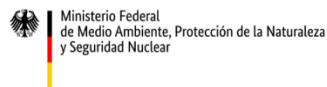


# Financing Net-Zero in Latin America:

## Policy Instruments and Mechanisms in Peru

Willy Mak

Fomentado por el:



en virtud de una resolución del Parlamento de la República Federal de Alemania

Implementado por:



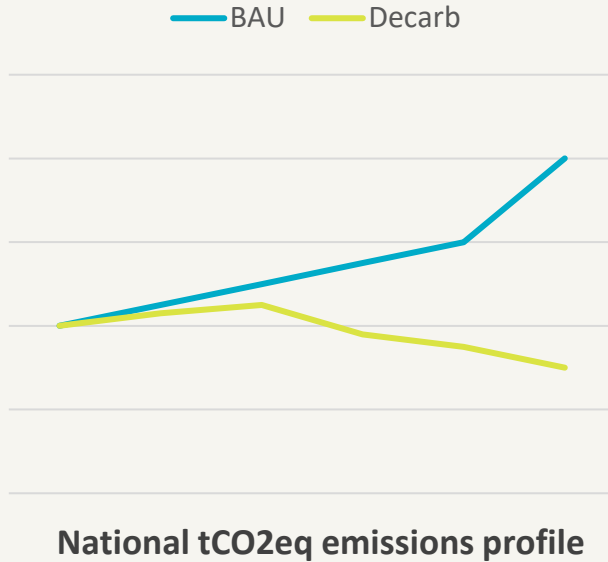
# AGENDA

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- ❑ WHAT IS GREEN ECONOMIC RECOVERY?
- ❑ ROLE OF THE PRIVATE SECTOR
- ❑ METHODOLOGICAL APPROACH
- ❑ BARRIER ANALYSIS
- ❑ POLICY INSTRUMENTS AND FINANCIAL MECHANISMS
  - ❑ NATIONAL FINANCE STRATEGY FOR NDCs (ENFCC)
  - ❑ DECARBONIZATION OF ENERGY SECTOR
  - ❑ VOLUNTARY CARBON MARKET
- ❑ KEY INSIGHTS

# WHAT IS GREEN ECONOMIC RECOVERY?



- New green investments for business development
- New business models to become more sustainable



More jobs opportunities



Less costs

# ROLE OF THE PRIVATE SECTOR



## IN THE GREEN ECONOMIC REACTIVATION OF LAC



MARKET INNOVATION



INFORMATION DATABASE



INCREASE THE  
INVESTMENT IN  
DECARBONIZATION

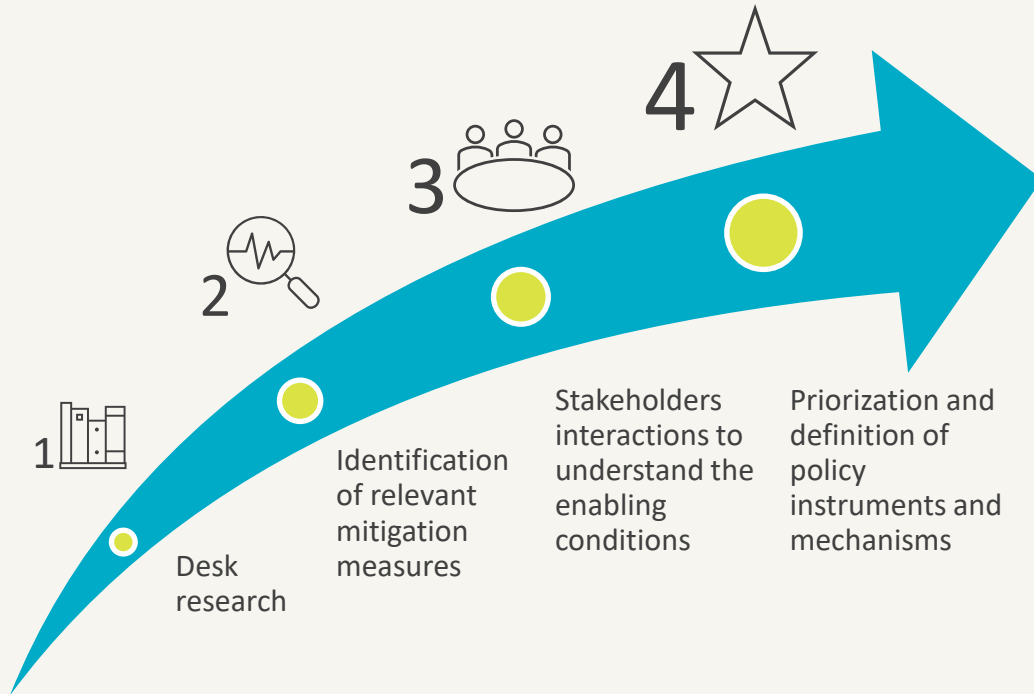


MARKET SIGNAL

# METHODOLOGICAL APPROACH



FOR THE PRIORIZATION OF MEASURES FOR GREEN RECOVERY AS A SECTOR



## GREEN RECOVERY MEASURES

FINANCE

GREEN CRITERIA FOR PRIVATE INVESTMENT

GREEN CRITERIA FOR PUBLIC INVESTMENT

CARBON PRICING

TRANSPORT

TELECOMMUTING

ENERGY

RENEWABLE ENERGIES

# BARRIERS ANALYSIS

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## GREEN CRITERIA FOR PRIVATE INVESTMENT

Lack of incentives in the market for the use of green instruments, both in banking – commercial and development – and in companies.



## GREEN CRITERIA FOR PUBLIC INVESTMENT

Absence of a universal methodology for the formulation, evaluation, prioritization and monitoring of the implementation of green criteria in public investment projects.



## CARBON PRICING

Lack of sufficient incentives for its adoption because it is difficult to understand its benefits.

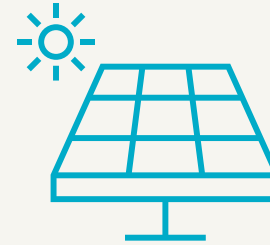
# BARRIERS ANALYSIS

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## TELECOMMUTING

Little clarity of regulations and unattractive for employers.



## RENEWABLE ENERGIES

Lack of energy planning that identifies the potential development of renewable energies.

# POLICY INSTRUMENTS



## FINANCE



PNIC  
environmental  
indicator



Internal carbon  
pricing

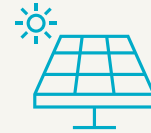
3



Recommendations on  
guidelines that the  
formulation of carbon credit  
projects must comply with.

3

## ENERGY



Regulation for Energy  
Planning to achieve a  
sustainable energy  
transition

2

## TRANSPORT



Regulation for the  
implementation of  
telecommuting



# FINANCIAL MECHANISMS

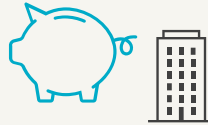
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## FINANCE



**National finance  
strategy for NDCs  
(ENFCC)**



Green financial  
product articulated  
to the NDC for  
municipal banks

## ENERGY



**Benchmarking for  
energy transition  
in mining sector**





## OBJECTIVE

Establish the main criteria and actions that public and private actors must consider to access, register and promote the green financing

## WHY IS IT NEEDED?

An investment of more than 167 million soles (about 43 million dollars) at present value is required to finance Peru's 136 NDCs.



The climate financing gap, projects that do not have planned financing, exceeds 30 billion soles (\$12 billion) at present value.

# NATIONAL FINANCE STRATEGY FOR NDCs (ENFCC)

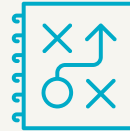


## MAIN CHALLENGES FOR CLIMATE FINANCE

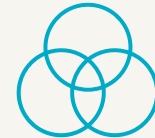
Poor access to information on climate finance



Low climate finance management capacity



Few effective mechanisms for the articulation between stakeholders



## WHAT ENFCC PROPOSE?

Improve information systems

Strengthen the capacities of human resources and management

Promote greater and better articulation between stakeholders

# DECARBONIZATION OF ENERGY SECTOR



## POLICY GUIDELINES AND FINANCIAL MECHANISM

### OBJECTIVE



### WHY IS IT NEEDED?

Establish the conditions, characteristics, deadlines and stages of the long-term energy planning procedure in charge of the MINEM.

Establish a benchmark to facilitate the energy transition of the mining sector.

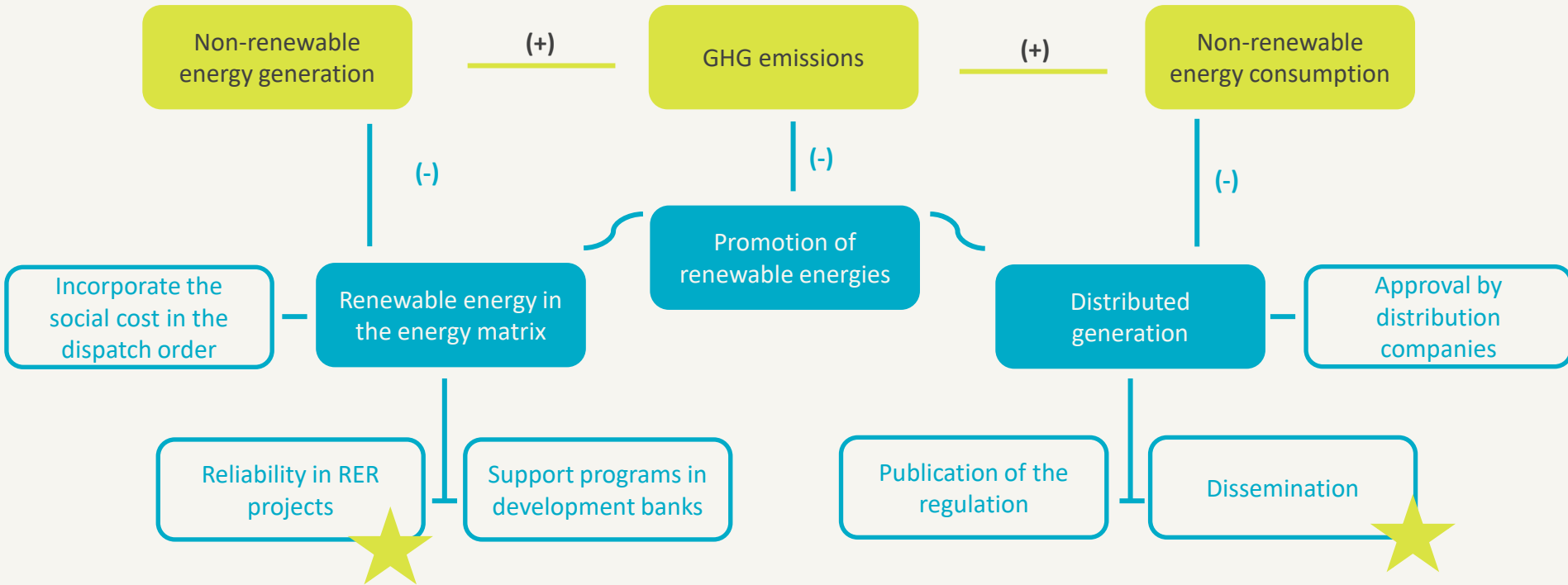
The lack of energy planning is considered as the main barrier for the stakeholders.

Companies need good practices to transition to greater energy efficiency.

# DECARBONIZATION OF ENERGY SECTOR



## LOGIC MATRIX



# VOLUNTARY CARBON MARKET



## POLICY INSTRUMENTS

### OBJECTIVE

Promotion of internal carbon pricing.

Identify how the status quo of the voluntary carbon market can be improved.

### WHY IS IT NEEDED?

Companies are already spending on mitigation actions but there is no proper follow-up.

Companies want to know which actions they can make to reduce their GHG emissions.

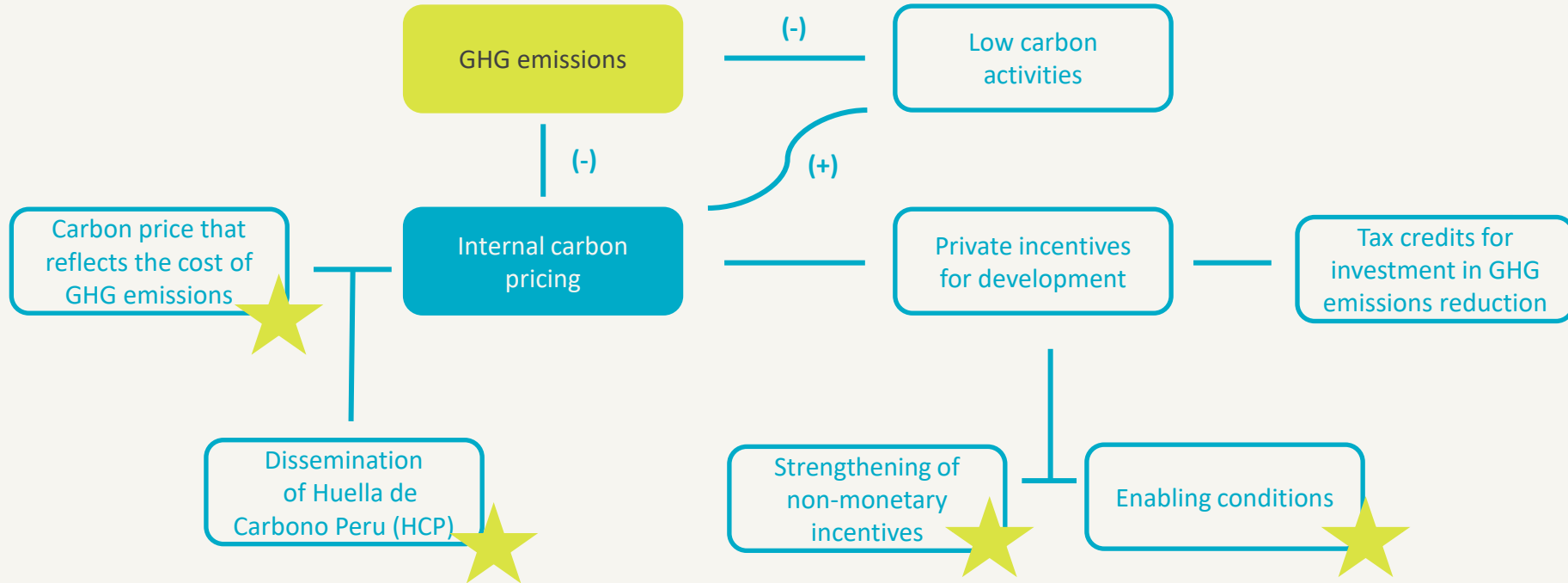
Identify the adequate standard that should be applied nationally for the voluntary carbon market.



# VOLUNTARY CARBON MARKET



## LOGIC MATRIX



# KEY INSIGHTS

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- ❑ The actions of DecarBOOST project in Peru can help to reduce the climate financing gap, which exceeds 30 billion soles (\$12 billion) at present value.
- ❑ If the political context is complex, the best is to concentrate on carrying out actions with the private sector. Example, development of an internal carbon pricing is more viable than an explicit carbon pricing.
- ❑ Defining a path is key to decarbonization. For this reason, most of the outputs of DecarBOOST in Peru establish green criteria, since stakeholders need greater clarity in the regulations. Also, it is necessary to share data or good practices to improve decision-making.