



# Designing climate strategies to mobilize the government: IDB's approach

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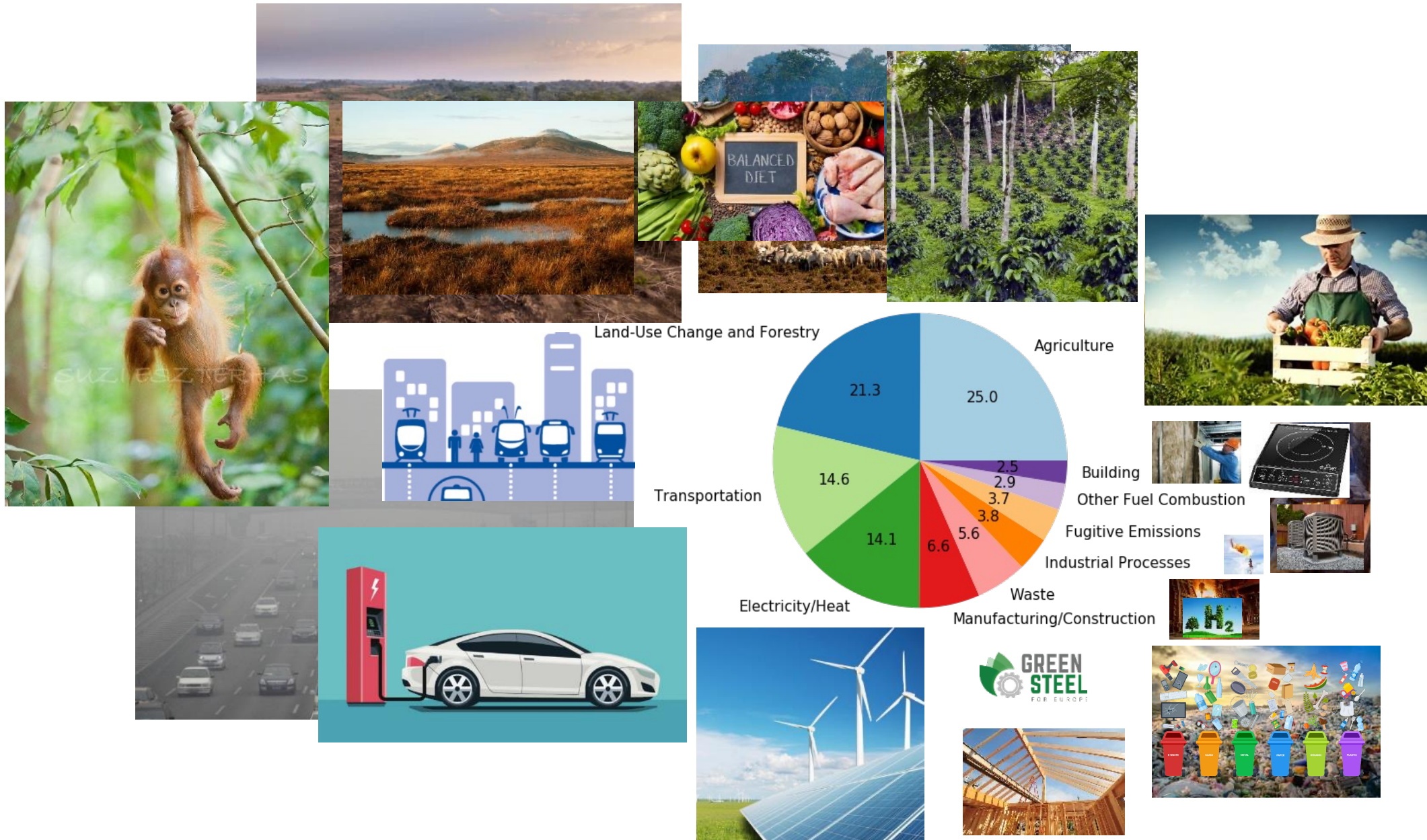




1. **The challenge:**  
**building broad**  
**coalitions for**  
**decarbonization**
2. The IDB way:  
stakeholder  
engagement, cost  
benefit analysis
3. Policy roadmaps can  
then be used to attract  
international financing



# Getting to net-zero emissions requires changes across sectors

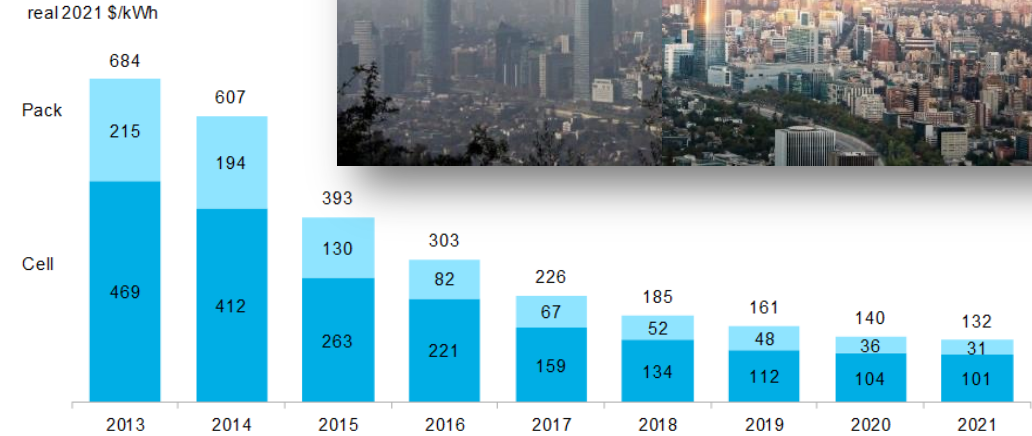
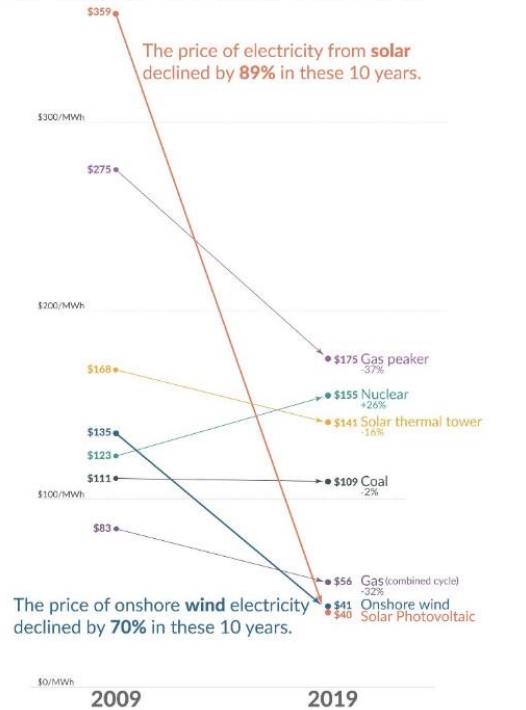


# Getting to net-zero is an economic opportunity

The price of electricity from new power plants

Electricity prices are expressed in 'levelized costs of energy' (LCOE). LCOE captures the cost of building the power plant itself as well as the ongoing costs for fuel and operating the power plant over its lifetime.

Our World in Data



Source: BloombergNEF.



In Latin America, decarbonization can bring 1% of additional growth and 15 million net jobs by 2030





1. The challenge: building broad coalitions for decarbonization
2. **The IDB way:**  
**stakeholder engagement, cost benefit analysis**
3. Policy roadmaps can then be used to attract international financing

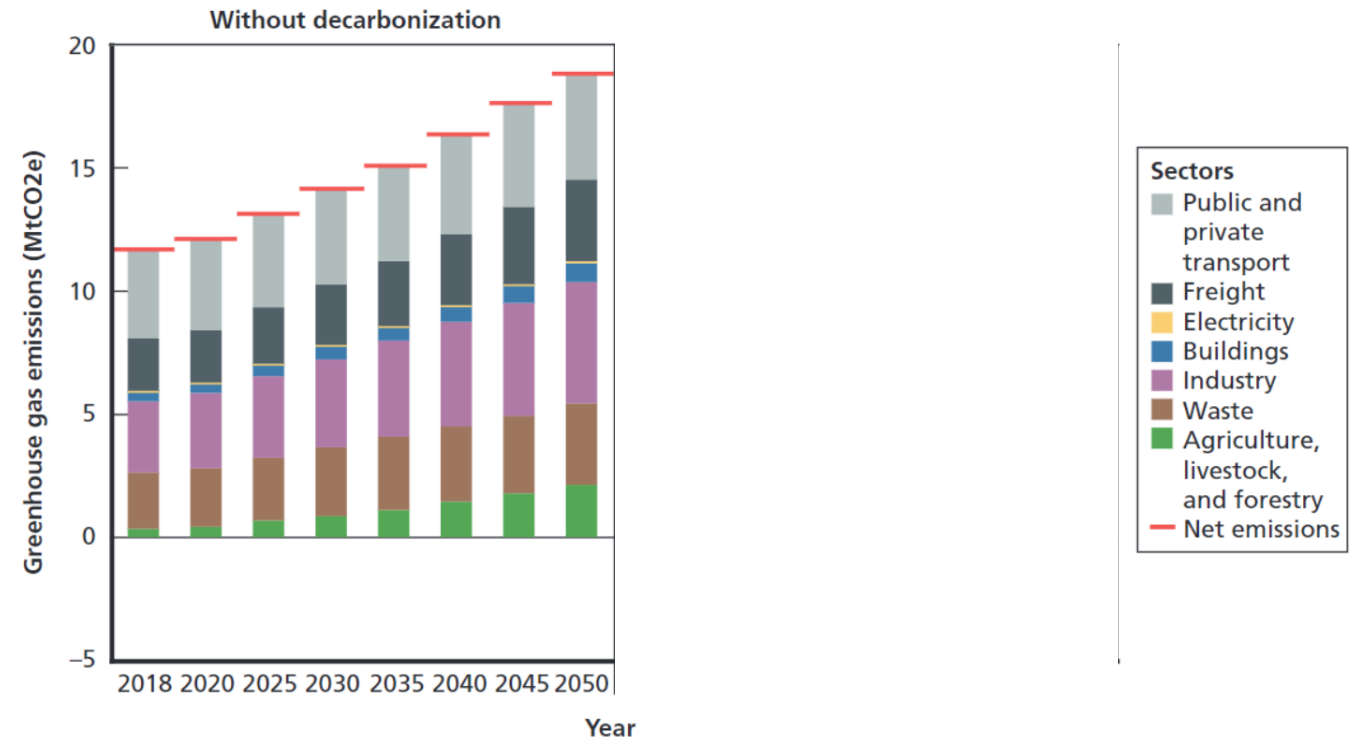




# The key is to link the net-zero goal to specific sector transformations...

**Table 1.1**  
Representative Decarbonization Actions in Costa Rica's National Decarbonization Plan

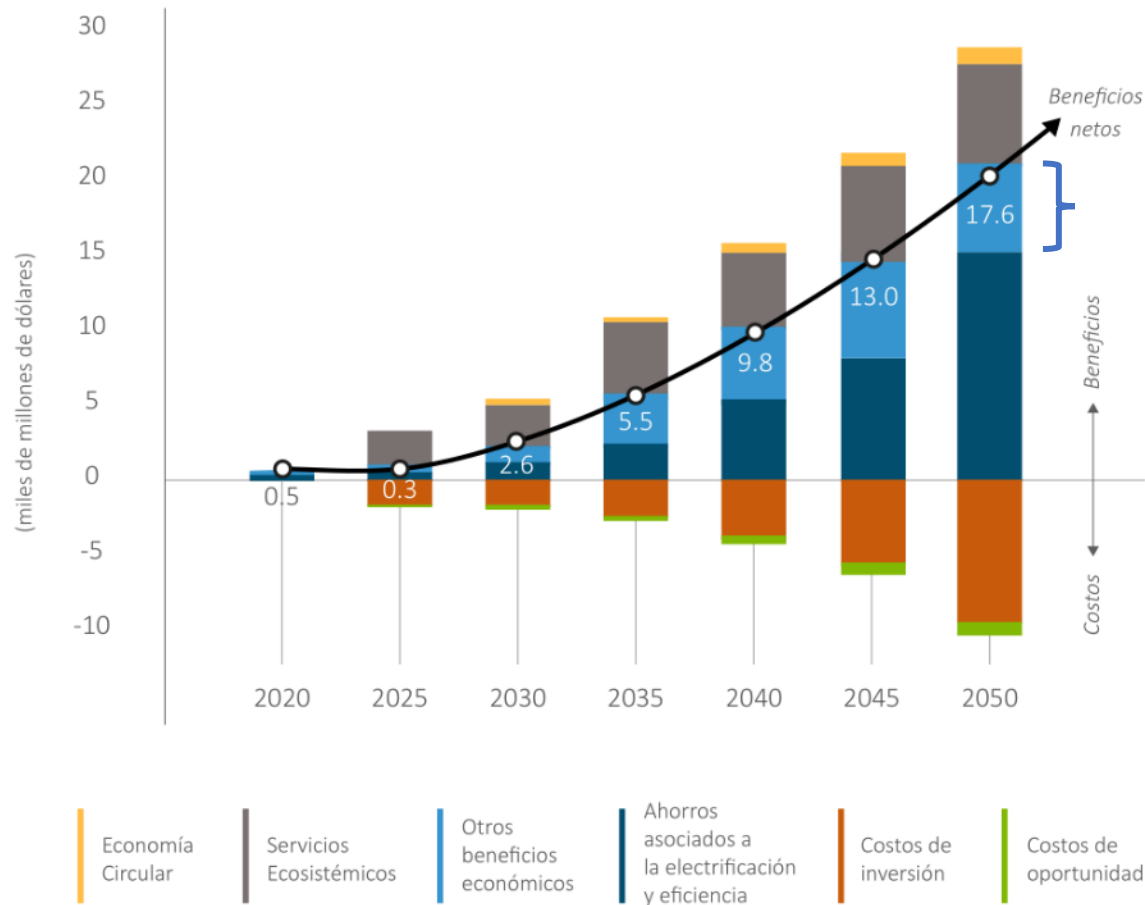
	Public, private, and freight transportation	<ul style="list-style-type: none"> <li>• Electrification of public and private fleet</li> <li>• Conversion of freight transport away from diesel</li> <li>• Increased reliance on public transportation and ride sharing over private vehicles</li> <li>• Deployment of electric train for passengers in the Greater Metropolitan Area</li> <li>• Stabilized motorcycle fleet by 2025, and plan to decarbonize</li> <li>• Infrastructure for electricity charging and hydrogen refueling</li> <li>• Electric trains for freight and passengers</li> </ul>
	Electricity system	<ul style="list-style-type: none"> <li>• Reach and maintain 100% renewable electricity generation</li> <li>• Upgrade transmission and distribution systems to support electrification of the economy</li> </ul>
	Buildings	<ul style="list-style-type: none"> <li>• Electrification and increased energy efficiency</li> <li>• Adoption of low emissions building technologies and practices</li> </ul>
	Industry	<ul style="list-style-type: none"> <li>• Process improvements to reduce energy use</li> <li>• Electrification of processes</li> <li>• Process improvements to reduce emissions</li> <li>• Increased efficiency of use and reduction in emissions from industrial products</li> </ul>
	Waste management	<ul style="list-style-type: none"> <li>• Increase recycling and composting</li> <li>• Complete sanitation and sewer system coverage</li> </ul>
	Agriculture	<ul style="list-style-type: none"> <li>• Reduce emissions through improved agricultural practices</li> </ul>
	Livestock	<ul style="list-style-type: none"> <li>• Reduce emissions through improved rangeland and manure management</li> </ul>
	Forestry	<ul style="list-style-type: none"> <li>• Maintain and increase forests</li> <li>• Restore and protect coastal and rural areas</li> </ul>



IDB 2020. The Benefits and Costs of Decarbonizing Costa Rica's Economy  
<http://dx.doi.org/10.18235/0002867>

# ... and quantify the net benefits associated with these transformations

Costos y beneficios de la implementación del Plan Nacional de Descarbonización en el tiempo, por categoría.



- Time saved thanks to less congestion
- Reduced accidents
- Better health thanks to lower air pollution

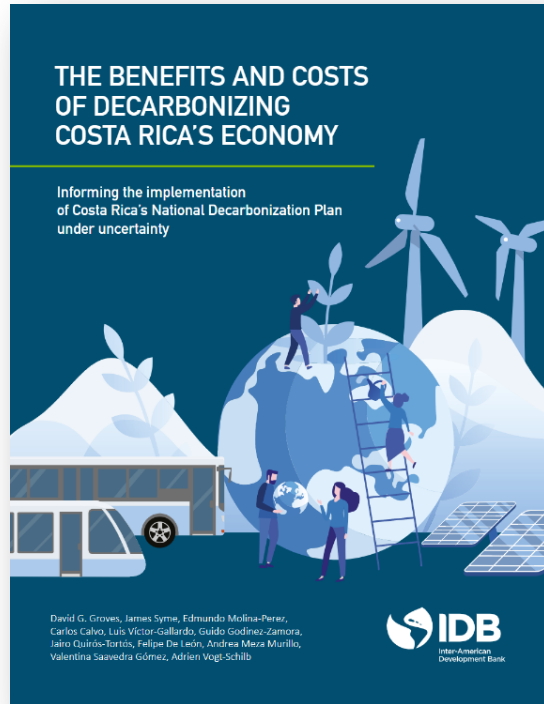
Net social benefits does not mean lack of barriers to implementation !





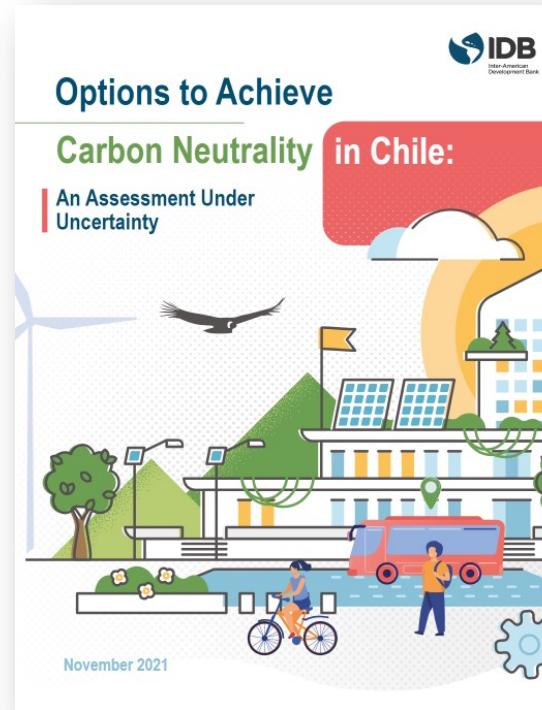
We did this in 3 countries and are developing an open-source model to replicate (SISEPUEDE)

Getting to net-zero emissions is possible in Costa Rica, and would bring **\$41bn in net benefits**



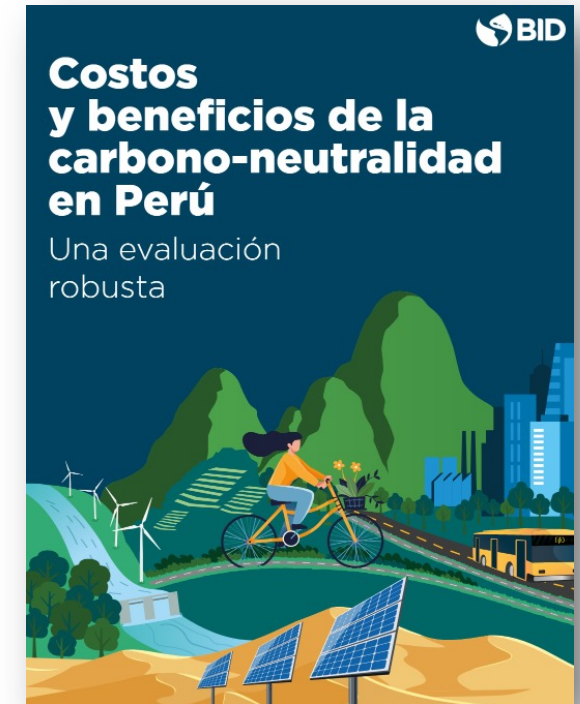
<http://dx.doi.org/10.18235/0002867>

Getting to net-zero emissions is possible in Chile, and would bring **5% of GDP in net benefits**



<http://dx.doi.org/10.18235/0003527>

In Peru, getting to net-zero by 2050 would bring more than **\$140bn in net benefits**



<http://dx.doi.org/10.18235/0003286>





1. The challenge: building broad coalitions for decarbonization
2. The IDB way: stakeholder engagement, cost benefit analysis
3. **Policy roadmaps can then be used to attract international financing**



# Preventing climate spending: regulations that disable business models for zero-carbon solutions

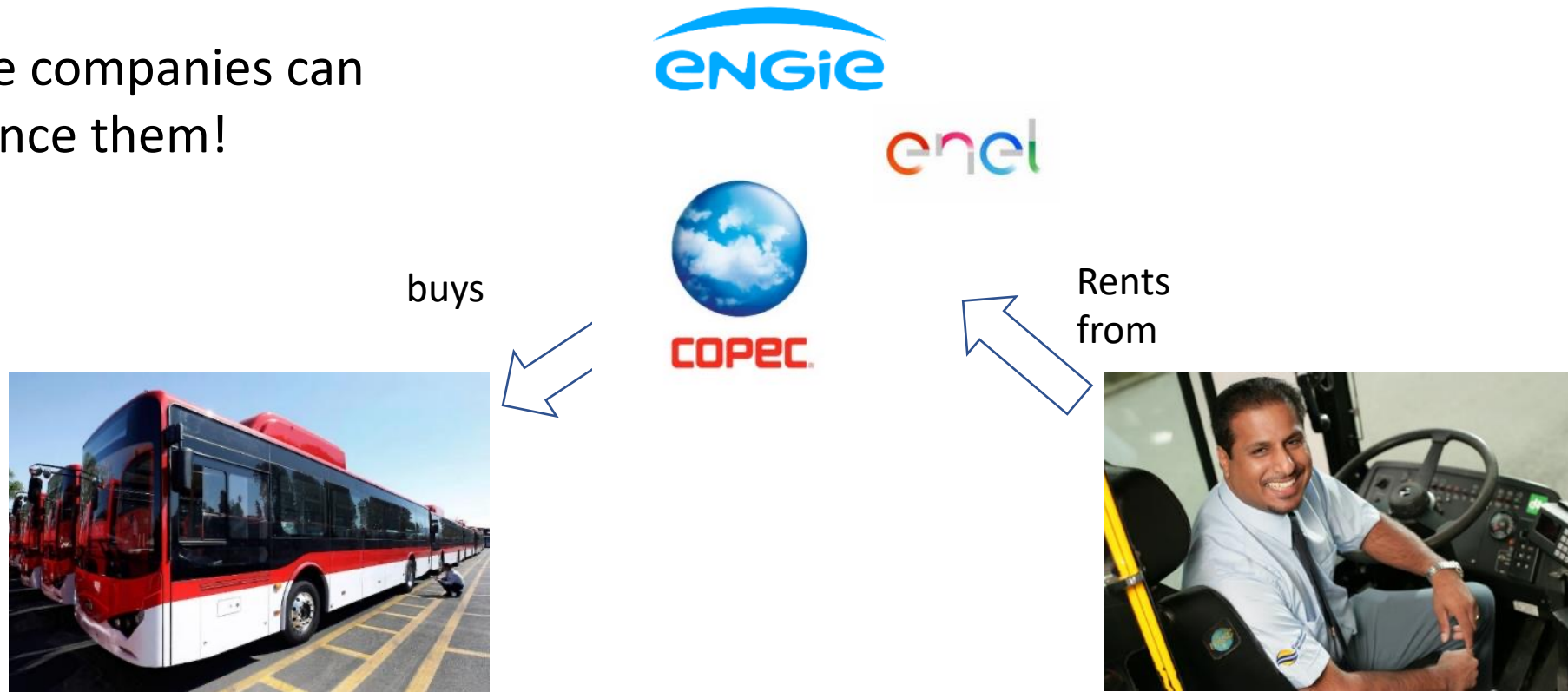


Electric buses are too expensive for small businesses....



# Updating sector regulations is essential to leverage private financing

...but large companies can  
finance them!

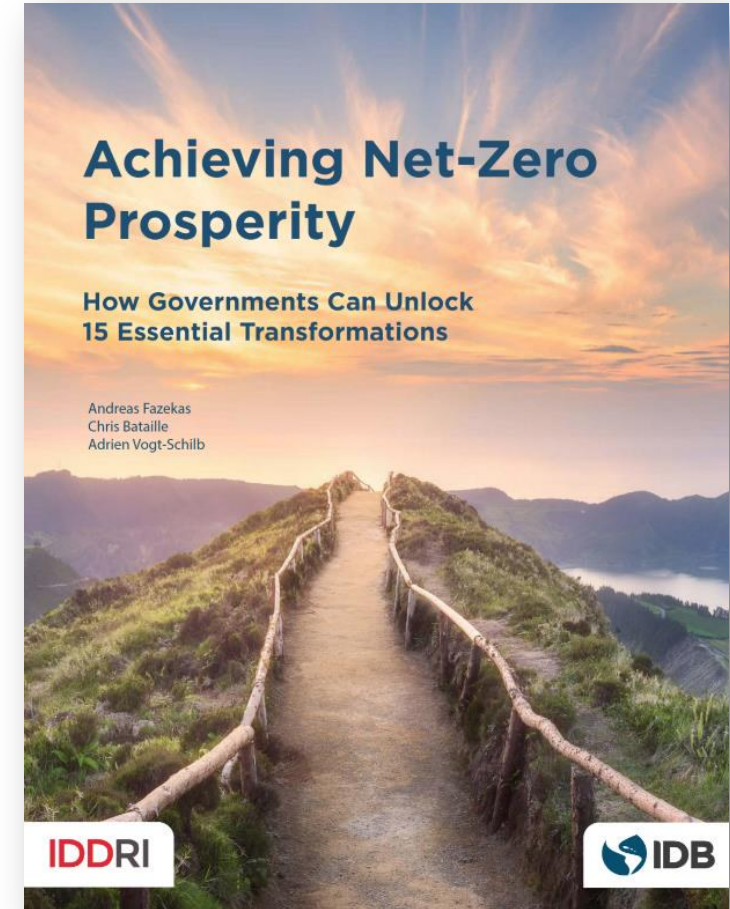


Sectoral agency regulations → private finance  
→ climate solutions for and by the private sector

## Preventing climate spending: public infrastructure is inadequate



## Preventing climate spending: many more things



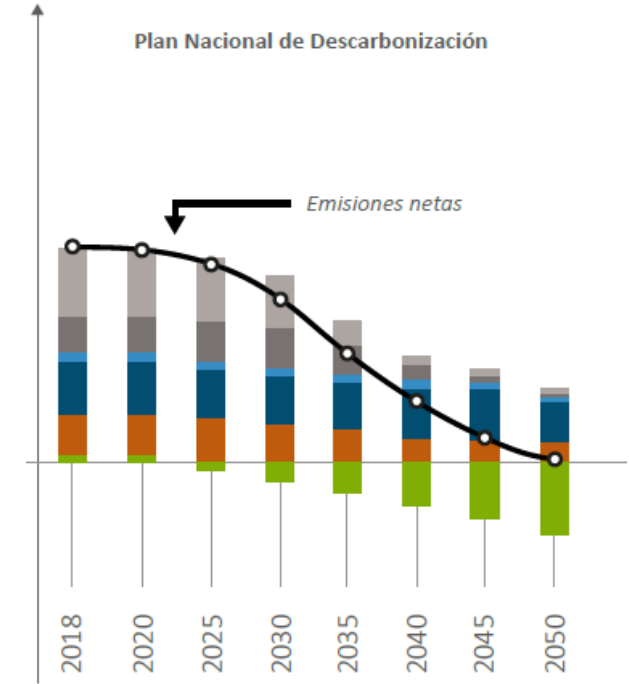
<http://dx.doi.org/10.18235/0004364>



# The example of the Costa Rican Decarbonization Plan: it sets the goal of getting to net zero emissions by 2050...



- ✓ The plan responds to the need to achieve **zero net emissions by 2050**.
- ✓ Sets a vision by sector for the long-, mid- and short-term (backcasting).
- ✓ Defines **70 immediate public investments and policy reforms** to be enacted before 2022.



Available in English here: <https://unfccc.int/process/the-paris-agreement/long-term-strategies>

Each line of actions comes with concrete long-term, goals, mid-term targets, and immediate government actions



### Public transport

#### 2050 goals

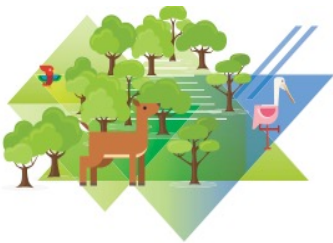
- Make public transport the #1 commute option
- 85% of public transport is zero emissions

#### Mid-term targets

- 30% of buses electric by 2035

#### Immediate actions

- Pilot project to test electric buses
- Update regulations on bus concessions



### Deforestation and Absorption

- Move from 52 to 60% of forest area by 2030

- Expand the national payment for ecosystem services



# Decarbonization plans can be used to leverage international financing




## IDB Policy-Based Loan Program

- Governance and monitoring of decarbonization
  - Climate-smart agriculture and nature-based solutions
  - Electrification of energy uses
- 2020: 380 mUSD (IDB+AFD)  
2022: 400 mUSD (IDB+AFD+Korea)

*“Costa Rica’s pioneer role in tackling climate change remains a key pillar of the authorities’ macro-structural agenda. Ongoing efforts on climate change mitigation and adaptation can generate important opportunities for new jobs as well as sustainable and inclusive growth”*

Costa Rica: 2021 Article IV by IMF

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1. The challenge: building broad coalitions for decarbonization
  2. The IDB way: stakeholder engagement, cost benefit analysis, uncertainty analysis
  3. Not about modelling: enabling conditions and international financing

# Designing climate strategies to mobilize the government: IDB's approach

Decarbonization for Development:  
Towards a Shared Research Agenda  
for Emerging Economies  
October 20<sup>th</sup> 2022

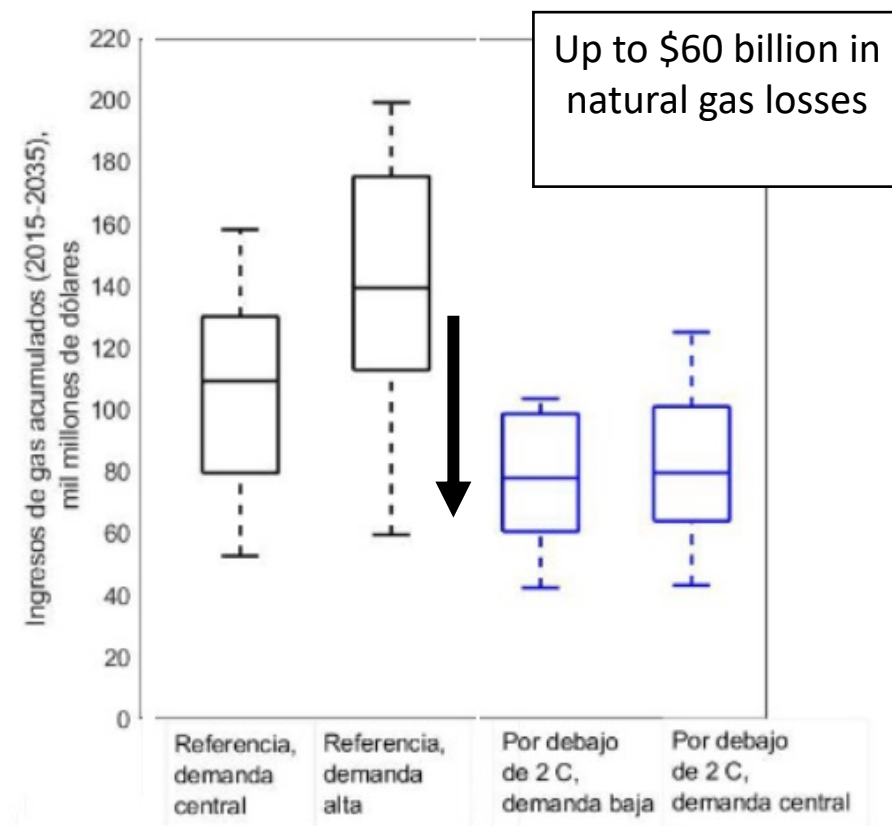
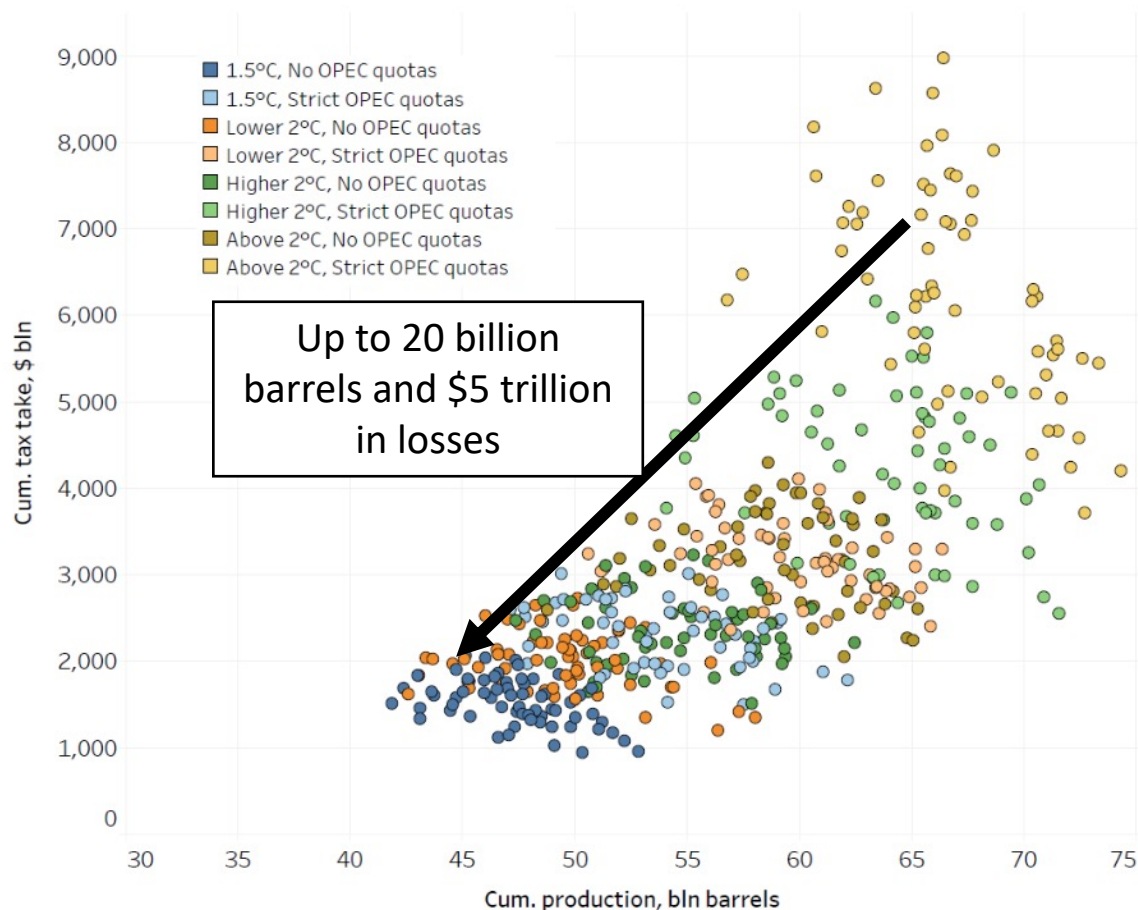
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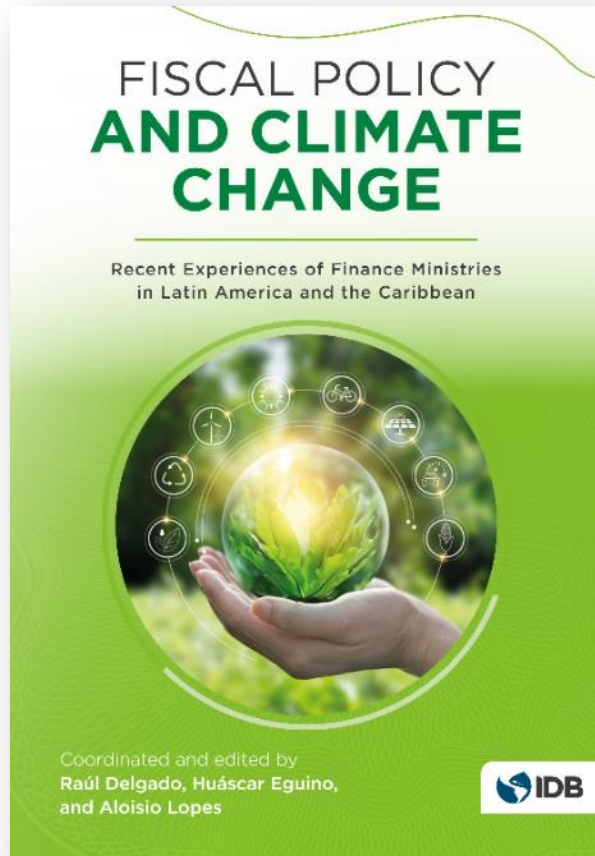
# Ignoring the energy transition is a risk: oil and gas royalties in jeopardy



Solano-Rodriguez, Baltazar, Steve Pye, Pei-Hao Li, Paul Ekins, Osmel Manzano, and Adrien Vogt-Schilb. 2019. "Implications of Climate Targets on Oil Production and Fiscal Revenues in Latin America and the Caribbean." Energy and Climate Change. Available at <https://doi.org/10.18235/0001802>.

Welsby, D., Solano, B., Pye, S., Vogt-Schilb, A., 2021. High and Dry: Stranded Natural Gas Reserves and Fiscal Revenues in Latin America and the Caribbean. Inter-American Development Bank. <https://doi.org/10.18235/0003727>

# The way out: embrace the transition to net-zero emissions



1. Getting to net-zero emissions by 2050 could add 1% of growth and 15 million net new jobs in the region by 2030, with winners and losers
2. A just transition is crucial to compensate losers and make the most of opportunities
3. Finance ministries can plan ahead to smooth the phasing down of fossil fuels and the transition to a net-zero economy

<https://publications.iadb.org/en/fiscal-policy-and-climate-change-recent-experiences-finance-ministries-latin-america-and-caribbean>