



Business at OECD (BIAC)'s Contribution to the OECD's Latin America and the Caribbean Ministerial Summit on Environmental Sustainability

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Seven Business Recommendations to
promote the green transition in Latin
America and the Caribbean (LAC)

Contents

Preamble: Context and Climate Fragility	1
The Role of the OECD in LAC's Green Transition	2
Seven Recommendations from Business on the Green Transition	4
Conclusion	7

Preamble: Context and Climate Fragility

In the face of an escalating global climate crisis, the imperative for promoting environmental sustainability as a long-term challenge is unequivocally clear. The Latin American and Caribbean region, characterized by its rich biodiversity and unique ecosystems, finds itself particularly susceptible to the adverse impacts of climate change which precipitates considerable human costs and negatively impacts crucial economic sectors such as agriculture.

As the OECD Latin American and Caribbean Ministerial Summit unfolds in Costa Rica this year, it confronts a complex geopolitical landscape, significantly shaped by the persistent impacts of climate change. Far from being merely an environmental issue, climate change acts as a catalyst that can negatively impact economic and political stability. Changes in weather patterns disrupt agricultural productivity, leading to food insecurity and economic instability, while rising sea levels and extreme weather events can displace populations, triggering political unrest and social inequality. In this challenging landscape, the OECD is uniquely positioned to guide, support, and lead these responses. By integrating climate change into its policy guidance, the OECD can assist the region in navigating these challenges and building a resilient, sustainable future.

In this context, the business community is an indispensable solution provider to address climate change. Businesses are a catalyst for innovation and green technologies that are crucial for the transition to a low-carbon economy and play a critical role in reducing social inequality through the creation of green jobs. They are also instrumental in providing sustainable finance solutions that enable companies of all sizes to invest in sustainable projects and activities. Hence, to craft effective policies and avoid regulatory burdens that put lower-emission investments and projects at risk, it is crucial that the OECD and governments regularly consult with the private sector. Only through effective public-private cooperation it will be possible to advance towards a net-zero economy.

The Role of the OECD in LAC's Green Transition

The OECD as a driver of green policies

Pursuing policies that promote the green transition in LAC should not merely be a commitment; but a necessity that demands the cooperation of national and international government bodies. Ministries of finance, economy, industry, trade, and agriculture, among others, need to collaborate to ensure the successful implementation of green growth strategies, but only national policies are not enough. International organizations like the OECD, with its extensive expertise in policy analysis and development, are poised to play a pivotal role in facilitating this transition. The OECD is equipped to provide guidance on best practices, and support capacity building, thereby enabling the creation of robust frameworks for sustainable development.

For instance, the OECD's work on plastic waste management provides valuable insights. The 2022 Global Plastics Outlook highlights that “chemical recycling operations can complement mechanical recycling by expanding recycling opportunities to additional resins and waste streams (...) and can produce particularly high-quality, pure material (...) that can meet the standards for food applications” Moreover, the OECD's work on sustainable finance is noteworthy. The OECD Centre on Green Finance and Investment enhances the contribution of the financial sector to green growth and reports such as the "Global Outlook on Financing for Sustainable Development 2023" aims to provide a comprehensive framework for aligning financial flows with sustainable development goals. These examples underscore the OECD's work on providing evidence-based policy guidance to support the green transition in LAC but also the Organization's potential to coordinate cross-country initiatives on climate change involving effective public-private cooperation.

The OECD's unique role to address climate change in LAC

The OECD's work on climate change is particularly relevant for Latin America due to the region's unique challenges and opportunities. The accession of Latin American countries to the OECD brings with it policy changes that can significantly impact the region's approach to climate change. For instance, the OECD's policy guidance can help these countries transition to a lower-emission economy, improve their resilience to climate change, and ensure that their growth is sustainable and inclusive.

The need for such guidance is underscored by the regional instability and inequality in Latin America. Climate change can exacerbate these issues, making a coordinated approach to climate policy even more crucial. The OECD's work can help foster such coordination, providing a platform for countries to share best practices, learn from each other's experiences, and work together towards common goals.

Data availability is a key part of this process. Many economies in Latin America are highly informal, which can hinder coordination and transparency. For instance, in Peru, 68.4% of the total employed population is engaged in informal employment . This informality can make it difficult to implement and enforce climate policies, underscoring the need for better data and more formalized economic structures.

Education is another critical area where the OECD's work can have a significant impact. Low education levels in Latin America can hinder the region's capacity to understand and address climate change impacts. The OECD's educational initiatives, such as its Skills for Jobs database, identify skills gaps and provide policy recommendations to enhance education systems. By integrating climate change into curricula and promoting skills for green jobs, education can empower individuals to contribute to climate solutions, fostering social inclusion and reducing inequality. Thus, the OECD's work in education serves as a powerful tool for climate action.

In conclusion, the green transition is a complex process that necessitates the involvement of various sectors and ministries. This inter-ministerial collaboration is essential for addressing the multi-faceted challenges of the green transition and for achieving the quality of growth to which citizens of OECD and G20 countries aspire.

OECD (2022), Global Plastics Outlook: Economic Drivers, Environmental Impacts and Policy Options

OECD Centre on Green Finance and Investment

OECD (2023), "Global Outlook on Financing for Sustainable Development 2023", OECD Publishing, Paris

Statista Research Department. 2023.

Seven Recommendations from Business on the Green Transition

The OECD private sector has a leadership role to promote environmentally sustainable business practices. We remain committed to address the global triple challenge of climate change, biodiversity loss and environmental degradation.

As significant ‘implementation gaps’ between government commitments and actions persist on many environmental sustainability challenges, much more private-public collaboration is needed to fully move from ‘commitment to action’. It must be clear that the private sector needs viable business cases to invest at the scale and scope necessary to make meaningful progress in the green transition.

The key to success lies in addressing environmental challenges as a market opportunity, rather than an expensive problem. To this end, we call on the OECD and governments to work more closely with the private sector to understand challenges and opportunities on the ground. Our long-term objectives can only become a reality if governments enact coherent and manageable policy frameworks that effectively mobilize private sector funding and investment to support sustainability action.

In this regard, we are pleased to share the below seven high-level business recommendations for consideration by the OECD’s LAC Ministerial Summit on Environmental Sustainability: A coherent, reliable, and evidence-based policy framework is key to creating fair and attractive market conditions that accelerate the green transition. Policy uncertainty significantly slows investment efforts into environmentally friendly technologies, including in the most carbon-intensive sectors. Close public-private partnership is indispensable to move from commitment to action, and there is an urgent need to ensure early business engagement in policymaking. The OECD and LAC governments should work closely with representative business organizations and employers to draw from their experience and expertise to undertake transformational change at a scale and pace that better meets the aspirations of their sustainability ambitions, including the Paris Agreement.

1. Ensure effective business dialogue to move from commitment to action.

A coherent, reliable, and evidence-based policy framework is key to creating fair and attractive market conditions that accelerate the green transition. Policy uncertainty significantly slows investment efforts into environmentally friendly technologies, including in the most carbon-intensive sectors. Close public-private partnership is indispensable to move from commitment to action, and there is an urgent need to ensure early business engagement in policymaking. The OECD and LAC governments should work closely with representative business organizations and employers to draw from their experience and expertise to undertake transformational change at a scale and pace that better meets the aspirations of their sustainability ambitions, including the Paris Agreement.

2. Foster the development, diffusion, and deployment of green innovation.

OECD and LAC governments should foster an enabling environment for the development, diffusion, and deployment of new business solutions – including by facilitating planning certainty, reducing unnecessary regulatory burden, ensuring robust intellectual property systems, and fostering open markets. Underlining the importance of technology-neutral policies, governments should identify general-purpose technologies with environmental benefits and diversify the portfolio of technologies for which support is provided. Advancing the trade agenda to allow for environmentally secure and economically efficient free trade flows provides an important opportunity for the development, deployment, and diffusion of environmentally friendly goods and services.

3. Promote affordable and secure energy access and deepen partnerships.

The energy challenge provides a powerful incentive for countries to build new energy partnerships to address affordability and security concerns while decisively moving forward with the lower-emission energy transition. More than ever, OECD and LAC governments need to work together to take the necessary steps to diversify the energy supply, considering the potential of different energy options; promote the development and modernization of energy infrastructures that sustain the transition towards a carbon-neutral energy mix; and strengthen energy efficiency to reduce the energy intensity of GDP. We call on governments to take the necessary short-term measures to reduce the burden of surging energy prices on business.

4. Strengthen resource efficiency and a more circular economy.

Global materials use is projected to double up to 167 Gt by 2060. In order to meet our societies' growing demand for resources, achieve important environmental policy goals, lessen our economies' exposure to supply risks, and foster new business opportunities, we call on OECD and Southeast Asian countries to support our businesses in their efforts to achieve higher resource efficiency and a more circular economy. In this context, governments should strengthen their co-operation to ensure universal access to waste collection. To tap the upside potential of plastics recycling, governments should encourage investment into recycling operations (mechanical and chemical), including through economically efficient and environmentally effective trade policies.

5. Ensure education, employment, and social participation.

Governments need to ensure that all parts of society have access to education, employment, and social participation opportunities to acquire the skills needed for the green transition. This requires accessible and affordable retraining options, an understanding of the increasing urban-rural divide in the region, and a realistic understanding of specific transition timeframes. The unique challenges of inequality and poverty in LAC countries require a nuanced and empathetic approach that aligns the green transition in a cohesive manner that reflects the complexity and richness of the region.

6. Promote Green Financing.

Green financing, a transformative field that offers businesses the opportunity to invest in sustainable development is a transformational force that is reshaping the financial landscape. Governments must encourage and actively support businesses to explore green financing options, such as green bonds, which reached a remarkable global issuance of \$270 billion in 2020 . In Brazil, the innovative BVRio Environmental Exchange has facilitated the trading of green bonds to fund groundbreaking projects like reforestation and renewable energy . These initiatives are not isolated examples but represent a broader and more profound movement towards sustainable investment. Incentives and support for green financing can drive investment in developing countries, where traditional financing may be limited, fostering a culture of sustainability that transcends borders and creates a ripple effect across the region while contributing to the crucial challenges in financing green products.

7. Reduce Regulatory Burdens and Promote Competitiveness

The delicate balance between environmental stewardship and economic competitiveness is a challenge that governments must navigate with sensitivity, strategic planning, and a forward-thinking approach. The OECD's Recommendation on International Regulatory Cooperation (IRC) offers a comprehensive and well-structured roadmap for reducing regulatory burdens while promoting sustainability. This initiative is not merely a theory but a testament to the potential synergy between environmental responsibility and business success, illustrating the possibilities that lie at the intersection of sustainability and economic growth. The balance between regulation and competitiveness is crucial since excessive regulatory burdens can obstruct the development of lower-emission technologies.

Climate Bonds Initiative, "Green Bonds Global State of the Market 2020," 2021. - https://www.climatebonds.net/files/reports/cbi_sd_sotm_2020_04d.pdf
BVRio Environmental Exchange, "Green Bonds in Brazil," 2020.

Conclusion

The current global climate challenge demands urgent and common action, particularly in the fragile context of the Latin American and Caribbean region. This paper has underscored the vital role of business in the green transition, outlining five key recommendations for progress:

1. Ensure effective business dialogue to move from commitment to action.
2. Foster the development, diffusion, and deployment of lower-emission innovation.
3. Promote affordable and secure energy access and deepen partnerships.
4. Strengthen resource efficiency and a more circular economy.
5. Ensure education, employment, and social participation for transition.
6. Promote Green Financing
7. Reduce Regulatory Burdens and Promote Competitiveness

In this critical juncture increasing the collaboration between the OECD and the private sector is more important than ever. Through these seven recommendations Business at OECD (BIAC) aims to contribute to this common purpose through concrete policy actions. Given the private sector's resources, expertise, and commitment to sustainability stronger public and private cooperation is needed. The pressing nature of current challenges demands immediate action. Through international cooperation and the unified efforts of LAC governments, the OECD, and businesses, transformative change can be achieved. This collaborative approach is essential in making a sustainable future not only a vision but an attainable goal.

Footnotes:

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- World Resources Institute, ["Bogota's Public Transport System,"](#) 2018.
- Atacama Solar Park, ["Clean Energy for Chile,"](#) 2021.
- ["Citibanamex, DFC and the Ford Foundation Announce Financing to FinTech Konfio to Expand Financial Inclusion in Mexico."](#) Citigroup Inc., May 16, 2022.
- ["Fostering Cleaner Production I Colombia."](#) UN Global Climate Action Awards.



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