

Financing Net-Zero in Latin America: Policy and Financial Instruments

Argentina

New York Climate Week
September de 2022

- **CHALLENGES AND OPPORTUNITIES OF THE TRANSITION**
- **METHODOLOGICAL APPROACH AND PRIORITIZED MEASURES**
- **INNOVATIVE POLICY AND FINANCIAL INSTRUMENTS**
- **KEY STAKEHOLDERS**
- **INSIGHTS AND CONCLUSIONS**

The challenges of transition involve accomplishing transformation, achieving wellbeing and protecting ecosystems, thus coordinated long-term planning is key to that end.



Societies face the challenge of transforming the ways in which they **produce and consume** energy, food (production and distribution), goods and services in general, and their infrastructures, including housing and transportation systems.





Countries face the challenge of **achieving a high quality of life** for an increasing number of people, without destabilizing critical planetary processes and systems.





The SDGs are to be accomplished while **reducing the current high burden on natural ecosystems and while tackling climate change** by increasing mitigation ambition now.


The Decarboost project seeks to identify the enabling conditions for the decarbonization of the country's economy while strengthening resilience and enhancing adaptive capacity.

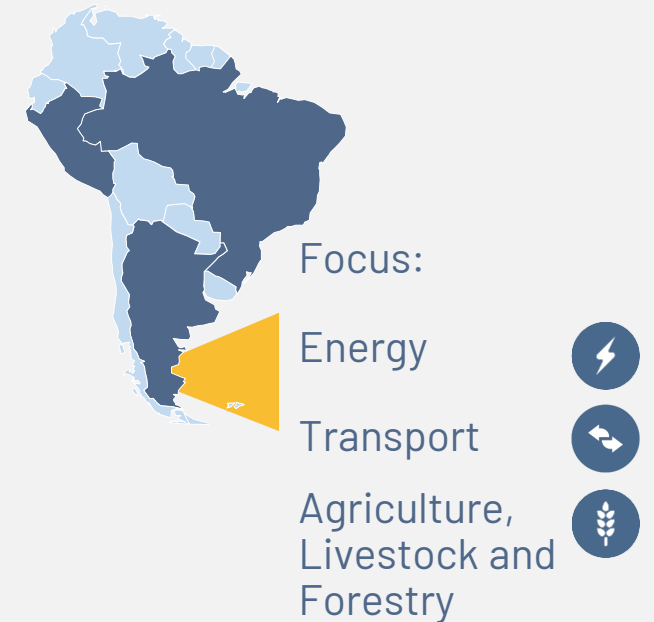
 Examining the conditions for demonstrating that climate action is key to near-term economic recovery and long-term transformation

 Contribute to providing elements to improve the existing climate governance, and the policy and regulatory framework.

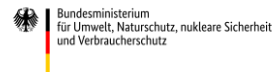
 Identify innovative financial instruments that can modify the risk-return profile of investments and boost them

 Identify strategic investment opportunities in selected key sectors

 Strengthen dialogue with stakeholders with a long run perspective



Financed by



The mitigation measures considered in Argentina's government plans and new ones identified by the project were prioritized according to 3 criteria

Sectors




Agriculture, Forestry and Other Land Uses



Energy


Transport

Prioritization criteria


1 Emissions reductions

Projects with the greatest contribution to GHG emission reductions



2 Transporforma-tional capacity

Demonstrate the ability to transform social and consumer behaviours and business models.



3 Implementation feasibility

Demonstrate technical, economic and financial feasibility.



Based on the prioritization, key vectors have been identified that should guide the transition to decarbonization in the different focus sectors.

Energy and Transport



Electrify



- Electric energy over final consumption to increase from 21% (current) to 70%.
- The majority of light vehicles should be electric

Decarbonize



- Emission-free electricity generation must reach +90% of total
 - o hydroelectric, nuclear and non-conventional renewables
 - o Seek decentralization

Reduce



- Energy intensity in terms of GDP should be +20% relative to a baseline demand scenario:
 - o energy efficiency measures
 - o modal shifts

Substitute



- To replace the remaining final energy consumption (non-electrified):
 - o liquid and gaseous biofuels
 - o low carbon hydrogen (green/blue)
 - o solar thermal

Agriculture, Forestry and Other Land Uses



Capture



- Increase C stock in soil.
- Cultivated Forests: increase of forested area.
- Native Forests: Management Plans and Control of Illegal Deforestation.
- Recovery of degraded lands

Reduce



- Reduce Emissions Intensity
 - o Livestock: increase herd removal rate and replace burning.
 - o Agricultural crops: good practices (crop rotation, fertilizers, PGPR technologies).

Generate



- Bioenergy generation from:
 - o Excreta
 - o Biomass

Investment opportunities in pivotal sectors have been selected for analysis.

Energy and Transport



**Electromobility:
Charging
Infrastructure**



**Energy generation
from non-GHG
emitting sources**



**Development of an Energy
Efficiency Industry
(ESCO)**



Agriculture, Forestry and Other Land Uses



**Forestry: Increase in
Area with Implanted
Forests**



**Carbon sequestration
and emission
reductions in
agricultural and
livestock soils.**



**Reduction of Emissions
Intensity in Agricultural
Crops and Livestock
Cattle Raising**



For the selected investment opportunities in the focused sectors, different financial and policy instruments need to be promoted.

CONCESIONAL FINANCE

Electromobility: Charging Infrastructure

Light-duty vehicles will need to be converted to electric power, which requires the adequate infrastructure (capital intensive)

Energy generation from non-GHG emitting sources

Decrease GHG intensity for electricity generation (capital intensive)

Carbon sequestration in the forestry value chain

Expansion of the forested area, genetic improvement of implanted species and carbon sequestration in harvested wood products

INNOVATIVE FINANCIAL INSTRUMENTS

Development of the Energy Efficiency Industry

Creation of an EE market through the development of ESCO to leverage the investment for energy efficiency in different sectors

INCENTIVE AND PRICE STRUCTURE

Carbon sequestration through good practices

Carbon capture in agricultural and livestock soils through increased annual carbon production from biomass (biochar, PGPR)

Reduction of Emission Intensity

Agricultural Crops and Livestock Cattle Raising through good practices (urea volatilization inhibitors) and improvement in the extraction rate of the herd

Energy Efficiency (Demand)

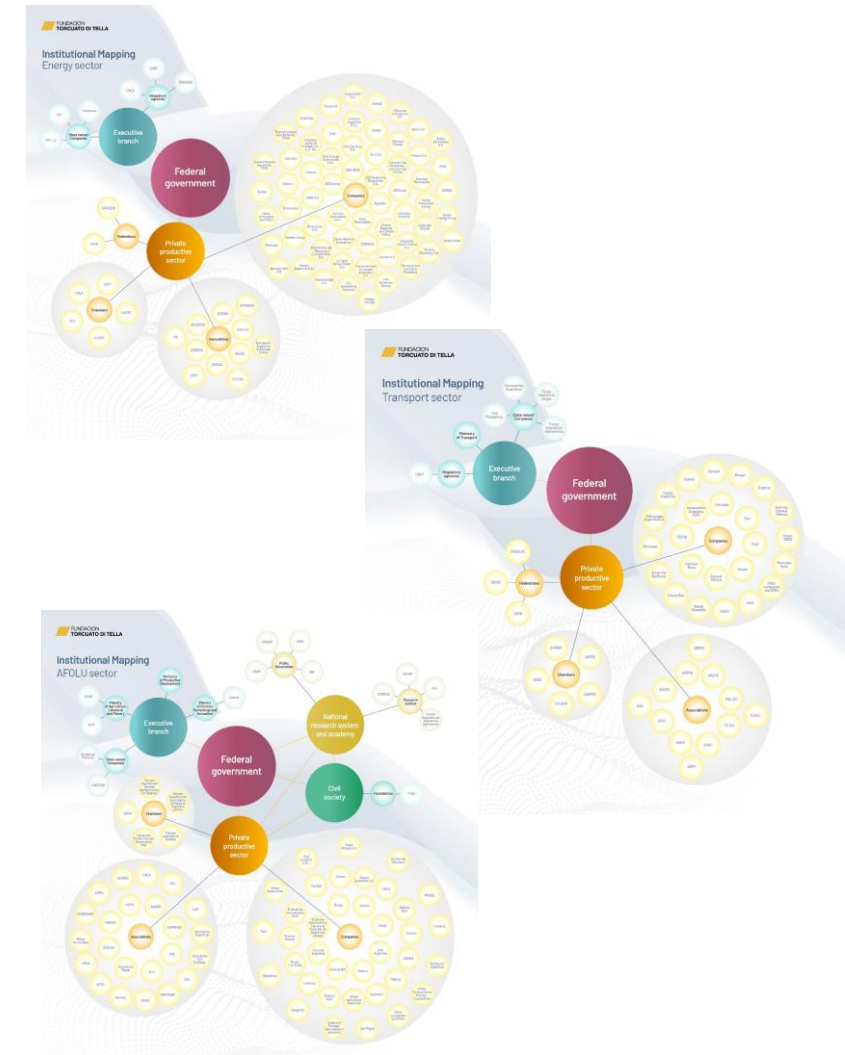
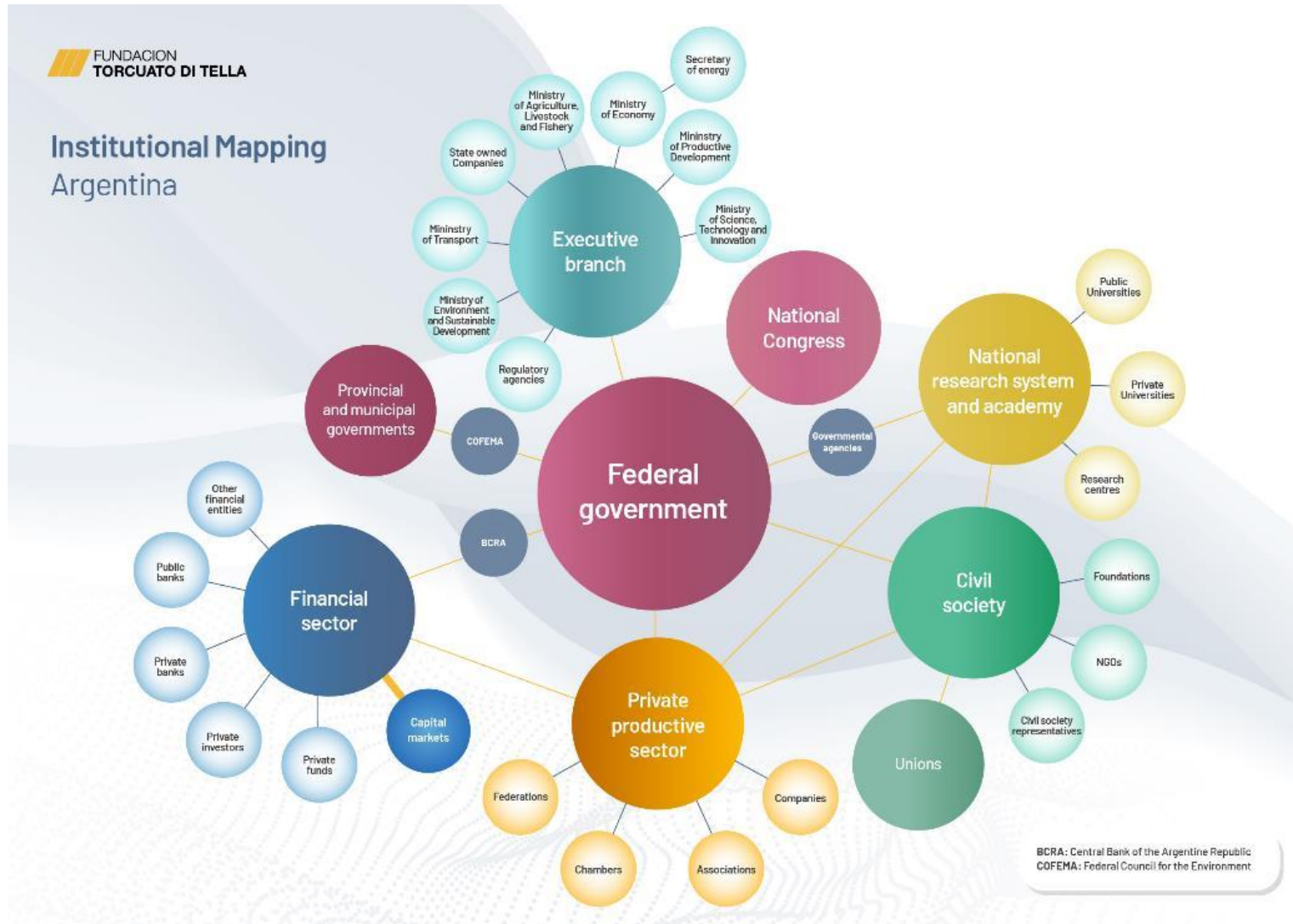
Appliances, lower consumption technologies; buildings; industrial processes; lighting systems; responsible energy use (behaviour, habits, and practices)

Demand

Intensity

Reduction

In transitioning to net zero the challenge is to interest workers, managers, and citizens thus key to engage inclusively building climate plans with all sectors



Each of the main stakeholders has a key role to play in the country's progression towards carbon neutrality.



REGULATORY AND POLICY FRAMEWORK

Legislator, regulator, supervisor

- Argentina must transform the PA and SDG targets into credible climate policies and legally agreed and defined objectives.
- The framework must set the terms of a low-carbon and sustainable economy, giving certainty to investments and stimulating transformations at scale
- Develop a structure of incentives and economic signals to accelerate a just transition, minimize its costs and smoothen its impacts, while promoting job creation and adding value.



NATIONAL FINANCIAL SYSTEM, NDB AND MULTILATERAL BANKS

- System aligned with carbon neutrality by providing
 - More favourable financing (blended finance)
 - Innovative financial instruments
 - Mechanisms and instruments to facilitate mitigation of climate risks
 - Reporting climate risk exposure (physical and transitional)
- Private finance aligned with net zero business models



PRIVATE SECTOR

- Design and implement transition plans including gauging the costs of investments and the risks of inaction
- Identify new opportunities in a context of accelerated change
- Developing new business models for a zero carbon world
- Include ESG criteria for risk assessment (physical, transition and liability) and enhance risk management.
- Report transparently risks related to climate change

It is possible to achieve decarbonization in Argentina by 2050 with the available mitigation and capture technologies by reallocating the current investment flows

- An economy with zero net emissions is technically and economically possible in Argentina.
- The identified transformations are extremely challenging in terms of CAPEX requirements....
- ... but the order of magnitude of these requirements over the planning horizon in the Energy and Transport sector is equivalent to the disbursements made and planned for infrastructure for carbon-intensive activities, such as upstream (fuels) and the new generation capacity already developed in the last decade.
- ... in AFOLU implies a reallocation of a significant portion of current investment flows towards less carbon intensive practices and the development of financial and stringent public policy instruments.

Requires the massive mobilization of financial resources in a relatively short period of time which implies enhancing capacities in the financial system, adjustments in structures, intermediaries and markets to make it possible

There are also other reasons that fully justify a national policy oriented towards transformation

Beyond the ethical reasons of a national vision of the rights of future generations and of natural systems, there are causes at the state level:

01

International obligations

Address domestic GHG emissions as part of the country's international obligations.

03

Impacts of investment

Benefit from the favorable multiplier impact of the vast investments to be made to achieve the transition.

05

Technology

Participate in the process of technological change underway, implicit in the mitigation measures to be introduced and in the necessary adaptation actions.

02

Market access

Preserve market access, avoiding carbon adjustment at the border, which, in the absence of compliance with the obligations assumed, would hinder exports of some key tradable goods.

04

Infrastructure

Renew and expand the country's infrastructure, including that corresponding to the existing social debt (housing, health, education, telecommunications, transportation, affordable energy, etc.).

06

Strategic partnerships

Enabling entering into strategic partnerships with other countries that are also drivers of greater ambition in mitigation and adaptation efforts.

Thank you very
much!

Micaela Carlino
mc@itdt.edu

For more information:
www.descarboniz.ar