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The Energy and Climate Partnership of the Americas

By Thomas Andrew O'Keefe (Mercosur Consulting Group, Ltd.)

Introduction

The first ministerial for the Energy and Climate Partnership of the Americas (ECPA) occurred in Washington, D.C. on April 15-16, 2010 and was attended by 32 of the 35 governments in the Western Hemisphere. The first day of the energy ministerial, hosted by the Inter-American Development Bank, was open to the private sector, academics, and non-governmental organizations. ECPA is the first initiative offered by the Obama administration, and likely to be the only one during its first term in office, encompassing the entire Western Hemisphere.

The idea for an ECPA was first floated by then Senator Barack Hussein Obama in the sole policy address he gave on Latin America and the Caribbean during his run for the White House. The primary purpose of that speech given in Miami in May 2008 was to garner Cuban-American votes for his candidacy as well as that of two Cuban-American Democrats and one Colombian-American challenging incumbent Cuban-American Republican congresspersons from south Florida.[1] Not surprisingly, the speech focused heavily on U.S. relations with Cuba. Obama did, however, mention a proposal to create an Energy and Climate Partnership for the Americas. In particular, Obama stated that, if elected, his administration would allow industrial emitters of greenhouse gases in the United States to offset a portion of their emissions by investing in low carbon energy projects in Latin America and the Caribbean. He also pledged to increase research and development across the Americas in clean coal technology, in the next generation of sustainable biofuels not taken from food crops, and in wind, solar and nuclear energy.

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At the margins of the Fifth Summit of the Americas held in Trinidad in April 2009, the U.S. delegation floated the idea of an Energy and Climate Partnership of the Americas.[2] The name change was subtle but reflected an appreciation for the fact that the current political climate in Latin America would ensure stiff resistance to any initiative that carried a heavy US imprimatur. Hence, there was a need to underscore that whatever ECPA achieves will be the result of a consensus reached among interested governments. The fact that a Venezuelan delegation headed by Energy Minister and PdVSA President Rafael Ramirez participated in the ECPA Ministerial one year later is an indication that this name change was more than mere semantics and had symbolic importance.

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The prospects for ECPA coming out of the Trinidad Summit were less than auspicious. A meeting of some Latin American energy ministers in Lima in June of 2009 did not even count with the physical presence of the U.S. Secretary of Energy Steven Chu. Among the few concrete achievements coming out of that energy symposium was a bilateral agreement signed by U.S. and Peruvian officials to establish a Regional Efficiency Center. For its part, the Mexican representatives agreed to fund a Regional Wind Center.[3] The U.S. delegation also proposed a "Low Carbon Communities Program" through which the U.S. Department of Energy will "partner with countries in the region to provide technical assistance and limited funding to develop building standards and adopt modern

urban planning strategies including transit-oriented development to achieve low carbon communities."[4] The emphasis on "limited funding", however, practically ensures that it will meet the same fate as the Clean Cities partnership proposed by the Clinton administration back in 1999. That initiative with similar objectives but limited to Chile collapsed from a lack of funding at a time when the Federal government enjoyed a healthy fiscal surplus.

Another serious problem that delayed getting ECPA off the ground was a debilitating turf battle between the Clintonistas in the State Department and the Obama political appointees at the Department of Energy over who would have the lead role in representing the United States. The fact that Steven Chu and Secretary of State Hillary Clinton were both keynote speakers at the ECPA Ministerial on April 15 may be an indication that this dispute has finally been resolved.

The Pillars That Support ECPA

EPCA is premised on at least seven pillars (the last two Secretary of State Clinton proposed adding at the April 15 ministerial itself):

1) Energy Efficiency;
2) Renewable Energy;
3) Cleaner Fossil Fuels;
4) Infrastructure;
5) Energy Poverty;
6) Sustainable Forestry and Land Use; and,
7) Adaptation assistance to developing countries impacted by climate change.

At the April ministerial in Washington, D.C. it was announced that the U.S. Department of Energy will provide technical support, including hosting a workshop, to explore the potential for building a Caribbean-wide system using sub-sea cables to transmit electricity generated from renewable energy sources. The Department of Energy and the Inter-American Development Bank also signed an agreement creating an Energy Innovation Center that will allow both entities to coordinate resources to facilitate regional projects and activities. The Center will serve as a focal point for accessing the Bank's annual energy financing pipeline of US$ 3 billion. In addition, the U.S. Department of Energy and the U.S. National Laboratory announced a partnership with scientists and technology experts in Colombia involved in research to help identify, evaluate, and promote technologies for sustainable biomass use in that country.

For its part, the U.S Department of State announced at the ECPA ministerial the names of three U.S. scientists to serve as Senior ECPA Fellows that will travel to countries in the Western Hemisphere to provide advice, share experiences, and consult with regional counterparts on clean energy, sustainable landscapes, and adaptation to climate change.[5] The U.S. Department of Agriculture has been selected to serve as the lead agency that will coordinate U.S. government technical assistance to countries interested in sharing information to expand production and usage of renewable biomass energy that is sustainable. Other programs will promote the use of shale gas throughout the Americas (despite serious concerns raised by environmental groups on so-called fracking techniques to squeeze gas out of shale rock) and train Peace Corp volunteers to introduce energy-efficient practices and alternative energy technologies, including small-scale solar panels, cooking stoves, and small wind turbines.

How Serious is the U.S. Commitment to ECPA?

The U.S. government emphasizes that ECPA is "voluntary, allowing governments, inter-American organizations, private industry, and civil society to lead or participate in initiatives that reflect their priorities."[6] In fact, the Obama administration goes out of its way to highlight that ECPA is not a U.S. led initiative. Governments may work jointly or on their own to lead initiatives, finance activities, and/or create welcoming policy environments that encourage low carbon development. Countries are free to identify areas where they can contribute or need assistance or where they can collaborate.

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The almost non-existent institutional framework to sustain ECPA and the lack of any major financial support (other than pre-existing Inter-American Development Bank financing available for energy related projects) raise questions as to level of commitment by the U.S. government. One is left with the impression that the Obama White House felt compelled to come up with a program that addresses a region of the world it has ignored up to now, but to which it is unwilling to devote massive amounts of manpower or resources. It is almost as if Washington, D.C. is hoping that Canada and major fossil and alternative energy producers in Latin America and the Caribbean as well as the private sector and NGO's will relieve it of its traditional leadership role in the Western Hemisphere. Perhaps this flexible approach of "building from the bottom up" may not be as farfetched

as it initially appears.

During Secretary of State Clinton's trip to Brazil in March 2010, a Memorandum of Understanding (MOU) was signed between Brazil and the United States on Cooperation Regarding Climate Change. The idea for this particular MOU is said to have originated in Brasilia as a result of the positive working relationship developed between the United States and Brazil through the 2007 MOU to Advance Cooperation on Biofuels and ECPA. The latest MOU adds as new areas for bilateral cooperation the reduction of emissions from deforestation and forest degradation pursuant to the United Nation's REDD plus program as well as low carbon development. Reducing Emissions from Deforestation and Forest Degradation (REDD) is an effort to create a financial value for the carbon stored in forests, offering incentives for developing countries to reduce emissions from forested lands and invest in low-carbon paths to sustainable development. REDD plus includes the role of conservation, sustainable management of forests, and enhancement of forest carbon stocks as a way to potentially generate financial flows from the developed world to developing countries under any new multilateral climate agreement to replace the Kyoto Protocol to the United Nations Framework Convention on Climate Change when it expires in 2012. The fact that Brazil is now open to participating in REDD plus or collaborating with the United States on deforestation and forest degradation issues marks a sea change given the country's traditional refusal to allow the international community to dictate how it manages its rain forests.

Even if Canada or Latin American governments--- along with the private sector--- do come up with more visionary activities required to push ECPA forward, this may ultimately lead to confrontation with the United States. Already the government of President Luiz Inácio Lula da Silva is pushing for the United States to open its market to sugar-based ethanol produced in Brazil. U.S. subsidies to domestic ethanol producers, when combined with the 2.5 percent ad valorem duty, a surcharge of 14.7 cents per liter, as well as restrictive volume caps, currently keep out less costly, more efficiently produced, and environmentally friendlier sugar-based ethanol from Brazil.[7] Despite the huge cost to U.S. taxpayers, the formidable block of congressmen from corn-belt states have so far made it impossible to remove the protection and subsidies provided to corn-based ethanol produced in the United States.[8]

A Clean Development Mechanism for the Western Hemisphere

One of ECPA's biggest deficiencies is that it proposes nothing that will have a major impact on reducing greenhouse gas emissions required to save the planet from catastrophe due to climate change. If the Obama administration is serious about enacting domestic climate change legislation premised on a carbon cap and trade program, then it needs to work with other countries in the Western Hemisphere to develop a credible Clean Development Mechanism. This is particularly urgent given the failure of the Copenhagen Climate Conference this past December 2009 to produce a binding successor agreement to the Kyoto Protocol.

Under the current United Nations administered CDM established under the Kyoto Protocol, credits can be issued to a developed country and its companies for financing projects in the developing world (e.g., building a more expensive thermal plant fueled by natural gas or a hydro dam to generate electricity instead of a cheaper coal powered generator) that reduces global greenhouse gas emissions and would not have been built but for the funding emanating from the rich country donor. The credits received through the CDM are then used to offset mandated emission reduction targets at home.

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Unlike the multilateral CDM, a hemispheric version would be less susceptible to the type of fraud that plagues the current UN administered system.[9] This is not only because of the smaller number of countries involved, but also because of the plethora of potential institutions in the Western Hemisphere that can more effectively administer a hemispheric carbon offset program. For example, the Andean Development Corporation (CAF) already oversees a Latin American carbon market through the registration and issuance of certified reductions in the transportation sector. The CAF has also signed contracts for carbon emission sales with public and private agencies (including Spain's Ibero-American Carbon Initiative) and investment funds resulting in new energy generation facilities using renewable resources, forestry related activities, and an expansion of biofuel production.

A CDM limited to the Western Hemisphere provides a way for cash-strapped Caribbean and Central American nations to move away from their traditional heavy reliance on fossil fuels by offering financing for alternative energy projects. It also provides a means for sharply diminishing Brazil's role as a top source of global carbon emissions.

In contrast to the situation in China or the developed world, the bulk of Brazil's greenhouse gas emissions come from the burning of its tropical rain forests. The continued

burning of trees in Brazil, home to the 65 percent of the Amazon rain forest, also exacerbates global climate change given the important role the Amazon plays in naturally sequestering greenhouse gases and its impact on regional rainfall patterns. While forest conservation or reforestation projects can be used to obtain carbon offsets under the current multilateral CDM, Brazil---citing sovereignty concerns and fears of "internationalizing" the Amazon---has so far refused to permit any type of Amazonian conservation or sustainable use initiative to generate carbon credits. Brazil would be less likely to resist an effort to utilize projects in the Amazon to gain carbon offsets under a CDM limited to the Western Hemisphere, particularly if as part of a grand bargain, the United States agreed to eliminate its current arsenal of tariffs, hefty surcharges, quota restrictions, and subsidies that effectively keep out Brazilian sugar-based ethanol.

Conclusion

ECPA responds to the new realities in the Western Hemisphere that is very different from the situation that existed in the 1990's when governments eagerly signed on to the Free Trade Area of the Americas as a way of supporting their adoption of market oriented economic reforms. There is no longer a hemispheric consensus on the benefits of unfettered free trade or unregulated markets guided only by an invisible hand. Governments have come to power at the ballot box throughout Latin America that openly challenge the political and economic hegemony once exercised in the region by the United States by favoring alliances with emerging economies in other regions of the world. The United States has itself been weakened by the near collapse of its financial services sector and endless wars that absorb huge amounts of the national treasury. Nonetheless, in its current manifestation, ECPA is under whelming in terms of both scope and ambition. Unless countries like Brazil, Canada, and Chile step up to the plate and exercise the type of imaginative leadership the United States is currently unable or unwilling to offer, ECPA's achievements are likely to prove negligible in enhancing energy security or in making a significant dent in reducing greenhouse gas emissions.

1 Interestingly, none of the three Democratic candidates, who included the former Executive Director of the Cuban-American National Foundation won, as Lincoln Diaz-Balart and his brother Mario as well as Ileana Ros-Lehtinen were easily re-elected.

2 A press release put out by the White House on April 19, 2009 noted only "President Obama invited countries of the region to participate in an Energy and Climate Partnership of the Americas; a voluntary and flexible framework for advancing energy security and combating climate change. Countries will be encouraged to suggest tangible ideas for cooperation, including on energy efficiency, renewable energy, cleaner fossil fuels, and energy infrastructure."

3 Since the Lima meeting, a regional Renewable Energy Center has been proposed to be placed in Chile, an Energy Efficiency Center in Costa Rica in conjunction with the Natural Resources Defense Council, a Biomass Center in Brazil, and a Geothermal Center in El Salvador with the support of the Inter-American Development Bank and the US Department of Energy. Brazil has also agreed to lead an initiative to promote sustainable urban development and planning. A full list of the initiatives falling under the ECPA umbrella is available at: http://www.ecpamericas.org

4 See, June 16, 2009 U.S. Department of Energy Press Release found at: http://www.energy.gov/news/7468.htm

5 The three scientists are: 1) Dr. Daniel Kammen, Professor of Energy at the University of California, Berkeley; 2) Dr. Ruth Defries, Professor of Sustainable Development at Columbia University; and 3) Dr. Gerry Galloway, Professor of Engineering at the University of Maryland.

6 See, http://www.pi.energy.gov/ecpa.htm

7 A liter of Brazilian ethanol made from sugar cane currently costs almost half the "real" cost to produce a liter of corn-based ethanol. In addition, corn-based ethanol yields a little more than the same amount of energy as the fossil fuel needed to produce it. By contrast, the input-to-output ratio in the case of ethanol made from sugar is about one to nine. Finally, it takes almost twice as much land to grow corn to obtain the equivalent ethanol produced from sugar, and corn requires extensive use of pesticides and petrochemical-based fertilizers not required for sugar production. National Bank of Economic and Social Development (BNDES) & the Center for Strategic Studies and Management (CGEE), SUGARCANE-BASED BIOETHANOL: ENERGY FOR SUSTAINABLE DEVELOPMENT 67, 70, 81, 89, 92 & 96 (2008). A copy of the full report is available at: http://www.sugarcanebioethanol.org/

8 The United States corn-based ethanol program cost U.S. taxpayers an estimated US$ 9.2 to 11 billion in 2008 in subsidy programs. D.KOPLOW, BIOFUELS-AT WHAT COST?: GOVERNMENT SUPPORT FOR ETHANOL AND BIODIESEL IN THE UNITED STATES 1 (OCTOBER 2007).

9 Research conducted by two Stanford University law professors in 2008 found that a large fraction of the credits generated under the CDM did not represent genuine reductions in greenhouse gas emissions as many projects that "reduce" emissions would have been built anyway and at a far lower cost as well. Even worse, the CDM creates perverse incentives for developing countries to increase carbon emissions as a way of generating CDM credits that can then be offered to developed nations desperate to find offsets for their own pollution inducing activities. See, Michael Wara & David G. Victor, "A Realistic Policy on International Carbon Offsets" (Program on Energy and Sustainable Development Working Paper # 74, Freeman Spogli Institute for International Studies, Stanford University, April 2008). Available at: http://fsi.stanford.edu/publications/a_realistic_policy_on_international_carbon_offsets/

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