

DECARBOOST

Catalizando Inversiones para Descarbonizar LAC

Advances for decarbonization in Latin America

Results and lessons learned from the
DecarBOOST project

2023 SERIES

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Introduction

The first meeting of the United Nations Framework Convention on Climate Change (UNFCCC), held in Río de Janeiro in 1992, recognizes that countries have shared but differentiated responsibilities before climate change, and must therefore be supported via the transfer of knowledge, technology and financing.

One of the key points to contribute decisively to the decarbonization of the economies is the engagement of key players to create or improve the financial mechanisms and instruments and the public policies that can help foster investments aligned with this process. This vision is becoming clearer and growing. In past years, financing for decarbonization and climate action rested chiefly with public players (national or international).

The [DecarBOOST project](#) (with financing from IKI), was implemented in three countries of the Latin American region: Argentina, Brazil and Peru, with the goal of catalyzing the transition to a low-carbon society and promoting investments consistent with a resilient, low-carbon development. During its implementation between 2020 – 2023, the project has produced studies and reports providing evidence and reform proposals of policies and new financial mechanisms or instruments to steer monetary flows towards low-carbon and climate resilient development pathways. Furthermore, it has promoted and supported national and sub-national processes and has succeeded in involving key players in the preparation of studies and dissemination as well as learning initiatives on topics related to climate finance in the region.

Specifically, the project undertook an in-depth analysis of sectors (Argentina and Brazil) and research of options for green economic recovery (Peru), to assist the process of public policy reforms, development of financial instruments and investment portfolios to advance toward the effective implementation of Nationally Determined Contributions (NDC) in line with the goals of the Paris Agreement.

This edition is part of a series of publications planned by the Knowledge Management practice of the project. In its previous versions of 2021 and 2022, relevant information on decarbonization in Latin America was shared and challenges were presented, along with solutions and opportunities for the region based on the progress attained by the project. The latter included studies and reports and the discussion process geared at strengthening the capacities of each one of the countries and in the Investment and Climate Practice Community promoted by the project, whose members are specialists and experts in the field of climate change in Latin America.

As a result, this publication provides information – based on the learnings and results obtained from the project – about the contributions to the decarbonization process in Latin America; processes, results and lessons learned; key topics addressed in COP27 and the challenges and opportunities facing Latin America; and, lastly, the next steps that must be implemented to continue strengthening decarbonization in Latin America.



As in the two previous versions, the contents are laid out based on guiding questions that will be answered throughout this publication:



What are the project's processes, lessons learned and tools in Latin America with respect to decarbonization?



What is the project's contribution to the decarbonization process in Latin America?



What opportunities and challenges does the outcome of COP27 represent for Latin America?



What actions and steps should be prioritized to continue contributing to decarbonization in Latin America? Who should participate in said actions?

CH 01

What are the project's processes, lessons learned and tools in Latin America with respect to decarbonization?



The DecarBOOST Project seeks to identify and favor the creation of enabling conditions to finance the transition towards low-carbon economies in Latin American countries, with special attention to Argentina, Brazil and Peru, which are the focus of the project.



During the implementation of DecarBOOST, various processes have been created and supported to contribute to decarbonization in the Latin American region, including:

1

Contributions to multi-stakeholder and multi-level national processes to (1) increase the ambition of and implement the Nationally Determined Contributions (NDC) through the identification of new mitigation measures (Argentina and Brazil) or through inputs to propose a climate finance strategy (Peru), (2) support the preparation of Long-Term Strategies for net zero emissions and climate resilience (LTS) and (3) contribute to international climate negotiations.

on lessons learned and good practices and the project's website). Based on studies and proposals produced by the project, the latter sought to contribute to the decarbonization processes of the targeted countries, in coordination with government officials at the national (Argentina and Peru) and subnational (Brazil) levels, the private and financial sector, as well as with academia and the civil society.

2

Generation of new knowledge through studies and proposals developed jointly in each of the countries with key players. Following the project implementation logic, studies and proposals were conducted to (1) address barriers that prevent the increase in the flow of climate investments, (2) develop a portfolio with 20 investment opportunities and (3) promote investment plans in sectors with high GHG emissions addressed by the project (for more information, see the 2022 publication of this series

As part of the project's Knowledge Management, several analyses and dissemination articles and publications have been produced at the country level, which can be found on the partners' websites

www.descarboniz.ar
www.centroclima.coppe.ufrj.br
www.libelula.com.pe

and at the regional level, 2 international discussion reports, 3 annual investment reports and 3 publications containing Lessons Learned and Good Practices

www.decarboost.com

3

Lastly, a third cross-cutting process promoted by the project has been the **involvement of key actors both at the national and regional levels, to contribute to the studies and proposals developed by the project in its own spaces, such as the Annual Investment Forum**, which has issued three annual editions that reached more than 1,500 participations from all over Latin America; three webinars, addressing trending topics such as the advances and challenges around climate finance in LATAM and the analysis of the results of the last two Conferences of the Parties on Climate Change (COP 26 and COP27); and six workshops of the Investment and Climate Practice Community, which have enabled creating synergies between the contri-

butions of the project and strategic allies in Latin America, creating permanent spaces for building new knowledge and contributing to issues related to decarbonization and financing, such as the Long-Term Strategies for net zero emissions and climate resilience (LTS), financial instruments and mechanisms, and stakeholder involvement, especially from the financial sector. In addition, the project has gained visibility during international events, such as the Conferences of the Parties on Climate Change (COP 26 and COP 27), the C40 World Summit of Mayors held in Buenos Aires 2022, Climate Week in Latin America and the Caribbean (LACCW), New York Climate Week 2022, among others.

These events have succeeded in generating

content and a strong communicational impact as part of the positioning of the project in Latin America, reaching almost



2 million people

on social networks



+4,000 views

of the 6 project videos



24,000 visits

to the website



5,000 followers

virtual community



+10,000 views

of the 6 editions of the newsletter specialized in climate finance



Alliances

were forged to exchange experiences and advances in climate finance and strengthen capacities

What is the project's contribution to the decarbonization process in Latin America?

During the implementation of the DecarBOOST Project, the partners have reflected on and identified the lessons learned that have allowed them to improve their actions and, at the same time, establish that one of the greatest contributions is the understanding that we can work better at the regional level, in an articulated and strategic manner, with greater clarity and applying a resource-based economy, recognizing the benefits of regional cooperation, the exchange of ideas and information, common problems and also —above all— thinking together about common solutions but adapted based on the domestic conditions. This understanding of the project's contribution stems from the practice, experience and joint work of the project partners and from the possibilities that regional cooperation provides between countries with very similar challenges. As a result, those common problems find common answers, while considering the specific national contexts. In this sense, the DecarBOOST Project has strongly contributed to add value to these processes of cooperation and shared work, which countries will be able to further in future

projects and other scenarios such as international negotiations, as a result of these experiences.

In each of the focus countries, contributions have been made through the development of concrete and viable policy proposals and financial instruments that facilitate the increase in flows towards investments with climate impact and that are incorporated into the country's decision-making processes by making private sector investments viable.

Secondly, at the regional level, [a portfolio of 20 climate investment opportunities](#) has been structured and established, as well as sector-specific investment plans. Thirdly, in the strategic path towards low-carbon and resilient development, debate and continuous learning have been promoted among key players in Latin America. We trust that the practice community established under the project will continue its engagement beyond the project, bringing together policy makers and investors to create viable solutions to finance the transition.



It is important to understand that it is possible to advance and consolidate this contribution from the project in the future. For example, despite the fact that during most of the project's implementation period Brazil found itself amidst a very difficult political context in terms of advances in climate action, the project facilitated strong dialogue between the civil society and subnational governments (mayors and governors of states and provinces) to safeguard actions related to climate change. Likewise, in the case of Argentina and Peru, the project was implemented in the midst of a context of economic and political instability; however, consultations were held to share the progress of the project with key players from the public and private sectors, as well as academia, among others. Therefore, it is important to maintain and consolidate these spaces for multi-stakeholder and multi-level dialogue and exchange, that allow pushing forward proposals and actions that facilitate investment flows for climate action.

This regional perspective that DecarBOOST has offered reflects the need to jointly take the path of decarbonization, especially since countries share similar problems, both in terms of their territory and vulnerability to climate change.

Lessons learned from the implementation of the project:



Preserving

the integrity of the studies and reports and the project ecosystem will strengthen the application and adaptation of methodologies and good practices for replication, therefore improving the efficiency of the processes and generating a greater impact in the region.



The make-up

of the project partners from different countries and expertise is key to supporting regional transformations in an articulated manner.



Continuing

with the development of financial instruments and risk reduction/transfer mechanisms (with the public sector) is necessary, since developing countries do not currently have the resources to implement their NDCs.



Strengthening

and consolidating the Investment and Climate Practice Community will involve the financial sector and allies in the Latin American region that also implement projects with a similar focus, or that promote an increase in financing and climate investments.





CH 02

What opportunities
and challenges does
the outcome of COP27
represent for Latin America?

The Conferences of the Parties (COP)

are instances of the process of construction of the international climate regime and what happens in them contributes to promote or delay this construction. During COP26 in Glasgow, the process of establishing the rules of the Paris Agreement was completed; that is, the Enhanced Transparency Framework was finalized, establishing the rules that will govern Article 6 on carbon markets. This step allowed COP27 in Sharm-el-Sheikh to focus on the implementation of these new rules.

The fifth webinar “Challenges and opportunities for climate finance in Latam: Results of COP27 and legacy of the DecarBOOST Project” was held On December 6, 2022, in which the project partners participated.

As regards the outcome of COP27, there were four main issues on the agenda

1

Advancing on the global goal of adaptation

2

Reaching agreements on climate finance, which allow the effective and massive reduction of emissions by 2030

3

Establishing a fund to cover losses and damages, an issue that has been under discussion for the last 30 years

4

Overcoming some obstacles and complexities of Article 6 of the Paris Agreement, in order to attain a fully operational program



COP27 took place in a context of strategic and political issues that influenced the negotiation process. The climatic urgency continues to increase and with the risk of losing entirely the possibility of keeping temperatures within the limit of 1.5 °C; at the same time, the geopolitical crisis caused by Russia's invasion of Ukraine triggers high and volatile energy prices with problems linked to supply, high inflation and food insecurity, still under a scenario of recovery from the COVID-19 pandemic.

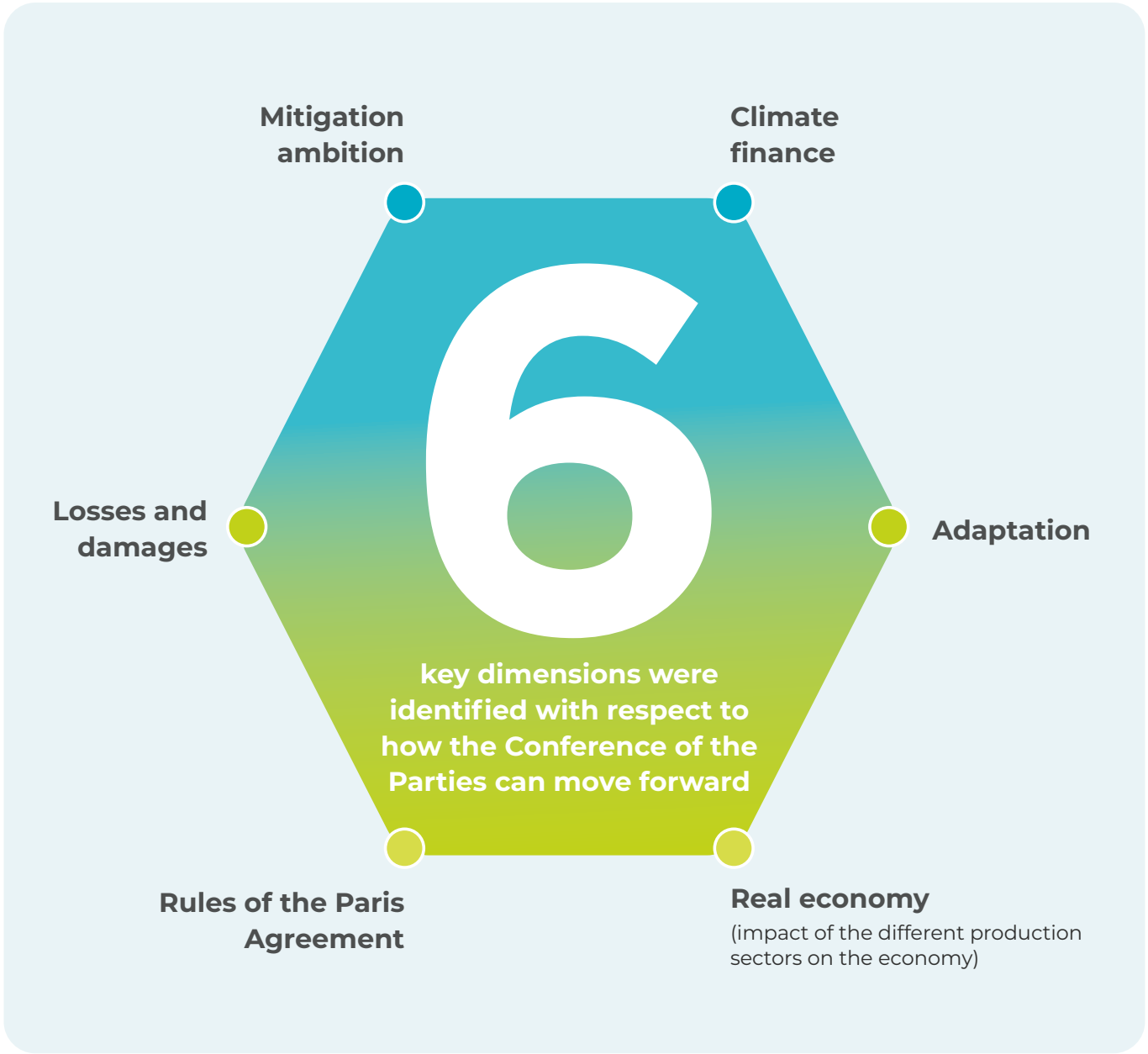
This situation had an impact on the decisions of COP27, with market interventions and the temporary loosening of restrictions on greenhouse gas emissions in certain countries, markets, sectors and regions. Also, unfortunately the parties were unable to agree on some issues, especially regarding the new goal of climate finance. Once again, key issues related to the allocation of funds, namely amount and terms, including the promise to provide USD 100 billion per year, were unmet.

At the same time, important and even unprecedented decisions were made during COP27. After 30 years of debate, a fund was established to compensate for losses and damages. In addition, almost 200 countries agreed that a transformation of the global financial system was required, including reforms of financial institutions, their structures and processes, involving governments, central banks, commercial banks, multi-lateral organizations, investors and other financial players, such that they may align with the Paris Agreement and advance towards financing activities to achieve carbon neutrality. Recognizing this need to reform the financial system does not yet imply in practice an effective supply of new flows of funds, new instruments and the alignment of flows toward low carbon activities, but it is the beginning of a political will to achieve such goals¹.

The reform of the financial system will favor the transformation necessary to achieve the climate objectives, be it in terms of mitigation, reduction of the vulnerability or the strengthening of the adaptive capacity of societies, natural systems or even productive assets.

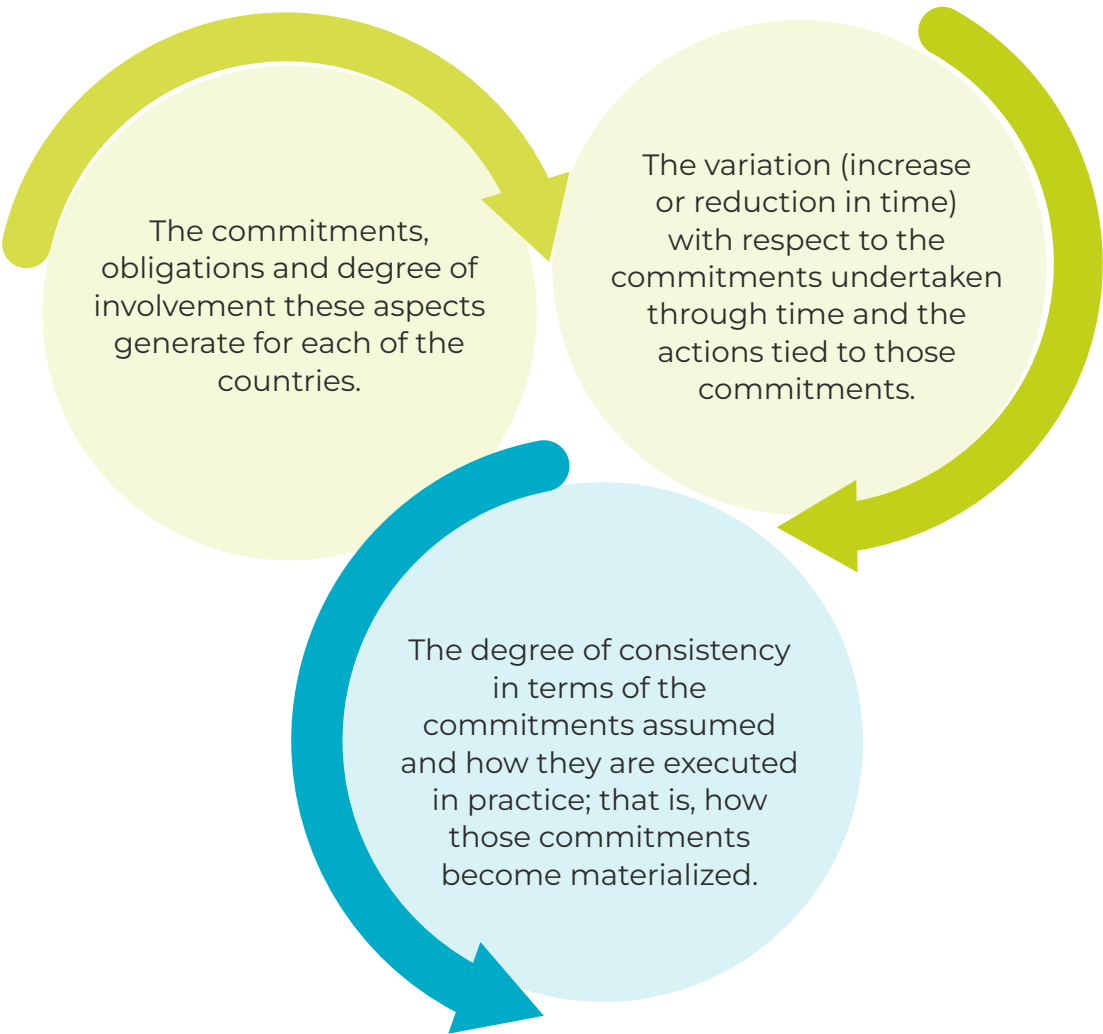
Considering the preceding paragraphs on funds for climate finance, it is important to have a full analysis of the meaning of the outcome of COP27 for global scale decarbonization as well as in Latin America. Within the DecarBOOST Project, members of the Fundación Torcuato Di Tella (Argentina) have developed a methodology for analyzing the outcome of the COP, including an analysis of the advances regarding climate finance.

The methodology developed analyzes the process of construction of the international climatic regime around a COP, considering both the agenda topics as if they were its own, and the sessions of the subsidiary bodies of the parties to the Kyoto Protocol and the Paris Agreement, in order to determine the success or failure of the COP in the dimensions evaluated.



¹ Carlino, H., Caratori, L., Carlino, M. 2022. COP27 La paradoja del cambio climático. Fundación Torcuato di Tella.

To evaluate these six dimensions, four key criteria were established:



As a summary of the evaluation of the agreements and discussions of COP27, a table of results was prepared considering the six dimensions and the four criteria evaluated. From the standpoint of commitments and new obligations, results have been positive in all six dimensions; while from the standpoint of the consistency and coherence of the commitments, no actual progress has been made (except for the dimension

regarding losses and damages), so some delays persist. Regarding the direction of the variation, although some advances exist (as in the real economy), delays and stagnation also still persist. Many of the main hindrances affecting progress of the actions linked to these dimensions are due to the cross-cutting issue of climate finance, adaptation as well as losses and damages.



Figure: Results of the evaluation of COP27

	Results and new obligations	Consistency/Coherence	Direction of variation	
			Commitments	Action
Mitigation	●	●	●	●
Adaptation	●	●	●	●
Losses and Damages	●	●	●	●
Article 6	●	●	●	●
Real Economy	●	●	●	●
Financing	●	●	●	●

Caption:

● Advances ● Delays ● Stagnation ● Not applicable

Source: Descarboniz.ar

Reflections on the impact that the agreements and advances of COP27 would have in Latin America and the Caribbean:



“Latin America and the Caribbean do not usually negotiate jointly, therefore, the presence of the current president of Brazil at COP27 with a proposal to host one of the next COPs in the Amazon is important for the region. Although Argentina is not in the Amazon, water for the humid pampa depends on this geographical space and, thus, soybean exports.” Hernán Carlino, FTDT (Argentina).



Due to the dialectical movement after COP26, it was thought that the focus at COP27 would be around implementation, but instead it was around achieving the compensation fund for losses and damages. Developed countries having agreed to mitigate the damage of countries most vulnerable to the climate crisis is considered a milestone.



High prices for Nature-Based Solutions (NbS) projects in the voluntary carbon market offer an interesting opportunity for the region, requiring a rigorous certification of their additionality and environmental integrity to ensure the permanence of these carbon credits. To this end, joint work by Latin American countries must occur so as to allow the region's credits to attain a good international reputation (Emilio Lebre, COPPE).



Work at the regional level, unity and collaboration is considered essential to address the climate crisis and promote comprehensive and sustainable development within a just transition framework, which considers social and economic costs, including collective, multilateral, inclusive and intergenerational approaches.



United Nations Secretary General António Guterres, in the high-level group of experts, calls for achieving environmental integrity to avoid greenwashing, with the need to develop transition plans, intermediate results and transparency. The proposal is important for the region considering the difficulties of Art. 6.2 (with the dilemma of over-transparency), and 6.4 (with the complexities of the rules for the sustainable development fund), there is an opportunity for the voluntary market for the region.



CH 03

What actions and steps should be prioritized to continue contributing to decarbonization in Latin America? Who should participate in said actions?



In light of the results, learnings, and lessons learned from the DecarBOOST Project during its implementation, some actions must be considered that seek to strengthen and consolidate the transition towards low-carbon economies in the region that are resilient to climate change.



Deepening the studies and reports prepared to facilitate the increase in the flows of climate investments is key to strengthening the decarbonization process in Latin America. Furthering the former should continue in a participatory manner, seeking the feasibility of their implementation by each player according to their role; and following an updated context in the Latin American region, such as the post-pandemic scenario, the economic recession and the challenges and opportunities presented by international negotiations on climate change. A specific process is needed to design rules by country and, even further, by the entire region, to ensure the rule of environmental integrity and fair treatment when vulnerable groups, such as indigenous communities, are involved.



Consolidate regional cooperation between countries to search for alliances and standardization of methodologies and tools that allow improving and accelerating the production of information and knowledge, to be applied to countries of the Latin American region. This action will lead to reducing efforts, generating a better economy and an organic impact. Several short-term actions are proposed by the Investment and Climate Practice Community promoted by DecarBOOST, such as the establishment of green taxonomies, adjustments in financial regulatory frameworks, generation of sectoral incentive schemes and the alignment of agendas (Paris Agreement, Sustainable Development Goals, green recovery, circular economy), to linking actors with multisectoral work groups at the local and national level.



Another key action entails multidisciplinary, multisector and multilevel discussions with respect to climate finance and national processes that facilitate the implementation of the NDC and Article 6 of the Paris Agreement. It is here where the already-created spaces (national and regional) must strengthen their capacities, expand the participation to more countries, and share and generate learning, contributions and knowledge for the countries. This dialogue should consolidate collaboration with the financial and private sectors and international cooperation.



Key *fact* messages

Strengthen the work of the private sector and show that it is better to undertake transformation, or consider the cost of not doing so.

Prioritize dialogue and engagement of key actors, especially the financial sector, organized in guilds and initiatives to generate a relevant impact at the subnational, national and regional levels.

Seek harmonization with the exchange of information and the creation of standards, together with development banks and multilateral bodies.





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