Accelerating Business Climate Action to Increase Government Ambition in Latin America

GLOBAL STOCKTAKE SUBMISSION

In Latin America, Government commitments must double by the next round of Nationally Determined Contributions (NDC) in order to achieve 50% emissions reductions by 2030. In the Latin American energy sector alone the speed of decarbonization needs to increase 10 fold, from .3% currently to 4.7% (CEPAL, 2019). To achieve this, Latin American Governments urgently need the active engagement of the private sector. **Corporate climate commitments, backed by climate action and investment, can substantially help raise climate ambition and progress in fulfilling country commitments.**

Subsequently, establishing **clear and ambitious climate goals by Latin American Governments, along with enabling policies and transition plans**, will provide clarity, predictability and a competitive environment that incentivizes more companies to make commitments, take climate action and align their investments accordingly.

In 2022 in response to this situation, Libélula, Instituto para el Cambio Global, a non-profit association specializing in climate change, and its Latin American business platform nexos+1, with funding from the Scotiabank Net Zero Research Fund and the support of 11 business organizations[1] from different countries in the region, launched a study into how companies in 9 Latin American countries are contributing to the Paris Agreement and what their motivations and challenges are in decarbonizing their business. Utilizing a climate maturity tool based on the methodologies of the 4 Ps from Race to Zero and of Transformational Change from UNEP-CCC, information was gathered from 109 companies regarding their climate action and the challenges to increasing their ambition. This research resulted in the first **Latin American Business Climate Action Report - 2022.**

In this report we highlight important perspectives for the Global Stocktake process about the state of advancement of business climate action in Latin America, as well as enabling conditions, opportunities and challenges to increasing ambition.

Among the key findings, we discovered that while at a strategic level 63% of the companies surveyed say they contribute to Sustainable Development Goal 13 (Climate Action), only 31% have an emissions reduction target and 24% have a net zero goal by 2050. The vast majority, 87%, are taking some form of climate action and 69% measure their emissions, but only 32% have a climate action plan to monitor and reduce their emissions. Generally speaking, their **corporate climate action consists of isolated actions and is not an integral part of the business strategy**.

1. Acción Empresas (Chile) CEADS (Argentina), CECODES (Colombia), CentraRSE (Guatemala), CERES (Ecuador); ECORED (República Dominicana), FUNDHARSE (Honduras), Perú Sostenible (Perú), Sumarse (Panamá), Sistema B Centroamérica, Sistema B Uruguay

Creating collaboration between Government and business, and within industries and geographies

The nexos+1 business climate action platform generates knowledge-sharing spaces through conferences, webinars, courses and a corporate community, while collaborating with other business organizations in Latin America. nexos+1 reaches more than 500,000 people monthly on social media and more than 2,000 people attended our virtual events in 2022.

Business associations and industry groups are key to activating climate action in the Latin American private sector. The participation of 11 business organizations, many part of the World Business Council for Sustainable Development (WBCSD) as well as Sistema B, the Latin American arm of B Corporation, was key to realizing the Latin American Business Climate Action Report 2022. They have an important role in raising the ambition of their member companies and building capabilities for climate action.

As part of the study, 9 companies in 9 countries were selected for in-depth interviews as best practice examples of corporate climate action. **One of the common factors among these leadership cases was collaboration with other players in their ecosystem.** In some cases it was engaging other companies in climate action up and down their value chain or in their investment portfolio, in others it was finding opportunities in common challenges (like organic waste management) across industries in a shared geography.

There is opportunity for creating more spaces for Government and business leaders to exchange information, experiences and best practices that lead to identifying enabling policies and transition plans to incentivize business climate action as support for the adoption of more ambitious NDCs, long-term strategies and progressive targets, especially in key sectors in the decarbonization transition in Latin America: mining, energy, agroindustry and finance.

Increasing the visibility of Latin American business climate action

Visibility of corporate climate action is a limiting factor in the development of ambitious climate goals by Latin American Governments. **Only 38% of the companies surveyed report their climate and sustainable development goals annually**, and most of them are reporting through their sustainability reports and websites, rather than through official external platforms. 84% of these companies that report in some form or another have at least 100 employees, which would be considered relatively large-sized organizations and a representative minority in a region in which 99.5% of the businesses are micro, small and medium-sized enterprises (MSMEs). The principal barriers reported by the survey respondents were time for data collection, lack of internal capabilities, lack of budget and lack of government incentives. The drivers for the larger reporting companies included reputation and stakeholder expectations.

In addition to government incentives, the region needs clear and consistent standards, as well as readily accessible tools to enable increased emissions reporting by business. As of 2022, of the 9 countries included in the study, only 3 had national emissions reporting platforms (Chile, Peru and Ecuador). TCFD is already being embraced by the region's larger investors, but Latin American participation in SBTi is very low.

Until corporate disclosure in official platforms becomes more widely accessible, initiatives such as the Latin American Business Climate Action Report are crucial sources of insight both for companies and for Government on the state of corporate climate action in the region to inform the development of strategies and policies to mutually increase ambition, in the NDCs and in the boardroom. We would welcome the opportunity to present our findings in the context of the 2023 Global Stocktake process and COP28.

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