facing the CLIMATE CHALLENGE

FIGHTING CLIMATE CHANGE IN MEXICO

FACT SHEET

How financial support and domestic initiatives can unlock cuts in greenhouse gas pollution

According to a 2009 report to the UN, Mexico ranks second in the world for its number of ecosystems, and fourth for its number of species. Studies show that climate change threatens Mexico's biodiversity.

Under the UN's climate agreements, developed countries like Canada have to do more than just cutting their own greenhouse gas (GHG) emissions. We also have a responsibility to help poorer countries reduce theirs.

Developed countries' obligation to provide financial support for climate action in poorer countries ("climate financing") was formally recognized in 1992, through the UN Framework Convention on Climate Change. At the 2009 UN climate conference in Copenhagen, developed countries agreed to provide an amount "approaching" US $30 billion in financing from 2010 to 2012, and committed to a goal of jointly mobilizing US $100 billion a year by 2020 "to address the needs of developing countries." That funding will support adaptation to climate change — for example, building barriers to protect coastal communities from rising sea levels — and will also support actions to reduce emissions, like upgrades to cut energy waste in buildings or investments in solar power. Reducing GHG emissions is called "mitigation."

Both adaptation and mitigation are important in all countries. But the greatest needs for adaptation are in the world's poorest countries, where people are often very vulnerable to a changing climate and their national governments have few resources to help. Reducing emissions is much less of a priority in these countries, because they are already extremely low. (By January 15, Canadians have already produced as many GHG emissions, per capita, as the citizens of Afghanistan, Haiti or Bangladesh in an entire year.) In contrast to adaptation, the greatest opportunities for mitigation in the developing world are found in more industrialized countries like India, Brazil, South Africa — or Mexico.

This fact sheet looks at financial support for mitigation, using Mexico as a case study. While Mexico is still a developing country, it is also a major emitter: Mexico's GHG emissions were the 10th highest in the world in 2005. Studies show that Mexico has significant opportunities to curb its emissions, but will require substantial new financial resources to do so. In recent years, Mexico has taken a leadership role at the international climate talks: the government proposed the creation of a "Green Fund" to finance climate action, and Mexico will host the next major UN climate negotiations in Cancun at the end of 2010, where climate financing is expected to be at the top of the agenda.

Facing a threat to Mexico's future

Taking stock of the risks, planning a cleaner way forward

There's no doubt that Mexico has done its climate homework.

In the last few years, the federal government and other experts have laid the foundation for an ambitious effort to tackle GHG emissions with a series of detailed reports. Among their key findings:

- The economic cost of projected climate impacts in 2100 are at least three times greater than the costs of cutting Mexico's emissions to 50% below the 2002 level, according to a 2009 study entitled "The Economics of Climate Change in Mexico." Mexico also faces significant loss of its biodiversity: at 1–3°C of global warming, 2–18% of mammals, 2–8% of birds and 1–11% of butterflies "tend to extinction."
- A 2008 study by the McKinsey consulting group and the Centro Mario Molina found 144 different opportunities for Mexico to reduce its emissions (see figure on next page). The study concludes that Mexico could stabilize its GHG emissions by 2015 and reduce them to 25% below the 2005 level by 2030. Mexico's economy could still grow by over 3.5% per year to 2030 while making those reductions, but would need to add an additional 3% to total national capital expenditures.
- A 2009 World Bank study found that Mexico's emissions would nearly double between 2008 and 2030 under "business as usual." But with new investments in mitigation, Mexico could hold its emissions steady (at 2008 levels) while growing its GDP significantly. The cost of these investments? About US $64 billion, or US $3 billion a year.

In 2009, Mexico published the Special Climate Change Program, which is designed to cut national emissions below business as usual by 51 million tonnes, or 7 per cent, by 2012. It includes specific mitigation goals for oil and gas, electricity, agriculture, forestry and waste. The program also sets an "aspirational" 2050 target, but notes that "Mexico's aspirational target will only be met if a multilateral regime is established which includes financial and technological support mechanisms from developed countries on an unprecedented scale."

To avoid dangerous climate change, we need to cut emissions as quickly as possible. Mexico's government has laid the groundwork and started to act, although like all governments it can and should be more ambitious. With financial support from richer countries, Mexico could realize far more of the emission-reduction opportunities it has identified.

Q & A on climate financing in Mexico

Why would Canada fund a prospering country like Mexico? Shouldn't they pay for this themselves?

Nearly half of Mexico's population still lives below the poverty line. Despite this, Mexico is taking action on its own: for example, its national budget set aside US $1.3 billion for reforestation programs from 2007–09. But Mexico can do even more, both unilaterally and with financial support from developed countries. Financing for mitigation allows developing countries to cut their emissions more quickly than they can afford to on their own. That's good news for all of us, because avoiding dangerous climate change is going to require a global effort.

Can't the market for offset credits finance these emission cuts?

Financing from the offset market does play a role in helping pay for emission reductions in developing countries. Mexico has been relatively successful with its plans to use the UN's Clean Development Mechanism (CDM), with 123 projects registered — the fourth-highest total among participating countries. But developed countries or companies buy those credits to allow themselves to keep polluting at home, so "offsets" don't lead to emission reductions overall. The reductions supported by climate financing need to be over and above CDM credits.

In Mexico, many opportunities to reduce emissions are not being taken, even when those reductions would end up saving money. So while carbon markets do supply some funding for emission reduction efforts, there's also a real need for capacity building and financial support for domestic policy changes to overcome the barriers that get in the way of making emission reductions. The carbon market isn't able to adequately provide that kind of support; instead, public climate financing is needed to support government policies and build capacity.

Mexico City's Metrobús system is an example of the kind of sustainable transportation investments that should be scaled up in Mexico, according to the World Bank's analysis.

Waking up the Neighbourhood

"Mexico was the first developing country to implement a national climate change strategy, and first to unilaterally establish specific targets for reducing greenhouse gases. In our view, tackling climate change is not a task solely for the developed nations; it is incumbent on us all, under the principle of common but differentiated responsibilities."

—President Felipe Calderón,
in an address to the Parliament of Canada (May 27, 2010)

"In Mexico, we cannot wait. We cannot wait for the developed countries to do something about climate change…We know that the quality of life, and the future, is at risk. And I mean the future of a great deal of humanity."

—President Felipe Calderón, in a joint news conference
with Prime Minister Stephen Harper (May 27, 2010)

"Mexico's frustration with Canada on climate change is palpable. Without Canada realizing that it ought to play a more constructive role, failure at Cancun, and deteriorating relations with Mexico, are more likely."

—Globe and Mail editorial (May 28, 2010)

"We, the leaders of North America reaffirm the urgency and necessity of taking aggressive action on climate change…We share a vision for a low-carbon North America."

—North American Leaders' Declaration on Climate Change and
Clean Energy (signed by Presidents Obama and Calderón,
and Prime Minister Harper, Guadalajara, August 10, 2009)

Counting the dollars

In addition to helping developed countries cut their emissions, financing is needed to help build trust at the global climate talks. Developed countries are responsible for the vast majority of the GHG emissions that have built up in the atmosphere; poorer countries need to know that they won't be left alone to cope with a problem they did little to create.

A key "test" will be whether developed countries deliver on their 2009 promise to provide US $30 billion in "new and additional" financing from 2010 to 2012. Unfortunately, the Copenhagen Accord did not set a common baseline to judge which pledges meet that test. Re-announcing old funding or taking pledges out of aid budgets will almost certainly fail to rebuild trust and goodwill at the negotiating table.

Table 1: GHG emissions in Mexico and Canada

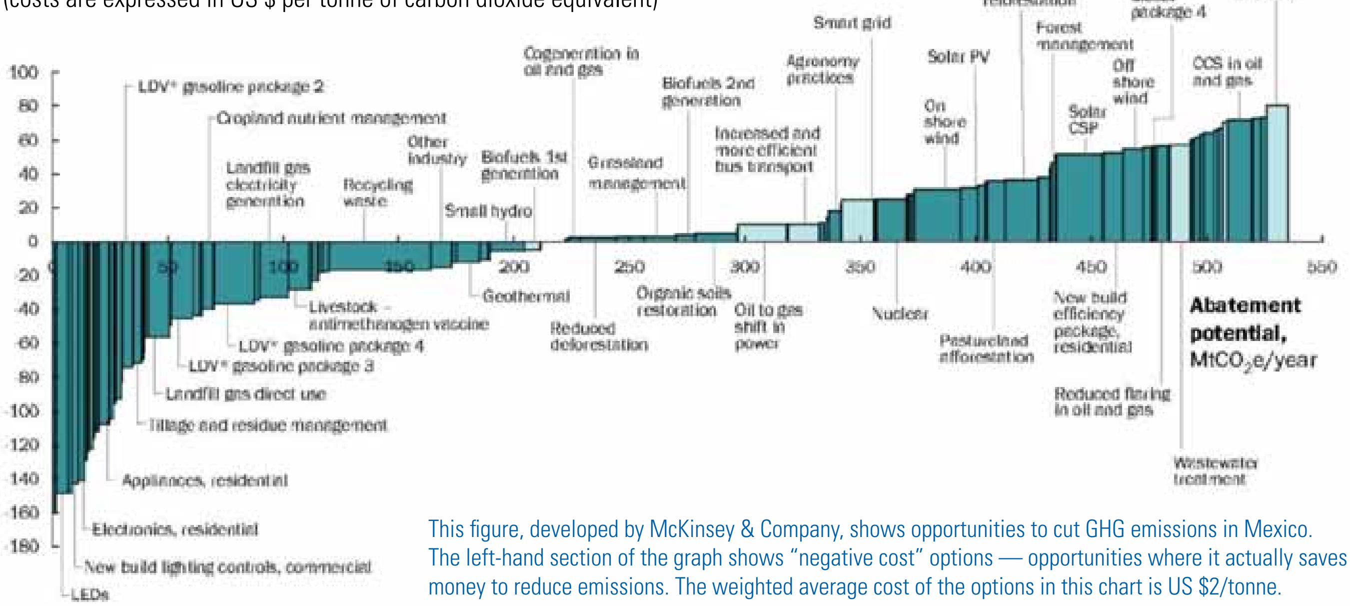
(2005, all gases, excluding land-use)

Category	Mexico	Canada
Rank in global emissions	10th	8th
Percentage of global emissions	1.70	1.96
Emissions per capita (tonnes CO_2-equivalent)	6.2	22.9
Rank in per capita emissions	72nd	10th
GDP per capita (in 2006, $Intl 2005)	$13,025	$35,660

Source: Climate Analysis Indicators Tool (CAIT) Version 7.0. (Washington, D.C.: World Resources Institute, 2010).

Greenhouse gas reduction cost curve for Mexico in 2030

(costs are expressed in US $ per tonne of carbon dioxide equivalent)



This figure, developed by McKinsey & Company, shows opportunities to cut GHG emissions in Mexico. The left-hand section of the graph shows "negative cost" options — opportunities where it actually saves money to reduce emissions. The weighted average cost of the options in this chart is US $2/tonne.

Low-Carbon Growth: A Potential Path for Mexico (Centro Mario Molina, 2009).

Luz Verde's light bulb exchange project in Puebla, Mexico is projected to generate 240,000 tonnes of GHG reductions over the lifetime of the project, and to save households US $50 million each year in energy costs.

Pembina's perspective

Many developing countries have laid the groundwork for ambitious action, but they need support from richer countries like Canada to make a faster transition to a clean energy economy. In June, the Government of Canada announced a $400 million commitment to climate financing for 2010, the first year of the three-year US $30 billion "fast start financing" package that developed countries agreed to provide in Copenhagen. To build on that commitment, Canada should:

- Ensure that its funding is "new and additional," and state the baseline it is using for that assessment. As the World Bank said in a 2010 briefing note, "It is important that efforts in mobilizing climate finance not erode current development assistance."
- Provide the vast majority of its fast-start financing in the form of grants. Canada fell short of that standard in 2010, opting to provide 72% of its commitment in the form of loans. While loans can play a limited role in supporting mitigation, we believe that it is only appropriate to count the "grant element" portion of any loan towards Canada's $400 million commitment.
- Play a constructive role at the Cancun climate talks by supporting the effort to establish a new global climate fund that provides qualified recipients with direct access to funding. (Many governments, including Canada's, agreed in Copenhagen on the need for a new global climate fund.)
- Publish a credible and comprehensive plan to meet Canada's 2020 emissions target, as Mexico has done with its 2012 goal.

A green light for energy efficiency in Mexico

Luz Verde ("green light" in Spanish) is a groundbreaking program that offers low- and middle-income Mexican families free compact fluorescent light bulbs in exchange for their incandescent bulbs. Officially registered under the CDM in July 2009, Luz Verde aims to distribute 30 million bulbs by 2012, reaching 7.5 million families. It was the first "Programme of Activities" ever accredited by the CDM, which was previously limited to individual projects.

In its first project, Luz Verde exchanged one million bulbs through distribution centres in department stores in the state of Puebla, providing short-term employment to over 70 local youths as "Green Light Promoters." Sixty per cent of its funding comes from the sale of offset credits, with the rest generated from private sector partners and government support.

More Information

This fact sheet was prepared by Clare Demerse with support from the Walter and Duncan Gordon Foundation. To learn more about climate financing, download *Our Fair Share: Canada's Role in Supporting Global Climate Solutions* from http://www.pembina.org/climate.