

## Energy transition and climate resilience: catalysts for growth and inclusion

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The intensifying adverse impacts of climate change, the socioeconomic effects of the COVID-19 pandemic, and global food and energy security challenges are stalling decades of progress against poverty, hunger and income and gender inequality in Latin America and the Caribbean, and globally. ECLAC estimates that the region's economy will grow 2.7% this year and 16 countries are yet to recover their pre-pandemic GDP levels. The region's structural challenge of low investment is becoming entrenched, in 2021 standing at 19.7% of GDP, below the levels in much of the developed and emerging world.

To achieve the far-reaching transformations required to address the climate crisis, trillions of dollars of investments are needed and the mobilization of inclusive and appropriate financing at scale that does not exacerbate country debt, is essential. Yet, developed countries have not even fulfilled the \$100-billion commitment by 2020 from all sources, agreed to in 2009. As many developing countries face rising debt burdens and stretched fiscal space, new forms of cooperation, innovative instruments and grant and concessional financing must gain priority over debt-based instruments. In the first quarter of 2022, in Latin America gross public debt of central governments was at levels seen 20 years ago (52.1% of GDP), in the Caribbean at 84.1% of GDP and in six countries of the subregion exceeding 90% of GDP. Due to rising climate change vulnerability, the private risk evaluation companies increase the cost of public debt in Caribbean countries.

We need to transform commitments to action and translate global pledges to regional and local solutions. The region's counter-cyclical fiscal packages have not been aligned with a green recovery nor with Nationally Determined Contributions. Yet, Latin America and the Caribbean is well-positioned to benefit from the climate transition. The regional resource endowment is strong in inputs required for the energy transition (from lithium to copper; from wind and solar). Clean and affordable energy can bridge social gaps, (16.7 million people lack access to electricity) and be a catalyst to growth in productive sectors. Moreover, volatile fossil energy prices have secondary impacts on rising food prices.

As the most urbanized developing region (80%), investments in electromobility and infrastructure are needed to render the growing transport sector sustainable and there are opportunities to leverage regional manufacturing capacities and natural resources. Holistic mitigation approaches can promote productive change and social inclusion if supported by coherent policy and investment decisions, through what ECLAC has termed the big push for sustainability and the simultaneous implementation of the SDGs.

The region emits a small share of global emissions but is highly vulnerable to the effects of climate change. Yet financing flows for adaptation constitute a small fraction of those dedicated to mitigation efforts. Addressing the asymmetry between contributing little to global emissions but already suffering the effects of the climate emergency is urgent for the SIDS of the Caribbean and vulnerable countries in Central America, which face insufficient access to debt relief and concessional financing options. Innovative solutions, including debt for climate adaptation swaps, the use of natural disaster clauses in debt management and the establishment of a Caribbean Resilience Fund need international support.

Ahead of COP27, the Regional Economic Commissions of the United Nations are and partnering with the incoming Egyptian Presidency of COP27 and the UN Climate Change High-Level Champions for COP26 and COP27 to organize a series of five regional forums "Towards COP27: Regional Forums on Climate Initiatives to Finance Climate Action and the SDGs". The forums bring together public and private sector stakeholders

to catalyze investment in climate mitigation and adaptation in line with the SDGs. The innovation of the forums lies in creating spaces to showcase a catalogue of projects ready to be financed, discuss the creation of an enabling environment, in addition to financial instruments and vehicles needed to mobilize climate finance for projects that correspond to the distinct needs of the five different regions, to address climate change in a holistic manner and narrow the current gap in financial flows aligned with the Paris Agreement.

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