Green Transition in Response to Climate Emergencies and its implications for key industries in SIDS

Michael Hendrickson, Economic Affairs Officer, Economic Development Unit, ECLAC Subregional Headquarters for the Caribbean

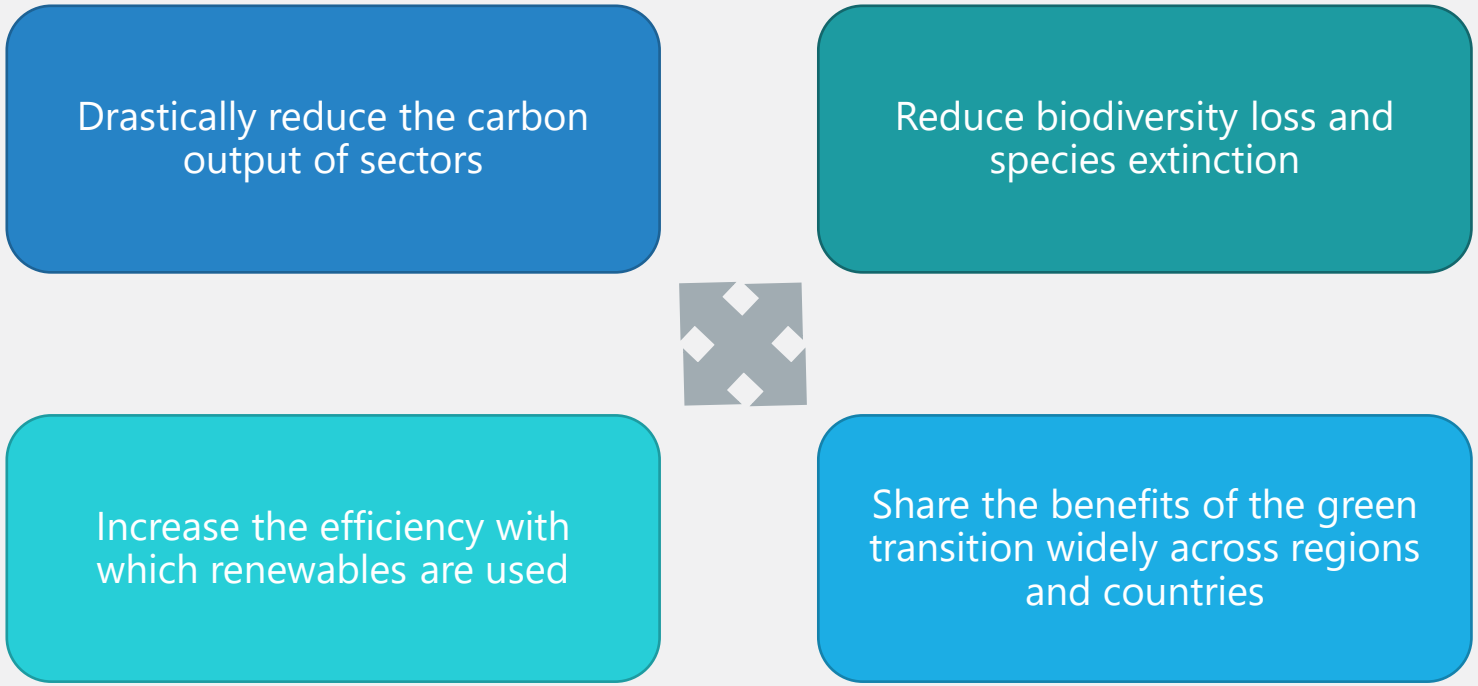
ECONOMIC COMMISSION FOR LATIN AMERICA AND THE CARIBBEAN
SUBREGIONAL HEADQUARTERS FOR THE CARIBBEAN

Outline

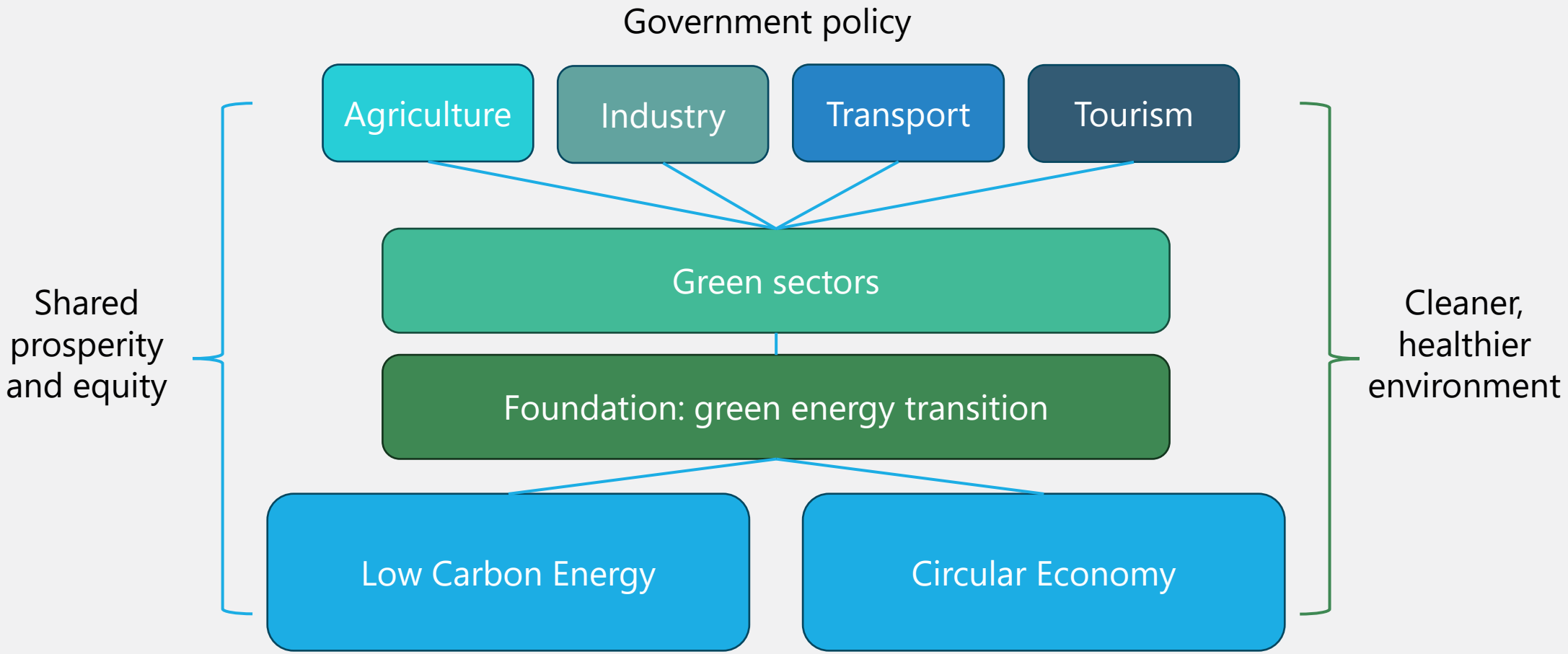
- Overview of the green transition
- Policies and strategies for driving the green transition in SIDS
- The impact of green development policies on Barbados and other SIDS: balancing the roles of government and the private sector
- The role of government in facilitating a just transition: balancing costs and benefits
- How South-South cooperation can help catalyze a progressive green transition in SIDS

Overview of the green transition

Practical policies and actions to support the green transition



Key determinants for a successful green transition



Policies and strategies for driving the green transition in SIDS

Many SIDS have drafted broad policy plans and strategy documents to provide vision and objectives to guide their GT frameworks.

Barbados and other SIDS are using a mix of market and non-market policies and strategies to drive the green transition.

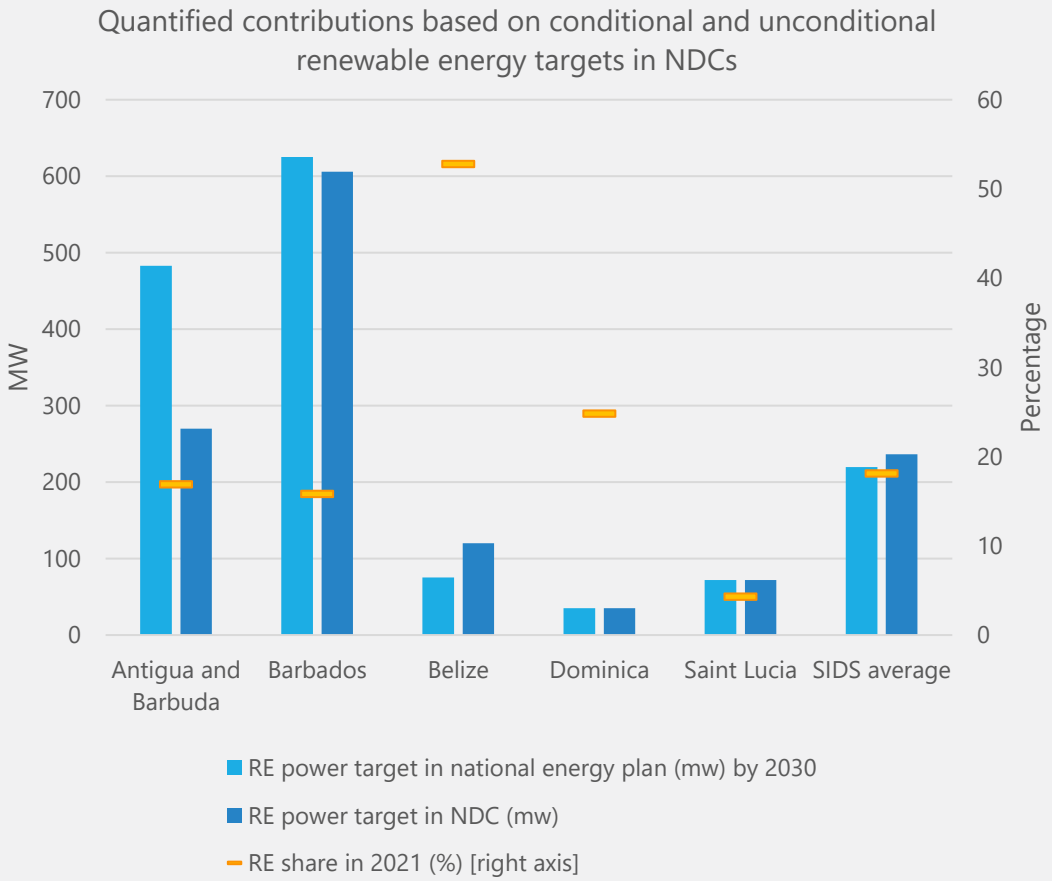
The main market policies are: subsidies, taxes, use of market financing. Non-market includes regulation and standards, investment in R&D, subsidies and tax breaks, public infrastructure and procurement, ed and training.

Carbon markets and ETS have been discussed but not developed but there remains a potential area of opportunity

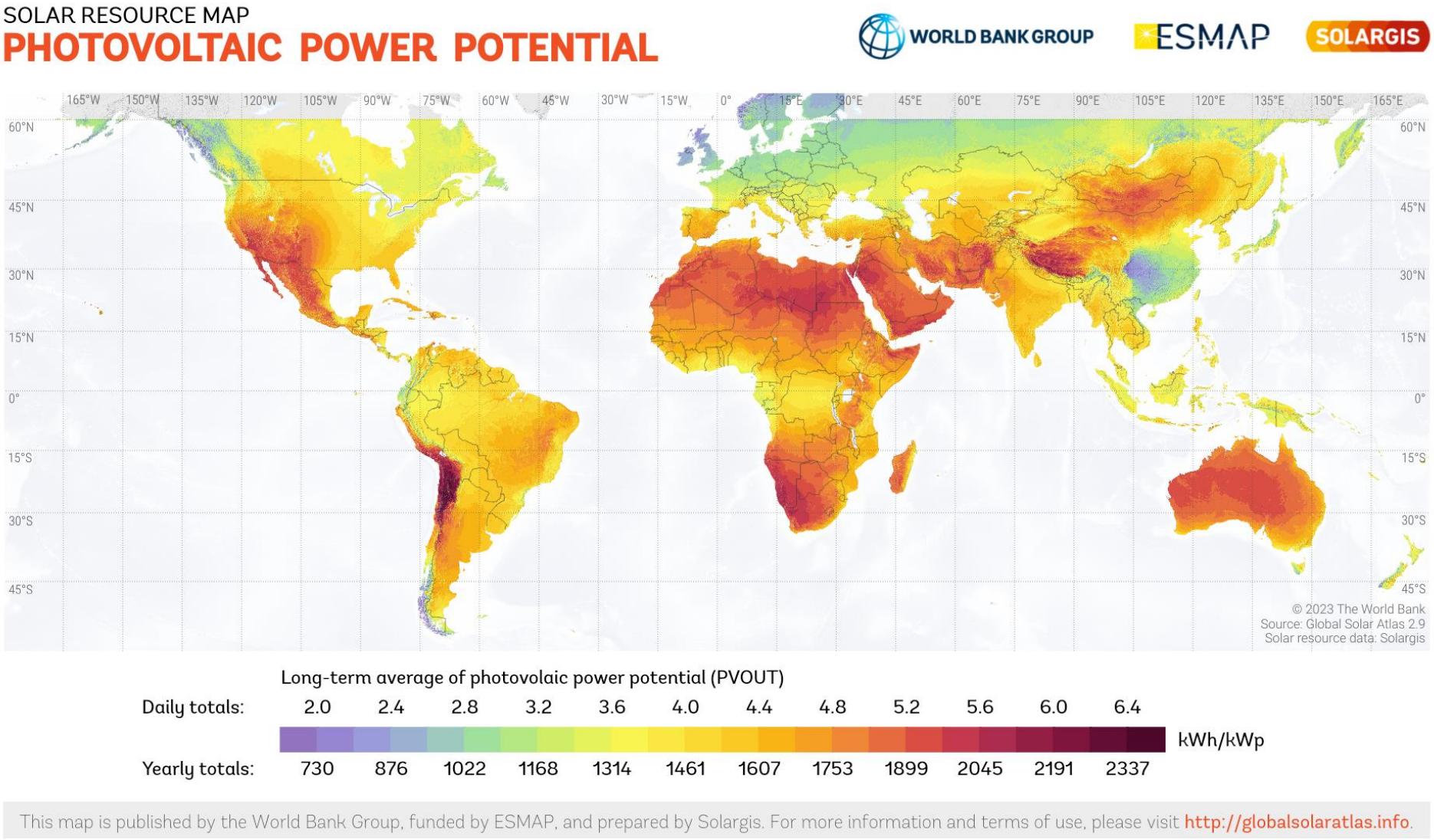
Policies to reduce the risks posed by natural disasters e.g. CDEMA's CDM and Fiji's One Pacific Early Warning Program

The impact of green development policies in SIDS

- Green development policies have been helping to catalyze the energy transition and greening other sectors in Caribbean, Pacific and other SIDS.
- In LAC, biggest emitting sectors are agriculture, forestry and other land use (46%), transport (15%), elec. (13%), manuf. and construction and waste (6%) each.
- In 2023, Barbados secured a US$100 million WB loan to for green and resilient recovery. A sizeable portion will be invested in solar and wind energy to transform Barbados into a premier "green island".
- Big push in smart green industrial policy is needed to decarbonize production systems
- Strides have been made in greening Caribbean tourism after the pandemic and agriculture

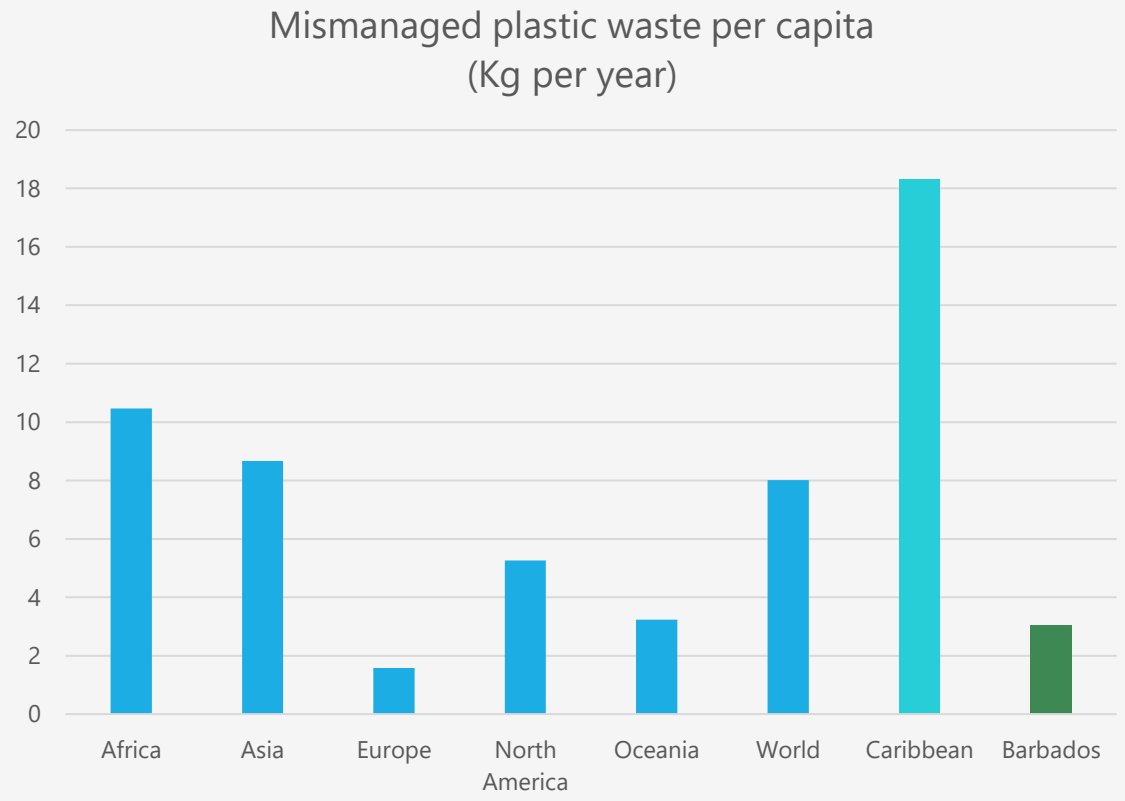


Most Caribbean countries have good photovoltaic power potential



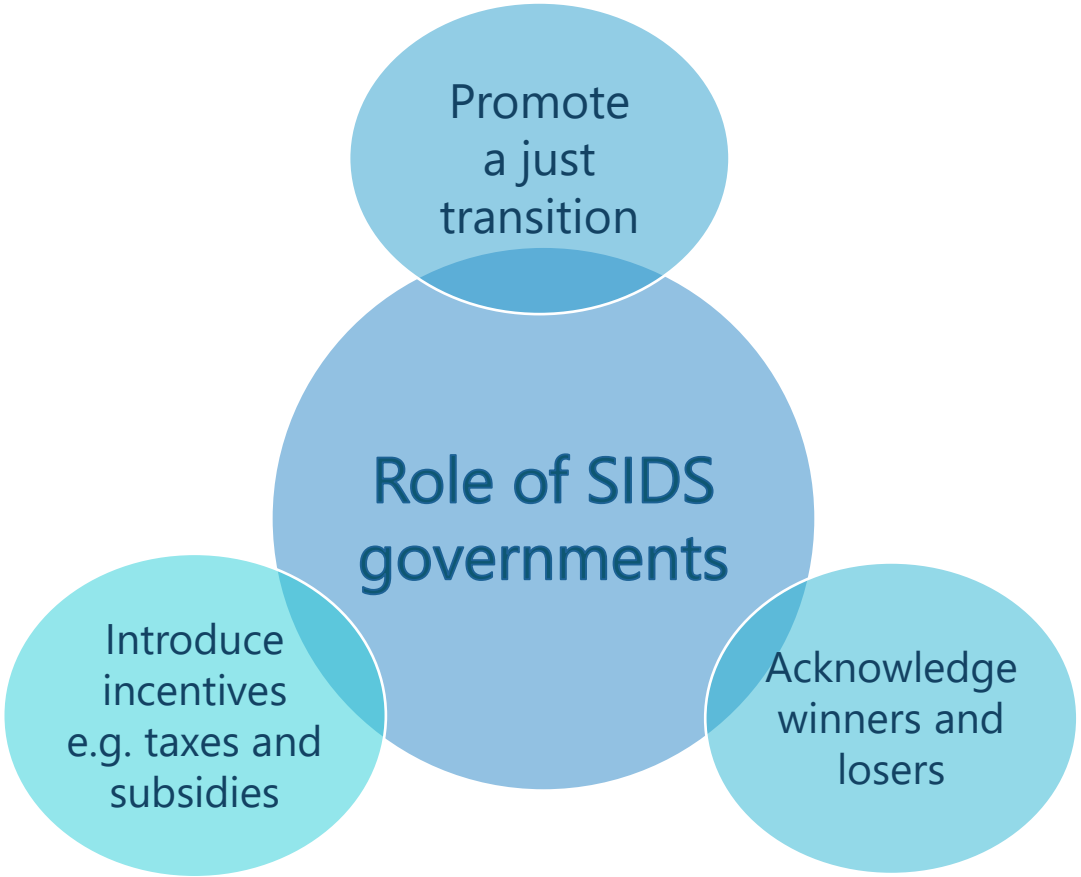
There is room for improvement in waste management

- Solid waste management is not often viewed as a priority area in the Caribbean
- The region is lagging behind in waste management. More emphasis needs to be placed on solid waste collection recycling, proper disposal and composting
- Solid waste management policies should seek to reduce waste output and decrease environmental and health risks
- Waste to energy is important but needs scale



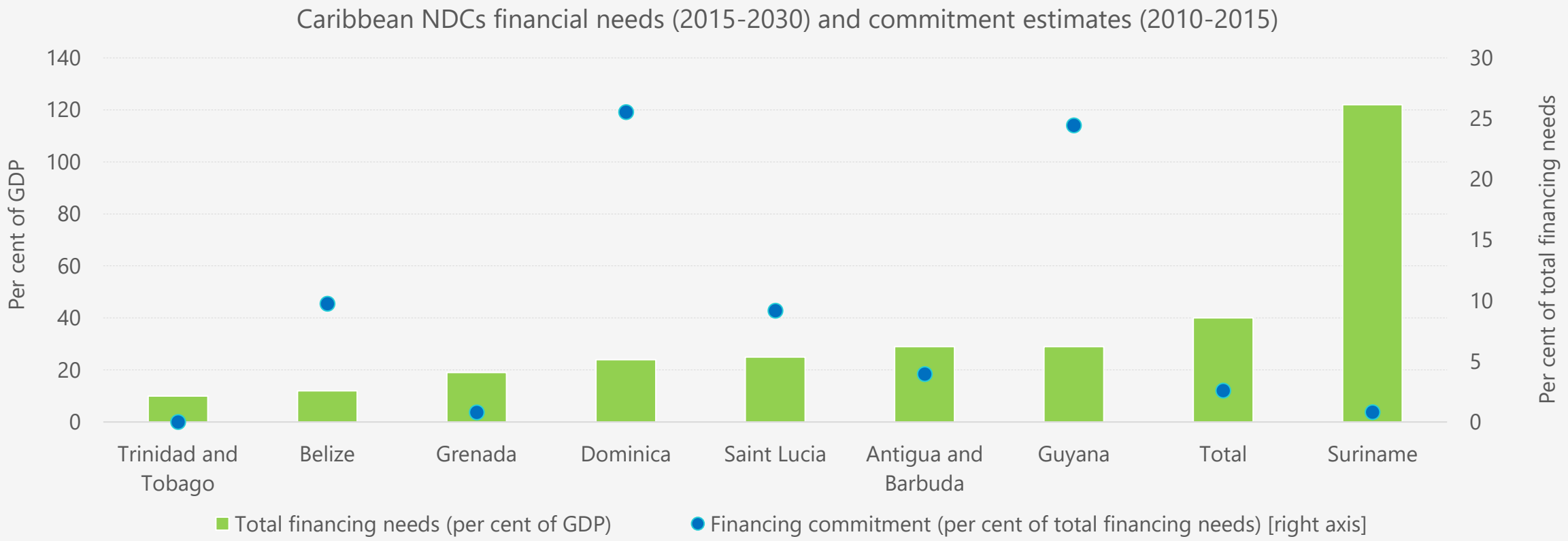
Source: Meijer et al. (2021). More than 1000 rivers account for 80% of global riverine plastic emissions into the ocean. Science Advances. – processed by Our World in Data

The role of government in facilitating a just transition



- SIDS have recognized that it is not enough to have a green transition, but also a just transition
- The just transition acknowledges that there are winners and losers from the shift to a green economy.
- Stranded assets in energy and other sectors will lead to high unemployment- social protection is key
- Governments in SIDS will need to use a mix of tax, subsidies, retraining/reskilling, sectoral and spatial programmes to balance the gains and losses from the green transition

Major financing gap hampers investment in resilience



Source: Authors calculations based on Mohan, Preeya S. 2022. Implementing nationally determined contributions under the Paris agreement: an assessment of climate finance in Caribbean small island developing states.

Role of South-South cooperation in catalyzing a progressive green transition in SIDS

South-South cooperation (SSC) is essential for providing Caribbean and other SIDS with grants and low-cost finance, technology and knowledge transfer to advance the green transition.

SSC can boost investment, technology and skills transfer in key areas including:

- Solar, wind, geothermal, OTEC and other renewable energy sectors to drive down energy costs and provide and energy dividend to bolster competitiveness in agriculture, tourism, manufacturing and other sectors;
- Green agriculture based on more efficient use of energy and other resources and respect for indigenous knowledge and practices
- Greening the tourism sector (the sector can benefit from exchange of knowledge on standards, certification, resource efficiency measures and other strategies to diversify away from mass tourism that is expected to lose market share in a ''greener world".

Recommendations

1. Barbados and other SIDS need a big push green strategy with green energy as a platform
2. Private sector will lead but the state will have to play an active role supported by affordable international finance and technical assistance
3. Greening sectors must be seen as a public good and public investment more than just a cost
4. SIDS must actively court and incentivize investment in green energy, agriculture and tourism and other sectors by making it easy to start these businesses and removing bureaucratic hurdles.