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Latin America, post pandemic between the Sustainable Development and "ESG"

Ingo Plöger
Brazilian Entrepreneur, President CEAL Brazilian Chapter

Brazil, as host of the United Nations Conference on Environment and Development, also known as Eco-92, Earth Summit, Rio de Janeiro Conference and Rio 92, was the first signatory to the Climate Commitment. It symbolized that the developing and developed world were committed to a development, not at any cost, but sustainable for the next generations to be able to live on a quality planet. The landmark of this conference and of subsequent ones, such as the Kyoto Protocol of 1997, also signed by the nations of Latin America, and very late by Russia, which validated this commitment, was the understanding that sustainable development took place in the **economic, social and environmental order.** Moreover, in this order, because without the economic, the social and the environmental would not be sustainable. In addition, the social before the environmental, because those who are hungry, think of themselves first. This concept did not come out from the beginning, but developing countries hard fought it. Europe at that time understood sustainable development, more focused on the environmental than social and economic, not least because that was not a priority problem. The economic, with the formation of the European Union and the Maastricht principles, were well underway, and the social was also good or bad, but anchored in the social network that that block of countries that made up the EU had resolved. Therefore, there was an excess of environmental issues, because it was evident that Europe's lifestyle was not sustainable in the end. There were several reports of emissions, and of lifestyle, which showed that if the world adopted the European lifestyle, we would need three planets 1), which, obviously, was not sustainable. The situation in the USA was even worse, whose lifestyle, more wasteful, required five planets, if all 7 billion inhabitants wanted to choose the same lifestyle. As the USA has always been reluctant to these agreements, even being the only ones not to sign the Kyoto Protocol, the debate was between Europeans and developing countries. China becoming the largest emitter of greenhouse gases, it defended himself, arguing that China's per capita emissions would be much lower than Europeans and Americans. It was a South American, Brazilian initiative that came up with the proposal to monetize the capture of greenhouse gases through a clean development mechanism CDM (Clean Development Mechanism). The CDM had such a complex procedure of additionality and voluntariness, among others, that only very few initiatives were successful. However, the pressure of having a mechanism to monetize the climate sustainability effort, outside of such, that a CO2 Exchange has been created in Chicago that even negotiated a ton of CO2 at US$ 9.00, while the EU even offered us CDM €30/ton. Nevertheless, of course, without effective governance, projects have also emerged, with little or no governance, and the credibility of these procedures and credits has become dubious, even with the extremely bureaucratic procedures buried the initiative to monetize the socio-environmental effort. Thus continued the subsidies and tax compensations, which benefited the developed ones.

In this hiatus, pressures arose that while developed countries, which had already used exaggerated emissions, and had not achieved the Kyoto targets, now sought the same commitment to developing countries in their industrial policies. They requested certified social and environmental responsibility reports so that they could access their markets for both products and services as well as capital markets. Kyoto's commitment proved to be insufficient, not least because the developing countries themselves were unable to meet the targets set, and the Paris Conference appeared to set new targets for the coming decades. The Paris commitment, which set emission targets and an increase in the earth's temperature, entered its first phase, but with the Trump administration there was a breach of this agreement by an important player, the USA. By weakening the Agreement, the others remained committed, while popular and consumer pressure rose and became a relevant policy element. What was previously reserved for select groups and NGOs is now becoming consumer preference, completely changing the characteristics of the markets. The European Union reacts and takes policies for e-mobility, sustainable energies, and movements against diesel. China is committed to a gigantic effort to be a protagonist of globalization and sustainability and promotes an industrial policy of stimulating electric vehicles, solar energy, among others. Banks unite in a Basel Accord to promote green financing.

The first more coherent and stronger financing initiatives aimed at sustainability appear, but with a new element of *governance*. **"ESG" - Environmental Social Governance**, which offers financial advantages of better interest rates and preferences for those who adhere to the ESG principles.

The ESG that emerges again from Europe seeks to give transparency and preference to what the bloc has always needed that of commitment to the environment and the social, placing governance as the item of differentiation, to ensure its credibility. Europe enters into new commitments for 2030 and 2050. However, it soon realizes that its production chains are global, and it is of little use that they commit themselves to objectives, if the imported components and parts come from unsustainable origins. In setting up a policy of commitments to the global production chain, which will only work with trusted partners. The commercial and communication war between the USA and China follows, and Europe adopts the *double standard* policy, that is, for China it has a way of acting and for others like Latin America, less soft standards.

The recent season of forest fires follows. In the USA, Australia, Europe and unfortunately also in the Amazon and the Pantanal. These because they are the most emblematic natural reserves and the Brazilian inability to conduct this issue as it should have culminated in generating a negative repercussion worldwide. Now it is part of ESG, much more for Latin America than for other countries. Remembering that it is now the consumer's will.

ESG and much more now the G becomes important!!
With the defeat of Trump and the victory of Biden in the USA, and the return of the USA to the Paris Agreement, it seems that we will have the reinvigoration of the sustainability agenda.

A big step in the right direction, but not quite!
The pandemic has left us less global, more digitalized, poorer for many and richer for a few, at the same time!

The countries, and especially those in development, will emerge from the pandemic, much poorer and more indebted with the need for investments for the health of their populations and for the resumption of their economic growth, which will result in much more fragile economies. Developed countries will have more breathing space to recover faster and stronger. Therefore, ESG lacks what was in sustainable development, the first vector - economic sustainability! Debt brake 2) is being debated in Germany, while in Brazil and other countries, the sustainable economy is being reduced, reducing the deficit and debt already, putting the economy and the population under pressure.

Therefore, ESG lacks yet another economic E.
It is not enough to have environmental and social governance if we do not have economic sustainability. This equation goes back to the good principle of sustainable, economic, social and environmental development. Perhaps it is time to talk about the EESG or the E2SG, to share the effort for a more sustainable world for all in a fairer way.

Nevertheless, we have good reasons for promoting the EESG 3), which today may have more transparent, differentiated and more justly valued mechanisms. The European Union in a recent letter from its regulator ESMA European Securities Markets Authority 4) expressed its concern about the non-regulation of ESG criteria that show how much we still have ahead.

Certainly products that have an EESG certification, need to have preferences, in the access to markets, in a forceful way. This could be a fair compensation for Latin America's effort in the EESG, to receive access to their markets by developed countries through EESG preference. Moreover, it will not be by revising the Agreements, like the MS-EU, that it would take a few decades to negotiate. We need urgency for humanization!

In times of crisis, we need democratic and human solidarity first.

Perhaps Biden's new policy will offer us hope in this regard.

1) Abundance, The future is better than you think Peter H. Diamondis, Steven Kotler; Free Press, NY, 2012
2) Interview mit BDI Präsident Siegfried Russwurm *Handelsblatt 29.01.2021*
3) Revista RI • Nº 241 • MAI 20 • EESG: O NOVO ESG

4) 28.01.2021 Letter ESMA https://www.esma.europa.eu/sites/default/files/library/esma30-379-423_esma_letter_to_ec_on_esg_ratings.pdf