

COP 27

5 leaders on how Latin America is driving sustainability across its value chains

Innovation and collaboration are transforming global value chains in Latin America.

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- Climate change, technology disruptions and geopolitical tensions are reshaping global value chains.
- Despite Latin America's lower participation in global value chains it's still impacted by global disruptions such as inflation and energy costs.
- Leaders in the region can drive growth while embracing sustainability by leveraging collaboration and innovation across their value chains.

Global Value Chains (GVCs) have been one of the primary driving forces behind the global economy over the past few decades. They have enabled regions such as Latin America to participate in worldwide production and supply chains, providing new opportunities for growth, job creation and development.

However, GVCs are undergoing profound changes, with significant implications for Latin America and its economic success. Even though Latin America's participation in [GVCs is lower](#), in the current hyperconnected world, disruptions such as inflation, higher energy prices and shortages are affecting regions similarly.

Moreover, with the emergence of the climate crisis as one of our generation's most significant challenges, companies in the region are redesigning their value chains strategies, not only prioritizing efficiency and resilience but also incorporating sustainability as a critical element for development.

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[Taking big leaps in value chain resilience: adaptation and transformation](#)

[How to better manage disruption with responsible value chains](#)

[7 leaders at Davos 2022 on securing sustainable, resilient supply chains, despite global shocks](#)

Globally, supply chains generate **60% of all global emissions** and on average their emissions are over **11 times higher** than operational (i.e. within companies' boundaries). Conscious of this, an increasing number of stakeholders – including executives, boards and policymakers – are focusing on Environmental, Social and Governance (ESG) issues and engaging in new initiatives that contribute to their sustainability goals beyond their companies' borders, including their supply chain ecosystem.

In this transformation, companies and policymakers would need to engage more and more small and medium-sized enterprises, representing 99.5% of firms in the Latin America region and generating **60% of productive employment**.

In this context, a considerable **share of CEOs** have said their companies have started digitizing their value chain with sustainability-focused technologies. Innovation and the use of technology have already proved to have the potential to accelerate the transition toward sustainable value chains (see figure below).

Which technology solutions will have a significant impact on sustainability in your industry within the next 5 years?	> USD 1 billion
Analytics on processes, equipment and products	87%
Customer sentiment analysis on sustainability preferences	84%
Artificial Intelligence (AI) demand forecasting	78%
Electric vehicles for transportation and distribution	77%
Autonomous and remote operations	76%
Predictive models to schedule maintenance and repairs	75%
Real-time track-and-trace of materials or goods	77%
Tracking systems to manage product use after sale	64%
Blockchain track-and-trace supply chain solution	64%
Take-back and returns management systems	53%
3D printing for product design and equipment repair	45%
Virtual representation of assets through digital twin	48%

This search for more sustainable value chains opens up opportunities for Latin American companies to capitalize on. Therefore, we have asked leaders in Latin America to share their perspectives on how the region can drive growth and sustainability enabled by collaboration with stakeholders in the supply chain ecosystem, through application of innovative business models and adoption of emerging technologies. Here are their thoughts.

'Partnerships can build resilience and contribute to a low-carbon economy'

Walter Schalka, Chief Executive Officer, Suzano, Brazil

In 2021, Suzano launched the 'Climate Change in the Value Chain' programme as part of our 'Responsible Supplier Management' initiative in partnership with CDP. We invited strategic suppliers to participate in the programme to improve their sustainability practices and reporting and to encourage adopting climate targets. Ultimately, the impact that we strive for is to reduce emissions in our value chain.

Long-term partnerships across the value chain not only amplify efforts but also bring about resilience and contribute to a low-carbon economy. In the first year, 78% of the participants joined the programme, which is 12 percentage points above the global CDP average. This year, we are organizing tailored workshops according to the different stages of the supplier's climate change strategy.

'Ensure ESG commitments reach small companies within the value chain'

Radamés Casseb, Chief Executive Officer, Aegea, Brazil

Creating a sustainable value chain is one of the main challenges faced today by large companies. While it is common to find structured ESG actions in large suppliers, the challenge lies in making these commitments reach small companies within our value chain. Aegea supports the development of smaller suppliers generating income in vulnerable areas – conscious disposal, reuse of waste, and responsible acquisition of inputs – these behaviours are consistent with our ESG beliefs.

Our recent issuance of sustainability-linked bonds has exemplified our commitment to targets to, by 2030, reducing energy consumption by 15% and increasing the number of women and black people in leadership roles from 32% to 45% and 17% to 27%, respectively. These are concrete examples of how it is possible to combine operational efficiency, focus on universal sanitation and the benefits that these services bring to people and the environment.

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'Set ambitious science-based goals that contribute to emissions reductions'

Francisco Ruiz-Taële, Chief Executive Officer, CMPC, Chile

With climate change increasingly becoming a risk for company operations and their value chains, as well as one of the most relevant ESG issues for investors, setting ambitious goals based on science is not only responsible business but underpins a resilient forward-looking strategy. Undoubtedly, the most significant challenge for the industrial sector is achieving net-zero targets in Scope 3 emissions, representing nearly 80% of our company's footprint.

Therefore, at CMPC, we believe a robust supply chain engagement on the topic is critical, along with challenging the traditional ways of doing business, consequently accelerating the necessary transformations and promoting system-wide innovations. Our approach focuses on local partners seeking to develop a virtuous relationship, benefiting local communities and contributing to meaningful emissions reductions along the entire value chain.

'Make the energy transition a reality while contributing to energy security'

Felipe Bayon, President and Chief Executive Officer, **Ecopetrol**, Colombia

The energy transition is a central part of **Ecopetrol**'s strategy. The global pandemic and political conflicts have exacerbated challenges around value chains and energy security. At **Ecopetrol**, we address these challenges as a diversified energy company leading the energy transition in Latin America with a presence in over nine countries in the region. We are committed to net-zero emissions by 2050 and water neutrality by 2045.

To support this, we recently created a new business model that has three business lines: 1) hydrocarbons – decarbonize traditional energy products; 2) low emissions – development of clean technologies that provide solutions to decarbonize our operations (i.e. CCUS) and grow a portfolio of clean energies (green, blue and white H₂, e-fuels, renewables); 3) transmission – underpin electrification of the regional economies.

Global challenges are not minor, and we remain hopeful that there are ways in which we can tackle them proactively in a timely manner. A technology and diversification mindset will put energy companies at the centre of making the energy transition a reality while contributing to energy security and closing social gaps in our regions.

'Industry leaders in Latin America need to lead the way in sustainability'

Claudio José Rodríguez Huaco, Executive Director, Grupo Gloria, Peru

Latin America is experiencing a new political and economic paradigm, which requires industry leaders to evolve. As part of our strategy, we focus on two main axes: 1) water reduction in our production chain, specifically working with the ranchers to increase solids and reduce water use in their production; 2) in energy matters, incorporating photovoltaic and renewable energy projects in our operation, and seeking operational efficiencies in our value chains, lead to improving our operating costs and responsible use of our resources.

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