

Post-Fossil Capitalism, a view from Latin America

Lorenzo Pellegrini¹

Abstract

The incipient transition from fossil capitalism to renewable capitalism is a transition from a set of resources (fossil fuels) to a set of technologies (renewables). With renewables, there is nothing equivalent to the role fossil fuels have played in shaping Latin America's global economy and political economy. We are looking at a future that will in important ways depart from the past.

The new material possibilities and constraints are matched by an emerging ideological turn: to post-extractivism is moving from the fringes to the mainstream. This turn is exemplified by President Boric of Chile, elected in 2022, who has made the commitment to environmental protection a central plank of his programme, which includes also a new taxation regime for mining and the funding of a new state-owned company in charge of extracting lithium. President Petro of Colombia, also elected in 2022, has made commitments to abandon the exploration and expansion of fossil fuels. The incipient/current new wave of left-wing governments has been more ambitious in terms of environmental regulations, ultimately promising to limit the possibility to expand extractive activities. This is potentially a real break from the history of extractivism in the continent. The question is whether a post-extractivist consensus might be at hand in Latin America and what the implications will be regarding the scarcity of materials for the renewables transition. These broader questions will also affect the way the transition, and hence post-fossil capitalism will look like for the rest of the world.

Post-Fossil Capitalism, a view from Latin America

From the beginning of the 2000s Latin America's ideology vis-à-vis extractive industries has been characterised as neo-extractivist by many observers. We can question radically the newness of neo-extractivism: the wave of hopes engendered by

¹ Corresponding author: pellegrini@iss.nl, International Institute of Social Studies, Erasmus University Rotterdam.

resource abundance, are translated into ‘new’ development plans and policies that are remarkably reminiscent of earlier ones at every new resource boom/ super cycle (Pellegrini, 2018; Revette, 2017). Regardless These booms have, again, produced conditions conducive to radical policy experiments, enabled by and motivating further state protagonism in the extractive sector. A critical enabler is nationalization, to capture larger shares of rents vis-a-vis transnational companies, which eventually also extends the remit of the state in the economy (Arsel et al., 2014; Berrios et al., 2012; Rosales, 2017). The rents appropriated by the state produce an alleged potential for two-pronged approaches: investment in human and physical capital, and investments in social policies to tackle poverty head-on. Ultimately, the basic elements of the economic development strategy are redolent of the idea that oil (and other rent-generating non-renewables) can be sowed to harvest development (Papyrakis & Pellegrini, 2019; Pellegrini, 2018; Uslar Pietri, 1936).

This ideology of resource-based development continues to hold currency, but the historical track-record of attempts to put into practice this route to development is dismal. Ultimately, evidence suggest that using rents to generate development is possible only if countries have already solid institutions –in other words, that institutional development is a necessary condition to avoid the ‘resource curse’. At the same time, the (old and new) institutional economics schools has convincingly demonstrated that economic development itself rests on sound institutions (Acemoglu & Robinson, 2012; Hodgson, 1998; North, 1990). As a consequence, the countries that can leverage natural resources are the ones that need these resources the least, since their socio-economic development is rooted in institutional quality, and those that are facing difficulties and necessitate to fuel development are less likely to benefit from their resource endowments (Papyrakis & Pellegrini, 2019). In other words, for most developing countries, resource abundance is likely to be a curse. The main lesson for the incipient new wave of left-wing governments is to be extremely modest of the potential of non-renewables to fuel development.

The transition from fossil capitalism to renewable capitalism is a transition from a set of resources (fossil fuels) to a set of technologies (renewables). With renewables, there is nothing equivalent to the role that fossil fuels have played in shaping the global economy and the political economy of Latin America. This has important implications for the future and for the value of past experiences in driving our understanding of what the future might look like. For example, is the production of materials necessary for the renewable transition more amenable to backward and forward linkages? Is there going

to be a small set of countries that control the global supply of some critical material? Could we have a OPEC-like organization for lithium exporting countries? I doubt it, there are numerous opportunities for substitution because of technological development –for example, the alternative of fuel cells and hydrogen to replace electricity and batteries in (parts of) the automotive industry, or in other transportation sectors. This is a critical implication of the transition to renewable capitalism.

References

- Acemoglu, D., & Robinson, J. (2012). *Why nations fail: The origins of power, prosperity, and poverty*. Crown Business.
- Arsel, M., Mena, C., Pellegrini, L., & Radhuber, I. M. (2014). Property rights, nationalization and extractive industries in Bolivia and Ecuador. In M. Bavinck (Ed.), *Conflict on natural resources in the global South—Conceptual approaches* (pp. 109–128). CRC press.
- Berrios, R., Marak, A., & Morgenstern, S. (2012). Explaining hydrocarbon nationalization in Latin America: Economics and political ideology. *Review of International Political Economy*, 18, 673–697. <https://doi.org/10.1080/09692290.2010.493733>
- Hodgson, G. M. (1998). The Approach of Institutional Economics. *Journal of Economic Literature*, 36, 166–192.
- North, D. C. (1990). *Institutions, institutional change, and economic performance*. Cambridge University Press.
- Papayrakis, E., & Pellegrini, L. (2019). The Resource Curse in Latin America. In *Oxford Research Encyclopedia of Politics*. Oxford University Press.
<https://doi.org/10.1093/acrefore/9780190228637.013.1522>
- Pellegrini, L. (2018). Imaginaries of development through extraction: The ‘History of Bolivian Petroleum’ and the present view of the future. *Geoforum*, 90, 130–141.
<https://doi.org/10.1016/j.geoforum.2018.01.016>
- Revette, A. C. (2017). This time it’s different: Lithium extraction, cultural politics and development in Bolivia. *Third World Quarterly*, 38(1), 149–168.
<https://doi.org/10.1080/01436597.2015.1131118>
- Rosales, A. (2017). Contentious nationalization and the embrace of the developmental ideals: Resource nationalism in the 1970s in Ecuador. *The Extractive Industries and Society*, 4(1), 102–110. <https://doi.org/10/gjfqqt>
- Uslar Pietri, A. (1936). Sembrar el petróleo. *Revista de Artes y Humanidades UNICA*, 6(12), 231–233.