dioxide.

In Warsaw the ADP requested that the Secretariat prepare an updated technical paper on the benefits of mitigation actions, initiatives and options to raise the mitigation ambition. The Secretariat has also launched a website that provides information on cooperation initiatives undertaken all over the world at the various levels of governments, international organizations, civil society and companies to reduce emissions.

Furthermore, key facilitating factors to move forward with the substantive issues include the availability of new climate funding for developing countries through a substantial capitalization of the Green Climate Fund, and the political will to achieve ambitious emissions reductions or limitations by the largest emitters (including developed and developing countries). Treatment of markets and the LULUCF sector are also relevant issues for LAC.

3.3. Latin America and the Caribbean in the International Climate Change Negotiations

The countries in LAC are represented in various UNFCCC negotiating groups and in organizations that have an influence on the formulation of climate change policies. These are: AILAC, ALBA, AOSIS, BASIC, EIG, LDC, LMDC, OECD, SICA, the Cartagena Dialogue and Rain Forest Coalition (See Annex). Moreover, all of the countries in the region, apart from Mexico, are members of the G77+ China, the largest and most representative group of developing countries. The group that includes all of the countries as a region is GRULAC, but in practice it operates in the context of negotiations only for the purpose of nominations for positions in the Convention and does not constitute a negotiating group.

This diversity of participation and negotiating positions could be a challenge for the adoption of

Table 2. Pre-2020 actions and emissions reductions by LAC countries

Country	Emissions 2010 ($MtCO_2e$)	NAMAs
Brazil	1621	Reduction of between 36.1% and 38.9% below the BAU trajectory in 2020. Actions proposed imply, inter alia, a reduction of deforestation in the Amazon, energy efficiency, increased use of biofuels, increased supply of energy from hydroelectric power plants.
Mexico	661	Reduction of up to 30% compared with the BAU scenario by 2020 thanks to the application of a set of NAMAs in all relevant sectors. The country estimates that it can achieve a reduction of 51 $MtCO_2e$ by 2020.
Argentina	315	NAMAs supported by a strong regulatory framework in the sectors of: Energy efficiency (economic incentives), Renewable energy (subsidies), Biofuels (tax exemption), Forest management (investment and financial support to compensate for losses) Solid waste management (construction of sanitary landfills with the help of the World Bank).
Chile	107	20% below the BAU scenario in 2020
Colombia	187	Objective to guarantee that at least 77% of the total energy capacity installed by 2020 will be generated from renewable sources. Actions with financial support that can reduce deforestation in the Colombian Amazon rainforest to zero by 2020 and stimulation of growth of biofuel production.
Peru	76	Actions to achieve a low-carbon domestic economy (by 2021)[1]: Reduction of 45% in the LULUCF sector compared with the emissions level in 2000. Reduction of 50 $MtCO_2e$. Reduction of 28% in the energy sector compared with the emission level in 2000. 7 Mt de CO_2e. reduction. 7 Mt de CO_2e reduction in the solid waste sector.
Costa Rica	11	Will implement a long-term economy-wide transformational effort to enable carbon-neutrality
Antigua and Barbuda	1	Nationally appropriate, measurable and verifiable actions aimed at reducing its GHG emissions by 25% below 1990 levels by 2020.
Dominica	0	Seeks to reduce the increasing costs of electricity generation and ensure a cleaner, more environmentally friendly energy source. The country also reports having enormous potential for geothermal energy.

Source: Prepared by the authors based on the Emissions Gap Report from UNEP and the UNFCCC: http://unfccc.int/resource/docs/2013/sbi/eng/inf12r02.pdf

1. In July 2011, The Peruvian government approved the National Environmental Action Plan (PLANAA PERU: 2011-2021) by Supreme Decree Nº 014-2011, which establishes targets and actions that include commitments to achieve a low-carbon economy.

common negotiating positions, but could also be an opportunity to find common ground, considering that LAC has representation in all the negotiating groups of developing countries. For example, the Caribbean islands are part of the AOSIS group along with the islands of Asia, Africa and the Pacific; and countries such as Argentina and the ALBA countries are members of the LMDC group along with China and India, while Brazil is part of the BASIC group, which also includes South Africa. Mexico is a member of groups that include developed countries, such as the EIG and OECD.

A summary of the main positions expressed in official "submissions" on the "elements of the Agreement" by the groups that include LAC countries is presented in Annex II. This also includes Bolivia's proposal on a Mechanism for Climate Resilience and Sustainable Development, and the position of Cuba (a country belonging to AOSIS, ALBA and LMDC).

There is also a range of positions on the issue of the information needed by the Parties to present their INDCs. Two different approaches can be identified: The first, which is supported by ALBA/LMDC, is to use the information requirements of the Biennial Reports for developed countries and the Biennial Update Reports for developing countries; while the second, backed by AILAC, LDC, AOSIS and EIG, outlines more stringent information requirements for the largest GHG emitters (developed and developing countries) and countries that have the respective capacities to meet these requirements.

As regards the presentation of contributions, while there is no official information, unofficially it can be anticipated that, of the countries in the region, Mexico and Brazil could be ready to submit their contributions before the March deadline. A second group of countries that may have their lists of contributions ready by the deadline could possibly include Chile, Colombia and Peru (as they have information on potential mitigation options). The submission document sent to the ADP by the AOSIS countries includes a table with a series of measures that could form the basis of future contributions.

Finally, it is important to analyze the pre-2020 actions of LAC countries, reflected in their voluntary nationally appropriate mitigation actions (NAMAs) submitted under the Cancun Agreement. In LAC, nine countries have submitted NAMAs, as summarized in the table 2.

The Emissions Gap Report 2013 shows a list of the countries in the region that have not submitted pledges and whose shares of global emissions are more than 0.1%: Bolivia (144 $MtCO_2e$ of GHG in 2010), Cuba (58 $MtCO_2e$), Ecuador (54 $MtCO_2e$), Trinidad and Tobago (57 $MtCO_2e$) and Venezuela (310 $MtCO_2e$).

4. RECONCILING DEVELOPMENT WITH THE NEED TO "DECARBONIZE" THE ECONOMY IN THE RUN-UP TO THE PARIS AGREEMENT: IDEAS FOR DISCUSSION

4.1. The functions of a new agreement from the perspective of LAC and the outcomes desired from Lima and Paris

Returning to the dilemma of economic growth vs. decarbonization, the recently released study "The New Climate Economy", spearheaded by former Mexican President Felipe Calderón, among others, concludes that to achieve "better growth and a better climate" **a strong and fair international agreement is essential**. Only an agreement of this kind will succeed in obtaining support for ambitious domestic action. Developed countries will need to show leadership through their own strong emissions reductions, and by mobilizing financial and technological support for developing nations. At the same time, developing countries already account for two-thirds of annual GHG emissions and must play their part too.[19]

Generally speaking, the Paris agreement must respond to the needs for cooperation between the countries around the world who believe that ambitious climate policies are essential.

In April 2014 the results of evaluation of the First Commitment Period of the Kyoto Protocol (2008-2012) were made public.[20] Despite the fact that they have not been widely disseminated, the first commitment period of the KP offers important lessons that should be taken into account in the run-up to the Paris agreement, including the need to implement strategic measures that are tailored to particular industries, sectors or countries to promote their participation; to emphasize cooperation and facilitation mechanisms instead of enforcement mechanisms; and to implement appropriate systems for monitoring, reporting and verification (MRV) of emissions.

It is important to go into greater detail and consider the functions that the region's countries,

19. The Global Commission on the Economy and Climate. « The new Climate Economy. Executive Summary ». 2014

20. CDC Climat Research. "EX-POST EVALUATION OF THE KYOTO PROTOCOL: FOUR KEY LESSONS FOR THE 2015 PARIS AGREEMENT". Climate Report No 44. May 2014

their governments, civil society and the private sector can perform in the global climate agreement. The agreement will not only serve to establish global targets to ensure that the Parties have a resilient, low-carbon development, but it must also fulfill the following functions[21]:

- To provide a strong signal to governments, companies and investors that a low-carbon economy is not only inevitable, but is rapidly becoming a reality. With this message, the public and private sectors would be encouraged to move towards the decarbonization of their economic models and the development of more sustainable projects. **In the case of LAC, this signal will help to steer public policies and investments away from behavioral inertia or "BAU"** to which the first section of this paper refers.
- Financial support will also be required for the processes of readiness that will allow countries to design effective public policies, improve governance and «educate» the key players about this new trend.
- To connect the global climate agreement with the 'real economy', since everyday government decisions are perceived to be very distant from emissions reduction targets. The agreement could also produce greater connection with national economic development priorities to promote a low-carbon economy. **In LAC, it is essential to identify and account for the health, development and efficiency cobenefits produced by measures to reduce emissions.** The region's "relatively low" contribution to global emissions is frequently used as an argument for inaction, so the logic of cobenefits should counterbalance that position.
- **To provide transparency and accountability mechanisms**, that is, to establish a process to define the monitoring, reporting and verification (MRV) rules to track the new commitments. **This will help governments, the private sector and civil society in LAC to understand countries' commitments on climate change and make them responsible**. In overall terms, implementing adequate MRV of emissions is essential to building trust between countries and recognizing the national policies implemented.[22]
- To speed up investment in projects that promote a low-carbon, climate-resilient economy. The agreement should help to capitalize the Green Climate Fund, identify new sources of finance, and possibly align a group of institutions with initiatives towards resilience. **In LAC, it is important to integrate climate change into public and private funding, for example, by linking it to the mechanisms currently used in the region for public investment, public-private partnerships and microfinance.**
- To guarantee equity in the agreement, where each country perceives that the agreement is fair and equitable, being a real global action plan on climate change. **The agreement will be equitable for LAC if it demands leadership from developed countries at the same time as creating cooperation mechanisms for the participation of all the largest emitters and incentives for countries with low emissions to decouple economic growth from carbon emissions without affecting their competitiveness.**
- To help vulnerable populations increase their resilience and adapt to the impacts of climate change. To achieve that the agreement could ensure the implementation of adaptation projects by providing objectives for technology, capacity-building and finance. **Adaptation must have political parity in the agreement due to the high vulnerability of the region.**
- **To promote education and public awareness.**[23]

It is essential for a draft document to be produced in Lima that includes the basic elements of the agreement, with clear identification and consolidation of the options of divergent positions, as well as the sections of the text in which the Parties have reached agreement. Although the draft would be an unfinished document, achieving this will be a complex task.

Regarding the decision on the information to be submitted by the Parties (in March 2015) on their intended nationally determined contributions, it is crucial for a decision to be reached in Lima on both the information and on the process of considering this information. In the hypothetical event that the issue of the assessment process cannot be included in the decision, it should be almost completed since the Parties need to know what will happen to the information they submit. One possible option

21. WRI. 6 Functions for the International Climate Agreement: http://www.wri.org/blog/2014/03/6-functions-international-climate-agreement

22. CDC Climat Research. "Ex-post evaluation of the Kyoto Protocol: Four key lessons for the 2015 Paris agreement". Climate Report No 44. May 2014

23. In this regard, a group of countries, including Dominican Republic, Argentina, Belize, Chile, Colombia, Costa Rica, Dominica, El Salvador, Guatemala, Haiti, Jamaica, Mexico, Panama, Paraguay, Peru, Saint Lucia, Trinidad and Tobago and Uruguay sent a statement to the ADP seeking the inclusion of this topic. http://www4.unfccc.int/submissions/Lists/OSPSubmissionUpload/39_99_130591411922727038-Education%20Submission%20V1.pdf

would be to acknowledge that the process will be done externally (e.g. through the UNEP Gap Report), and then formalize a process for periodic review of national contributions to be implemented once the agreement goes into force.

With regard to the decision on Workstream 2, which refers to pre-2020 climate action, there is an expectation that a decision will be reached in Lima on how to accelerate the implementation of mitigation actions that can "close the gap" between what is required according to scientific research and what is offered by the Parties until 2020. This decision is particularly important for the countries that are most vulnerable to the impacts of climate change, particularly the AOSIS nations, since from the scientific perspective there is considerable risk of leaving meaningful mitigation actions until post-2020. Furthermore, it could be through this decision that is reached first establish a "mechanism of ambition" to allow countries to review their goals and increase regularly, and serve as a basis for future similar mechanism in the post-2020.

This decision could also be the route to establish a first "ambition mechanism" that allows countries to review and increase their targets regularly, and which could serve as a base for a similar mechanism post-2020.

Finally, the importance must be underlined of reaching agreements on the topics of adaptation and financing to achieve a balance that increases the perception of fairness or equity of the new climate agreement.

Summarizing some of the arguments in the initial section of this paper, part of the problem seems to be that the climate debate is decontextualized from the broader debate on the development model, the sustainable development goals (SDGs) and the challenges of low-carbon, climate-resilient development. This is partly due to the complex and cryptic environment in which the negotiations take place. It is therefore essential to supplement the actions with decisions and the new agreement with parallel action to boost confidence, to create good examples to follow and narratives to use, which allows the involvement of other key stakeholders such as the private sector and constantly renews political will.

We believe that the ideas that need to be generated within this context "beyond" the negotiations include the following:

- Demonstration of progress in reducing emissions that creates value and sustainable development through collaboration between countries.
- Strengthening of key capacities for the post-2020 period: enabling action in sectors such as energy, land use and cities (areas prioritized by the study of the "new new climate economy"), in addition to national capacities for MRV of emissions and financial transparency.
- Mechanisms for recording and accounting of emission reductions and the impact on welfare.
- Metrics of effectiveness and progress in adaptation.
- Mechanisms to increase ambition if there is a gap between the intended contributions and those required to limit the average global temperature increase to less than 2°C.
- Raising awareness and sensitization of the individual (by country) and collective (global) carbon footprint.
- Recognition of the value of flexible and voluntary mechanisms to achieve reductions.

The UN Climate Summit in September pursued several of these objectives and the Lima talks must provide continuity to the processes and results that are generated.

4.2. Changing the narratives: A situation of urgency and necessity for global ambition that provides opportunities for LAC

Although an increasing number of ministries, local governments, businesses and civil society organizations are beginning to address the issue of climate change, it is still partly managed by a small number of actors who fully understand the extent of its implications and the new requirements that it will create for institutions, geographical areas, businesses, etc.

Generation of a new narrative that reflects the urgent situation without destroying optimism, that manages to bring the problem closer to individuals, and which breaks the paradigm that economic growth is in opposition to the fight against climate change, will be an important part of the strategy to create a new climate agreements and integrate climate change into development policies in LAC. The key lies in generating the narratives, defining who should be the messengers of these narratives, and in considering the different means by which these narratives must reach the target audiences.

Governments will have greater capacity to assume ambitious commitments if there is a critical mass of support for their proposals among various actors, such as:

- Sectoral, regional and local government entities
- The population (electorate), and particularly the most vulnerable population
- The media
- Companies and, among them, the financial sector
- Universities and research centers

The following is a summary of certain quotations and ideas for general narratives that may contribute towards this purpose:

1) **What is the scale of the efforts required?** "Global GHG emissions in 2020 are estimated at 59 GtCO2e per year under a conservative scenario. Even though the nations are meeting their current commitments, it is probable that GHG emissions in 2020 will range between 8 and 12 GtCO2e above the level that would feasibly allow the trajectory of low-cost emissions to be maintained. In spite of this, **it is still possible to achieve the goal established for 2020 of 44 $GtCO_2e$ if firm measures are adopted**, with the possibility of reducing emissions by between 14 and 20 $GtCO_2e$ at a cost of US $50–100 per tonne of CO_2e compared with the levels in the current situation" (UNEP, 2014).

2) **How does this translate into individual effort?** "The climate stabilization targets require all regions, including LAC, to emit around **2 tonnes per capita** of CO_2e per year by 2050" (IDB, 2013).

3) **Have any developed countries displayed leadership?** "Most of the Annex 1 countries that ratified have reduced their emissions by more than was required in the first commitment period of the KP. Only eight countries (Austria, Denmark, Luxemburg, Spain, Japan, Liechtenstein, Norway and Switzerland) emitted more than they had pledged. These countries, which represent some 20% of the emissions of the Annex B-2012 nations (not including Canada and the United States) used the various protocol mechanisms to meet their commitments. Even if the United States and Canada had participated in the KP, developed countries would have collectively fulfilled their commitments." (CDC Climat Research, 2014).

4) **Are there any success stories?** Yes, and they include the enormous drop in the price of solar and wind technology, which have fallen by two thirds in six years (IEA, 2013), as well as the savings made due to energy efficiency measures and the reduction of deforestation rates in the Brazilian Amazon. Innovations are also starting to emerge from civil society (B corporations, social enterprises, contributions from individuals).

Companies are beginning to accept the challenge. According to the group "We Mean Business" (a world coalition of companies that has been launched at the UN Climate Summit, global investment in clean technologies has reached US$ 300 million per year. The low-carbon economy is now a reality, worth some US$ 4 trillion - and growing at around 4% annually. The reduction of CO_2 emissions is a smart business decision that leads to efficiency and lower costs, and offers business an average return on investment (ROI) of 33%. And more than 100 businesses have formed a "shadow" price in their business strategies in expectation of an external carbon price in the near future. This is encouraging, but is just a beginning.

There are also other messages which are important to finding common ground in LAC:

- Historic emissions add to current and future emissions to cause future potentially irreversible damage and therefore mitigation is really long-term adaptation. Proof of this the financial sector's treatment of climate change as a «risk».
- Therefore, what we agree on mitigation (ambition) has an associated risk and a cost of inaction.
- Adaptation to the residual impacts is irrefutable for LAC. The challenge is to avoid increasing the risk by contributing to the problem.
- We have to find synergies between adaptation and mitigation (e.g. management of forestry, water resources, infrastructure) to take a leap towards climate compatible development, without going through the BAU scenario.

Finally, some specific key narratives aimed at the private sector, as a key actor in LAC, include the following[24]:

- Climate change is one of the greatest risks to our global economy, but tackling it is also a major economic opportunity.
- Floods and droughts, extreme weather phenomena and high levels of pollution are already impacting operating models in LAC, adding uncertainty to the market or increasing the cost of doing business. Inaction puts the economy and people at risk. Unchecked climate change would affect millions of people.
- Being competitive now is not enough. It has to be demonstrated that the presence of a company means that society and the environment are better off.
- Like any crisis, climate change will generate innovation (which is much needed in LAC), and only those who are prepared will be able to seize the opportunities.
- Each technology has a downward curve. You have to know the right time to move towards new technology and avoid becoming extinct. Technologies for adaptation and mitigation are no exception.
- This is what the Paris agreement is about; an efficient framework agreed between countries that promotes a world with lower risk and a legal framework that provides incentives for green policies and investments.

24. Some ideas taken from: http://www.we mean business coalition.org/

4.3. Greater regional cooperation between climate change negotiators with a view to the success of the COP 20 in Lima

Establishing ways to reinforce solidarity among Latin American and Caribbean nations in order to achieve success at the COP in Lima could be an important strategy towards achieving a global agreement. In addition to the opportunities described above, the active cultural, commercial and border ties between countries in the region could facilitate this task. Cooperation at the regional level is also essential for development of the national policies needed to combat climate change, as well as to improve the standing of the region in the talks.

Given that LAC countries are members of all the different groups of developing nations (AILAC, ALBA, AOSIS, LMDC) and even mixed groups (like EIG), dialogue between the Latin American climate change negotiators will be useful to build bridges.

All developing countries share common positions in terms of wanting developed nations to have more ambitious emission reduction goals and considering that those developed nations should significantly increase financial and technological support for developing countries' mitigation and adaptation actions. The latter currently involves substantial capitalization of the GCF and progress in the Long-Term Financing Program. Dialogue with negotiators from other negotiating groups in which the region's countries are represented could help to find approaches and build bridges with developed countries so that the latter can better meet the demands of developing countries and bring the divergent positions of these two groups of countries closer together. Dialogue with negotiators for AOSIS and other countries could also be useful to find common strategies to pave the way for the success of the COP 20 on issues of adaptation, finance and mitigation, including the contributions and information to be submitted.

Finally, the fact that the 15 countries in the region are members of the Rainforest Coalition could contribute to the discussion of REDD+ and other forestry issues as well as taking the initiative and demonstrating action in this sector in the lead-up to the COP 21.

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APPENDIX

Annex I

Table A1. Negotiating groups (UNFCCC) and LAC countries

Group	Full Name	LAC Countries
AILAC	Independent Alliance of Latin America and the Caribbean (Alianza Independiente de Latinoamérica y el Caribe)	Costa Rica, Colombia, Chile, Guatemala, Panama, Peru
ALBA	Bolivarian Alliance for the Americas (Alianza Bolivariana de las Américas)	Bolivia, Cuba, Ecuador, Nicaragua, Venezuela, Dominica, Antigua and Barbuda
AOSIS	Alliance of Small Island States	Antigua and Barbuda, Cuba, Bahamas, Barbados, Belize, Dominica, Granada, Guyana, Haiti, Jamaica, Saint Kitts and Nevis, Saint Lucia, San Vincent and the Grenadines, Dominican Republic, Surinam, Trinidad and Tobago.
BASIC	(Brazil, South Africa, India and China)	Brazil
EIG	Environmental Integrity Group	Mexico
LDC	Least Developed Countries	Haiti
LMDC	Like-Minded Developing Countries	Argentina, Bolivia, Cuba, Ecuador, El Salvador, Nicaragua, Venezuela.
CDPA	Cartagena Dialogue for Progressive Action[2]	Antigua and Barbuda, Barbados, Chile, Colombia, Costa Rica, Granada, Guatemala, Mexico, Panama, Peru, Dominican Republic
CRFN	Coalition of Rainforest Nations[3]	Argentina, Belize, Chile, Costa Rica, Dominica, Ecuador, El Salvador, Guatemala, Guyana, Honduras, Nicaragua, Panama, Paraguay, Dominican Republic, Surinam, Uruguay.

Table A2. Other groups and LAC countries

Group	Full name	LAC Countries
CAN	Andean Community (Comunidad Andina)	Bolivia, Colombia, Ecuador, Peru. Associate members: Argentina, Brazil, Chile, Paraguay and Uruguay
AP	Pacific Alliance (Alianza del Pacífico)	Chile, Colombia, Mexico and Peru
MERCOSUR	Mercado Común del Sur	Argentina, Bolivia, Brazil, Paraguay, Uruguay, Venezuela Associate members: Chile, Colombia, Peru, Ecuador, Guyana and Surinam
OECD	Organisation for Economic Co-operation and Development	Chile, Mexico Have expressed interest: Colombia, Peru, Costa Rica
SICA	Central American Integration System (Sistema de Integración Centroamericana)	Belize, Costa Rica, El Salvador, Guatemala, El Salvador, Nicaragua, Panama

2. The Dialogue is an informal group. Meetings are attended by an irregular number of countries which ranges between 30 and 40. The group sometimes makes joint declarations at UNFCCC meetings.

3. The countries participate on a voluntary basis mainly through a series of workshops and collaborative programs. Participation does not mean that the countries adhere to specific domestic policies or negotiating positions in the international context.

Table A3. Affiliations of LAC countries

	Formal and informal negotiating groups within the UNFCCC									Other groups				
Countries	**AILAC**	**ALBA**	**AOSIS**	**BASIC**	**CDPA**	**CRFN**	**EIG**	**LDC**	**LMDC**	**CAN**	**MERCOSUR**	**OECD**	**AP**	**SICA**
Antigua and Barbuda		x	x		x									
Argentina						x			x	x assoc.	x			
Bahamas			x											
Barbados			x		x									
Belize			x			x								x
Bolivia		x							x	x	x			
Brazil				x						x assoc.	x			
Chile	x				x	x				x assoc.	x assoc.	x	x	
Colombia	x				x					x	x assoc.		x	
Costa Rica	x				x	x								x
Cuba		x	x						x					
Dominica		x	x			x			x					
Dominican Republic			x		x	x								x
Ecuador		x				x			x	x	x assoc.			
El Salvador						x			x					x
Grenada			x		x									x
Guatemala	x				x	x								
Guyana			x			x					x assoc.			
Haiti			x					x						
Honduras						x								
Jamaica			x											
Mexico					x		x					x	x	
Nicaragua		x				x			x					x
Panama	x				x	x								x
Paraguay						x				x assoc.	x			
Peru	x				x					x	x assoc.		x	
St. Kitts and Nevis			x											
St. Lucia			x											
St Vincent and the Grenadines			x											
Surinam			x			x					x assoc.			
Trinidad and Tobago			x											
Uruguay						x				x assoc.	x			
Venezuela		x							x		x			

Annex II: Main positions of LAC groups on the New Climate Agreement

Independent Alliance of Latin America and the Caribbean (AILAC)

- New legally binding agreement that is «applicable to all»: based on science; with the principles of the Convention as a basis, including the principles of equity and common but differentiated responsibilities and respective capabilities, including historic responsibility and evolving respective capabilities, and recognition of the collective responsibility incumbent on all parties for both mitigation and adaptation, based on equity and sustainable development.
- The link between climate change and development options should be clearly reflected in the agreement.
- Structure: preamble, mitigation (including REDD+, adaptation and loss and damage, means of implementation, transparency and compliance.
- In mitigation, the target of 1.5° - 2°C is mentioned, and the need is underlined for clarity on how to establish the contributions and that universality of application does not mean uniformity.
- In adaptation, the importance is underlined of generating metrics and assessing requirements.
- In transparency, the need is underlined for ex ante clarity

Like Minded Group of Developing Countries (LMDC)

- All the elements of the 2015 agreement should have the same legal nature.
- All of the provisions must guarantee equity. The principle of common, but differentiated responsibilities should be the basis. Any enhanced action on the application of the Convention should be achieved on the basis of equity and reflection and application of the principle.
- The mitigation action of developed countries must be accompanied by a corresponding scaled-up provision of new and additional, adequate and predictable financial resources, including for the transfer of technology, as provided for Article 4.3 of the Convention. This should be considered as legally binding commitments from developed countries.
- The current Annexes to the Convention must remain, as they are a reflection of responsibilities for historical emissions.

Venezuela, Bolivia, Dominica, Cuba, El Salvador and Nicaragua

- These countries promote the constitution of a Legal Contact Group of experts from all Parties in the process of the ADP, from now until the COP 21. This support group will advise the process and improve the negotiation, giving the legal expertise required in the form of recommendations. They will act solely as legal advisors, with the ADP remaining as the main group.
- The delivery of the Legal Group will be in different legal options on matters indicated by the ADP. The contact group should give a variety of legal options for the Parties to consider.

Alliance of Small Island States (AOSIS)

(The documents sent on the position of AOSIS on the ADP are focused on pre-2020 action)

Environmental Integrity Group (EIG)

- The outcome in Paris must be guided by equity and in accordance with common but differentiated responsibilities and respective capabilities; including a legally binding instrument (LBI). To this end, it is important to deliver by Lima elements of the draft text of the LBI, agree on the information to facilitate clarity, transparency and understanding of the international process to be presented alongside the INDCs.
- Regarding the issue of mitigation, the following information must be presented: Type of contribution; contribution period; reference (base year or end-period as appropriate); Coverage of GHGs and sectors; accounting approaches used in the land sector and in regard to any internationally transferable units (market and/or non-market); quantified or quantifiable expected overall emission reductions and levels within the period; assumptions including any relevant information used for defining the reference. Furthermore, a common set of rules must be applied but at different depths in terms of type, stringency, and timing, according to the CBDR/RC and equity; definition of common characteristics (quantifiable, same end year, and their domestic implementation is guaranteed); accounting rules applicable to all Parties for the post-2020 period.
- The international presentation process must understand that the intended global level of ambition is to be achieved in view of the 2°C goal; the parties must share their considerations on equity, fairness and CBDR/RC regarding their INDCs in view of that goal and the process of presentation of the INDCs should be open for participation of civil society and other stakeholders.
- The issue of adaptation should be addressed with the same level of priority as and in synergy with mitigation. All Parties must develop and implement adaptation plans and strategies and ensure that adaptation is mainstreamed as part of the development planning processes occurring at national level; cooperate in adaptation efforts; and all Parties in a position to do so should provide financial and technical support, as well as knowledge exchange to those Parties most in need of such support and vulnerable to the adverse effects of climate change.
- The agreement must include an independent chapter for means of implementation comprised of two parts (a general part and a more detailed part on finances, technology and capacity-building). All developed country Parties and other Parties in a position to do, in accordance with CBDR/RC, are invited to provide enhanced, effective and transparent support in a coordinated and integrated manner. Development of an MRV system of MOI and receipt and use. The GCF should be the main operating entity delivering climate finance for the post-2020 regime (including mobilizing private sector finance and investments, facilitating their leverage by using public support).

Rainforest Coalition (RFC)

- Fair and ambitious global climate change agreement.
- The countries under the ADP must prepare a legally-binding agreement for all parties, but differentiated for the LDCs and SIDS.
- The 2015 agreement must be based on the principles of the Convention, particularly on the principles of common but differentiated responsibilities and respective capabilities.
- Mitigation: All parties must determine their national contributions and achieve the objectives established by the Convention in Art. 2. Developed countries must demonstrate leadership and the contributions of developing countries must be conditional on the support received from developed countries. A robust MRV system must be established for financing technology and capacity-building, as well as a review process that considers increasing the ambition of the NDC. Promotion of the conservation of carbon sinks and reservoirs. And establishment of a compliance mechanism.
- The REDD+ mechanism must be totally integrated into the 2015 agreement, using the Warsaw framework as a basis and including both financial and institutional elements.
- SBSTA recognizes mangroves and other coastal marine ecosystems as being a high priority in the global strategy for adaptation and mitigation of climate change. The ADP must report the results of the workshop on the technical and scientific aspects of ecosystems with high carbon reserves that have not been covered by other agendas.
- For pre-2020 ambition: REDD+ offers a significant contribution for the reduction of GHG and CO_2 capture and it has been proved that this mechanism is one of the most cost effective against climate change.
- In Lima the parties should agree: (1) to successfully begin the coordination of support (decision 10/CP.19), (2) REDD+ and CMEs must be included in the 2015 agreement, with references such as the Warsaw REDD+ framework and (3) a call to open the REDD+ window in the GCF.

Least Developed Country (LDC)

- Commitments from developed countries to provide financial resources, technology and promote the capacity of support for developing Parties are crucial for mitigation and adaptation.
- Science must be the basis to assign a cap on the level of temperature rise. Climate impacts on LDCs, SIDS, and Africa should form the benchmark for setting emission reduction levels and for building the architecture and modalities for adaptation and finance in the 2015 Agreement.
- Commitments should be made for only five years (2020-2024), with a clear process to define the subsequent five-year periods built into the 2015 Agreement.
- For some countries, the future climate regime should require targets for economy-wide emissions reductions with comparable efforts, while for the most vulnerable countries it should allow options for other approaches determined voluntarily and by countries themselves, such as climate-resilient low-emission policy development, sector-wide emissions reductions, etc.
- Equity and common but differentiated responsibilities and respective capability are the fundamental principles of the Convention. They should contribute to strengthen the regime and not weaken it. The approaches toward defining what is equitable should generate a range of methodologies that express the criteria all Parties find most appropriate: including, but not limited to historical responsibility, current capabilities, future sustainable needs, vulnerabilities, and potentialities.

Cuba

- Cuba declares its commitment to the Convention. It states that for decades it has been taking action to address adaptation (its highest priority) and mitigation (particularly in energy efficiency and renewable energy). The country mentions its challenges associated with the economic blockade imposed by the United States, limited access to financial resources and technology (due to unfulfilled commitments of developed countries and/or the economic crisis), and its national circumstances as a vulnerable developing country.
- It states that the work should be guided by the principles of the convention, as stated in decisions 2/CP.18 and 1/CP.19. It stresses that common but differentiated responsibilities must be considered, the right to development and treatment of all the elements of decision 1/CP.17.
- Developed countries must conclude their pre-2020 commitments and it is unacceptable to redistribute this task to developing countries. The Agreement should not impose onerous reporting burdens or any kind of conditionality to developing countries for accessing necessary support. There is a need to understand aspects such as poverty alleviation, adequate access to energy, etc., in order to determine how societies can adapt.
- Mitigation: Enhanced mitigation commitments by developed countries are key to effective implementation of the Convention after 2020; Annex 1 countries should have nationally determined economy-wide mitigation commitments. Their efforts must also be comparable (by timeframe, gases, base year, etc.); the actions of non-Annex 1 countries will be nationally determined and their ambition levels will depend on the support.
- Adaptation**:** Action on adaptation must focus on reducing the adverse impacts of climate change in developing countries, particularly those most vulnerable to climate change, with the assistance of the Annex 2 countries. Institutions involved in adaptation under the Convention must be strengthened and fully financed.
- Address losses and damages: the Loss and Damage mechanism should be integrated separately from adaptation mechanisms in the 2015 agreements, with support and financing from the Annex 2 countries.
- Means of implementation: The financial mechanism under Art. 11 must be robust and Annex 2 countries must provide clarity on means of access to financing for developing countries; technology development and transfer and from Annex 2 countries to developing countries must be carried out through removal by Annex 2 countries of financial, technological and policy barriers in their own countries, as well as by sustained financial support through the GCF.
- Enhanced action on transparency of action and support: Actions of non-Annex I countries must build on the existing framework of the Convention and with adequate MRV. Actions of Annex 2 countries must be enhanced through more frequent reports that allow comparisons (standardized formats, common metrics, etc.). The 2015 agreement must avoid imposing onerous burdens on developing countries, particularly those most vulnerable to climate change.

Source: Prepared by the authors based on http://unfccc.int/bodies/awg/items/7398.php

Proposal from Bolivia on a Mechanism for Climate Resilience and Sustainable Development

- Bolivia proposes this mechanism for the 2015 agreement of the UNFCCC and also to be considered in non-market-based approaches of the SBSTA Agenda. For Bolivia this is a key instrument in order to promote ensuring the protection of the environmental integrity of Mother Earth whilst taking into account the holistic view of indigenous peoples about the community and nature, and ensuring the non-commoditization of the environmental functions of Mother Earth.
- It stresses the urgent need to create effective links between mitigation, adaptation, sustainable development and poverty eradication. This is stated in the 5th report of the IPCC (work groups 2 and 3).
- It states the need to establish a new institutional arrangement to move the old paradigm from separate silos for management of mitigation and adaptation to a new paradigm of creating synergies.
- The general objective of the mechanism is to promote mitigation actions together with adaptation co-benefits, sustainable development and poverty eradication for the protection of Mother Earth. This means effective provision of public finance and technology transfer from Annex 2 countries to developing countries through the financial mechanisms of the Convention.
- The mitigation and adaptation outcomes can be monitored through proxies, indicators and standards as appropriate.
- The Mechanism will develop its work under a sectoral and programmatic approach considering all sectors of the economy, and including energy, industry, human settlements and infrastructure, among others, in accordance with national circumstances and priorities of Parties.

Source: http://unfccc.int/files/documentation/submissions_from_parties/adp/application/pdf/adp2-5_submission_by_bolivia_20140609.pdf

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