Long-term decarbonization strategies

A tool to manage the just transition

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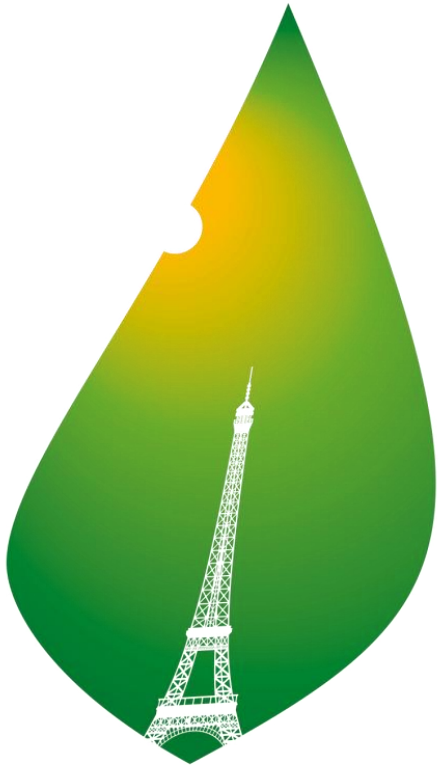


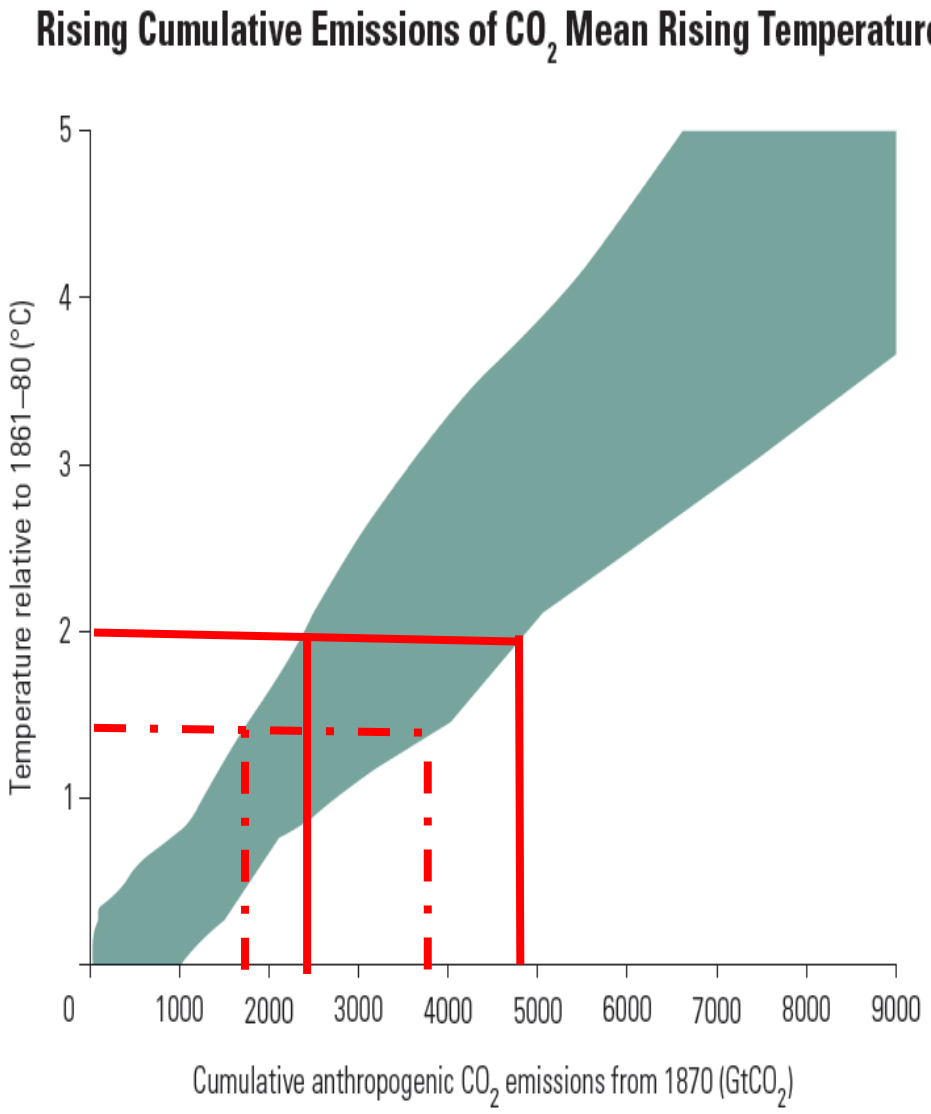
COP21 · CMP11
PARIS 2015
UN CLIMATE CHANGE CONFERENCE

*Holding the increase in the global average temperature to **well below 2 °C** and as close to **1.5 °C** as possible*

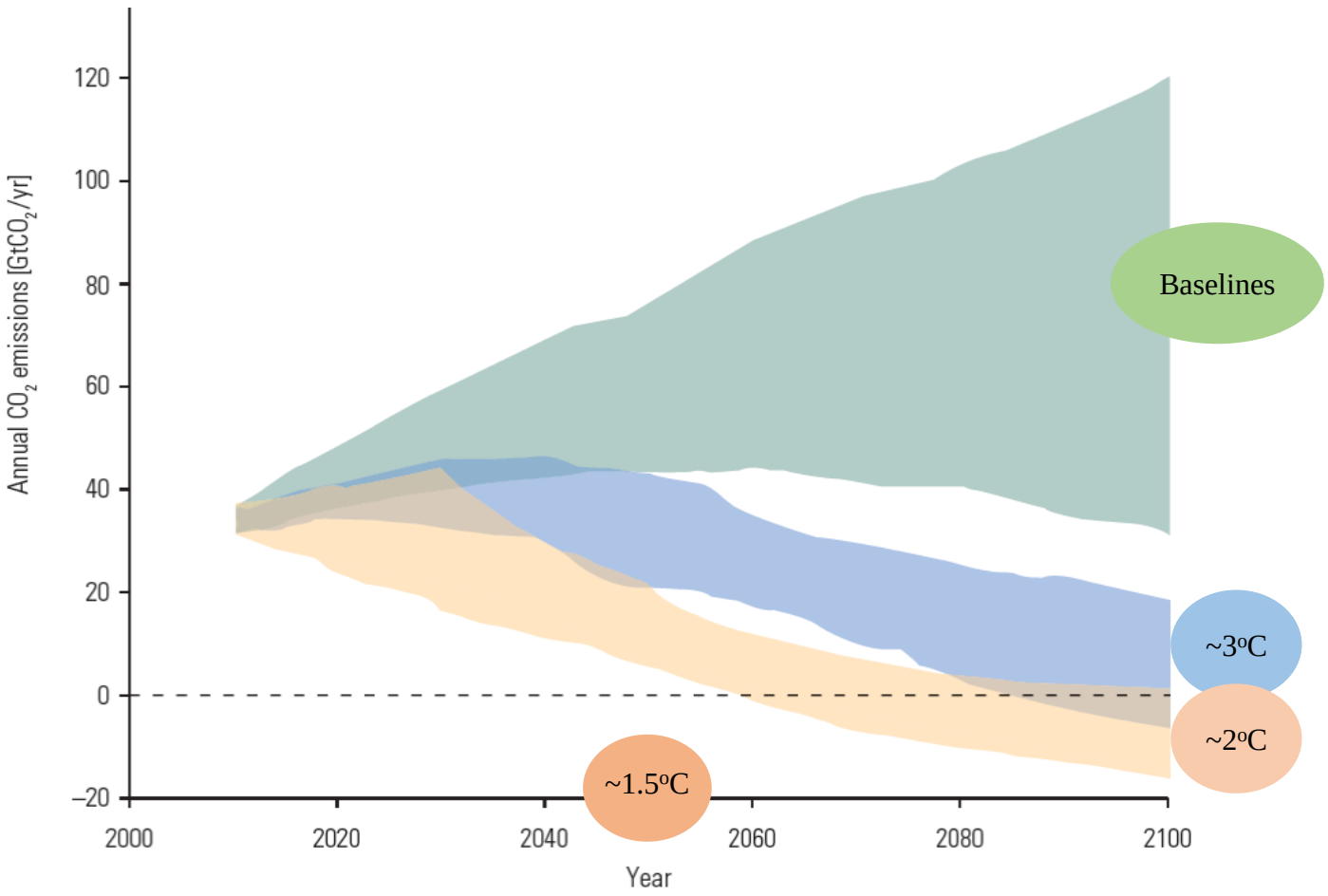
How much do we need
to reduce global carbon emissions
to implement Paris?

100%

Temperature targets imply a **carbon budget**



We **need zero net emissions** to stabilize climate, the question is when and how to reduce emissions

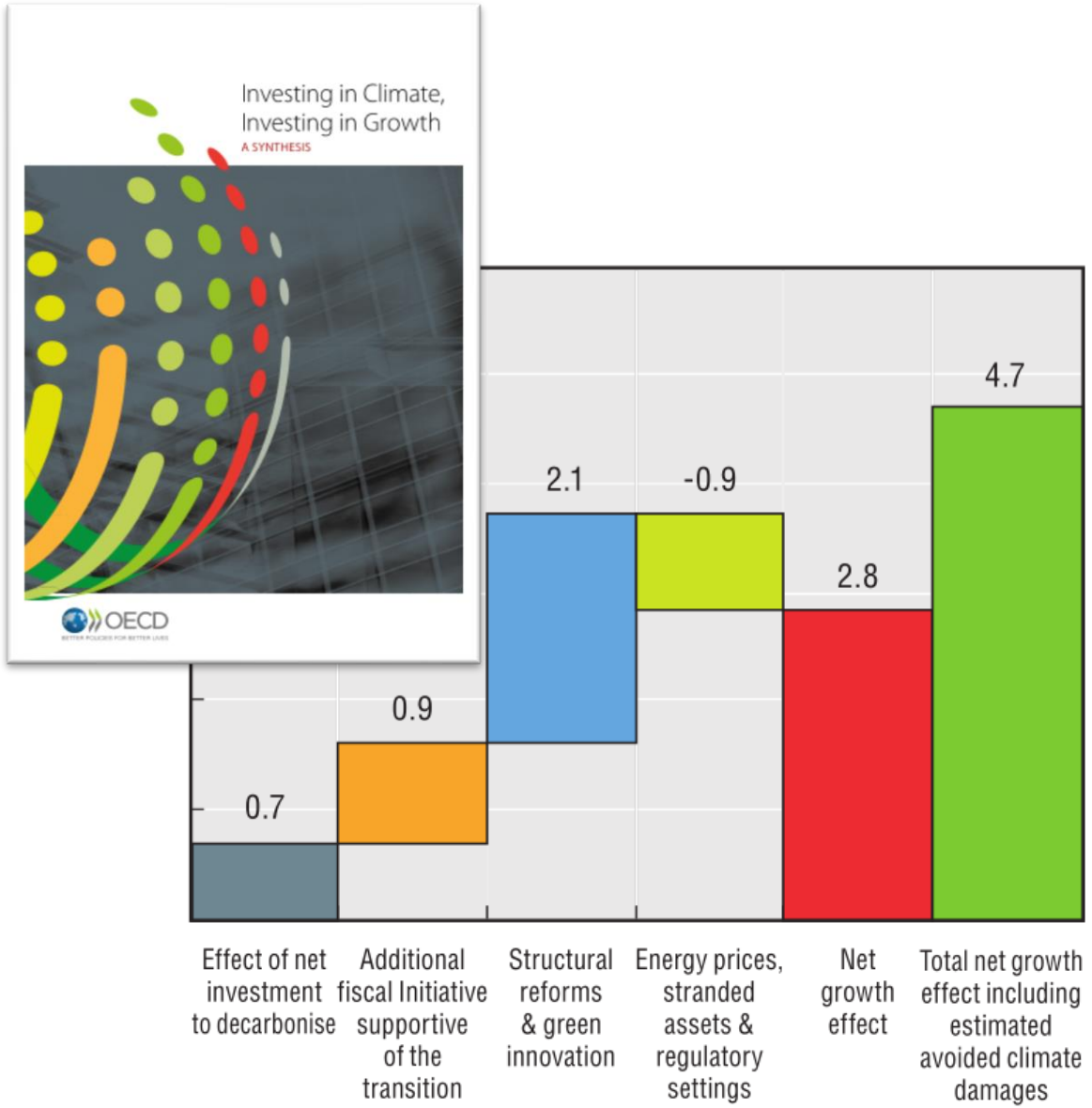


Fay, M., Hallegatte, S., Vogt-Schilb, A., Rozenberg, J., Narloch, U., Kerr, T., 2015.
Decarbonizing Development: Three Steps to a Zero-Carbon Future. World Bank Publications.

A world with **zero net emissions is technically possible**, building on 4 pillars

Decarbonization of electricity generation, i.e. renewable and/or Carbon Capture and Sequestration	Fuel shifting (especially to electricity) in transport, heating, and industries	Efficiency in all sectors, including building, transport, and agriculture	Preservation and increase of natural carbon sinks

A world with **zero net emissions is economically possible**



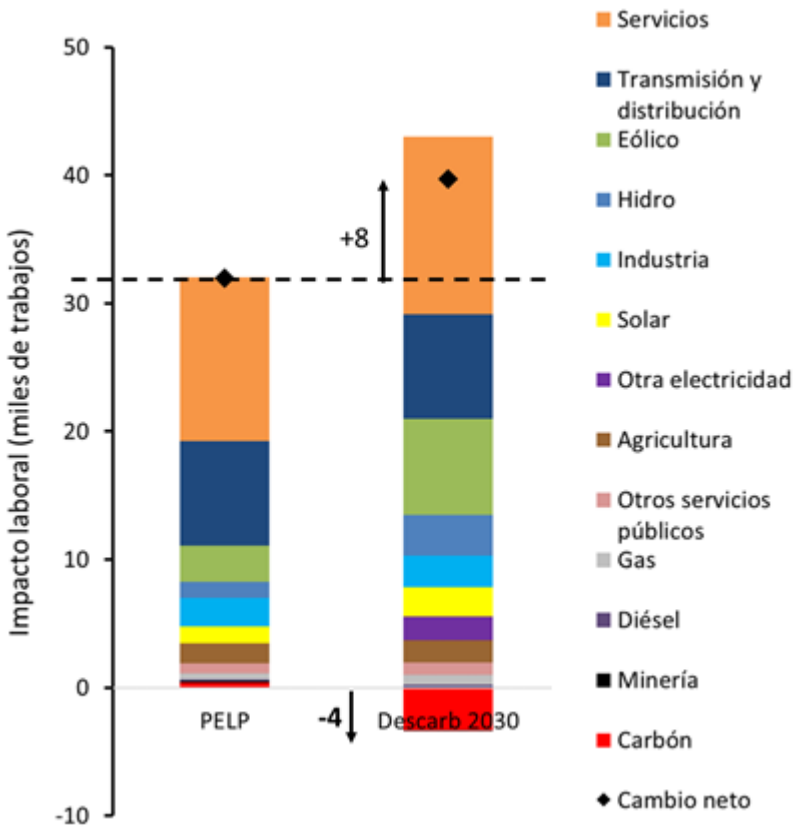
What governments need is guidance on **making decarbonization policies politically-acceptable**

1. **Minimizing political and social costs** of decarbonization action

2. Maximizing **development and political benefits** of decarbonization

Anticipating the **transition of jobs and communities**, and remedying trade-offs: the case of **coal power plants phase out in Chile**

In general the transition away from coal is consistent with **net job creation**…



… but **managing the losers** may be essential to ensure a **just transition** aligned with SDGs

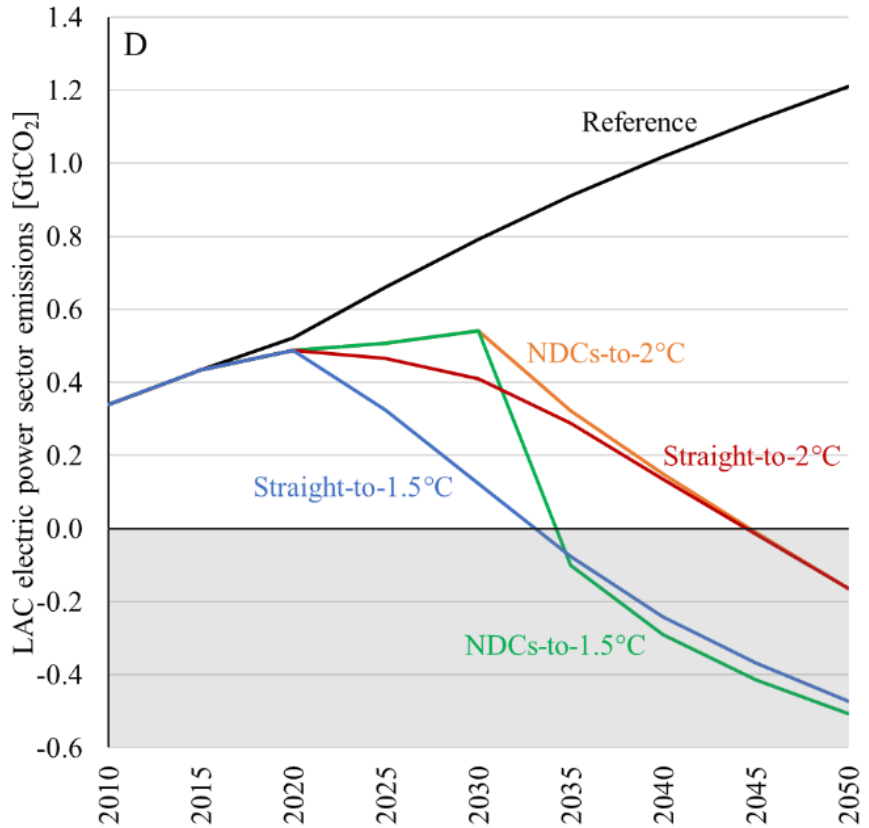
- For instance, 7% of workers from one municipality in Chile stand to lose their job

- Policy options include :
  - Adjust timing of transition to leverage “natural retirement”
  - General-purpose social protection, trainings and workforce benefits
  - Direct help to affected communities

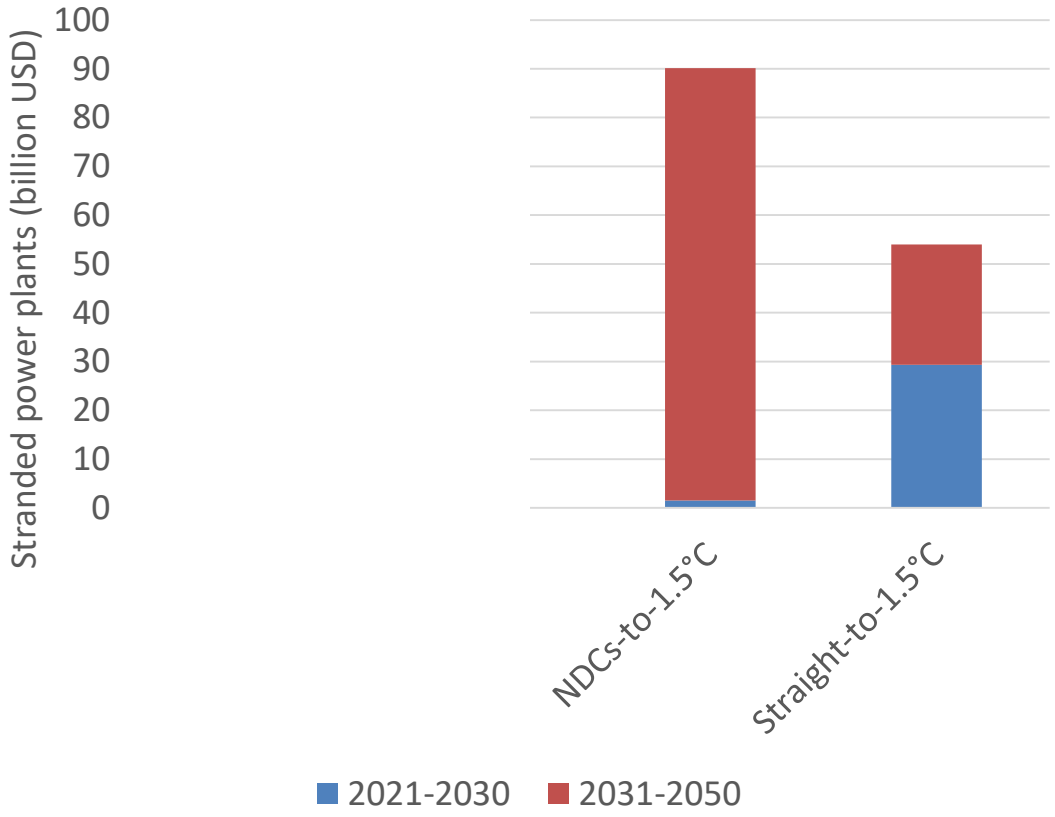
The IDB has **partnered with ILO** to replicate this Chilean study (consistent *with Greening with jobs*, ILO 2018) in 10+ LAC countries

Anticipating the transition and remedying trade-offs: **short-term planning** and alignment with decarbonization strategies are **key to reduce long-term costs**.

NDCs in LAC are not quite aligned with 2°C and they virtually close the door to 1.5°C

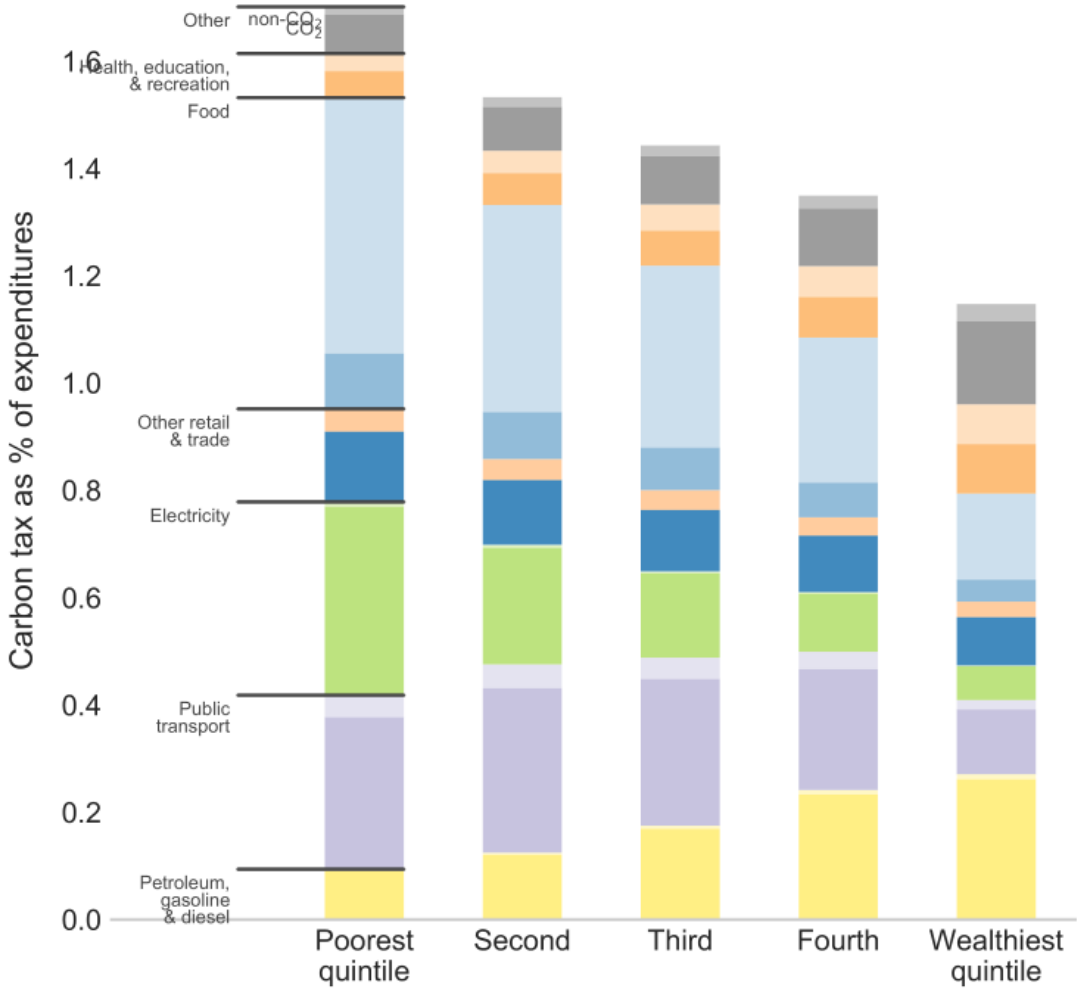


Stronger NDCs would reduce the need for stranded assets down the road

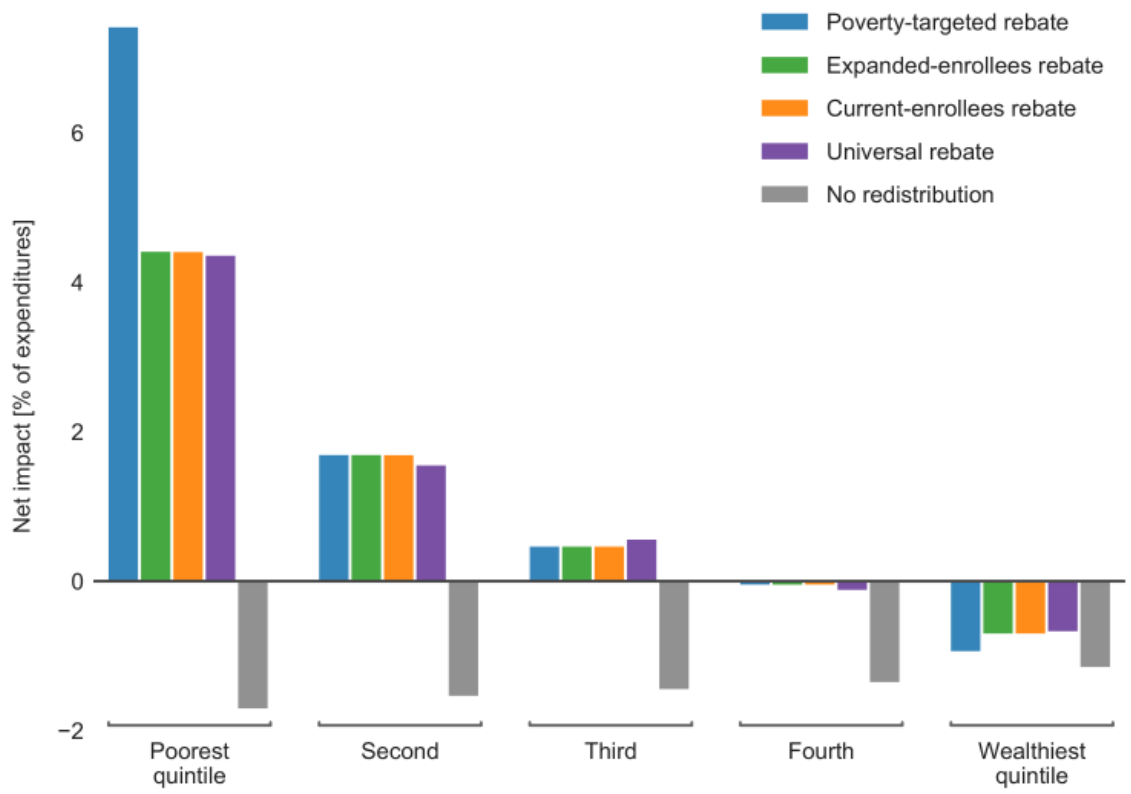


Anticipating the transition and remedying trade-offs: **protecting consumers** from the negative impacts of **carbon pricing** (example for Chile).

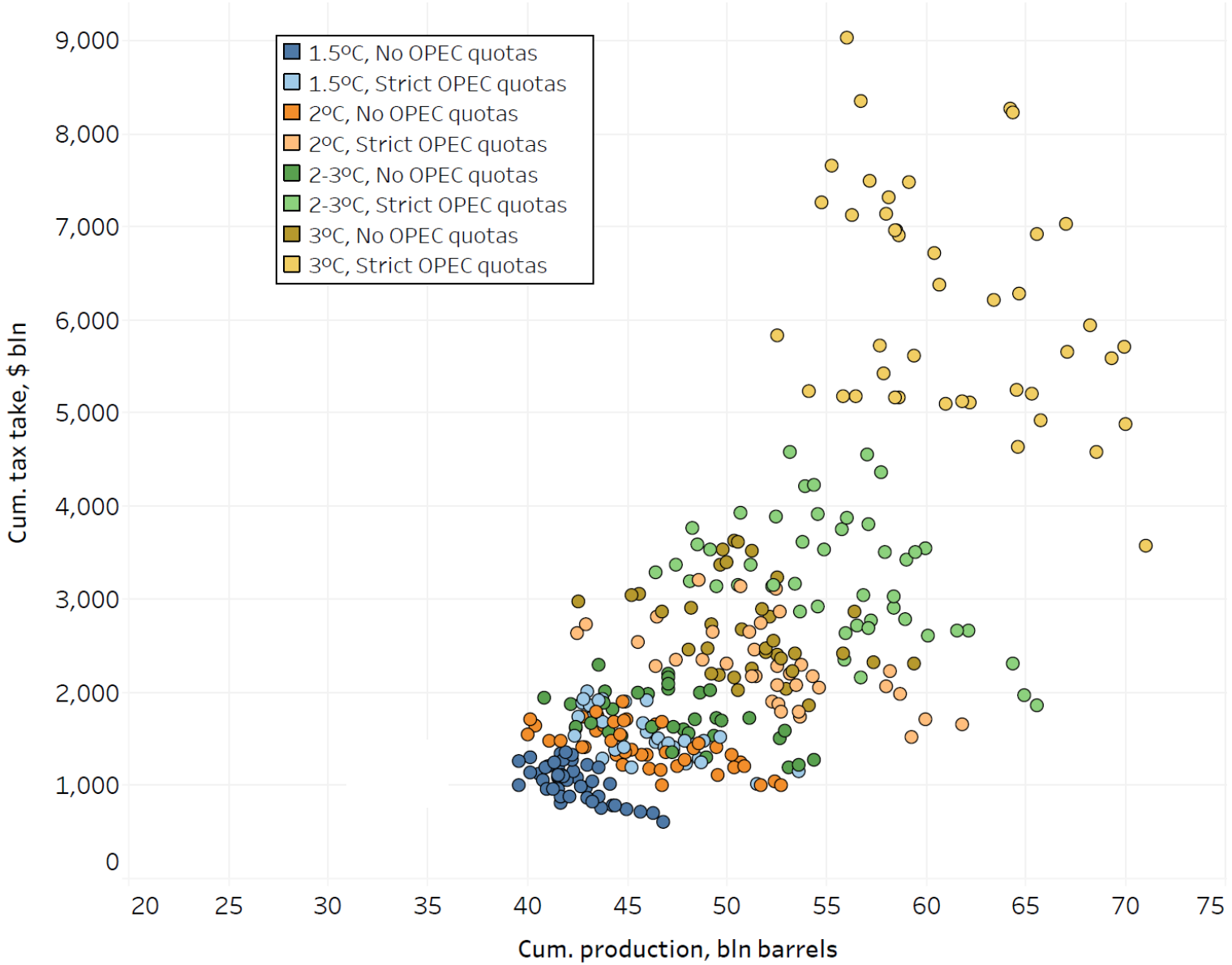
Indirect effects on Electricity, Public Transport and Food mean **carbon taxes hurt poor consumers**



Recycling carbon revenues in existing **cash transfer** programs transforms **poor households into winners**



Anticipating the transition, and remedying trade-offs: managing the impact of international decarbonization on **fiscal revenues in oil exporting countries**.



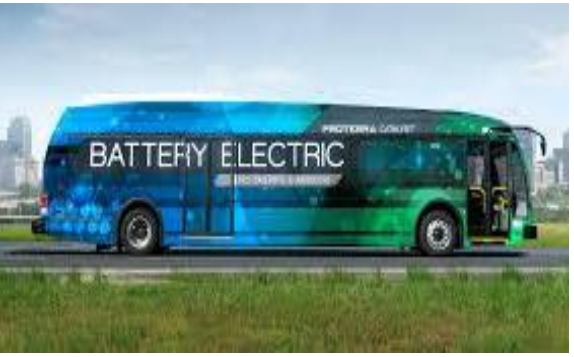
Manging the risk to export and fiscal revenues from oil

- Smart fiscal management has a small impact compared to policy choices in the rest of the world
- Policy options include:
  - Diversifying the economy

Maximizing **development and political benefits** of decarbonization: **public transport in Costa Rica**

- As many cities in LAC, Costa Rica suffers from **congestion**
- **3.8% of GDP is lost** every year **in time spent in traffic**, and premature deaths from **accidents** and **air pollution**
- The Government as issued a **Decarbonization Plan** that aims at making **efficient public transport enabled by electric buses** the number 1 option for users by 2050
- The IDB is supporting **pilot projects**, infrastructure deployment, and the design of **new business models** that work for bus operators, users, and the government
- **Public transport** is a decarbonization option that is also about **improving lives and the business environment**

Thank you! Questions ?



1. Getting to **zero is technically and politically feasible,** what governments need is guidance on **making decarbonization policies politically-acceptable**

2. **Minimizing political and social costs** of decarbonization action, for instance:
   - Managing the impact of coal phase out on workers and communities in Chile
   - Short-term planning and alignment with decarbonization strategies to reduce long-term social impacts
   - Managing the impact of carbon pricing on poor and vulnerable consumers
   - Managing the impact of international decarbonization on fiscal revenues in oil exporting countries

3. **Maximizing development and political benefits** of decarbonization, for instance:
   - Improving the business environment and quality of life with electric buses in Costa Rica

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Further reading:
- https://blogs.iadb.org/sostenibilidad/en/three-steps-zero-carbon-future/
- https://blogs.iadb.org/sostenibilidad/en/is-there-an-affordable-way-to-make-voters-love-energy-price-hikes/
- https://blogs.iadb.org/sostenibilidad/en/how-much-is-it-going-to-cost-to-decarbonize-the-transport-sector-in-costa-rica/