

Supporting the implementation of net-zero strategies (D1465)

Description:

The general objective is to support the development of climate change strategies at the national, subnational, or sectoral level that can be used as inputs in the design of policy-based loans by the IDB.

The specific objectives are: (i) facilitate engagement with national stakeholders to understand how decarbonization can help advance sectoral development goals in each country, to improve both the relevance of local analysis and the buy-in from important national stakeholders; (ii) produce numerical simulations to assess options at the sectoral level that allow reaching net zero emissions while advancing development objectives identified in the previous component, to inform the design of sector- or national-scale LTS by the government; (iii) build the domestic analytical capacity to deliver objectives (i) and (ii), to improve the sustainability of the project over time; (iv) enable a regional peer exchange and regional comparison to improve the quality of the work done in all countries and provide regional relevance of the project; and (v) communicate the technical feasibility and socioeconomic benefits of decarbonization in LAC to a wide audience, share lessons learnt on the role of MDBs to facilitate the design of decarbonization strategies to other development institutions, and create demand for similar projects in the future. The following explains the context and justification. 11 countries in LAC have pledged to reach net-zero emissions by around 2050, and others are working on similar goals. Reaching net-zero emissions is an opportunity to leverage the economic potential offered by a zero-carbon energy system that relies on cheap and abundant renewable sources, improve the attractiveness of cities thanks to better transportation systems, improve the competitiveness the industry sector thanks to circular economy principles, and enjoy food security and ecosystem services from better managed land. The socioeconomic potential for the region is at least 15 million new jobs and 1% of GDP of additional growth by 2030. Getting to net-zero is also required to put an end to the global climate crisis.

Yet, getting to net-zero is not easy, it requires that governments anticipate and manage barriers in the transition, notably social and fiscal costs, and to lift regulatory barriers that prevent the adoption of zero-carbon solutions by the private sector. To be politically and socially acceptable and aligned with broader sustainability goals, decarbonization should also maximize development benefits and minimize transition costs.

To guide the necessary transformations, countries are invited by the Paris Agreement (Art. 4.19) to formulate and communicate long-term low emission development strategies (LTS). Such LTS will help countries set up their vision of a decarbonized economy and identify cross-cutting and sectoral policy roadmaps to be deployed over time to achieve their vision in an economically beneficial and socially just manner.

Previous IDB work has shown that LTS are essential to guide short and medium-term actions, and can be used to leverage international finance, in particular IDB loans. For instance, Chile's plan to phase out coal power plants and support renewable energy by 2040 was the basis of a US\$350M PBP (CH-L1165), and Costa Rica's National Decarbonization Plan was the basis of a US\$800M PBP (CR-L1147).

Previous IDB work funded by the French Climate Fund on supporting the design of such plans (RG-T3028, RG-T3575) yields several lessons: (i) modelling exercises can inform the design of LTS; (ii) building the capacity of local universities is key for the national credibility of the research and the sustainability of the modeling efforts; (iii) to be politically acceptable, they have to be designed with extensive stakeholder participation of all relevant sectors and levels the government (such as Energy, Agriculture, Transport, Planning and Finance Ministries, and Regional or Municipal governments), academia and civil society, and seek to achieve development objectives as much as environmental goals; (iv) to be actionable, LTS should include a diagnostic of the barriers that prevent the transition to net-zero emissions from happening and inform government action plans to lift these barriers; and (v) regional exchanges can be used to improve the technical quality of the work, disseminate lessons learnt, and create demand from new countries.

Previous IDB work has been successful in supporting the design and implementation of LTS. Our studies of the costs and benefits of getting to net-zero emissions in Chile, Colombia, Peru, and Costa Rica have led to popular publications, and were key inputs for the design of LTS submitted to the UNFCCC by these countries in 2020 or 2021 (the Peruvian LTS is expected to be submitted by early 2023). Similar work is ongoing in Guatemala and Panama. Chile is now at the forefront of this agenda in the region, as its climate change framework law mandates that line ministries, regional and local governments design and implement their own LTS aligned with the national LTS. The IDB is supporting that effort and gaining experience.

Submitted by:

Juan Gomez Sandoval

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Status:

Under Evaluation

Category:

Research and Dissemination

Tags:**Team Leader Name**

Raul Delgado

Has the proposal been discussed and authorized by the responsible sector or country department/division, as applicable?

Yes

Team Leader Responsible Department

CSD

Are there specific countries that will directly benefit from your proposal?

No

Mark the specific countries that will be directly benefited from your proposal?**Where applicable, describe how the proposal aligns with the respective country strategy (for each country selected)****Does the proposal align to one or more sector frameworks?**

Yes, the proposal aligns with at least one sector framework

Identify and describe how the proposal aligns to the sector framework(s)

The proposal aligns with specific lines of action identified in the following Sector Framework Documents: (i) Climate Change ("Help countries design, strengthen, and implement their NDCs and LTSs"); (ii) Energy ("building strategic planning capacity, policy formulation, monitoring, and evaluation"); (iii) Transport ("Sector plans, regulatory frameworks and/or strategies are needed to support climate change mitigation and adaptation"); and (iv) Agriculture ("Foster a sustainable Agriculture that reduces and offsets its impact on the environment").

Select the regional challenges and cross-cutting issues to which the proposal aligns to

Productivity and Innovation

Climate Change and Environmental Sustainability

Institutional Capacity and Rule of Law

Justify the alignment to each selection above

The proposal is aligned with the development challenge of productivity and innovation by providing training for government agencies and academia –in cutting-edge climate modeling methodologies, and by generating innovative knowledge to assist countries in the design of better NDC. It is also aligned with the cross-cutting themes of: (i) climate change and environmental sustainability, as it seeks to enhance the planning capacity of LAC Governments in the design of LTS and NDC, which are critical to respond to the objectives of the Paris Agreement, to limit the global temperature rise to well below 2°C, and manage climate related risks; and (ii) institutional capacity and the rule of law, as it seeks to strengthen the capability of relevant institutions to define robust long term planning to tackle climate change and seize development opportunities.

What is the estimated funding that you need in order to implement this proposal?

410000

Select the expected outputs of this proposal

Reform Deliverables (Legislation/Multi-country Agreements, Governance Models, Regulatory Frameworks, diagnostics, etc.)

Policy Dialogues

Events (other than policy dialogues)

Knowledge Products

Please provide a brief description of the output(s) selected above (The number of units planned, and the estimated cost). If you selected others, please specify.

6 National policy dialogues and stakeholder engagement workshops (\$15,000). To enable a co-construction process of emission reduction pathways in each country, we will rely on three national stakeholders' engagement workshops with the following respective objectives: (i) guide the research performed by understanding sectoral development goals, decarbonization options, existing data, models and studies from the energy, transport and land use sectors; (ii) present midterm results to the same stakeholders for validation of assumptions and to steer further research (iii) disseminate the findings about the feasibility, relevance, benefits and potential costs of long-term decarbonization options.

Knowledge Products: 2 climate mitigation studies to assess politically acceptable emission-reduction pathways (\$180,000).

Modelling work to quantify emission-reduction pathways and their economic benefits, stranded assets risks, distributional incidence, or fiscal impacts. Analytical teams in each country will produce a report for policymakers with lessons and recommendations drawn from their numerical simulations for the design of long-term emission reduction strategies.

2 diagnoses of barriers to decarbonization and policy options to enable the transition (\$180,000). Policy research, analytical work and expert interviews to diagnose the barriers to the implementation of emission reduction strategies, such as issues related to regulations, infrastructure, pricing, information, capacity, or political economy issues, and options for the government to remove such barriers, therefore enabling private and public spending in climate solutions.

Events: 1 seminar and publication material for communication and dissemination (\$35,000). The Bank will communicate lessons learned to a wide regional and global audience of policymakers, policy analysts, academia, donor countries, and the public. This component will fund typesetting, edition, and translation of the publications produced under the other components. It will also fund the participation of experts and government officials in this project in dissemination events.

Outcomes: If the outputs are delivered successfully, what is the change expected (in capacity, knowledge, behavior,

etc.)

The IDB authorizes 3 policy-based programs to lift regulatory barriers that prevent the transition to a net-zero economy from happening by 2025.

Countries in the region have enacted 3 new national or sectoral strategies to achieve carbon-neutrality goals by around 2050.

(0) **Attachments**

0 Comments