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CONCEPT NOTE

Regular meeting of

Inter-American Council for Integral Development (CIDI)

February 28, 2023

**THEME: DECARBONIZATION IN THE AMERICAS - ENERGY AND NATURE-BASED SOLUTIONS**

1. **Background/Justification**

Electric power generation and consumption, and transportation are major sources of greenhouse gas emissions in the region. Countries seeking to reduce their carbon footprint and decarbonize the energy sector have at their disposal a host of policies which, if successfully deployed, have the potential to drastically reduce greenhouse gas emissions.

Although countries in the Americas have made considerable progress in decarbonizing the energy sector, the hemisphere remain heavily dependent on highly volatile oil markets and fuel subsidies. The region will require new technologies and staggering amounts of capital over the next 20 years to meet demand growth, strengthen energy security, and meet climate commitments under the Paris Agreement. According to the International Energy Agency (IEA), by 2040 electricity demand will have doubled, hydropower and natural gas will remain dominant in the generation matrix, there will be a stronger participation of variable renewable energy (from 2% in 2014 to 11% in 2040), and fuel oil and coal will continue to play a role in the energy mix. Additionally, data from the Inter-American Development Bank indicates the region will require an additional 408 gigawatts in new capacity over the next two decades (138 gigawatts from natural gas and 270 gigawatts from renewable sources) at an average cost of US$24 billion per year. Additionally, by 2040 several energy assets reaching the end of their life cycle will need to be replaced at an estimated cost of US$177 billion. On the other hand, power grid expansion and retrofitting to supply new end-users and electric mobility requirements will demand almost US$80 billion. Based on these estimates, the region is looking at annual sustainable energy infrastructure investment needs in the order of US$36.85 billion between 2023 and 2040 to implement energy transitions in power generation alone.

Countries may enhance energy security, improve the balance of payments, and achieve greater fiscal stewardship by increasing the share of renewables in the national energy matrix. Ramping up the uptake of renewable energy technologies curbs dependence on oil imports, creates new employment opportunities, and reduces greenhouse gas emissions. However, government budgets lack the fiscal headroom to provide the level of financial support required to fund full-scale energy sector decarbonization. Furthermore, the sharp financial decline resulting from the COVID-19 pandemic, combined with the armed conflict between Russia and the Ukraine, begs the need to implement a whole-of-government approach to ensure that all sectors of the economy can contribute to economic recovery.

Private sector capital and technology solutions are critical to achieving successful energy transitions across the Americas. There is both a need and an opportunity for the private sector to help turn the region’s energy transition into a climate-smart and social impact investment haven. As such, solving the climate change crisis will require the ultimate public-private partnership, and business leaders should be part of the ongoing conversation about how to align finance and innovation with the transition to a sustainable, net-zero energy sector.

In addition to deploying renewable energy solutions, effectively decarbonizing the economy requires major efforts to improve energy efficiency in homes, businesses, and industries. Energy efficiency is a cost-effective way to combat climate change, reduce energy costs, and improve competitiveness. Energy efficiency is also vital in achieving net-zero emissions. Conserving energy reduces the need for future investments, frees up capital and hedging of fuel risks, enhances competitiveness, and supports long term resource planning. Most Latin American and Caribbean countries contemplate energy efficiency targets as part of their Nationally Determined Contributions (NDCs) under the Paris Agreement.

With regard to the transport sector, World Bank data shows that, in Latin America and the Caribbean, 35% of greenhouse gas emissions related to fuel combustion originate from internal combustion engine vehicles—much higher than the global average of 22%. On the other hand, the region’s public transport ridership is one of the highest in the world. Electrifying public transport would bring about huge transformational gains in terms of reduced greenhouse emissions, while helping countries meet their nationally determined contributions under the Paris Agreement.

From the perspective of technological innovation, green hydrogen is showing great promise, as a growing number of countries in the region are gearing up to produce clean hydrogen, driven by their abundant renewable energy resources, the need to decarbonize their economies, and the huge potential for hydrogen exports.

Additionally, nature-based solutions are sustainable management and engineering practices that weave natural processes into the built environment to reduce greenhouse gas emissions. Forests capture carbon and lock it away, oceans absorb heat from human-induced warming, wetlands create natural barriers to more frequent and intense storms, and communities rely on the resources from Earth to thrive. Recent research indicates that nature-based solutions could provide “around 30% of the cost-effective mitigation” needed by 2030 to stabilize global warming to below the threshold of 2°C.

1. **Purpose of the Session**

The session will focus on the critical steps taken by the governments in the region to support national energy transitions. Specific issues for consideration include strategies, policies, and investments for energy sector decarbonization, and nature-based solutions.

Questions for member states will feature:

1. What strategies are effective to accelerate the clean energy transition?
2. What types of partnerships or policy incentives can be deployed to accelerate electric mobility?
3. Can hydrogen generation and export to Europe and Asia become a source of revenue? Can hydrogen technology become the future of energy integration in the Americas?
4. What nature-based solutions can help combat climate change?
5. **Relevance to SEDI**

- Strengthen the implementation of Sustainable Development Goals (SDGs).

- Support member states’ efforts geared toward meeting their NDCs.

- Receive government inputs for a prospective Inter-American Meeting of Ministers and High-Level Authorities on Sustainable Development.

1. **OAS mandates**

At the Ninth Summit of the Americas held in Los Angeles, United States of Americas, on June 8-10, 2022, the Heads of State and Government committed to “[p]romote multilateral cooperation to increase the use of all forms and types of renewable energy in the countries of the Hemisphere, including programs such as those of the Inter-American Development Bank (IDB), the Caribbean Development Bank (CDB), Development Bank of Latin America (CAF), Central American Bank for Economic Integration (CABEI), the Renewable Energy in Latin America and the Caribbean (RELAC) Initiative, and the Energy and Climate Partnership of the Americas (ECPA), among others, to include the participation of all States, as appropriate.”

AG/RES. 2955 (L-O/20) instructs SEDI “to continue to assist the ECPA in its efforts to support member states to develop renewable energy and natural gas, as well as some possible options for building cross-cutting and cross-border energy infrastructure and energy services, diversifying sources and geographic distribution for power generation and protecting communities from power grid failures caused by disasters.”

AG/RES. 2904 (XLVII-O/17) instructs the General Secretariat “to continue to promote, as resources permit, regional dialogue among member states and between the public and private sectors with a view to developing reliable, cleaner, more-affordable, renewable and sustainable energy systems that facilitate access to energy and energy-efficiency technologies and practices, and also that it continue to encourage partnerships that promote greater donor coordination, voluntary access to information and sharing of knowledge on mutually agreed upon terms and conditions in order effectively to coordinate regional renewable energy strategies.”

The OAS Charter mandates CIDI to promote cooperation among OAS member states to achieve integral development and, in particular, to help eliminate extreme poverty. The Charter also directs CIDI to "promote, coordinate and assign responsibility for the execution of development programs and projects to the subsidiary bodies and relevant organizations, on the basis of the priorities identified by the member states, in areas such as economic and social development, including trade, tourism, integration and the environment."

The Inter-American Program for Sustainable Development (PIDS) entrusts the GS/OAS through SEDI to collaborate with sustainable development authorities of the members states and coordinate with other entities and international organizations. The PIDS establishes strategic actions to ensure that the work of the General Secretariat on sustainable development is aligned with the implementation of the 2030 Agenda on Sustainable Development and the Paris Agreement on Climate Change and that its objectives and results are guided by the SDGs approved by member states and contribute to their attainment.

According to the PIDS, the work of the General Secretariat should contribute directly to supporting member states in their efforts to meet SDG 7: “Ensure access to affordable, reliable, sustainable and modern energy for all;” as well as the interrelated targets of other SDGs on the 2030 Agenda and its crosscutting elements.

1. **Structure of the Session**

Invited Panelists:

- Senior Government official from The Bahamas

- Senior Government official from Chile

- Senior Government official from Panama

- Senior Government official from the United States of America

1. **Outcomes of the Session**
2. Successful member state strategies to accelerate the energy transition in their respective countries.
3. Specific recommendations relating to the goal of becoming a carbon-neutral region by 2050.
4. Inputs from member states regarding climate financing and private sector engagement needs.
5. Key takeaways to support the formulation of the agenda for the IV Inter-American Meeting of Ministers and High-Level Authorities on Sustainable Development.

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