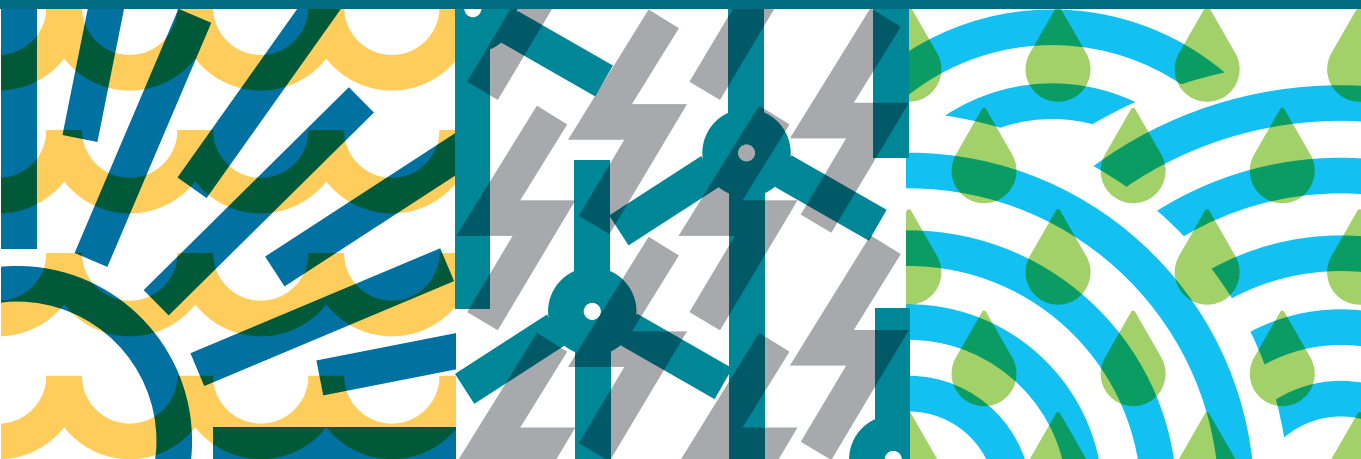


MERCOSUR – EUROPEAN UNION DIALOGUE

ON CLIMATE CHANGE, ENERGY
AND FOOD SECURITY

August, 15 - 16, 2017

REPORT



Konrad
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CENTRO BRASILEIRO DE
RELAÇÕES INTERNACIONAIS



AMENDS



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EKLA
Programa Regional Segurança
Energética e Mudanças Climáticas
na América Latina

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AMENDS

The Research Institute for the Environment, Energy Security and Sustainable Development (AMENDS) is a Brazilian non-profit organization which aims at promoting research on environmental, energy and social issues by working with civil society at the political and the educational level, both nationally and internationally. To achieve this, AMENDS works by publishing reports, studies, policy papers and by means of cultural and educational interventions. AMENDS is made up of researchers from the fields of International Relations and Law and is founded upon the following principles: the defense of Human Rights and the Environment, the protection of democratic values and the rule of law, the promotion of regional integration, the search for energy security and for fair and equal sustainable development through domestic and international research cooperation. Founded in 2017, AMENDS is headquartered in São Paulo and its researchers are also based in the state of Rio Grande do Sul (Brazil), in Uruguay and in the UK.

PRESENTATION

Almost twenty years after the beginning of negotiations on a free-trade agreement, Mercosur and the European Union resume and accelerate talks in search of a cooperation agreement that goes beyond free trade, covering a series of broader themes that include sustainable development.

Given the adoption by the United Nations of the Sustainable Development Goals (SDGs) in 2015, and the commitments made by the UN Climate Convention member countries under the Paris Agreement, which entered into force in 2016 in the form of nationally determined contributions (NDCs) to combat climate change, one of the most relevant questions that arises is how the member countries of the two blocs will face the challenges of promoting food and energy security.

The **Mercosur-European Union Dialogue on Climate Change, Energy and Food Security** was held at the UN House in Brasilia, on August 15 and 16, 2017 in order to contribute to the analysis and discussion on the potential for cooperation between the two blocs in the context of the implementation of the SDGs and NDCs related to climate change, energy, and food security. This project is a result of the collaboration between the Konrad Adenauer Foundation Regional Programme for Energy Security and Climate Change in Latin America (EKLA-KAS), the Brazilian Center for International Relations (CEBRI), and the Institute for Research in Environment, Energy Security and Sustainable Development (AMENDS).

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A world in transformation. The coexistence, often not peaceful, between an old world that is ending and a new world that settles in. A world in which it will be necessary for the West and the East to establish a dialogue for the future. A world that demands that institutions adapt to these transformations, as the United Nations has been doing. A world that needs to further explore the potential for cooperation between blocs such as Mercosur and the European Union in such relevant topics as climate change, energy and food security, opening space for civil society to further secure and deepen the dialogue between the blocs. This will require creative solutions in order that both sides contribute to global governance. This was the background of the discussions that brought together renowned experts at a closed-door workshop at the UN House in Brasilia on the first day of the Conference.

According to participants, the negotiations that led to the adoption of the Sustainable Development Goals (SDG) and the Nationally Determined Contributions (NDCs) required an effort to think about the future amid a wide diversity of people and interests within an increasingly complex world. “The SDGs are a pragmatic effort to organize a world in transition”, according to one of the participants, a world that is undergoing a series of crises and which can be divided into three: a sociocultural crisis, which refers to the political and ethical spheres; a scientific-technological crisis, which is reflected in changes in the standard of living, the breakdown of science, and the ability of cyberwars to change patterns and behavior; and a climate-environmental crisis, which is also a systemic crisis that alters living standards. All these crises and concerns were present in the negotiations of both the SDGs and NDCs, which helps in building and systematizing a view of the world.

Given these challenges, it was pointed out that, within the Mercosur-EU cooperation framework, Brazil will have to seek a closer position with its neighbors in these themes, since the South American bloc does not operate jointly in climate negotiations. Among the strategies highlighted by one of the participants are: rethinking cities, improving their transport structure, and looking at how all SDGs relate to each other; in addition to considering strategic combinations between SDGs for each bloc in order to develop a regional concept and a common post-2030 vision.

Regional integration was also highlighted by a specialist, who stated that it is “an energy security strategy.” Presenting the situation of European energy policy and its main phases and drivers, it was presented that how the EU set targets such as a 40% reduction of greenhouse gases (GHG) by 2030 and the elements that influenced these decisions, such as the international conferences on the subject, the oil crisis, and the geopolitical disputes in the region. Thus, the debate changes due to the market’s and technology’s design. Energy is a continuous adjustment, considering that the market has changed and that changes are necessary, which drives one to be more responsive to technological innovations.



If in the European Union energy security is a regional integration strategy, in Mercosur this process still faces as an obstacle a greater emphasis on national sovereignties and the competition between the region’s countries for greater international investments in the development of renewable energy and it is still difficult to move from sovereignty to integration in Latin America, especially in energy matters. This brings about the need to think about integration, the region’s contribution to international governance and progressive structural change based on Schumpeterian efficiency (being intensive in learning and innovation), Keynesian efficiency (being associated with rapidly expanding markets), and environmental efficiency (detaching economic growth and carbon emissions). These important topics are solutions for overcoming a development model that proves to be environmentally unsustainable and that has contradictions intensified by the prevailing world economic trends within a society in a rapidly changing world.

Concerning energy integration, Mercosur has to define what energy transition is. Gas, for example, is considered a transition source, but it is necessary to define this for the whole region and to observe, in Brazil’s case, what source gas will substitute. The propositions for the future lead to the adoption of a more balanced energy mix with less fossil fuel participation. The energy trilemma that leads to energy sustainability (energy security, access to energy, and environmental sustainability), elaborated by the World Energy Council, leads to three scenarios for Latin America: high economic

growth based on structural reforms and innovation; a medium-sized economic growth scenario focused on sustainability; and low economic growth and low investment in infrastructure, which can generate different results in terms of energy sustainability. In order to deal with such scenarios and their possible outcomes, the region should improve its ability to cope with climate challenges and promote energy integration. One of the great problems in this sense is that, at least in Brazil, the different actors do not talk amongst themselves to reach a common interest. According to specialists, the government should reduce its interference and dialogue more with economic agents.



Izabella Teixeira,
Former Brazilian
Minister of the
Environment and
CEBRI Senior Fellow

The experts highlighted the following strategies to define shared interests between Mercosur and the EU and to improve cooperation between the blocs: a greater dialogue with society in order to define what we are seeking in terms of energy integration, improve the institutional environment, increase Mercosur's capacity to act as a bloc (considering that sovereignty is an important value in these states), seek greater openness of the EU agricultural market to Mercosur countries, and allow greater access to technology. Above all, it is necessary to develop a new vision of regional cooperation.

The relation between climate change, food security and agriculture was the theme of the second panel of the conference's first day. The panel highlighted actions and opportunities for Mercosur and the European Union. The root of this relation is the concern with the management of natural resources. In this sense, agriculture deserves special attention, since this activity has a great impact on the maintenance of resources. For the European Union, therefore, the key challenge is to increase the agricultural sector's competitiveness in a sustainable way, considering sustainability as a key aspect of the European integration policy, as the goals assumed by the bloc in the Paris Agreement and in the SDGs. Technological innovation as a fundamental instrument to combat climate change and guarantee food and energy security was also highlighted. Reducing agricultural production's environmental impacts, reducing food waste, and increasing the efficiency and production conditions of agricultural producers are among the European Union's objectives to be achieved with the help of innovation. This opens a window of opportunity for cooperation between Mercosur and the EU to improve and deepen the connection between research, producers, and technologies.

Agriculture is the main activity for many Mercosur countries, being thus a common ground. Brazil, for example, through its ABC Plan (low carbon farming), proposes to

increase pasture and forest restoration, to improve the Forest Code implementation, and to eliminate the Amazon's illegal deforestation, which is, above all, an ethical question. The challenge is that meeting all these goals means having a very different land use (and its transformation) from what we have today in Brazil. Therefore to contemplate the fulfillment of the goals assumed by Brazil in NDCs and SDGs demands to understand the importance of the connection between the several SDGs, since one depends on the other. Poverty eradication and energy security, for example, should help achieve other goals, such as food security, with sustainable development as the major backdrop connecting all seventeen objectives. Regarding agricultural production, climate change, and food security, the solution is not to simply reduce meat consumption, according to the specialists, but rather to focus efforts on increasing agricultural efficiency and seeing agriculture in an integrated way, even if with an enormous diversity of actors. It is also necessary to think of simple solutions that can be implemented by all agricultural producers, or that the government reformulate its policies in a way that they can be implemented. In Brazil, large agricultural companies that are already at the top of production and that already take private initiatives to reach the goals set in the NDCs need to help those companies that are the base of the process. In order to deepen Mercosur-EU cooperation, specialists stressed that the concept of sustainable agriculture is very broad and complex and that it must be seen from a regional perspective.



Latin America faces a process of maladaptation to the variability of the region's precipitation regime, besides suffering from great pressures such as the intense transformation of land use, poverty, social and economic development, and the region's political dynamics. "This reality creates ever more complex scenarios and increasingly sensitive systems," according to a specialist. The key to transformation is: overcoming sectoral fragmentation, increasing interaction between the energy, water and food planning sectors; to properly combine the scales of analysis; and promote better strategies for the generation of knowledge, such as by increasing academic / extra-academic dialogue. The deepening of Mercosur-EU cooperation, in this sense, is a necessary path, since "today blocs negotiate since there are no other alternatives in this changing world".

The issue that permeated the first day of debate was the difficulty of thinking of Mercosur as a bloc, and this is one of the most important challenges for deepening cooperation. Specialists also noted civil society's absence in the discussions and pointed out that Mercosur is still very precarious in its way of including social actors in its policies' formulation and implementation. The main goal of expanding and deepening cooperation with the EU is to overcome the difficulties of regional integration in South America and to define strategies for implementing NDCs and SDGs together. Thus, the great point of cooperation between the blocs today is "technological and environmental cooperation, which unite the goals of the NDCs and SDGs in a new development model, detouring the tariff targets that were the central objective of the Mercosur and EU in its beginning, almost twenty years ago," according to a specialist. There needs to be a regional agenda that addresses these new issues and that meets the new global agenda that is being built in a world of great transformation.



Relations between population, environment, and development started the discussions on the second day of talks in an open and provocative debate on the topics of the Mercosur-EU agenda on climate change, energy and food security. "There is a historical parallel between increased GHG emissions and population growth, but at the macro level there is no evidence that this correlation has caused a major impact, as at the same time there has been an increase in technological capacity, the well-being of the population and the capacity for innovation to provide the population with the necessary supplies," said Jaime Nadal, the United Nations Population Fund (UNFPA) representative. Questioning the beliefs that have been handed down to us over the decades from a Malthusian perspective, Nadal said that the fundamental point to be considered is that current patterns of consumption and production are more responsible for the increase in emissions than population growth, even though the responsibility of these three elements in increasing emissions is an academic point of discussion. In this sense, addressing current challenges requires us to change a growth model that does not allow us to meet the sustainable development standards present in SDGs.

Climate change and populations are issues that create new concerns in this changing world, such as climate migrants, rising infectious diseases after a long period of decline, diminishing water supply and its impact on large cities, which will have to adapt to realities such as rising sea levels and difficulties in energy supply. Cities that are more compact, efficient, and resilient and that are properly integrated: this is how Nadal sees a future that demands of us creative and innovative solutions to deal with the great challenges that arise.



These myths, such as those cited by Nadal, are marked by the uncertainties of the changing world we live in today, as former Minister Izabella Teixeira recalled. Citing references such as Sérgio Abranches' recently launched book, *The Age of the Unpredicted: The Great Transition of the 21st Century (A Era do Imprevisto: a grande transição do século XXI, Companhia das Letras, 2017)*, Teixeira analyzes various elements that stand out either as a challenge or as an opportunity in this era of transition, such as: cyberwars as a geopolitical empowerment phenomenon; the climate crisis as the end of the current way of life; the role of foreign trade in accelerating the convergence of climate, energy and food issues; agriculture as a way of designing a new route to reduce greenhouse gas emissions.

Thinking of cooperation in this context of great changes, former Minister Teixeira reminds us that understanding that national sovereignty is a value for the Mercosur countries is one of the great challenges for intra- and inter-bloc negotiations. "It is necessary to discuss with the countries of the bloc, strategies and common positions regarding climate change and energy security, it is necessary to create a Mercosur identity on the issues discussed," she said. The solutions, as stated by Nadal, require creativity and innovation, and creating a new international cooperation format, new political spaces, and a new alignment of countries in relation to global commitments. Think about what we want after 2030, what countries we want to be, and for what kind of development we are looking. Izabella Teixeira encouraged young people to take up this task.

The beginning of this task was given by the SDGs and NDCs. Knowing the world we live in, we must chart the initial goals, but looking at current changes and designing scenarios is essential to thinking about the post-2030 world. Suzana Kahn Ribeiro, from the Brazilian Panel on Climate Change, highlights some areas of attention, such as the energy sector, which assumes a growing role in Brazilian emissions. The

energy model, therefore, and its growing demand must be considered in the goals of combating climate change. Amidst the uncertainties about climate change impacts, the only certainty is that “the world will become more and more carbon restrictive,” Ribeiro said. And in order to deal with these constraints, Brazil and Mercosur will need to invest more in technological development and financial innovation, such as creating a carbon market in the European Union format, looking at the European bloc’s past and learning from its mistakes.



Brazil is preparing and moving towards low-carbon energy production in the view of Jeferson Soares, superintendent of the Ministry of Mines and Energy’s Energy Research Company (EPE), but there is still a lot to be done. In order to plan the future Brazilian energy system, it is necessary to realize the market growth and consider each energy source’s portfolio and particularities, such as availability, intrinsic characteristics, and generation costs. Regarding the participation of renewables in the Brazilian energy matrix, Soares said that by 2030 it is necessary to increase the share of wind, solar, and hydroelectric power. But it should be pointed out, as Suzana Kahn said, that there is a lack of technological development capacity in Brazil, and that low investments in research and development may compromise the reach and expansion of Brazilian targets, since, for example, Brazil does not dominate software development to increase wind power productivity. In Soares’ view, in order for the energy matrix to be more diversified by 2030, hydroelectric generation must be maintained as the basis for transition. Today, Brazil would have no difficulty in reaching a 49% share of renewables in the Brazilian energy matrix in 2025, and carbon pricing, according to Soares, could improve Brazil’s inclusion in the renewable energies universe.

Creating an industrial policy is an essential element for Brazil to overcome challenges, such as mastering the entire wind energy production process and increasing its competitiveness; in addition to increasing investments in research and technology. These were some of the ways suggested by experts in the panel on energy security, mediated by Professor Paulo Velasco. In addition, scenario building must be considered as an essential step for agreeable

decision-making. As Teixeira said, it is necessary to get out of the “average ambition”, to have the courage to take action, to have a serious debate on sustainable cities, integrating the city and the countryside, to develop intelligence for the future.

The round of talks on food security began with a speech by the director of the UN World Food Program (WFP), Daniel Balaban, who pointed out that most of the countries that the WFP currently supports are countries that face the most direct global climate change impacts, leading to a vicious cycle of conflict over food shortages and increasing the population’s susceptibility to insurgent groups. “When you work on the food issue, peace is reached more easily,” he said. The WFP works with public food and nutrition policies for vulnerable countries, having in partners such as Brazil successfully combated droughts in the country, whose impacts have diminished in the last twenty years due to policies of resilience to contain



Alberto Pfeifer, Strategic Affairs Secretariat of the Presidency (Brazil)

situations of vulnerability to climate change, according to Balaban. With regard to agricultural production, the WFP today invests in purchasing local or neighboring countries’ products to stimulate local farmers to continue implemented programs.

Alan Bojanic, FAO’s director in Brazil, recalled that food security refers not only to food production, but also to access and stability of access to healthy food at any time and by anyone. According to data published in the 2015 Hunger Map (published by FAO), there are still 793 million people in the world who do not consume enough food to lead an active and healthy life. And this is a problem that tends to increase as the world’s population grows, which is expected to reach almost 10 billion by the year 2050. Bojanic stressed, however, that food production is growing worldwide, but access to it is not. The increase in global production must come with an intensification of production systems and not with the expansion of areas incorporated into production. Looking ahead, we have major challenges such as the world’s growing urbanization, with a large portion of the population being young, and the degradation of natural resources such as forests, soils, water and the impacts of climate change. Loss and food waste are also a significant problem, as global waste is almost equal to food production in Africa, Bojanic said. It is therefore necessary for productive systems to be more efficient in water use and soil conservation, for agricultural production to be increasingly decarbonized, and to work to reduce the impacts of climate change on food production in order to ensure food security.

One aspect that cannot be left out of the debate on climate change, energy security and food security is funding, as Annette Killmer of the Inter-American Development Bank's Division for Climate Change and Sustainable Development (IDB) reminded us, closing the panel on funding and the dialogues on the second and final conference day. In order to improve the participation of development banks in addressing climate change challenges, the IDB created a new department for climate change and sustainable development in 2016 and decided through its board that 30% of its financing need to be relevant to climate change. A vision of the future is also present in the work of the IDB and other development banks, since the structuring projects approved today must have a twenty-five year life, and the repayment term of these loans must also be considered, since they begin to be paid around twenty to twenty-five years.

The meeting of experts and public participation in the **Mercosur-European Union Dialogue on Climate Change, Energy and Food Security** was a great opportunity to discuss the causes, processes and dynamics related to these areas. Above all, the meeting made it possible to think of ways of addressing the challenges presented, with all the panelists and discussants converging on the essentiality of multisector participation in resolving obstacles. Civil society-business-state cooperation and its harmonization with the blocs of which they are a part are sine qua non for effective improvements around environmental, energy and food issues. In addition, interaction between both blocs, on an inter- and extra-institutional level, will enhance the already existing synergies between the various components of state, business, academia and broad civil society structures. Starting from the idiosyncrasies inherent in the integration process of each bloc and how they affect the themes discussed during this Dialogue, one should optimize the search for responsible - but also daring - ways to achieve the two blocs' common goals, ensuring socio-environmental responsibility and energy and food security for citizens on both sides of the Atlantic.



Open Debate, august 16, 2017



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