

Climate and Development Outlook

Stories of change from CDKN



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Climate and Development Knowledge Network

Helping developing countries to design and deliver climate compatible development

Peru Special Edition

PERU COMMITS TO A LOW CARBON ECONOMY

The glaciers in the high Andean mountains provide a stark sign of how climate change affects Peru. "Climate change affects Peru in many ways, and the most visible is glacier retreat," said Maria Paz Cigaran of Libelula, an organisation that is helping the Peruvian Government to design its climate compatible development strategy. The glaciers have retreated by one quarter over the past 30 years – virtually receding in front of people's eyes – and could melt away completely in another lifetime.

The astonishing pace of change in Peru's high mountain environment spells trouble for the natural resources on which the economy and society depend. Eleven percent of the country's energy is hydroelectric, much of it powered by glacier meltwater. The city of Lima, with its 10–12 million residents, may run out of water within 20 years as Andean glaciers retreat. Entire livelihood systems such as

livestock production in the Altiplano may cease to become viable in a changing climate.

In addition, Peru is on the Pacific Rim and much affected by El Niño. "Whenever El Niño comes into our country it causes a 5–8% loss of GDP," continued Ms Cigaran, "and climate projections show that El Niño is going to become more frequent and that could really have an impact in our economy."

While Peru is on the front lines of climate change, it also has a fast-growing economy. This presents difficult tensions and trade-offs between economic development and greenhouse gas emissions.

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Welcome to the Peru Special Edition of Outlook

During the last decade, Peru has had one of the highest economic growth rates in Latin America, at around 6.4% per year. This growth has driven a decrease in poverty from 42% in 2007 to 28% in 2011. However, levels of economic inequality have persisted, posing a significant challenge to the country's development policies. The increase in gross domestic product (GDP) has been strongly correlated with growing greenhouse gas emissions, signalling a new problem for Peru.

Peru's policy-makers are increasingly lending their support to environmentally sustainable programmes as a way of responding to global environmental challenges and improving the country's competitiveness and productivity. Peru holds the chair of the UNFCCC Conference of the Parties (COP) in this coming year, in which governments will discuss the guidelines for their Intended Nationally Determined Contributions (INDCs), which will be national commitments to cutting greenhouse gas emissions. The Government of Peru intends to unveil a cutting-edge INDC, which will position the country as a regional leader in climate change diplomacy and action.



GUEST COLUMN

CDKN's strategic partnership with the Government of Peru

CAROLINA PROAÑO, CDKN COUNTRY MANAGER, PERU



CDKN is working with the Government of Peru and its PlanCC project to transition Peru to a low-carbon, climate-resilient economy. The project is developing a body of scientific evidence – agreed by diverse stakeholders across the country – that will form the basis for climate compatible development strategies from the national to the local level.

One of PlanCC's key goals is to position climate change on the public agenda through activities that have a real, positive impact. At the beginning of the project, many of the stakeholders who are affected by climate change and hold the key to its solutions showed a lack of knowledge and engagement with the issue. Now this is changing, and stakeholders from the government, the private sector, the civil society and academia have committed to becoming informed players in the debate. The project has already trained stakeholders in greenhouse gas inventories and emissions modelling. It has also produced greenhouse gas inventories for the main economic sectors, to provide a baseline for measuring future emissions.

PlanCC has received the support it needs from across the Peruvian Government, with the active participation of the Ministries of National Planning, Economy and Finance, Energy, Agriculture and Environment. The Ministry of Environment chairs the Committee but there is an equal participation and ownership of the process from the other sectors. As a result, there has been a dramatic change in Peru's economic and strategic planning approach, with clear collaboration and mobilisation among key stakeholders. This cross-ministerial approach builds the foundations for a real impact on sustainable development decision-making at the national level. The inter-ministerial committee and the stakeholder foresight committee (a multi-stakeholder body including private sector and civil society organisations) review a large array of data and analysis that are used to generate different future scenarios for Peru's climate compatible development. It's a great example of how CDKN is supporting the connection between science and policy.

PlanCC also contributes to South-South learning: it is part of MAPS platform that is being used in Brazil, Chile, Colombia, Peru and South Africa. Peru is benefiting from South African experience in climate change planning. This cross-regional learning is helping establish an international evidence base on the long-term transition to climate compatible economies.

Meanwhile, money counts: CDKN recently funded a study by consultants E3G on national climate finance strategies in Peru (find more detail on www.cdkn.org). These recommendations could prove useful to how the Ministry of Finance addresses climate change, and form an integral part of the comprehensive package of support that CDKN is providing to Peru during this challenging and crucial year in climate negotiations.

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Recent economic growth of 4–5% per year (according to Banco Central de Reserva del Perú), low inflation and prudent fiscal policies have transformed the lives of a large number of Peruvians, many of whom have recently moved from the countryside to urban centres. Emissions have risen around 22% between 2000 and 2009, in step with economic growth. The greatest contributors to emissions are deforestation and land use change, while energy and transport emissions have risen quickly too in recent years, reflecting the increasing consumption levels of those who have been lifted out of poverty.

Meanwhile, decision-makers must contend with long-running social and environmental problems beyond climate change. Considerable social vulnerabilities and inequalities persist. The country is plagued by other forms of environmental damage, most notably by the mining sector, which includes informal gold mining in the Amazon region.

In light of Peru’s high economic growth rates and rapid increases in greenhouse gas emissions, national leaders know they have a chance to limit emissions; but they need to act quickly, to avoid ‘locking in’ polluting infrastructure that could last for decades.

“Progress in sustainable development is a great opportunity as well as a great challenge for Peru,” said Carolina Proaño, CDKN’s country project manager. “Levels of engagement and knowledge for transforming Peru’s

economy into a low-carbon economy are still low.” The Planning for Climate Change Project (PlanCC) was created by the Peruvian Government in 2011 to address these information gaps and prepare the country to develop policies and instruments that will mitigate climate change risks and propel the transition of Peru’s public and private sectors towards a low-carbon economy model. PlanCC is supported by CDKN, the Children’s Investment Funds Foundation and Swiss Development Corporation, with some co-funding from the Peruvian Government.

PlanCC is an elaborate, national-scale mitigation planning effort involving around 100 national and regional researchers, modellers, communications experts and others, using the Mitigation Action Plans and Scenarios (MAPS) methodology (see www.mapsprogramme.org). As a result of the initial phases of the project, 73 sectoral mitigation actions were proposed and validated by the stakeholder group. It’s now the time for screening, prioritising and financing these actions. To do this, policy-makers will assess: How much can specific climate mitigation actions contribute to poverty reduction? What other benefits can specific climate mitigation activities bring – for example, in terms of development benefits like public health; or improved quality of life and improved productivity, such as reduced traffic congestion? How feasible are the different proposals?

“The concept of climate security is fundamental for improving decision-makers’ awareness of the implication of the threats to the provision of services, resource and environmental services. Therefore this approach clarifies these threats more clearly helping decision-makers react and adopt policies that ensure that the provisions of services and resources is sustainable.”

MANUEL PULGAR VIDAL, MINISTER FOR THE ENVIRONMENT, PERU



Peru leads COP 20 and becomes a regional leader in climate diplomacy

MARIA PAZ CIGARAN, CHIEF EXECUTIVE OFFICER, LIBELULA

The PlanCC process, which CDKN has been supporting, will provide technical inputs to help Peru determine its national contribution to fighting climate change. It's an important process for our country because it has to have legitimacy and high-level approval. Peru's Minister for the Environment, Manuel Pulgar Vidal, in his role as President of the UNFCCC COP20, stated that the national contributions for 2015 need to be agreed in each country through national debate and within a solid policy framework that allows for accountability over time. This is what we've done. He confirmed that PlanCC provides the robust technical process and consensus-building among stakeholder groups needed to underpin the Government of Peru's public policy.

Following the UNFCCC COP in Copenhagen in 2009, Peru made three voluntary commitments to reduce greenhouse gas emissions: reduction of emissions through deforestation and land-use change within national protected areas to zero net emissions; change to an energy matrix with 40% renewables; and improved waste disposal to manage methane emissions. However, in the words of the Vice Minister for Environment, these commitments were made without the benefit of robust data. The research and data being generated through PlanCC now provides the country with the kind of information and consensus building it needs to make informed commitments.

We have been through an intense consultation at national level in Peru to map climate mitigation and poverty reduction scenarios.



The stakeholders have included the private sector, who have to be part of the solution and proposals. They include civil society, as some of the measures will affect the economy and be good for them; and they include different parts of government. The Ministry of Economy and Finance is a crucial one, because if PlanCC is not seen as something that will be good in terms of competitiveness and poverty reduction then they will say: "Why should we do that"?

The mitigation and poverty reduction options under discussion include many around energy: energy efficiency, renewables, and distributed energy. Most of Peru's emissions come from deforestation so many measures come from sustainable management of forest and forest conservation and has to deal with a lot of social and environmental problems that are not so easy. So the investment is not that large but the transaction costs are very difficult because you have to deal with a lot of stakeholders from

farmers, to indigenous people, to big investors.

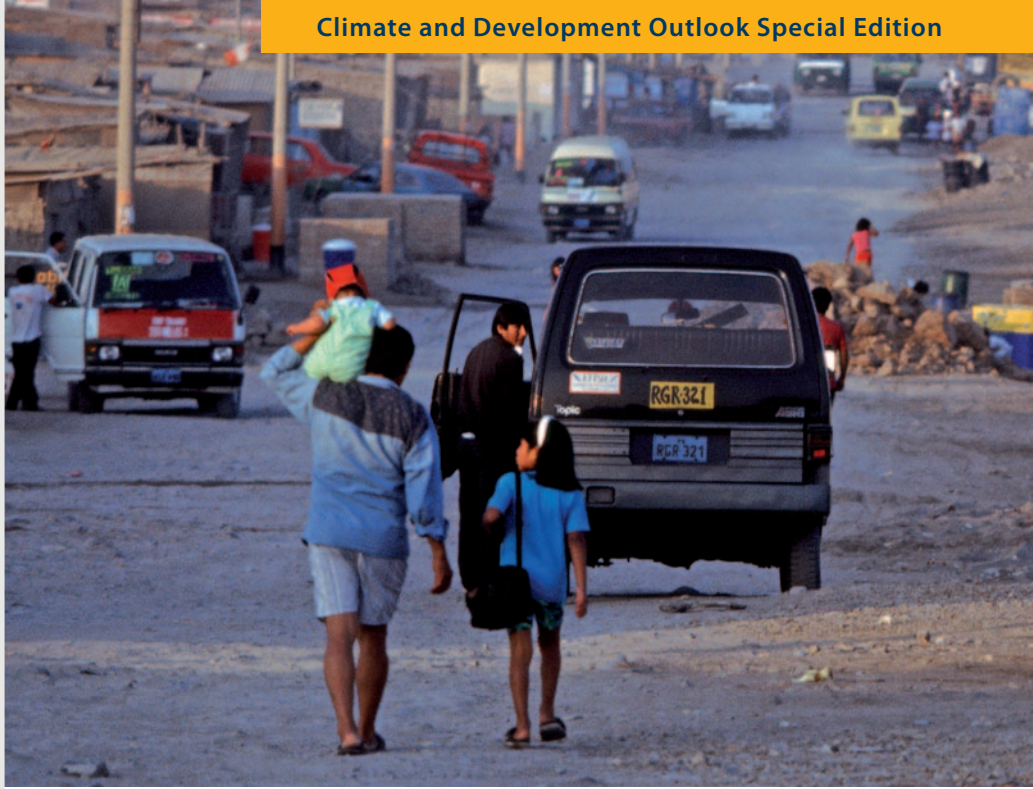
I'm excited about a lot of the projects already happening on the ground. We already have rural development projects with an adaptation focus. For example, an adaptation programme in the high Andes of Peru is trying to tackle the resilience part of poverty reduction. It's going to have nice results to share with the international community.

With the concept of climate compatibility we have the chance to do things differently and to do them right. The new programme the government will develop this year will try to look at models where you solve a development problem with a climate lens and you add a financial structure that tries to involve the private sector. You create a private-public partnership to solve a social and environmental problem and it gives you a lot of room for innovation.

Partnership with the private sector for climate compatible development

CDKN's Business Partnerships Programme seeks to encourage and facilitate business-to-business partnerships (North–South and South–South) that increase the knowledge, skills and networks needed for climate-compatible goods and services. In Peru, the Carbon Trust (a UK-based not-for-profit group) is working with the private sector on energy efficiency. In 2009, the Peruvian Government set a goal of reducing energy consumption by 15% by 2018 but they are still a long way off meeting this target. This project aims to increase both the demand for energy efficiency solutions and the supply of energy efficiency expertise within Peru.

The Carbon Trust and Peru 2021 (which represents World Business Council for Sustainable Development in Peru) are working with seven companies to establish corporate leadership on this agenda. The selected companies are required to provide a dedicated resource for two days per week for nine months. The Carbon Trust is working with Peruvian organisations SENATI and Sudesco to train the personnel in each organisation and to set up energy management strategies and implementation processes. This project is currently in its early stages however the Carbon Trust will hold an event around COP20 at the World Climate Summit in Lima to share the early findings and lessons with the wider business community.



CARBON AND WATER FOOTPRINTING IN ANDEAN CITIES

The municipal governments of La Paz in Bolivia, Lima in Peru and Quito in Ecuador assessed the carbon and water footprints of their own operations and those of the entire municipal areas for 2012 using internationally-recognised methodologies.

The analysis clearly identified which main sectors and sources contribute to the municipal governments' and cities' carbon and water footprints and provide the first step to reducing those footprints. For example, in the Municipality of Lima, the administrative section was found to contribute more than 70% of the carbon footprint as a result of its materials purchased. This has focused attention on the need for a sustainable procurement policy. At the city level, across the three cities, the transport sector was found to contribute the most to the carbon footprint. These findings were the basis for the development of city-

wide action plans, which are project portfolios that aim to reduce city eco-footprints, set reduction targets for the long term and, ultimately, promote urban climate compatible development.

The assessments allowed the cities to comply with international commitments, such as reporting their greenhouse gas inventories to the Cities Climate Registry (www.citiesclimateregistry.org) under the Mexico City Pact. It has also catalysed its participation in a group of 35 cities from around the world, in a project to pilot test the Global Protocol for Community-scale Greenhouse Gas Emissions: an effort to harmonise greenhouse gas inventories methodologies for cities which will result in a global comprehensive disclosure framework for greenhouse gas emissions. The "GPC v1.0" is led by ICLEI – Local Governments for Sustainability, the World Resources



Institute and the C40 Cities Climate Leadership Group. This work translates into increased international visibility and a proactive attitude towards climate change issues, while supporting national processes

towards a low-carbon and climate-resilient future. Read more about the Lima case study in the *CDKN Inside Story: Carbon and water footprinting in Andean Cities* by Miguel Rodriguez (2014), on CDKN's website.

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