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By Fermín Koop

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Interview with Sandra Guzmán, founder of the Climate Finance Group for Latin America and the Caribbean

"You can't fight climate change by injecting money into the actions that generate it"



Sources: [Image: A worker at the Morelos petrochemical complex in Veracruz, Mexico, operated by state oil company Pemex. Analyst Sandra Guzmán says the country is finding it increasingly difficult to sustain the fossil fuel industry (Image: Keith Dannemiller/Alamy)]

We spoke with Sandra Guzmán, the founder of the Climate Finance Group for Latin America and the Caribbean, about the challenges posed by climate change for the region

The call for more funds to reduce emissions and address the effects of climate change is something that tends to unify positions among Latin American governments. However, most don't really know how much funding they need, making it difficult to put climate

plans into action, says Sandra Guzmán, founder of the Climate Finance Group for Latin America and the Caribbean (GFLAC), an organization that promotes the transformation of the financial system to a more sustainable one.

Guzmán, who studied She holds a degree in Sustainable Finance from the University of Oxford and holds a PhD in Science Politics by the University of York, is behind the Finance Index GFLAC, which identifies the level of public investment dedicated to climate change in each country in the region. According to [2022 data](#), none of the 20 Latin America's largest emitting countries has managed to achieve high levels of sustainable finance. Countries such as Ecuador and Mexico have the lowest levels of sustainable finance, as their income depends in part on the fossil fuels.

Sandra Guzmán has been monitoring for 18 years financing the fight against climate change, first in Mexico and then throughout Latin America (Image: courtesy of Sandra Guzmán)

In an interview with According to the Chinese Dialogue, Guzmán argued that countries should not only ask for more funds from the developed countries, but also to begin a process of transition of their economies to generate clean sources of income. In addition, Guzmán He called for progress in reforming the financial system. To this end, the financial institutions must put climate change and the protection of the nature at the heart of their work and address high levels of indebtedness, Added.

Chinese Dialogue: Why is it important for countries in the region to know how much climate change is going to cost them?

Sandra Guzmán: At the level We have been discussing in Latin America the need to have more financing for climate change. However, there is a great information gap and we still don't know how much we really need. By analyzing the climate plans of Latin American countries, it can be seen that very few have They have made estimates of how much climate change is costing them. The few who do it Like Colombia and Mexico, they only measured mitigation expenditures and did not in adaptation.

While we're never going to have the right number because today's needs are going to be different from those of today. tomorrow, having funding estimates helps you as a country to have and carry out a more enforceable climate plan. We are at a critical moment to identify how much is needed.

Historically, the financing commitments, such as [the annual target of US\\$100 billion](#) developed countries agreed in 2009 [at COP15 climate change], They were political and without methodological basis. But as we've climate change, it was clear that

the cost amounts to thousands of people. million dollars. Countries are now in the stage of designing [a new target](#) that needs to be approved this year and has to take into account the needs of the countries in the region. development.

Was it that lack of information on the costs of climate change that led you to create the Sustainable Finance Index?

Eighteen years ago, I started monitoring climate finance, wondering where the funds came from and where they were allocated. So, I realized that the important thing is not just to mobilize more money. The real transformation also involves reducing the financing that increases emissions. I analyzed Mexico's national budget for many years. While the fossil fund is enormous, the climate fund is negligible. You can't fight the problem of climate change if your money continues to be injected into the actions that generate it.

During my PhD, one of the study questions was what prevents developing countries from integrating climate change into their public finances. That led me to create the index. The objective is to identify the gaps and then issue proposals of where the areas of opportunity are. We want countries to stop being so dependent on international financing and to be able to generate our own revenues and pathways to financial sustainability by strengthening public finances.

At COP28, Colombia and Brazil, two countries whose incomes depend to some extent on fossil fuels, presented plans to create new zero-emission sources of income, such as the bioeconomy. How feasible is it to carry out that transition?

It is a fact that the Countries at some point are going to have to make a transition. The Fossil resources are finite. We've seen it in [Mexico](#), a country that had a boom But today it is increasingly difficult to sustain the fossil industry. No It is not only possible to transit, but it is urgent and necessary.

We're not going to shut down the oil key from one day to the next, but we still don't make use of its income to invest in the energy transition. What we generate by the fossil fuels, we should invest in renewables, forest protection and bioeconomy, but it's not happening in many countries. It's important to follow pushing for more climate finance, but it's never going to catch up if the countries are not ready with plans to get out of dependence on the Fossils. The message is for economies at the national level to start moving transition, and that this will be leveraged by international financing.

In 2013, Ecuador proposed that it would not exploit the oil reserves of Yasuni National Park in exchange for compensation from the international community.

However, the funds were not achieved. Is it possible today to think of a similar scheme that does work?

Yasuni left us the people's recognition that protecting nature as a whole is priority. As a society, that's a very big political message. The problem was the international response.

The conditions are not yet in place, but Yasuni sets a precedent that financial institutions are going to have to face in some way. The economic and financial system as it was originally conceived is useless. Initiatives such as Yasuni or [debt-for-nature swaps](#) are just a small wind of relief. We need to work on more structural changes, such as multilateral banks putting climate change and nature at the heart of their operations.



An oil project in Ecuador's Yasuni National Park. The country has one of the lowest levels of sustainable finance, as its income is heavily dependent on fossil fuels (Image: Julio Etchart/Alamy)

Discussions for reform of the international financial system have accelerated in recent years under Barbados Prime Minister Mia Mottley's Bridgetown Initiative. What progress has been made and what is missing?

The recognition that Financial institutions are inefficient was important since they were created in a context that no longer responds to the current reality. That sparked a discussion on debt, which has many countries stuck. Developed countries are obliged to provide financing to developing countries, but if those countries are required to provide financing to developing countries, Funds come in the form of loans that increase the debt problem. The Reforma has several lines.

On the one hand, the urgent response to the debt of countries that are unable to pay and are in a breaking point. There is a need for a scheme that allows debts to be forgiven through schemes such as debt-for-nature swaps. On the other hand, there's the more structural. We need to change the way institutions financial institutions operate. Climate change and the protection of nature must be be at the center of your work. In addition, they must offer better and different financing conditions. Today they only want to invest in big projects government-funded infrastructure projects, not small projects of states, cities, and communities.

Funds earmarked for reducing emissions are much higher than funds earmarked for adaptation to climate change. How can it be reversed within the framework of the reform of financial institutions?

When the conversation on climate change at the United Nations, the central focus It was in the reduction of emissions and that set the trend in financing. Mitigation means a technological change, which, while reducing emissions, It also allows companies to generate income. That also explains why There is more funding for mitigation. Donors don't want to invest in adaptation because it doesn't generate capital and it's very intangible. They like to show what they've achieved with their investments and that is difficult with adaptation, which is part of the of a process.

We need to better characterise the measures of adaptation, measure their cost and see them as an alternative for improving the environment. welfare

Added to this are the difficulties in characterizing adaptation. Improving food production It's an adaptation measure but we don't call it that, it's development or reduction of hunger. We need to better characterize adaptation measures, measure their cost and see them as an alternative for improving well-being. It's not just adapt to the heat with air conditioning, but to adapt to the existence of A phenomenon that isn't going away. All people have to internalize that We are going to live in a context of climate change and that adaptation is associated with levels of well-being and survival. Not planning based on what What is coming is to be blind to an imminent reality.

COP28 took steps in the reform of the financial system with the operationalization of the Loss and Damage Fund. What was left unfinished and what should the focus of discussions at the next climate summits?

We were hoping to see the the US\$100 billion target of developed countries, but It has not yet been achieved. Beyond the fact that this amount is not enough, it is a sign important policy. If they don't comply with that, how are they going to comply with the new law?

funding goal that would have to be at least five times that? That It generates discontent and uncertainty.

On the other hand, the recognition that the production and consumption of fossil fuels must be halted in the the Global Balance Sheet is something very significant. It shows us the path from where to go We have to go. The fact that the Loss and Damage Fund has been operationalized so quickly, a year after its creation was announced, it also It's important. This year, the new funding target has to be defined. It's not going to be trillions or trillions, but it's going to signal to the system financial. It is important that the goal is not only quantitative, but also and respond to the imbalance between mitigation and adaptation.

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