

TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	REGIONAL/IDB
▪ TC Name:	Informing the Design of Long-Term Decarbonization Strategies
▪ TC Number:	RG-T3575
▪ Team Leader/Members:	VOGT-SCHILB, ADRIEN (CSD/CCS) Team Leader; DELGADO, C. RAUL (CSD/CCS) Alternate Team Leader; JARAMILLO GIL, MARCELA (CSD/CCS); SAAVEDRA, VALENTINA (CSD/CCS); FERNANDEZ-BACA, JAIME (CSD/CCS); BRUSA, FEDERICO (CSD/CCS); BRETON, HERVE (CSD/CCS); SALAS, CRISTIAN (CSD/CCS); SANDOVAL, JOSE (CSD/CCS); IJU, ANA (CSD/CCS); GOMEZ, JUAN (CSD/CCS); ALMEIDA, NATALIA (LEG/SGO); ALVA, MARIA (CSD/CCS); FAZEKAS, ANDREAS (CSD/CCS); CEVA, MARIANA (CSD/CCS); BLANDIN, LOURDES (SCL/GDI)
▪ Taxonomy:	Client Support
▪ Date of TC Abstract:	03 Jun 2020
▪ Beneficiary:	Ministries of environment of Peru, Colombia, and Chile
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	US\$997,000.00
▪ Local counterpart funding:	US\$0.00
▪ Disbursement period:	30 months
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	CSD/CCS - Climate Change
▪ UDR:	Climate Change and Sustainable Development Sector
▪ TC included in Country Strategy:	Yes
▪ TC included in CPD:	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Institutional capacity and rule of law; Environmental sustainability

II. Objective and Justification

- 2.1 The objective of the TC is to continue building the scientific evidence basis to inform the design of long-term strategies in LAC. The project is a second iteration of the Deep Decarbonization Pathways LAC project (DDPLAC). DDPLAC aims at building the capacity of local academia and think tanks to use numerical models to inform the design of long-term emission reduction strategies in LAC.
- 2.2 To operationalize the Paris Agreement, countries need to develop Long-term strategies (LTS). An LTS is a vision of a decarbonized economy around midcentury, and a sequence of policies and sectoral transformation to achieve this vision in an economically beneficial and socially just manner. Challenges include planning that aligns short-term targets and Nationally Determined Contributions (NDCs) to long-term decarbonization, fiscal and political economy aspects to address, and social impacts to manage. Modelling exercises can inform the design of effective and politically feasible LTSs. Stakeholder engagement is also crucial: ministries of environment typically have the knowledge and institutional responsibility to lead the design of climate policy; nonetheless, international experience suggests that to be relevant and socially accepted, LTSs should be co-constructed with all relevant sectors of the government, academia, and civil society. In the context of the Paris Agreement, all countries have been invited to submit an LTS to the United Nations. Many countries in the region are planning to design and communicate their LTS by 2021. In particular, the governments of Chile, Colombia, and Peru, have

requested support from the IDB to help them inform their strategy. The IDB benefits from the experience gained during the first DDPLAC project (funded with RG-T3028 and RG-T3193). DDPLAC has helped build modelling capacity to investigate emission reduction pathways on 6 countries. It has created a venue for regional peer exchange on modelling and discussing the implication of decarbonization pathways. Initial results of this project were disseminated at the COP 25 through an IDB report (IDB and DDPLAC, 2019, “Getting to Net-Zero Emissions”) jointly issued with the French Development Agency (AFD), paving the way for long-term strategies approaches in other countries. Following their joint efforts in this context, the AFD and the IDB have agreed to pursue work in parallel to help governments model emission reduction pathways in the region. This TC will build on the experience above to implement a second DDPLAC project. The specific objectives are: (i) (continue to) inform the design of emission reduction pathways to define an LTS in Colombia, in Chile and Peru; (ii) enable a regional peer exchange that assess and communicates the technical feasibility and socioeconomic benefits of decarbonization in LAC, also anticipating potential costs and barriers and options to overcome them at the country level; and (iii) continue building the domestic analytical capacity to assess these issues, to improve both the relevance of local analysis and the buy-in from important national stakeholders. In parallel, the AFD will fund a similar project in three other LAC countries (tentatively Costa Rica, Ecuador, and Mexico); the IDB and AFD will exchange lessons learned in regional workshops.

III. Description of Activities and Outputs

- 3.1 **Component 1. Assessing politically acceptable emission-reduction pathways.** Modelling work in Chile, Colombia, and Peru to: assess emission-reduction pathways in the main emissive sectors (e.g., energy, transport, and land-use) and their benefits, and transition costs. The studies will be commissioned by IDB. These assessments will inform national policymakers and lead to academic papers.
- 3.2 **Component 2. National policy dialogue and stakeholder engagement.** Three national stakeholders’ engagement workshops per country to enable a co-construction process of emission reduction pathways. Objectives: i guide the research performed under component 1 by understanding the most urgent research needs from policymakers; ii present midterm results for validation and to steer further research; iii disseminate the findings. This component may be used to fund travel of IDB staff to such workshops.
- 3.3 **Component 3. Capacity building and model transfer.** Three teams of international modelers will be hired to each support one of the local teams in charge of delivering Component 1. International experts will be selected in coordination with the ministries of environment based on previous experience and willingness to transfer modelling capacity. Tentatively: university of Maryland to support Colombia, RAND in Chile, University of Costa Rica in Peru
- 3.4 **Component 4. Regional peer exchange.** Two regional workshops to exchange lessons learnt between the modelers and key government staff, as well as the participants of the parallel AFD project. (The AFD will fund two other similar workshops). This component may be used to fund travel of IDB staff to such workshops. We will hire IDDR, a think tank who has supported the execution of DDPLAC 1, to continue to perform quality control, provide technical advice to national teams, and produce a discussion paper drawing lessons learnt
- 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, including by funding travel of IDB staff to dissemination events.

IV. Budget

Indicative Budget (US\$)

Activity/Component	IDB/Fund	Counterpart	Total
Assessing politically acceptable emission-reduction pathways	360,000	0	360,000
National policy dialogue and stakeholder engagement	72,000	0	72,000
Capacity building and model transfer	300,000	0	300,000
Regional peer exchange	215,000	0	215,000
Communication and dissemination	50,000	0	50,000
Total	997,000	0	997,000

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. The AFD intends to execute a similar project in parallel, executed by the AFD, and participate to the regional peer exchange (Component 4)
- 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, which was requested by the three beneficiary countries. The project will leverage synergies and complementary with IDB operations, research, and in-house expertise in using prospective models and decarbonization pathways to inform Nationally Determined Contributions (NDC) and Long-Term Strategies (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. Execution of parallel project by AFD. We mitigate this risk by designing operations that are executable independently. While this operation will benefit from lessons learnt from the AFD parallel operation, in the worst case this operation can be executed as a standalone one. In that case, the budget of component 4 would be reallocated to fund 4 workshops with 20 participants.

VII. Environmental and Social Classification

- 7.1 The ESG classification for this operation is "C".