



December 22nd 2022.

Re: Draft of Latin America Common Ground Taxonomy

(contribution made through the consultation platform online, with a limited number of characters)

As another way to also contribute, we present the [study that we have recently published](#), after the mapping of existing Sustainable Finance Taxonomies currently in the world, with ten recommendations for the development of a Brazilian Green Taxonomy – most of them can be extended to other Latin American countries. English Executive Summary is available [here](#).

First of all, it is important to emphasize that, while the focus on economic sector that are high GHG emitters, for the purpose of climate change, is not wrong, it is not correct to limit the focus to them. Green Taxonomies are also about promoting **new** economic activities that provide positive environmental or social impacts, such as the ones regarding bioeconomy (and Latin America has a huge potential on that). And it is also about cross-sectoral technologies (such as any technology that delivers better energy efficiency or water efficiency). The European Union Taxonomy, that was taken as a model, does not even include technologies for early detection of forest fires (as the Malaysian Green Taxonomy does) - and there are studies showing that they are equivalent to 10-15% of global GHG emissions and the numbers are rising (see, for example, this [World Economic Forum piece](#) and this [scientific article](#)). The forestry sector is included in the EU Taxonomy, but of course fires affect also agriculture and a sector-only focus let them ignored.

Another key point that needs to be considered is that inter-operability of taxonomies across markets is positive, but this does not mean that national Taxonomies cannot and should not go beyond the levels of EU Taxonomy, also because priorities and urgencies are certainly different. Latin America alone has one third of the global biodiversity and stating that climate change is more urgent than ecosystems degradation is far from being science-based (one of the

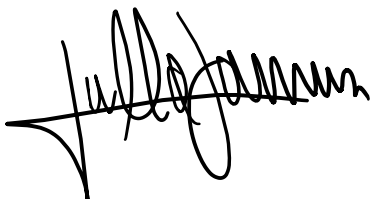
stated guided principles). Actually, the climate and biodiversity crisis are completely interconnected in highly biodiverse countries and that has been recognised in the [IPCC - IPBES first joint report](#) published in June 2021. It is essential to consider that addressing these two environmental objectives together is much more costly and timely effective, as shown in this [UNEP-WCMC report](#), which demonstrates the synergies between climate and biodiversity in terms of geographies. That leads to two other points: 1) climate change is not the only urgency in Latin America and 2) location should be considered in Sustainable Finance Taxonomies not only because of climate change adaptation, but also because of biodiversity - and because of the location of vulnerable communities as well (especially the native people, who are guardians of forests and other ecosystems).

The same way, pollution is a much more serious problem in Latin America than it is in Europe, so postponing the inclusion of both other environmental objectives and social objectives in Latin America is simply to ignore the continent's real needs. Regarding social objectives already listed on page 23 of the draft, the list is also very eurocentric, because pressing demands like access to housing, health and education, finance for Small and Medium Enterprises and ethnic (not only gender) equality were not included. Focus in climate objectives only can make the financial sector miss all the potential synergies among environmental and social objectives and ignores the most basic principle of Sustainable Development, which is the interdependence among environmental, social and economic dimensions.

Furthermore, it is essential to address in a Sustainable Finance Taxonomy that really wants to lead to the transition to a sustainable economy **the economic activities /technologies that are currently causing environmental and social (and consequently economic, if we look at the economy as a whole) harm**. Capital will only flow to green activities once it stops to flow to harmful activities. ASEAN countries are already classifying harmful activities in their Taxonomies and this is an example to be followed by the world.

Finally, it is crucial to consider that, in Latin America, the lending market is much bigger than bonds/equities, which makes international inter-operability not as essential as in other markets.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Luciane Moessa', with a stylized flourish at the end.

Luciane Moessa, Ph.D.

Founder, Executive and Technical Director of Sustainable Inclusive Solutions (SIS)