



GUY EDWARDS & J. TIMMONS ROBERTS

THE EU AND LATIN AMERICA AND THE CARIBBEAN: PAVING THE ROAD TOWARDS A NEW GLOBAL CLIMATE CHANGE AGREEMENT IN 2015?



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PRESENTATION

Jorge Valdez, *Executive Director of the EU-LAC Foundation.*

Latin America, the Caribbean and the European Union announced in 1999 the launch of their “Bi-regional Strategic partnership”. This partnership is sustained by the shared principles and values that since then have been underlined in every Summit of Heads of State and Government Declaration.

Frequently, these principles and values are interpreted as the common adherence to the principles of democracy, human rights and the rule of law. However, in the context of their meaning for a “Strategic Partnership” – particularly one between two regions of the respective geographical significance of the EU and LAC – this partnership should have an impact in a wider context. This goes beyond those fundamental aspects associated with the principles and values, and calls for a shared global vision that is supported by those pillars and the common interest of the countries across both regions. It will help carry the Strategic Partnership to a new level, allowing the two regions to jointly project their combined weight on the international stage.

Specific interests of each region – and individual countries – should not be neglected, though. Therefore, not always will there be sufficient convergence either at the bi-regional or at the regional level to develop joint strategies. But on issues of common interest convergence will occur – in fact it is already happening – and these should serve to shape progressively the shared global vision.

It is in this context and with a view to exploring areas and processes that might lead to consensus on common positions adopted by the two regions, that the EU-LAC Foundation has established the EU-LAC Forum on Global Governance. The Forum seeks to provide a result-oriented mechanism to build a bi-regionally shared common vision on issues pertaining to global governance, not only to react to the global governance agenda but also to assist in shaping it.

The Forum is conceived as a flexible mechanism intended to focus every year on one specific subject of the global agenda. It should promote dialogue by the most prominent bi-regional stakeholders on the specific subject in question, in order to identify potential elements towards a common vision guiding their actions in the respective multilateral process.

In looking for a subject for this first Forum we realised that there are a number of pressing and important issues in the global agenda. However, we also concluded that the common goal of having an ambitious agreement on climate change as a result of the UNFCCC process by 2015 provided a unique opportunity to both regions. Furthermore, the fact that the next three Conferences of the Parties (COP) are to be held in countries of the EU and CELAC, places on both regions a unique responsibility to lead the advancement towards that end result.

That has been the inspiration for the Foundation's decision to promote this paper. It reflects exclusively the views and findings of the authors. Our occasional suggestions, based on their preliminary drafts, have always respected the fact that this is the result of their research and interviews, not ours. Therefore our comments have been more focused on form than on the substance seeking to increase its usefulness towards consensus building. We are grateful to them for accepting to incorporate most of those suggestions. However, the document and the views it expresses are exclusively theirs.

The accepted goal for climate change negotiations is not easy to achieve but it should not be impossible. The Foundation does not pretend to underestimate the considerable effort that this achievement will require from all Parties concerned. But if both regions align themselves taking into account the greater interest of all and with a positive perspective of their common and differentiated responsibilities, then the final objective should not only be attainable but will reflect the real ownership by the Parties that will make it effective. It should also contribute importantly to reinvigorate the bi-regional partnership highlighting its strategic nature.

Hamburg, 3 October 2013

// KEY MESSAGES

1. The challenges and opportunities presented by climate change offer the potential to rejuvenate relations between the European Union and the Community of Latin American and the Caribbean States.
2. The EU-CELAC Strategic Partnership considers climate change and sustainable development to be central pillars of their relationship, and activities on climate change are extensive, offering an important alternative to Latin America and the Caribbean's relations with other countries and regions.
3. EU-LAC countries can together promote a new climate narrative calling for ambitious collective action by all countries, based on the principle of common but differentiated responsibility. This supports the notion that cooperation is possible between developing and developed countries and that climate protection and economic growth can be complementary goals. There are a number of opportunities for the EU and LAC countries to enhance climate diplomacy between both regions and within Latin America and the Caribbean, particularly to build consensus on ambition and equity.
4. During its second phase, EUROCLIMA has a number of opportunities to improve EU-LAC cooperation on climate change, such as working with CELAC to establish climate change and sustainable development on CELAC's agenda.
5. The scale of EU-LAC trade and investment in heavily polluting and carbon-intensive sectors represents a key challenge for EU-CELAC relations in mainstreaming sustainability and climate change into the partnership. The EU and LAC countries with a focus on carbon intensive sectors should limit potential risks from a new climate change agreement by encouraging their firms to actively invest in renewable energy, low carbon growth and environmental protection.
6. EU-LAC countries alongside their partners in the Cartagena Dialogue should increase their own levels of participation and bring on board more countries from other regions to enhance cooperation and develop strategies to improve dialogue and consensusbuilding efforts for a high ambition agenda.

1. INTRODUCTION

Global scientific consensus calls for drastic reductions in greenhouse gas emissions (GHG) to limit the global average temperature rise to 2 degrees Celsius, but we are heading in the wrong direction.¹ In May 2013 levels of carbon dioxide in the atmosphere exceeded 400 parts per million for the first time in thousands of years. The International Energy Agency says that the window of opportunity to limit the average global temperature rise to 2 degrees is rapidly closing, and we may be heading towards up to 4 or 5 degrees of warming possibly this century. Although the 2 degrees target remains possible, far reaching and transformative action is needed before 2020.² The success of the UNFCCC negotiations in the next two years is critical.

After the disappointment of the 2009 Copenhagen negotiations' failure to arrive at a treaty strong enough to avoid dangerous climate change, the international community set itself a deadline of 2015 to create a new legally binding agreement. This agreement – applicable to all Parties to the United Nations Framework Convention on Climate Change (UNFCCC) – is intended to enter into force by 2020. However, there is already disagreement about whether meeting the deadline is possible, as the Chair's Summary of the July 2013 meeting of the Major Economies Forum on Energy and Climate shows.³

Ambition and leadership are urgently needed, and EU-Latin American and the Caribbean (LAC) relations represent an active bi-regional partnership on climate change, which can make a timely contribution towards achieving a positive outcome in 2015. European and LAC countries will host the next three annual Conferences of the Parties ('COPs') before the 2015 deadline, highlighting a critical window of opportunity for this bi-regional cooperation to make a vital contribution. The Polish capital, Warsaw, will host COP19 in November

¹ The UN Environment Programme's 2012 report on the emission gap states that current emission reduction pledges fall far short of what is needed to avoid 2 degrees Celsius of warming. UNEP (2012) 'The Emissions Gap Report 2012', United Nations Environment Programme (UNEP), Nairobi. <http://www.unep.org/pdf/2012gapreport.pdf>

² International Energy Agency (2013) 'Redrawing the Energy-Climate Map: World Energy Outlook Special Report', OECD/IEA, Paris.

³ Chair's Summary of the 16th Major Economies Forum on Energy and Climate (MEF), 18 July 2013, Krakow, Poland <http://www.scribd.com/doc/155484172/MEF-Chair-s-Summary>. The MEF includes the United States, China, Brazil, Mexico, India and the EU.

2013, Peru the COP20 in Lima in 2014; and France will host COP21 in Paris in 2015. Mexico, which played an active role to facilitate dialogue and build trust among Parties as the incoming president of COP16 in 2010, set an important example to follow.

Given the difficulty in achieving progress at the UN climate negotiations, the importance of EU-LAC cooperation on climate change and the location of the next three COPs should not be overlooked. The location of the COPs provides the negotiation process with the opportunity to achieve greater consistency and continuity in a process that often lacks both. The prospect of the next EU-CELAC Summit to be hosted in Brussels in 2015 provides an additional opportunity to consolidate and promote bi-regional cooperation and diplomacy on climate change in the months preceding the COP21 in late 2015.

Europe and LAC represent an often understated but invaluable combination of countries to help pave the road towards a new climate agreement. All EU and LAC countries have expressed their will to adopt a new legally binding agreement on climate change under the Convention by 2015.⁴ There is also consensus that global warming needs to be addressed urgently to avoid the impacts of climate change in both regions. International surveys have shown that citizens in Europe and LAC are very concerned about climate impacts.⁵ EU-LAC relations also account for a considerable amount of investment, trade, and development cooperation, all with important implications and opportunities for addressing climate change.

Together the EU and LAC make up 61 countries: a little under a third of the 195 Parties to the UNFCCC. In terms of global GHG emissions, together the EU and LAC account for roughly 20% of the global total, and are home to more than one billion people. Climate impacts are already hitting Europe and LAC hard, as heat waves, floods, droughts and extreme climatic events cause severe economic damage and wreak havoc on vulnerable communities. Although this is a significant challenge, the 2013-2015 COPs represent an opportunity to revive the international commitment that has been partially eclipsed by the global economic crisis. The EU should leave a clear message that even despite the crisis, addressing climate change is a priority. The 2015 deadline can help also revitalise EU-LAC relations by increasing the salience of the climate change issue.

This paper makes the case for how EU-LAC relations can be a solid foundation to build momentum towards a fair, robust and ambitious agreement on climate change in 2015, and promote low carbon development in Europe and LAC. It looks at the current situation facing the EU-LAC partnership and new options for increasing cooperation and diplomacy on climate change. Based on desk-based research and interviews of over twenty officials and experts from the EU and LAC, we finish with some recommendations.

⁴ EU-CELAC Santiago Declaration, Santiago de Chile, 27 January 2013.

<http://www.eulacfoundation.org/documents/2013-santiago-declaration>

⁵ Pew Research Center (2013) 'Climate Change and Financial Instability Seen as Top Global Threats'.

<http://www.pewglobal.org/2013/06/24/climate-change-and-financial-instability-seen-as-topglobal-threats/>

2. THE STATE OF THE PARTNERSHIP AND ITS IMPLICATIONS FOR CLIMATE CHANGE

The Strategic Partnership between the EU and Latin America and the Caribbean was created in 1999 to improve political, economic, and cultural links between the two regions. Subsequent summits have been held twice in Spain and also Mexico, Austria, Peru and Chile. Bi-regional diplomacy and economic cooperation are substantial. The EU has Strategic Partnership Agreements with Mexico and Brazil; and a number of political and trade agreements with other countries and sub-regions in LAC.

The EU is LAC's foremost provider of cooperation, its leading direct investor and the region's second largest trading partner. Over the past decade, the EU has provided over EUR 3 billion in development assistance to the region. The EU remains the leading foreign investor in LAC, accounting for EUR 385 billion of Foreign Direct Investment (FDI) stock in 2010 (43% of the region's total). EU-LAC trade in goods more than doubled over the last decade, reaching EUR 202 billion.⁶ In 2011, the EU was LAC's second-largest trading partner, with a 13% share of the region's exports and imports.⁷

The level of collaboration between the EU and regional development bodies is high, particularly at the Inter-American Development Bank (IDB), the Caribbean Development Bank and the UN Economic Commission for Latin America and the Caribbean. However some observers have been critical of the partnership for failing to achieve more results and suggest that the EU-CELAC relationship is at a crossroads. Severe economic crisis in Europe, the accession of new EU Member States among other factors, have resulted in LAC slipping down the EU's political agenda. Meanwhile, trade and cooperation with China is booming across LAC.⁸ EU Member States also remain an important driving force behind the EU's foreign policy in LAC. As with any other region, Member States can at times have different interests, which can lead to competing elements within EU policy towards LAC and poses a challenge for the advancement of the bi-regional partnership.⁹

⁶ EEAS (2012) 'EU-CELAC Leaflet' http://eeas.europa.eu/lac/docs/2012_eu-celac_leaflet_en.pdf

⁷ ECLAC (2013) 'European Union and Latin America and the Caribbean: Investments for growth, social inclusion and environmental sustainability', United Nations, Santiago de Chile. <http://www.cepal.org/publicaciones/xml/2/48082/EuropeanUnionRev1.pdf>

⁸ ECLAC (2013) 'European Union and Latin America and the Caribbean: Investments for growth, social inclusion and environmental sustainability', United Nations, Santiago de Chile. <http://www.cepal.org/publicaciones/xml/2/48082/EuropeanUnionRev1.pdf>

⁹ Bettina Trueb (2012) 'Foreign Policy towards Latin America in Europe: A Comparative Study', Doctoral thesis, University of Mannheim, Mannheim. <https://ub-madoc.bib.unimannheim.de/29894/>

LAC countries are demonstrating a more independent and assertive foreign policy, as rapidly increasing relations with China and to a lesser extent India and Russia indicate. LAC is no longer the United States' 'backyard,' and it is far less dependent on the EU than in the past. There is some scepticism about what the EU can offer LAC in this new era.

LAC is a highly heterogeneous group without a common voice. Regional integration institutions in LAC are numerous and diverse. They include UNASUR, CELAC, ALBA and the Pacific Alliance. The creation of CELAC in 2010 bringing together all LAC states was an important step and it now functions as the EU's counterpart for the bi-regional partnership. However, CELAC does not yet have a secretariat nor does it focus on climate change. Given that LAC countries share a common concern about the gravity of climate change, there is an opportunity for CELAC to establish a climate agenda and develop a role on this issue.

In recent years, strong economic growth in LAC was largely driven by a rise in natural resource exports, including mining, hydrocarbons and agricultural commodities. Except for Mexico, LAC's exports to the EU consist largely of commodities. In South America, EU Foreign Direct Investment (FDI) is mainly channelled into natural resources. In Mexico, Central America and the Caribbean; it has focused more on manufactured goods and services.¹⁰ European companies have invested heavily in the hydrocarbons sector and mining in LAC, and are key actors in LAC's motor vehicle industry.

European investments in these sectors have had a significant impact in the region, leading to an expansion in exports (especially in South America), job creation, and infrastructure development.¹¹ The positive impacts of these investments such as improving productivity and generating employment are well documented. As with Foreign Direct Investment from other sources, these gains need to be balanced against the negative impacts, such as local environmental problems and global ones such as increased greenhouse gas emissions. Going forward, EU-CELAC relations need to prioritise sustainability and climate change objectives in order to ensure European investment and private sector interests support low carbon development and environmental protection.

A number of the EU and LAC countries are active on climate change at the domestic and international level. However, the pressures of economic growth and energy security are testing governments' commitments to their domestic and international climate policies, which could undermine their climate diplomacy and high ambition discourse at the UNFCCC. These pressures highlight the importance of sticking to international commitments and showing consistency between strong rhetoric on ambition at the UNFCCC negotiations and domestic climate action at home.

¹⁰ ECLAC (2013) 'European Union and Latin America and the Caribbean: Investments for growth, social inclusion and environmental sustainability', United Nations, Santiago de Chile. <http://www.cepal.org/publicaciones/xml/2/48082/EuropeanUnionRev1.pdf>

¹¹ ECLAC (2013) 'European Union and Latin America and the Caribbean: Investments for growth, social inclusion and environmental sustainability', United Nations, Santiago de Chile. <http://www.cepal.org/publicaciones/xml/2/48082/EuropeanUnionRev1.pdf>

The Inter-American Development Bank (IDB) reports that sustained economic growth is driving an increase in the region's energy-related carbon emissions, particularly from power generation and transport. LAC's emissions from transportation and power generation are anticipated to grow significantly in the coming decades, as cities expand and vehicle ownership increases. In sectors such as transport and power, which are vulnerable to infrastructure and technological lock-ins, transitions to a low-carbon future would need to start now, in order to allow emissions to peak soon and then drop drastically to avoid dangerous climate change. A key policy area for LAC is the widespread electrification of the transport sector.¹²

The LAC region will be required to almost double its installed power capacity to roughly 600 GW by 2030. The IDB says Latin America can meet its future energy needs through renewable sources, including solar and wind, which are sufficient to cover its projected 2050 electricity needs 22 times over.¹³ In LAC, various countries have set targets for electricity generation from renewable energy, and European firms could be crucial to meeting those goals. This would be timely, since EU firms are interested in investing in LAC due to fewer opportunities for new capacity back home. LAC countries have also drawn lessons from the EU's experience with support policies, and have avoided the direct subsidies that proved unsustainable in Europe.¹⁴

¹² Walter Vergara, Ana R. Rios, Luis M. Galindo, Pablo Gutman, Paul Isbell, Paul H. Suding and Joseluis Samaniego (2013) 'The Climate and Development Challenge for Latin America and the Caribbean: Options for Climate Resilient Low Carbon Development'. Inter-American Development Bank, Washington D.C. <http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=37720722>

¹³ Walter Vergara, Claudio Alatorre and Leandro Alves (2013) 'Rethinking Our Energy Future: A White Paper on Renewable Energy for the 3GFLAC Regional Forum', Discussion Paper, No. IDB-DP-292, Inter-American Development Bank, Washington, D.C. <http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=37836720>

¹⁴ ECLAC (2013) 'European Union and Latin America and the Caribbean: Investments for growth, social inclusion and environmental sustainability', United Nations, Santiago de Chile. <http://www.cepal.org/publicaciones/xml/2/48082/EuropeanUnionRev1.pdf>

3. EU-CELAC RELATIONS REPRESENT AN ACTIVE BI-REGIONAL PARTNERSHIP ON CLIMATE CHANGE

Climate change and sustainable development have become central pillars for the EU-CELAC Strategic Partnership and the EU's Strategic Partnerships with Brazil and Mexico, respectively. Climate change features prominently in EU-CELAC declarations and action plans, and the EU's cooperation and financial support in LAC.¹⁵ EU-LAC states have repeatedly reiterated their commitment to the UNFCCC, and emphasised EU-LAC dialogue and cooperation on climate change and sustainable development. At the EU-CELAC Summit in Chile in 2013, states expressed their willingness to adopt a protocol, another legal instrument or an agreed outcome with legal force under the UNFCCC by 2015.

The references paid to climate change in EU-CELAC official documents are encouraging as they demonstrate both a common agenda and convergence of norms. However, our interviewees maintain that although these references are positive, the gap between this climate rhetoric and action on the ground needs to close faster. They believe EU-LAC relations have some way to go in order to truly “mainstream climate change” and sustainable development issues into the broader policy space. Greater policy coherence and consistency between the statements on climate change with trade, commercial and economic policies are necessary.

Interviewees also mentioned that during the drafting of EU-CELAC declarations and actions plans relevant to climate change, those officials responsible for drafting text are not necessarily the same officials that represent their countries at the UNFCCC negotiations. Improving the participation of the officials who make up the delegations to the UNFCCC in the EU-CELAC process would be beneficial to ensure mutual knowledge of both processes.

Taking advantage of the detailed knowledge of the UNFCCC process and the personal working relationships between these EU-LAC delegates could help facilitate candid and constructive dialogue between states during the EU-CELAC summits and provide a useful platform between this process and the incoming troika of COP presidents formed by Poland, Peru and France.

¹⁵ Due to lack of space, EU Member States and non-EU European countries' (e.g. Norway, Switzerland) climate change cooperation activities in LAC are not included here, although the authors acknowledge that vital work is being carried out by these countries on climate in the region with important implications for EU-LAC cooperation on climate change and diplomacy.

The EU also has two strategic partnerships with Brazil and Mexico. The EU-Brazil Strategic Partnership includes climate change amongst its central topics. Since 2011, the EU and Brazil have conducted an EU-Brazil Climate Change Dialogue on an annual basis, which discusses the UNFCCC negotiation agenda and provides a space for frank discussions. The EU-Mexico Strategic Partnership also places climate change high on the agenda. The EU and Mexico also have an annual High-Level Dialogue on the Environment and Climate Change, which serves as a forum to exchange ideas and identify areas for bilateral cooperation. Both Strategic Partnerships emphasise the importance of bilateral cooperation on climate change. Mexico and Brazil also count with domestic legislation on climate change. These Strategic Partnerships offer various opportunities to enhance cooperation and diplomacy on climate change.

EU cooperation on climate change in LAC is a complex area, given the various European Union Member States and institutions involved. The EU has worked on various climaterelated cooperation programmes in LAC. For example, the Euro-Solar programme, launched in 2006 with a total budget of EUR 36 million, aimed to reduce poverty by providing isolated rural communities without access to electricity a renewable source of electricity. In 2010, the EU launched the Latin American network of knowledge centres in the water sector (RALCEA) with a total budget of EUR 2.5 million with the objective of fostering information-based policy and promoting South- South cooperation in the water sector.

In 2009, the European Commission approved the EUROCLIMA programme to promote cooperation between Latin America and the EU on climate change. Beginning in 2010, EUROCLIMA ran for 3 years with a total budget of EUR 5 million. The programme is the principal bi-regional programme on climate change launched with the aim of providing decision-makers and the scientific community with a better understanding of the consequences of climate change.¹⁶ EUROCLIMA is considered a modest but successful programme, which has aimed at working principally with officials, rather than at the ministerial level. The decision to extend the programme for another three years with an additional EUR 10 million budget and the possibility of extending it to the Caribbean are potentially positive steps.

However, some Latin American interviewees raised questions about how EUROCLIMA is organised, suggesting that the research themes are proposed by the EU with insufficient input from the LAC region. A renewed effort to encourage the participation of LAC countries not yet participating could also enhance the programme. Although a number of the EUROCLIMA focal points from LAC also participate in their countries' delegations to the UNFCCC – suggesting a good potential for synergies between the cooperation and diplomatic processes – LAC countries have requested that EUROCLIMA provide more support for the UNFCCC processes and becomes more demand driven and better reflect national circumstances. There is a broader indication of the importance to achieve better coordination of EU cooperation activities on climate in the LAC region. In addition to the Euro-

¹⁶ EUROCLIMA (2013) 'Resultados de la Primera Fase', <http://www.euroclima.org/es/component/k2/item/738-euroclima-resultados>

pean Commission, EU Member States such as the UK, Spain, Germany, The Netherlands and other European countries such as Norway are actively working on a range of climate-related projects in LAC. There are limited cases of the Member States and the Commission working in concert, for example the UK, Denmark, and EUROCLIMA programme collaborated on the Economics of Climate Change Studies in specific LAC countries. However, our interviews highlight that the coordination of activities on climate change between European actors is not treated in a systematic way and needs improvement to ensure a joint approach, particularly on climate finance activities.

The EU is making important climate-related investments in LAC. In 2010, the Latin American Investment Facility (LAIF) was launched, which encourages governments and public institutions to invest in the region. LAIF functions as a financing mechanism aiming at mixing grants (non refundable financial contributions from the European Commission and other donors) with loans from European and Latin America multilateral finance institutions. The LAIF Board has granted a total LAIF contribution of EUR 181.6 million and it has leveraged around EUR 4.7 billion of financing from bilateral, multilateral and Latin American financial institutions and other donors. LAIF addresses challenges such as climate change and its impact on the environment. In conjunction with other financial mechanisms, the LAIF is disbursing EUR 6 million in El Salvador to extend an existing hydro-power plant with the goal of satisfying growing electricity demand. At the regional level, LAIF has made a grant of EUR 3 million to a Latin American Sustainable Transport Networks, which aims to foster and enhance public investments in climate friendly infrastructure. The LAIF is also disbursing EUR 6.5 million to a Latin American Carbon Finance Facility (LACFF), which mobilizes debt financing for climate projects based on expected revenues from carbon credits and improving mitigation projects in Latin America.¹⁷

The European Investment Bank (EIB) is also playing an important role in financing climate-related projects in LAC. In 2011 the EU established a EUR 2 billion Climate Change Mandate (2011-2013) for the Bank to support climate change mitigation and adaptation projects in the region. In Central America, the EIB has agreed to invest USD 230 million in hydropower, wind, geothermal and photovoltaic renewable energy schemes across the region. The joint programme with the Central American Bank for Economic Integration will enable more than USD 500 million of investment in projects in Central America helping to reduce regional dependence on fossil fuel imports and diminish carbon emissions from energy production.¹⁸

The increasing level of European interest in financing climate-related projects in LAC is very encouraging. With energy demand and the associated increase in emissions there are clear opportunities for the EU to support LAC attempts to maintain their relatively low emissions from the energy sector and to focus on sustainable transport. Greater coordination between European private sector interests, particularly in the automobile industry, and EU financing

¹⁷ For more information on LAIF visit: http://ec.europa.eu/europeaid/where/latinamerica/regional-cooperation/laif/index_en.htm

¹⁸ European Investment Bank (2013) 'EIB launches new Central American renewable energy lending initiative', 22 August 2013. <http://www.eib.org/projects/press/2013/2013-126-eib-launches-newcentral-american-renewable-energy-lending-initiative.htm?media=rss&language=en>

institutions pushing for the expansion of renewable energy and low carbon growth including sustainable transport will be crucial.

The EU and some LAC countries have also been key proponents of the use of carbon markets. The clean development mechanism (CDM) allows emission-reduction projects in developing countries to earn certified emission reductions (CERs), each equivalent to one tonne of CO₂. CERs can be traded and sold, and used by industrialised countries to meet a part of their emission reduction targets under the Kyoto Protocol. The aim of the CDM has been to support financing for emission reductions and sustainable development projects. China and India have dominated the CDM market with the greatest share of registered projects. In LAC, Brazil is a clear leader of CDM projects, followed by Mexico and Chile, but the CDM has been insufficient to deliver low carbon development and adequate emissions reductions in the region.

In 2013, in an effort to bring the benefits of the Kyoto Protocol's CDM to underrepresented countries in LAC, regional CDM collaboration centres were established in Colombia and Grenada. However, an oversupply of credits, weak economic growth in Europe, and little progress in pushing forward climate policies, have led the price of CERs to drop precipitously. In addition, for the Second Commitment Period of the Kyoto Protocol (2013–2020), the EU has decided only to accept CERs from the group of Least Developed Countries, out of which only Haiti is a member from LAC. CDM projects from LAC registered beforehand and approved before 2013 will still be valid, but the CDM's relevance for LAC going forward has been severely curtailed.¹⁹

¹⁹ Gerardo Honty 'La muerte del Mecanismo de Desarrollo Limpio', 29 April 2013, América Latina en Movimiento.

<http://alainet.org/active/63580>

4. EU–LATIN AMERICAN AND THE CARIBBEAN EXCHANGES AT THE UNFCCC

EU and LAC countries have been key actors at various stages of the UN Climate Change negotiations. Since the first Conference of the Parties ('COP1') to the UNFCCC in Berlin, Germany in 1995, Parties have met regularly to attempt to realize the objectives of the Convention. European and LAC countries have interacted at various stages of the negotiation process.

The 28 EU Member States negotiate as one bloc and share a common position on climate change. However, although the EU has a common position, there are EU Member States that are more committed on climate change than others, which creates problems for increasing ambition. Since the early 2000s climate change has been a key issue on the EU's political agenda.²⁰ In 2007 EU leaders set the „20-20-20“ targets, which established three key objectives for 2020 including raising the share of EU energy consumption produced from renewable resources to 20% and a 20% improvement in the EU's energy efficiency. The EU also committed to cut its emissions by 20% by 2020 compared to 1990 levels. It is offering to scale up this reduction to 30% if other major economies agree to take on their own comparable emission reduction commitments, and recent reports suggest that 40% reductions may be offered by 2030. In the long term, the EU has set itself the goal of reducing its emissions to 80-95% below 1990 levels by 2050.²¹ The EU is a top donor of climate finance, providing over EUR 7.3 billion in 'fast start' finance to developing countries in 2010-2012.²²

The EU's leadership on climate change suffered a major setback at the COP15. However, since then the EU has regained some momentum with limited but substantial results at COP16 in Cancun in 2010 and COP17 in Durban in 2011. The EU's leadership and credibility as an actor on climate has been greatly enhanced by its commitment to the Kyoto Protocol and its own emission reduction policies, and by forming coalitions with developing nations interested in ambitious action.

²⁰ Louise van Schaik (2013) 'The European Union and the Climate Change Regime' in Routledge Handbook on the European Union and International Institutions: Performance, Policy, Power. Edited by Knud Erik Jørgensen, Katie Verlin Laatikainen, Routledge, London.

²¹ European Commission (2012) 'Climate Change Fact Sheet'.

http://ec.europa.eu/clima/publications/docs/factsheet_climate_change_2012_en.pdf

²² European Commission (2013) 'Facts and figures about the European Union and the G20'.

http://ec.europa.eu/commission_2010-2014/president/g20/stpetersbourg/g20_2013_final_en.pdf

Several LAC countries are leaders on climate change for taking domestic climate action and putting forward emission reduction pledges to the UNFCCC, even though as developing countries they are not formally required to do so. Peru was the first developing country to announce a voluntary emission reduction pledge back in 2008, offering to reduce to zero the net deforestation of primary forests by 2021 and to produce 33 per cent of its total energy use by 2020 from renewable sources. Brazil has pledged to reduce emissions between 36.1 per cent and 38.9 per cent below its projected emissions in 2020, largely based on reducing deforestation rates. Mexico has pledged to reduce its GHG emissions by up to 30 per cent compared with its 'business as usual' scenario by 2020. Most dramatically, Costa Rica has pledged to become carbon neutral by 2021.²³ In 2009, CARICOM approved the Regional Framework for Achieving Development Resilient to Climate Change to increase the resilience of its Member States' social, economic and environmental systems. Several countries from ALBA are also taking action on climate change, by reducing emissions through the expansion of clean energy, improving forestry protection and implementing adaptation projects.

Latin America and the Caribbean countries do not speak with one voice on climate change, but instead make up a wide range of blocs and groups. These groups have very different positions and perspectives but sometimes converge on a specific issue, such as the need for Parties to the Kyoto Protocol to adopt a second commitment period. Brazil is member of BASIC alongside China, India and South Africa, whereas Mexico is a member of the Environment Integrity Group with South Korea and Switzerland. Venezuela, Bolivia, Cuba, Nicaragua and Ecuador negotiate as part of ALBA; and also within the Like-Minded Group, which includes India, China and Saudi Arabia. Meanwhile Colombia, Peru, Costa Rica, Chile, Panama and Guatemala make up the Independent Alliance of Latin America and the Caribbean (AILAC). A number of Caribbean states also participate in the Alliance of Small Island States (AOSIS), which represents 44 island and coastal countries around the world. Some LAC countries participate in the informal group known as the Cartagena Dialogue for Progressive Action, alongside European countries and other developing and developed countries.

Even though it does not speak with one voice, LAC countries have played significant roles at the UN climate negotiations. Brazil played an instrumental part in designing the CDM of the Kyoto Protocol in 1997. In 2009, the ALBA countries such as Venezuela and Ecuador rejected the Copenhagen Accord at COP15 due to the lack of transparency and respect for UNFCCC procedures, and for being scientifically inadequate to avoid dangerous climate change. In 2010, Mexico hosted the COP16 and was credited with rescuing the UN climate negotiations, and in 2011 at COP17 in Durban, key aspects of the agreement built upon a discourse pioneered by LAC countries such as those in the AILAC group and Mexico.²⁴

²³ To review other LAC countries' Nationally Appropriate Mitigation Actions visit this link
http://unfccc.int/meetings/cop_15/copenhagen_accord/items/5265.php

²⁴ Gilberto Arias and Guy Edwards (2013) 'Latin American Climate Change Policy and Sustainable Growth', Paper presented at the 2013 UCL-Americas Conference on The Americas: Economies in Flux, 14 June 2013.
http://www.ucl.ac.uk/americas/iaevents/events_documentation/Latin_American_Climate_Change_Policy_and_Sustainable_Growth_copy.pdf

EU Member States are responsible for around 11% of world GHG emissions with more than 80% originating from the production and use of energy, including transport.²⁵ LAC also accounts for roughly 11% of the world's GHG emission total with the majority of emissions generated not from energy use but from land use, land-use change, and forestry (LULUCF), as well as agriculture.²⁶ The EU's carbon dioxide emissions at 7.5 tonnes per capita are less than half of the emissions per capita of the United States at 17.3 tonnes per capita.²⁷ Latin American emissions were below 3 tonnes per capita in 2004.²⁸

Although EU-CELAC cooperation on climate change and official declarations suggest common ground, the UNFCCC negotiations belie a complex and shifting reality. At various stages of the negotiations, the EU and LAC countries have either worked closely together or have adopted different positions.

A key area of climate diplomacy between the EU and LAC countries relates to those countries' participation in the Cartagena Dialogue for Progressive Action. The Cartagena Dialogue was created in the aftermath of COP15 in 2009, in an effort to bridge the distance between developed and developing countries.²⁹ The Dialogue states that it is an informal space, open to countries working towards an ambitious, comprehensive and legally binding regime and committed domestically to becoming or remaining low-carbon economies. Participants are willing to work together within and across traditional negotiating blocs in the UNFCCC. The Dialogue's aim is to discuss openly and constructively the rationale behind each other's positions, exploring areas of convergence and potential areas of joint action.³⁰

The Cartagena Dialogue includes members from Europe, LAC, Africa, Asia, Small Island States and Australasia. LAC countries have had a strong presence from the outset, with active participation from Colombia, Costa Rica, Chile, Peru, Guatemala, and Panama. Countries such as Antigua and Barbuda, Australia, Bangladesh, Ethiopia, Indonesia, Maldives, the Marshall Islands and Nor-

²⁵ European Commission (2012) 'Climate Change Fact Sheet'.

http://ec.europa.eu/clima/publications/docs/factsheet_climate_change_2012_en.pdf

²⁶ Walter Vergara, Ana R. Rios, Luis M. Galindo, Pablo Gutman, Paul Isbell, Paul H. Suding and Joseluis Samaniego (2013) 'The Climate and Development Challenge for Latin America and the Caribbean: Options for Climate Resilient Low Carbon Development'. Inter-American Development Bank, Washington D.C. <http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=37720722>

²⁷ European Commission (2013) 'Facts and figures about the European Union and the G20'.

http://ec.europa.eu/commission_2010-2014/president/g20/stpetersbourg/g20_2013_final_en.pdf

²⁸ UNEP/GRID-Arendal (2005) 'CO2 emissions per person in Latin America and the Caribbean compared to the world and OECD average emissions.' http://www.grida.no/graphicslib/detail/co2-emissions-per-person-in-latin-america-and-the-caribbean-compared-to-the-world-and-oecd-average-emissions_9a27#

²⁹ Ethan Bowering (2012) 'The Cartagena Dialogue and the Future of the Climate Regime'. Australian Institute of International Affairs, Deakin ACT. http://www.aia.asn.au/qa/924-the-cartagenadialogue-and-the-future-of-the-climate-regime#_ftn28

³⁰ Chairman's Statement of the Third Meeting of the Cartagena Dialogue for Progressive Action 31 October – 2 November, 2010, San Jose, Costa Rica. Available online:

http://switchboard.nrdc.org/blogs/sclefkowitz/Cartagena/Chairman's_Statement_COSTA_RICA%20Nov%202010.pdf

way have also participated. Our interviewees commented that the Cartagena Dialogue is not just a space to share concerns but also one for generating common positions. The Dialogue symbolises the role of Parties in coming together and its role as a confidence-building mechanism. The yearly meetings of the Cartagena Dialogue provide participants who would not otherwise meet very often during the year with additional opportunities to interact. The Dialogue has been successful in forging a middle ground for debate because it is inclusive, small, informal, flexible, and closed to the media. It has been able to achieve progress at the negotiations by seeking collective ambition from developed and developing countries alike.³¹

Participants of the Cartagena Dialogue have had a significant impact at both the COP16 and COP17. Adept Mexican diplomacy was praised repeatedly for steering the COP16 to a successful outcome. LAC and European officials regard COP16 as a positive example of those countries acting together to push for progress, and many give some of the credit to the Cartagena Dialogue. EU-LAC delegates participating in the Dialogue met frequently in subgroups to search for consensus and to explore strategies to work with problematic countries.³² As the COP16 entered its final stages, Parties from the EU, LAC and Australia jointly reviewed the draft texts and decided they would accept the Cancun Agreements before the closing plenary. Although Parties agreed the Cancun Agreements were a long way from being perfect, most acquiesced that key advances were achieved.³³

In 2011 at the COP17 in Durban, South Africa, during the final hours, LAC and the EU came together at a critical moment to ensure progress was made as Colombia was almost forced to block the outcome to what it feared was a draft text woefully short of ambition. The Colombian delegation approached the EU to coordinate their response, which led the EU to make an intervention calling for greater ambition to be included in the final text. Colombia made a similar intervention and was followed by Chile, Peru, Guatemala, AOSIS and the LDC group. This led to the final huddle where it was agreed to create “a new protocol, another legal instrument or agreed outcome with legal force” by 2015 and to enter into force by 2020 that will be applicable to all Parties.

The COP17 is regarded as an important breakthrough in setting the UNFCCC negotiation process on a path towards a legally binding treaty in 2015 and the decision to have a second commitment to the Kyoto Protocol. The outcome of COP17 reflects a crucial moment of effective climate diplomacy by LAC countries and the EU. The EU and LAC countries were able to come together at this difficult moment and coordinate their intervention due to their ambition but also their participation in the Cartagena Dialogue. The Dialogue made these interactions more likely as delegates knew

31 Mark Lynas (2011) ‘Thirty ‘Cartagena Dialogue’ countries work to bridge Kyoto gap’.

<http://www.marklynas.org/2011/03/thirty-cartagena-dialogue-countries-work-to-bridge-kyotogap/>

32 Monica Araya (2011) ‘The Cartagena Dialogue: A Sui Generis Alliance in the Climate Negotiations’, 2 February 2011, Intercambio Climático:

<http://www.intercambioclimatico.com/en/2011/02/02/the-cartagena-dialogue-a-sui-generisalliance-in-the-climate-negotiations/>

33 In Cancún, Bolivia stood alone in rejecting the Cancún Agreements, which they regarded as inadequate to sufficiently curtail the rise in global temperatures. Aside from Bolivia’s protest, COP16 is regarded as rescuing the multilateral climate change regime after the strain put on the process in Copenhagen.

each other from previous meetings and were in a greater position of trust and could better coordinate activities. At the COP17, the EU and Brazil also worked together actively behind the scenes to generate consensus on securing the Second Commitment Period of the Kyoto Protocol and a road map for a new climate deal in 2015. In this way Brazil worked as a bridge between its BASIC partners and the EU.³⁴

Interviewees commented that recently, the Cartagena Dialogue has lost momentum, exposing a potential limitation to its role. Although there are some commonalities on climate change between the EU and LAC countries, participants can have very distinct agendas and priorities. LAC countries have requested greater emphasis on adaptation and climate finance to match the emphasis placed on mitigation by European countries, which they deem as unbalanced. The Dialogue should broaden its agenda beyond the focus on mitigation, and include more work on adaptation and climate finance to increase the interest of developing countries.

³⁴ Eduardo Viola (2013) 'Brazilian Climate Policy since 2005: Continuity, Change and Prospective', Centre for European Policy Studies Working Document, No. 373 / February 2013, Brussels. <http://www.ceps.be/book/brazilian-climate-policy-2005-continuity-change-and-prospective>

5. RECOMMENDATIONS

EU-LAC cooperation and diplomacy on climate change is extremely important en route to a successful treaty in 2015 and beyond. With the deadline quickly approaching and the uncertainty regarding the feasibility of creating a new agreement by then, decisive, proactive and ambitious climate action is urgently required. Although the following recommendations are grouped separately, they should be tackled simultaneously.

a. Sharing success stories of climate action at home to build a new climate change narrative

Context: There is a correlation between strong domestic climate legislation and high ambition at the UNFCCC. Taking into account how advancing domestic climate legislation has a positive influence on ambition at the UNFCCC,³⁵ EU-LAC countries should draw on some of their positive experiences and work together both to increase domestic climate action and ambition at the UNFCCC. EU-LAC countries can promote a new climate narrative, calling for collective action by all countries based on the principle of common but differentiated responsibility (CBDR). This principle should not be used as a barrier to ambition or an excuse to avoid responsibility, as securing a 2 degree temperature limit will only be possible if all countries increase their ambition based on their differentiated responsibility.³⁶

Recommendation: EU-LAC countries can make the case that climate protection and economic growth can be complementary goals and balanced cooperation is possible between developing and developed countries. A number of EU-LAC countries have adopted or are adopting domestic climate change policies. These positive experiences and good practices should be shared and promoted within the EU-LAC space and beyond to encourage other countries to adopt similar measures.

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³⁵ Terry Townshend and Adam C.T. Matthews (2013) 'National climate change legislation: The key to more ambitious international agreements' Policy Brief, Climate and Development Knowledge Network. <http://cdkn.org/2013/08/report-national-climate-change-legislation-the-key-to-moreambitious-international-agreements/>

³⁶ Jose Alberto Garibaldi, Monica Araya, and Guy Edwards (2012) 'Shaping the Durban Platform: Latin America and the Caribbean in a future High Ambition Deal' CDKN Policy Brief, March 2012. http://cdkn.org/wp-content/uploads/2012/04/Shaping-Durban-Platform_Final-April_20122.pdf

Leading by example can help to build trust and confidence at the UNFCCC. In the run up to 2015, ensuring domestic climate action in EU-LAC countries is developed, implemented and scaled up will play a vital role in improving the likelihood of ambitious positions at the UNFCCC negotiations and make the two mutually reinforcing. With impressive examples to draw on, the EU and LAC can project a positive link between domestic climate action and ambition at the UNFCCC.

b. Enhancing cooperation on climate change and mainstreaming it into the EU-CELAC political, economic and commercial agendas

Context: Activities on climate change feature extensively in EU-CELAC relations making the bi-regional partnership an active space on climate change cooperation. However, a key challenge is to mainstream sustainability and climate change into the partnership by addressing EU-LAC trade and investment in polluting and carbon-intensive sectors. This raises questions about how effective EU-LAC cooperation on climate change can be, given that a significant area of activity between both regions focuses on sectors that compete with climate and sustainable development goals.

Recommendation: In LAC there is an absence of regional cooperation on climate change, which CELAC could attempt to fill. During its second phase EUROCLIMA could work with CELAC to push for climate change and sustainable development to be established on CELAC's agenda. EUROCLIMA can play a significant role in pushing for greater coordination between EU Member States and institutions working on climate change in LAC. The programme can also support more effective coordination between officials operating within the EU-CELAC Summit process and those working specifically on climate change at the UNFCCC. It can encourage and facilitate the active participation of EUCELAC country negotiators working at the UNFCCC (who are not always directly involved) and their involvement in the EU-CELAC dialogue and drafting of official declarations and action plans on climate change. Finally, EUROCLIMA could focus on involving those countries that are currently not part of the programme to improve its regional representation and incorporate the important perspectives and contributions from these countries.

A new climate change treaty and any associated taxes or penalties could be damaging to carbon-intensive sectors such as mining or hydrocarbons and their exports between LAC and the EU. The EU and LAC countries with a focus on these sectors need to consider these risks to avoid financial losses. The use of green taxes and elimination of perverse economic incentives that damage the environment could be useful to raise additional revenue and provide incentives for efficient technologies and greener production methods and consumption. European and LAC firms can support new technologies and work towards limiting the impact of economic growth on the environment and invest in renewable energy and low carbon transport systems.

c. Realizing the potential of EU-LAC climate diplomacy

Context: EU climate diplomacy in LAC should continue to be conscious of the different negotiating blocs and diversity of positions. The EU can work with these differences to achieve progress on different aspects of the negotiations. Avoiding a one-size-fits-all approach and ensuring a nuanced

understanding of domestic political factors will be crucial. In some cases, there is strong rhetoric on climate action at home and abroad, but considerable challenges remain to ensure consistency between this rhetoric and action at home. The EU's ability to engage with LAC countries on climate change is also contingent upon LAC countries' ability to hold constructive dialogue between each other. In order to drive progress at the UNFCCC negotiations and improve regional cooperation on climate change, LAC countries should identify areas of common interest such as a reliance on natural resources and acute vulnerability to climate impacts. These areas, amongst others, could serve as a platform for dialogue to bring about greater diplomacy and cooperation on climate change.

Recommendation: The diversity of LAC perspectives can enrich dialogue on climate change at the UNFCCC. For example, AILAC and ALBA have important perspectives on ambition and equity which are two key areas for the 2015 agreement. There are opportunities for the EU, AILAC and ALBA to improve dialogue and cooperation for instance on the design of the 2015 agreement. The EU and Peru can collaborate on the preparations for COP20 and through their joint role in the Cartagena Dialogue. Peru, as the future president of COP20, can similarly act as a bridge between different LAC blocs, with the COP19 providing an ideal opportunity to enhance cooperation and diplomacy, given Peru and Venezuela will host UNFCCC meetings in 2014. Improving dialogue between the EU and ALBA is also essential to generate better understanding of the areas of convergence and those of disagreement. EU-Mexico climate diplomacy also has an important contribution to make, in regards to climate diplomacy with the United States. The EU can also continue to support the advocacy work and high ambition agenda of the AOSIS group, which includes various Caribbean States. Finally, EU-Brazil cooperation and diplomacy is crucial to achieve progress on areas such as REDD+, renewable energy, biofuels and sustainable transport. EU-Brazil climate diplomacy is also fundamental to progress at the UNFCCC given the convergence of some norms on climate between both actors.

d. Expanding upon the positive experience of the Cartagena Dialogue and constructing a high ambition coalition

Context: The emergence of a high ambition agenda and the significance of the Cartagena Dialogue's mix of developing and developed countries with various participants from the EU and LAC is a crucial development within the UN climate negotiations. The involvement of EU-LAC countries alongside other parties has positioned the Dialogue as a key consensus building mechanism and vanguard of ambitious action at the UNFCCC, which provides a constructive alternative to the North-South divide.

Recommendation: The Dialogue can continue to build a high ambition alliance between developing and developed countries. The attributes of the Dialogue's model and its positive experiences demonstrate the impact it can have on the UNFCCC negotiations. EU-LAC countries, alongside their partners in the Dialogue, should increase their own levels of participation. They should work with their Dialogue partners to bring on board more countries from LAC, Asia and Africa to develop strategies to improve informal dialogue and consensus building efforts with the Parties that demonstrate less commitment to a high ambition agenda. Increasing the involvement of other LAC countries is also essential. Mexico's experience of participating in the Cartagena Dialogue as the incoming

COP16 president proved instrumental in its preparations and running of the COP. This experience is very useful for Peru and France as the incoming presidents of COP20 and COP21 respectively. Peru and France could be more active in the Dialogue without undermining their position or neutrality as COP presidents. There is also an opportunity for the Cartagena Dialogue participants to work together to build consensus with major GHG emitters such as the US and China and other emerging economies such as Brazil and India, which do not participate in the Dialogue.

FINAL THOUGHTS

Europe and Latin America and the Caribbean share a common agenda on the importance of tackling climate change. Both regions have a vital role to play to promote the conditions necessary to achieve progress in the run-up to the 2015 deadline for a new legally binding agreement on climate change. The EU and LAC's diverse mix of developing and developed countries can create a new road map before 2015 to promote consensus and ambition, based on the UNFCCC principles of common but differentiated responsibility and equity. The next three COP presidents - Poland, Peru and France - have already begun to hold discussions as a troika, which presents a crucial first step to set the pace for broader EU-LAC climate action prior to the COP21 in 2015. The next EU-CELAC Summit, to be held in 2015, could focus on climate change, sustainable development and inclusive growth with the aim of encouraging low carbon development in both regions and promoting an ambitious narrative of domestic and international action on climate change to feed into the UNFCCC process.

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