

Workshop Report:

How can the Argentinian G20 Presidency promote low-carbon, climate resilient development and sustainable finance and infrastructure?

6 April 2018, Buenos Aires

As a partner of the international network Climate Transparency, Fundación Ambiente y Recursos Naturales conducted a multi-stakeholder workshop including high-level government representatives involved in the G20 process as well as representatives from B20, T20, C20 and L20. Participants discussed how the Argentinian G20 Presidency can promote a low-carbon climate-resilient development and the mobilization of finance needed for this transition. Discussions were based on the briefing paper “[Advancing climate action under the Argentinian G20 Presidency](#)”.



Main insights

- **G20 Energy Transitions Working Group:** The name of the working group with transitions in plural accounts for the differences of G20 countries in terms of social and economic development and access to technology. The Argentinian Presidency wants to provide a developing country perspective and highlights the importance of energy access. Workshop discussions reflected the need for the G20 countries to phase out fossil fuel subsidies in the short-term and increase renewable energy and energy efficiency efforts, supporting the full decarbonization of energy systems by 2050. Experiences of the Brazilian renewable energy and energy efficiency programs were shared.
- **G20 Climate Sustainability Working Group:** The aim of the working group is to reach consensus within the G20 forum and to ensure its continuance during the next presidencies by focusing on adaptation, particularly on the development of climate-resilient infrastructure and job creation. Further agenda points include financing the NDCs and the development of long-term low-greenhouse gas emission development strategies. The Mexican experience shared at the workshop shows that a legal framework and an implementation roadmap of long-term strategies are needed to reduce emissions in G20 countries.

- **Sustainable finance:** In order to reach a transition from brown to green finance, G20 countries need to combine tools regarding financial policies and regulations, fiscal policy levers and public finance. This is not the case today, as four times more financing is provided for fossil fuels than renewable energy in G20 countries. In addition, a very low percentage of the public budget goes to environmental conservation, as exemplified by the Argentinian case.

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Welcome

Andrés Nápoli, *Executive Director, Fundación Ambiente y Recursos Naturales, Argentina*

Andrés Nápoli welcomed the participants and emphasized the importance of climate action under Argentina's G20 Presidency. FARN supports advancing climate action within in the G20 working on fossil fuel subsidies, infrastructure development, energy and climate policy and participating in the C20 and T20.

Álvaro Umaña, *Co-chair, Climate Transparency*

Álvaro Umaña introduced the objective of the workshop, namely to share the experience of different stakeholders and country representatives on how to advance climate action under this year's G20 Presidency. He stated that Argentina took over the G20 Presidency on 1 December 2017 with three agenda priorities: 1) the future of work; 2) infrastructure for development; and 3) a sustainable food future. Climate change affects and is affected by each of these priorities and thus must be an important focus for Working Groups under the Sherpa and the Finance Tracks this year.

Climate change, renewable energy and green investments have been on the G20 agenda since the 2012 Mexican Presidency and gained momentum under the Chinese Presidency in 2016, with a strong focus on green finance. Under Germany's Presidency in 2017, G20 countries agreed on the most comprehensive climate package at the G20 to date. In the final communiqué, all G20 countries committed to working towards low greenhouse gas emission energy systems. Nineteen leaders, excluding the United States, also stated that "the Paris Agreement is irreversible" and agreed to the annexed G20 Hamburg Climate and Energy Action Plan for Growth. The work of the Green Finance Study Group and the Task Force on Climate-related Financial Disclosures has provided tools for aligning financial flows with low-carbon development.

Now in 2018, Mr. Umaña stated, there are significant opportunities for Argentina to continue the leadership of the G20 on climate action.

Session I: Long-term low emission climate resilient development

Objectives and priorities of the G20 Energy Transitions Working Group

Daniel Redondo, *Secretary of Energy Planning Coordination and Chair of the Energy Transitions Working Group*

Mr. Redondo explained that Argentina decided to **separate the issues of energy and climate** in two working groups because it strives to reach consensus among the G20 countries. The Hamburg

Climate and Energy Action Plan for Growth under the German G20 Presidency was agreed by just 19 countries, not the United States.

He further explained that the Working Group chose **the name “Energy Transitions” in plural** because it is not possible to tackle only one type of transition. Every country has different sources of energy and its own intrinsic characteristics in terms of social and economic development and access to technology. However, the members of the Working Group from the G20 countries agree that they need to work towards more transparent, cleaner and more flexible energy systems.

Mr. Redondo highlighted the issue of **energy access**, which is of particular importance to the Argentinian G20 Presidency, as Argentina regards itself as a developing country. This is also the reason why the current Presidency invited other countries from the region, since in Latin America, as well as other parts of the world, there are millions of people without energy access.

Following this, Mr. Redondo presented some **relevant activities** carried out by the Working Group so far:

- Energy Efficiency and Renewable Energy High-Level Forum with the participation of IRENA and IPEEC
- Data Transparency Seminar
- Working Groups Meeting 22-23 February (next meeting in 13-14 June)

He said that the **Working Group sessions were very productive** and they involved the discussion of documents prepared beforehand with international agencies. Countries’ positions were also discussed with the objective of having a Ministerial Communiqué signed by all 20 members. The ministerial meeting takes place on 15 June in Bariloche, Argentina, and so far the Energy Ministers from Germany, the United States, Canada and China have confirmed their participation.

Documents produced by the Working Group:

1. Energy Transitions towards Cleaner, more Flexible and Transparent Systems
2. Energy Ministers Communiqué (input for ministerial meeting)

Five documents produced by international organisations for the Working Group (might become official G20 documents)

1. Advancing Energy Efficiency in G20 Economies (prepared by IPPEC)
2. Renewable Energy: A key Enabler for the Transition to Cleaner Energy Systems (prepared by IEA/IRENA)
3. Energy Access and Affordability Voluntary Action Plan for Latin America and the Caribbean (OLADE and BID)
4. Energy Data Transparency and Market Digitalization (OECD)
5. Update Report on Inefficient Fossil Fuel Subsidies (prepared by OECD/IEA)

Objectives and priorities of the G20 Climate Sustainability Working Group

Carlos Gentile, *Secretary of Climate Change and Sustainable Development and Chair of the Climate Sustainability Working Group*

Mr. Gentile described the creation of the Climate Sustainability Working Group as a very positive development – for the first time in the G20 process, a working group is solely dedicated to climate change. The Argentinian Government has already started talking to Japan – next G20 Presidency in 2019 – to ensure the continuance of the group in 2019. The Japanese government will make a decision based on the developments within this group this year. The situation will be more complex in 2020 when Saudi Arabia will chair the G20 and the United States the G7.

After the Leaders Communiqué in Hamburg, the context has worsened for climate change. Mr. Gentile stated that the fact that all G20 countries reached an agreement to be a part of the Climate Sustainability Working Group this year was considered a success. He also said that the Hamburg Leaders Communiqué contains two very contradicting paragraphs regarding climate change: All G20 countries commit to “work towards low greenhouse-gas emission energy systems”, while the United States at the same time will support other countries in “the access and use of fossil fuels more cleanly and efficiently”. He clarified as well that, from his perspective the Hamburg Climate and Energy Action Plan is not an official G20 document since it was not recognized by the United States.

G20 countries within the Climate Sustainability Working Group will share experience on:

- Adaptation to climate change and extreme weather events with a focus on the development of resilient infrastructure and job creation:
 - Moving from planning adaptation strategies to building resilient infrastructure
 - Adaptation-related job creation and job loss prevention
 - Improving policy frameworks to drive investment into resilient infrastructure
 - Integrating adaptation as cross-cutting issue and stakeholder engagement within infrastructure plans

A research paper on adaptation and infrastructure is being developed by OECD and a paper on adaptation and job creation by ILO.

- Long-term low-greenhouse gas emission development strategies with a focus on approaches and methodologies for their design:
 - Processes to design long-term strategies
 - Planning energy transitions within long-term strategies
 - Structure and contents of long-term strategies
 - Building lasting national consensus

A research paper will be developed by WRI and UNDP.

- Aligning international climate finance flows to the effective implementation of nationally determined contributions (NDCs) to climate change, and to long-term low-greenhouse gas emission development strategies:
 - Designing and implementing climate finance strategies for NDC implementation
 - Tracking of NDC-related climate finance
 - Transitioning NDCs into investment plans and developing portfolios of bankable NDC related projects

A research paper will be prepared by UNEP and ECLAC.

Mr. Gentile stated that financing the NDCs is a very important subject. Argentina is revising its NDC. Road maps were developed for the implementation of each measure. Additionally, six sectorial plans were created, three of them finished in 2017 and the other three will be finalized in 2018. He also stated that Argentina will quantify the necessary international financing to implement its NDC.

Questions from the audience

Is there an urban perspective being discussed within the Working Groups? Do you contemplate that cities have very high projections in terms of energy use?

- DR: Yes, in the Energy Transitions Working Group there will be a document with a chapter on public policy that can reduce the impacts of climate change in metropolitan areas. It is mainly oriented to policy on public and private transportation. There will also be an IPEEC document on Energy Efficiency with a focus on buildings and households and new standards. In Argentina, there are new construction codes being discussed and a categorization of public buildings.
- CG: We are at a much preliminary stage. There is an OECD paper that mentions urban matters in Buenos Aires. There is still not much development on that.

The separation of the two working groups is very interesting and seems to be a strategic decision. Are you considering approaching key countries to strengthen that position? Have you talked to Germany, France, the EU, for instance, how to follow up the Hamburg Action Plan? And with other Latin-American countries?

- CG: Yes, we have talked a lot in bilateral meetings since COP23. There were countries that wanted the groups to be together and others apart. We have similar stances with Italy, France, Germany and the EU. As civil society, you can help us by talking to the negotiators in your countries. The only problem is that we still don't know who is going to come to negotiate.
- DR: Yes, we have talked to our counterparts and Germany has shared with us data bases, emails, documents, etc. We are working very closely with the Ministry of Environment and

Sustainable Development of Argentina and we go to each other's meetings. We want to reach consensus.

Could you elaborate on the fossil fuel subsidies peer review of Argentina and Canada? What are its goals?

- DR: It's not a new process. Two other countries have done it and it's necessary to settle the terms of reference. Each country revises the tax structure of the other and there are visits to see the subsidy implementation. Then we produce a common report. But this is not published in the G20; it belongs to each country. I think that in the Brown to Green Report the word subsidy is not correct. I don't understand the methodology and data used to obtain the numbers you present.

In the negotiation with Development Finance Institutions (DFIs), is there any instance to work together with the Green Climate Fund (GCF) on NDCs?

- DG: There is no official exchange. The paper on financing the NDCs produced within the G20 Climate Sustainability Working Group reflects the opportunity of countries to produce a finance scheme aligned with NDCs. A lot of Multilateral Development Banks (MDBs) say it's easy to finance NDCs, but it is not clear how. We would like to generate specific documents to continue working on this issue during the next presidencies.

Ensuring sustainable infrastructure development and job creation under Argentina's G20 Presidency

Julio Rosales, representative of Argentinian labour union UOCRA and L20 coordinator

Mr. Rosales described the amount of uncertainties revolving around the future of work. He stated that the international labour unions are sensing a lack of coherence in the approach towards a sustainable future of work and a just transition in the international arena. Development finance institutions for example are still functioning with parameters that do not obey to the international consensus (e.g. Agenda 2030).

Labour unions are thus demanding a change in the economic model towards an environmentally and socially sustainable development. According to Mr. Rosales, the Argentinian G20 Presidency as the former G20 Presidencies puts forward the need of infrastructure development. However, in the Finance Track, the Engagement Groups were not able to voice their own position in terms of financing infrastructure and contributing to the sustainable development model and job creation in mitigation and adaptation.

Developing long-term strategies under Argentina's G20 Presidency: Sharing the Mexican experience

Jorge Villarreal, *Director Climate Policy and Transport, Iniciativa Climática de México*

Mr. Villarreal stated that it is crucial to reflect about the opportunities, but also limits of the G20 to advance climate action. For instance, despite the achievements of the G20 summit in Mexico in 2012, it merely helped to create awareness in the country to move forward on climate action. Due to the fact that the G20 does not develop binding commitments and decisions are based on a consensus of 20 countries, it is not easy to directly link it to the national efforts, which – as agreed in the Paris Agreement – are the base for global climate action.

However, he stated that the Argentinian G20 Presidency is proposing to focus efforts in the right direction to close the gap between the national and G20 action frames by focusing on the development of long-term low emission strategies. These could be useful instrument, if they are well designed.

For example, Mexico presented its long-term strategy at COP22 in Marrakesh. It aims to halve emissions from 2000. Next to mitigation, it includes a vulnerability assessment and actions on adaptation. However, Mexico, as other Latin American countries, has no legal framework and lacks a roadmap for implementation. To face these challenges, civil society in Mexico proposed a reform of the Climate Change National Law to include sectoral carbon budgets to guide the long-term planning. This reform was recently approved by the Congress and will be enacted in the incoming weeks. Mr. Villarreal believes that it is necessary to consider sectoral agendas and their implementation needs, but also interlinkages between sectors.

Renewable energy and energy efficiency under Argentina's G20 Presidency: Sharing the Brazilian experience

William Wills, *Researcher Energy and Environmental, CentroClima Brazil/University PPE/COPPE/UFRJ*

Brazil has significant resources for the exploration of wind, biomass, small hydro and solar sources. The expansion of the installed capacity from these sources requires research and development of new technologies, including major changes in the operation of the system due to expected increase in distributed generation over the next decades.

In 1975, Brazil introduced the National Fuel Alcohol Program (ProÁlcool) and implemented it successfully over last four decades: Current ethanol demand has been largely shaped by an innovation from the car industry that developed flex-fuel technology for car engines in 2003. Currently, 90% of all car sales in Brazil are flex-fuel vehicles, which means they can run on any possible blend of ethanol to gasoline.

In 2004, Brazil launched the National Program of Production and Use of Biodiesel (PNPB), aiming to include biodiesel into the national energy matrix. The program suffered some changes, but the rapid increase of blending targets shows how successful it was – B7 in 2014, B8 in 2017, B9 in 2018, B10 and up to B15 in 2019.

Large hydroelectric plants are the main electricity generators in Brazil. Despite being known as a source of clean energy with low levels of greenhouse gas emissions, hydroelectric plants such as those being built in the Amazon, can cause environmental and social impacts (most of the remaining potential is at sensible environment and/or social locations). Other renewable sources can and should play a more relevant role in the Brazilian energy mix, such as wind and solar.

Brazil already has some experiences of incentivizing the expansion of renewable energy sources. The most important was the Incentive Program for Alternative Energy Sources, known as Proinfa (2002), which had local content requirements for wind power (a successful case). Today, auctions are the main form of contracting electricity in Brazil. Total installed capacities of new renewables are of more than 13 GW of wind and about 1 GW of solar.

Then the speaker went on to address energy efficiency policies in Brazil. Since the eighties, several actions have been implemented in Brazil to reduce energy losses and promote energy efficiency. Some programs were created to foster energy efficiency and were mainly oriented towards the residential, transport and industrial sectors. Among these programs we can cite: the Brazilian Labelling Program (PBE), the National Program of Electric Energy Conservation (PROCEL) and the National Program of Rational Use of Oil Products and Natural Gas (CONPET).

In 2001, Federal Law 10.295, known as the Energy Efficiency Law, was approved to reinforce Brazilian energy efficiency programs, allowing the Brazilian government to establish minimum energy performance standards (MEPSs) for energy using equipment to prohibit the commercialization of low-efficiency models and promote the progressive withdrawal of low-efficiency models from the market. Considering the Brazilian context, which includes qualifying labels (ENCE), endorsement labels (PROCEL and CONPET Labels), and finally, through the Energy Efficiency Law, compulsory minimum levels of efficiency were successively introduced.

Session II: Sustainable Finance and Infrastructure Investment

Advancing low-carbon, climate-resilient finance under Argentina's G20 Presidency

Shelagh Whitley, Head of Climate and Energy Programme, Overseas Development Institute

Ms. Whitley stated that to shift from brown to green finance, G20 governments, central banks and financial authorities have at their disposal tools from three categories: 1) financial policies and regulations, 2) fiscal policy levers and 3) public finance. A transition requires the application of a combination of tools in each category. Together, these sets of tools support increased private green finance.

In terms of **aligning financial flows to NDCs**, G20 countries provided more than four times more financing to fossil fuels than to renewable energy between 2013 and 2015 (see [Climate Transparency's paper on financing the transition](#)). According to The Economist data, for every dollar invested in the past three years in green energy such as solar or wind farms, MDBs funneled 99 cents to the fossil-fuelled sort.

Ms. Whitley presented the following **recommendations for the G20 to align financial flows to the implementation of NDCs and long-term strategies**:

- Committing to **draft finance plans for the NDCs** and long-term strategies based on identified investment needs.
- Committing to **early national adoption of the TCFD recommendations** and invite the Financial Stability Board to establish a platform that drives the implementation and further development of TCFD recommendations.
- Continuing to work towards meeting the **developed G20 members' commitments under the UNFCCC that at least US\$ 100 billion per year** will be mobilised from public and private sources to help developing countries mitigate and adapt to climate change by 2020. Furthermore, work to ensure an ambitious, new and **bigger goal to be agreed by 2025**.

According to information from the OECD and the IEA, G20 countries provided more than US\$ 230 billion in **subsidies to coal, oil and gas** in 2014. Saudi Arabia provided the largest amount at more than US\$ 71 billion. China provided almost US\$ 35 billion, Indonesia US\$ 32 billion, and Brazil US\$ 27 billion. Many G20 countries do not have explicit **carbon pricing** in place.

Ms. Whitley presented the following recommendations for the G20:

- Agree on an **end-date for fossil fuel** subsidies (to production and consumption).
- Commit to undertake all **peer reviews on fossil fuel subsidies** (the G20 countries that have not done so to date) prior to 2020, starting with Argentina to lead by example as G20 President.
- Share knowledge on how **subsidy reforms can be used for wider sustainable development objectives** (health, education, green infrastructure etc.) including through re-directing the savings towards groups most affected, and to ensure a just transition.
- Establish a **cooperation platform on carbon pricing** to: a) initiate a peer review process assessing the adequacy of current carbon pricing systems in line with the NDCs under the Paris Agreement; and b) encourage the sharing of best practices for the use of revenues from carbon pricing for sustainable development.

Finally, Ms. Whitley presented some recommendations for the G20 to **shift towards low-carbon, climate-resilient infrastructure investment**.

- Commit to transition to low-carbon, climate-resilient infrastructure planning and investment by: **a) tackling price distortions; b) strengthening investment policy frameworks; c) transforming the financial system; and d) supporting clean technology R&D and deployment**.
- Invite DFIs, including MDBs, to establish a **common definition, standards and safeguards** for sustainable infrastructure based on the work of the Sustainable Finance Study Group.
- Commit to **developing policies** that implement the recommendations of the TCFD and apply them as public infrastructure financing institutions, setting a good example.

- Commit to **more transparency and participation** in the decision-making process of public infrastructure projects, including in public contracting.
- **Share experience** on how investment in low-carbon, climate-resilient infrastructure fosters economic growth and job creation.

Pablo Cortínez, *Business and Environment Coordinator, Fundación Vida Silvestre, Argentina*

Mr. Cortínez introduced WWF and stated that redirecting financial flows is one of the top five priorities of its global program. He reminded the audience that Argentina's NDC contains some components that are conditional to financing.

Mr. Cortínez presented green bonds as a means to finance green projects. Green bonds may be issued by MDBs, private companies or national and subnational governments. Their issuance must complete different stages, such as projects selection and assessment and reporting. He added that there is no international consensus about the definition of green bonds and green projects. However, there are several international initiatives and national guides to green bonds and projects. Moreover, the green bonds issuance has been growing since 2012, reaching a total amount of near US\$ billion in 2017. Regarding the green bonds issuance by project type, Energy is dominating (38%), followed by Building and Industry (18%) and Transport (16%). Following green bonds issuance by region, Asia and Europe hold the most important Green Bonds markets, reaching nearly US\$ 30 and 20 billion respectively in 2017.

Regarding infrastructure investment, Mr. Cortínez stated that on a global scale, there is a huge financing gap to fulfill the Sustainable Development Goals (SDGs) and big differences among countries. The G20 proposal to speak about infrastructure as a new asset class and standardize contracts is a step towards increasing infrastructure investment. On a regional scale, realities are diverse, but all in all, there is a huge deficit in infrastructure development and financing. In Latin America and other regions, a major challenge remains the lack of bankable projects.

María Marta Di Paola, *Director of Research, Fundación Ambiente y Recursos Naturales, Argentina*

Ms. Di Paola, analyzing Argentina's annual public budget, stated that only 0.27% of Argentina's public budget goes to environmental conservation.

She acknowledged the tendency of the current administration in Argentina to reduce inefficient fossil fuel subsidies; however, only consumption-based subsidies not production-based subsidies. The first to be eliminated were the ones related to consumption and then the ones to oil. However, residuary payments are being maintained from the payments of previous years that imply a promotion to production. She said that there are plans to maintain subsidies only to the production of new gas sites with no conventional techniques.

Ms. Di Paola stated that Argentina's acceptance to the OECD could potentially lead to a reduction of subsidies and fossil fuel consumption and production.