

Ibero-American perspectives on energy transition and climate change

Seminar | Madrid, 18 June 2018

On June 18th 2018 Elcano Royal Institute, in collaboration with the Ministry of Foreign Affairs and Cooperation (MAEC) and European Climate Foundation, organised the seminar entitled "**Ibero-American Perspectives on Energy Transition and Climate Change**"¹.

The opening remarks by Charles Powell, director of the Elcano Royal Institute and Antonio Pérez-Hernández y Torra, general director for Ibero-America and the Caribbean of the MAEC, focused on the need to strengthen existing cooperation between Europe and Latin America.

During the opening remarks it was highlighted that Latin America and the EU together account for little under 20% of global emissions. The need to focus on those factors that can enhance cooperation between Latin America and the EU for the fight against climate change was also stressed. Some of the drivers of enhanced cooperation include: the existence of historical and cultural ties, the alignment of values and support for multilateralism. Furthermore, there is also a close economic and commercial relationship between the two regions that could potentially increase trade in low-emission goods and services.

Regarding the energy area, beyond the difficulty of referring to Latin America and the Caribbean as an indivisible energy producer and consumer, it was underlined that the region is an emerging and different energy power, with great importance of renewables and great hydrocarbon potential. Furthermore, it has a much better governance of energy resources than other major producers, and thus Latin America and the Caribbean have the capacity to contribute to global energy security.

Shared EU-LAC challenges were discussed: the contribution of both regions to the global provision of a stable climate, the energy transition required and the unprecedented social change a low carbon development model will entail. If these challenges are not addressed in earnest both Europe and Latin America could face climate-related systemic risk with significant impact for the economy.

The first panel, coordinated by Gonzalo Escribano, director of the Energy and Climate Change Programme at the Elcano Royal Institute analysed **energy transition in Latin America**, with contributions from international analysts such as Alina Averchenkova,

¹ The full video of the seminar can be accessed on-line at the Elcano Royal Institute website:
http://www.realinstitutoelcano.org/wps/portal/rielcano_en/event?WCM_GLOBAL_CONTEXT=/elcano/elcano_in/calendar/activities/seminario-perspectivas-iberoamerica-transicion-energetica-cambio-climatico

from the Grantham Research Institute- London School of Economics; Ruderico Pimentel, from the *Fundação Getúlio Vargas*; Carlos Sallé, director of energy policies and climate change at Iberdrola, and Antonio Rodríguez, coordinator of the the SUMAS Network and professor at the Autonomous University of the State of Morelos, Mexico.

The panel highlighted the **global nature of climate change and energy problems**, emphasizing the need to develop multilateral strategies and mechanisms with the aim of promoting **regional integration**. That is, to have all available resources in order to maximize opportunities through research and the integration of renewable energies. Therefore, progress must be achieved on energy integration in both Europe and Latin America, starting by cooperating in the environmental, economic and social sustainability of Latin American energy development at a regional level. At a global level, it is essential to cooperate in the provision of global public goods such as the fight against climate change, energy security, the SDGs and the good governance of energy resources.

Secondly, the speakers pointed out the need to create a balanced discourse between **business and regulatory elements** that could help foster a low carbon energy transition. In this regard, there have been significant developments in climate change frameworks and energy transition laws over the last twenty years, and Latin America has played an important role in the uptake of ambitious climate action. In fact, México adopted the General Law on Climate Change in 2012, following the example of the UK that had passed its Climate Change Act in 2008 which established a long-term framework for climate action and the governance set-up to deliver the deep decarbonisation goals. Mexico was followed by Honduras in 2014, which passed a decree establishing institutional structures to provide the country with the capacity to implement climate change policy. On the other hand, Paraguay and Peru have also implemented national climate change laws. Chile is also expected to pass its climate change law soon, which is considering creating an independent climate change committee *à la* UK, and which will strive to provide a boost to Chile's energy transition.

Climate education and awareness were also discussed in the first panel. One of the key outcomes of increased education and awareness is the creation of a fertile environment for behavioural change. Better education and awareness can also be conducive to the better use of resources and to increasing energy security. Lastly, the speakers pointed out the need for a **fiscal reform** that would entail the internalisation of the externalities caused by greenhouse gas (GHG) emissions as well as the adherence to the polluter pays principle. As Carlos Sallé mentioned, this is the perfect time for the decarbonisation to take place, because "*the cost of decarbonisation is lower than the cost of non-decarbonisation*". It should also be noted that capital markets will have an impact, introducing very significant pressure on agents that do not decarbonize their business strategies. For example, through the "Climate Action 100+ initiative" investors are working with large GHG emitters so that companies improve climate governance, reduce their emissions and provide information on their exposure to carbon risks. This initiative involves a large number of investors such as Allianz, AXA, BNP, Deutsche Asset Management, as well as other members, developing a list of targets, using Carbon Disclosure Project (CDP) data on the direct and indirect emissions of companies connected with the use of their products.

The second panel analysed **climate action after the Paris Agreement**. Guy Edwards, co-director of the Climate and Development Lab at Brown University, Valentina Martínez-

Ferro, former director of the EUROCLIMA+ programme at the International Foundation for Ibero-America in Administration and Public Policy (FIIAPP), José López-Tafall, regulation manager at Acciona, and Valvanera Ulargui, director general of the Spanish Climate Change Office were moderated by Lara Lázaro, senior analyst at the Elcano Royal Institute.

During the second panel, the speakers discussed the issue of distributed climate leadership in the absence of the US and the role Latin America and the EU could play in this context. The need to increase the ambition was also discussed. It was noted that for Latin America the significant effort made when developing and presenting the Nationally Developed Contributions (NDCs) had somewhat limited the current appetite for increased ambition in the upcoming round of NDCs. The EU on the other hand is striving for increased ambition given the new **renewable energy, energy efficiency and Low Carbon Development Strategy commitments**. Hence, the EU is expected to increase its climate ambition in the coming months. A green tax reform was mentioned as needed to enshrine the polluter pays principle in decision making processes, theoretically enabling countries to reap the benefits of static and dynamic efficiency properties of the use of market-based instruments (MBIs).

In addition, greater relations and coordination between the EU and Latin America and the Caribbean could undoubtedly increase the **leadership** and soft power of both regions, according to the speakers. This could enhance the Talanoa Dialogue, where countries will have to talk about their plans to increase their ambition, as well as the development of the implementation guidelines for the Paris Agreement.

Another of the issues highlighted during the second panel was **gender mainstreaming in climate change policies**. In essence, it is a very important issue from an Ibero-American perspective and at the European level, where Peru has a comprehensive national gender plan and also has a gender plan on climate change. In this regard EUROCLIMA+ is supporting the introduction of gender in Peru's NDC's.

Finally, the closing ceremony included insights from Fernando García Casas, former Secretary of State for International Cooperation and for Latin America and the Caribbean, Carlos Malamud, principal analyst at Elcano Royal Institute, and Gonzalo Escribano director of the Energy and Climate Change Programme at Elcano. The key topics analysed during the previous two panels were highlighted, reiterating the importance of exchanging experiences in order to contribute to the provision of global public goods such as a stable climate. Two key elements were perhaps the most relevant ones. First, the fight against climate change -within the achievement of Sustainable Development Goals-, is paramount to ensure the world's future wellbeing. Second, when it comes to energy transition, there has to be a connection between rhetoric and action. This seminar concluded with a call to enhanced climate action across sectors and institutions on both sides of the Atlantic that must be underpinned by changes in lifestyles and hence changes in consumption patterns. It was also stressed that Europe and Latin America can continue benefiting from mutual learning and enhanced cooperation. Both regions are close in values and ideas. The Ibero-American region can continue leading international climate debates. Forthcoming summits, such as the Ibero-American meeting in November, titled "*Towards an inclusive, social, prosperous and sustainable Ibero-America*", could facilitate enhanced cooperation.