TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	REGIONAL/CAN - Andean Group
▪ TC Name:	Supporting the Design of Long Term Decarbonization Strategies
▪ TC Number:	RG-T3193
▪ Team Leader/Members:	Adrien Vogt-Schilb, (CSD/CCS) Team Leader; Marcela Jaramillo (CSD/CCS) Alternate Team Leader; Ana Rios (CSD/RND); Bridget Hoffmann (RES/RES); Juan C. Gomez, (CSD/CCS); Jennifer Doherty (CSD/CCS); Raul Delgado, (CSD/CCS); Cristina Calderon (CSD/CCS); Carlos Guiza (CSD/CCS); Angelo Angel (CSD/CCS); Carolina Verissimo (LEG/SGO); Mariana Silva Zuniga (CSD/CCS).
▪ Taxonomy:	Research and Dissemination
▪ Date of TC Abstract:	06 Jun 2018
▪ Beneficiary:	Latin-American and Caribbean Countries
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	$ 990,000.00
▪ Local counterpart funding:	N/A
▪ Disbursement period:	24 months
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	Climate Change Division (CCS)
▪ Unit of Disbursement Responsibility:	Climate Change and Sustainable Development Sector
▪ TC included in Country Strategy: ▪ TC included in CPD:	No No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Productivity and innovation; Climate change

II. Objective and Justification

2.1 To enable independent assessments of long-term decarbonization strategies in Latin America and the Caribbean (LAC), this Technical Cooperation (TC) will transfer modelling capacity from accomplished international teams to technical teams in LAC. To disseminate existing knowledge about long-term decarbonization strategies and understand further knowledge needs from government agencies, the private sector, and civil society to make progress in implementing the Paris Agreement, this TC will fund stakeholder engagement workshops. Finally, at the request of government agencies in LAC countries, this TC will fund studies to inform the design of politically- acceptable transition pathways towards carbon neutrality.

2.2 To operationalize the Paris Agreement, countries need to design Nationally Determined Contributions (NDC), and short-term climate policies considering two key factors: (i) the need to align short-term climate action with long-term decarbonization strategies (LTS); (ii) and the importance of the political economy in making ambitious reforms successful. A wide range of modeling exercises can inform the design of effective and political-feasible LTS, NDC and climate policies. Existing efforts by the Climate Change Division are doing so, including by leading modeling work to assess the distributional impacts of carbon prices and the removal of fossil fuel subsidies and how to correct them with social programs (RG-E1563), familiarizing policymakers with available models to plan for emission reductions (RG-T2384), and investigating reduction

pathways that minimize abrupt disruption to the most carbon-intensive sectors (RG-K1447). In addition, the Environment, Rural Development and Disaster Risk Management Division has developed an in house Integrated Economic-Environmental Modelling Framework for assessing economy-wide, environmental and wealth impacts of public policy and investment (RG-T2503). The experiences and outputs developed through these efforts by the IDB provide a solid basis for this TC and its implementation. Under project *"Deep Decarbonization Pathways in LAC"* (DDPLAC) (RG-T3028) the IDB is building analytical capacity to investigate emission reduction pathways in Argentina, Colombia, Costa Rica and Ecuador, and is strengthening the dialogue between modelers and policymakers. That operation revealed a large appetite in the region to investigate LTS in all sectors of the economy, and especially to build the capacity of countries to perform independent assessments of decarbonization plans. Funds allocated to DDPLAC are enough to cover modelling activities in only 4 countries, often with a focus on one sector (electricity, transport, or land use) per country. But other countries (Peru, Mexico) have expressed interest for the project, and all participating countries have expressed interest in covering more sectors and comparing approaches with other countries.

III. Description of Activities and Outputs

3.1 **Component 1. Capacity building and model transfer.** Include one more country in DDPLAC. DDPLAC transfers models from experienced international teams to LAC universities or think tanks to establish modelling teams able to: (i) inform climate policies; (ii) assess pathways towards carbon neutrality; (iii) strengthen dialogue between modelers and policymakers; and (iv) build a regional community of practice of decarbonization modelers. 4 countries are in the project; this will add a Mexican team that has been selected by the French Development Agency (AFD) and the IDB, and fund stronger regional workshops.

3.2 **Component 2. Assessing politically-acceptable emission-reduction pathways.** (i) Fund studies based on existing models to assess emission-reduction pathways in the energy and land-use sectors; (ii) manage stranded assets and distributional impacts of climate and 'green' fiscal policies; and (iii) align climate actions with development objectives. The studies will be commissioned by IDB, with AFD when relevant, and executed by universities and think tanks at the request of government agencies in the region. They will inform policymakers and bank operations, and lead to academic papers.

3.3 **Component 3. Policy dialogue and stakeholder engagement.** National stakeholder engagement workshops in three countries that participate in DDPLAC with two objectives: (i) disseminate to the national public and key stakeholders from the private sector, civil society, other donor agencies and government the findings about the feasibility, relevance, benefits and potential costs of long-term decarbonization strategies; and (ii) steer further research by understanding the most urgent research needs from policymakers, civil society and the private sector.

3.4 **Component 4. Technical support.** The project will fund two years of half-time equivalent support from an IDB-hired post-doctoral research assistant to perform technical quality control and enhancement and other due diligence surrounding the project.

3.5 **Component 5. Communication and dissemination.** The Bank will communicate lessons learned to a wide regional and global audience of policymakers, policy analysts, academia, donor countries, and the public through

academic papers, reports for policymakers, and presentation at workshops.

IV. Budget

Indicative Budget (US$)

Activity/Component	IDB Funding	Counterpart	Total
Component 1. Capacity building and model transfer	400,000	0	400,000
Component 2. Assessing politically-acceptable emission-reduction pathways	270,000	0	270,000
Component 3. Policy dialogue and stakeholder engagement	180,000	0	180,000
Component 4. Technical support	100,000	0	100,000
Component 5. Communication and dissemination	40,000	0	40,000
Total	990,000	0	990,000

V. Executing Agency and Execution Structure

5.1 This operation will be executed by the IDB. The Climate Change Division of the IDB will coordinate with other internal departments and divisions, and establish partnerships with academia, think tanks, and governments.

5.2 The regional coverage of the activities to be performed and limited technical capacity in the region available to coordinate this project justify execution by the IDB. The project will leverage synergies and complementary with IDB operations, research, and in-house expertise in using prospective models and decarbonization pathways to inform NDC and LTS planning and implementation.

VI. Project Risks and Issues

6.1 Identification and multi-year commitment from strong partners in region; model development and application require partners with staff with significant time dedicated/allocated to the task. We mitigate this risk by identifying potential partners before starting the execution of the TC.

VII. Environmental and Social Classification

7.1 The proposed project will have no environmental or social impacts as it will not finance direct investments in infrastructure, but instead it will finance the development of modelling capacity and LTS related studies.

7.2 Per the Environment and Safeguards Compliance Policy of the IDB (OP-703), the operation has been classified as ‘Category C’