

## Report

# Deep Decarbonization Latin America Project -Argentina-

June 2021

## **Analysis of instruments, policies and measures**

### **Activity I AR 2 and Activity I AR 3**

Literature review and initial guidelines - Executive Summary

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## Executive Summary

This is an executive summary of the report "*Análisis de instrumentos, políticas y medidas - Revisión de literatura y lineamientos iniciales (Actividad I AR 2 y Actividad I AR 3)*" that presents a compilation and review of instruments and policies and measures options to address existing barriers, identified in previous phases of the project, to low-carbon investment opportunities in Argentina.

The objective of the analysis is to contribute to addressing barriers by reviewing the extensive literature on policies, measures, actions and instruments used internationally to overcome identified barriers or mitigate their effects, examining the body of economic and political theory on the relevant issues through an international comparative analysis.

The analysis was carried out within the framework of Activity I AR 2 and I AR 3 and is closely related to the other activities of the ongoing project, especially Activities I AR 4 and II AR 2.

### I. Methodological approach

The review and analysis of possible policy and financial measures and instruments is carried out with the aim of addressing the barriers identified in Activity I AR 1 (*Identification of barriers to NDC implementation*) and Activity III AR 2 (*Stakeholder dialogues*) based on the mitigation measures reviewed (Activity II AR 1).

For this purpose, firstly, a review of the theoretical literature on mitigation instruments in the Energy, Transport and AFOLU sectors was carried out.

Secondly, primary and secondary sources of information on the implementation of climate policy instruments at the global level were analyzed. A systematic review of international literature was conducted and specific documents from countries with a considerable experience in the design of policy instruments aimed at fostering decarbonization were analyzed.

In addition, the "green financial instruments" that are increasingly spreading within the framework of the so-called "sustainable finance" concept were reviewed, as well as the documents that have been published during 2020 at the global level, containing proposals and strategies for promoting a "green recovery" post-COVID-19 pandemic.

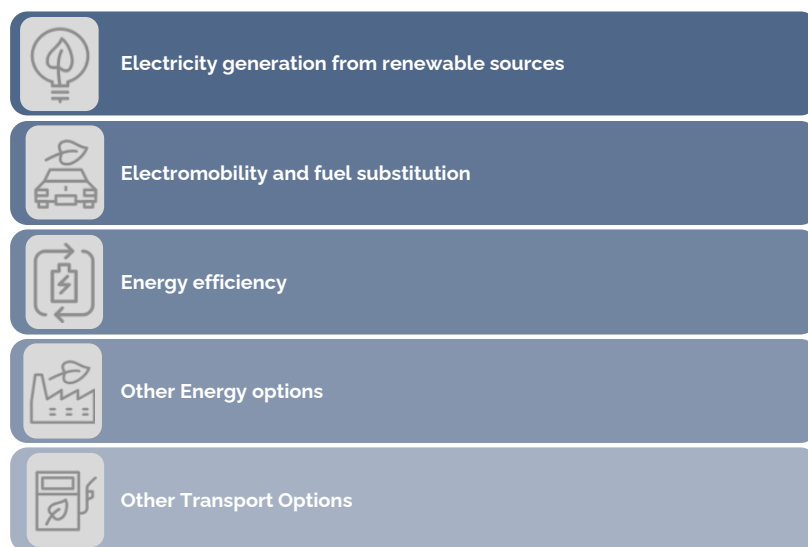
Thirdly, the mitigation options that had been previously analyzed and also new ones, not initially included in national plans, were identified within the framework of this Project ("*Review*

of proposed mitigation actions"- Activity II AR 1) and were clustered into broader categories, in order to analyze the options according to the proposed mitigation objectives, regardless of the specific technology and sector in which they are undertaken, and thus facilitate the development of in-depth techno-economic analyses as the instruments to be proposed.

In line with the conclusions and recommendations previously made regarding the analysis of mitigation options in the Energy and Transport sectors, mitigation options in both sectors were considered together, given the profound interrelationships and interactions that exist between possible decarbonization strategies in both areas.

In the Energy and Transport Sector, individual mitigation options were grouped into the following broader categories:

**Figure 1: Mitigation options packages – Energy and Transport**



With regards to the AFOLU sector, mitigation options were grouped according to the main productive activity into the following broader categories:

Figure 2: Mitigation options packages – AFOLU



Finally, based on the previously submitted Report *"Identification of regulatory, financial, economic, and technical barriers to implementation of NDC mitigation actions" - Activity I AR 1*, a summary of the previously analyzed mitigation options, as well as new mitigation options proposed by this study, together with the previously identified barriers was made, to identify types of instruments to be proposed.

With regards to the barriers that had been previously analyzed in Activity I AR 1, they were classified according to the following types:

Figure 3: Barriers classification

Types of barriers	
Economic	
Financial	
Technical	
Political and cultural	
Institutional and legal	

On this basis, and taking into consideration the previously conducted international and national literature review, as well as the multi-stakeholder dialogues held during 2020, an initial identification of policy and financial instruments that would be suitable to overcome the barriers faced by each of mitigation option is carried out.

Policy and financial instruments were classified under the following categories:

- Economic-financial instruments, such as taxes, subsidies, financing instruments.

- Legal/institutional changes, including modifications of existing regulatory frameworks, new regulatory frameworks, changes in inter-jurisdictional issues.
- Information/Education, that aims to develop dissemination campaigns, specific trainings, changes in university curricula.
- Productive development, containing instruments aimed at promoting the development of domestic industry in specific niches.

## II. Main findings

### 1. Energy and Transport Sector

- The mitigation options previously analyzed are so diverse in scale and complexity that specific analysis need to be conducted for each package of them. The type of solutions will be also different, according to the barriers to overcome. However, despite these particularities, it is possible to draw some general conclusions regarding the type of policy instruments that would be applicable.
- While some instruments may operate independently to address some specific barriers, other barriers require more than one type of instrument in order to be removed or alleviated.
- Given the centrality of the economic-financial barriers previously identified, the availability of concessional financing emerges as a key cross-cutting instrument to enable the implementation of most of the Energy and Transport sector mitigation options.
- The creation of Energy Services Companies (ESCOs) emerges as one of the main instruments to boost energy efficiency, independently of the sector or technology to incentivize. These companies would design, develop and implement energy efficiency improvement projects in users' facilities and users, who, in turn, would pay ESCOs based on the energy savings obtained.
- With regards to regulatory changes, they are mitigation option-specific.
- It also emerges as a key action to complement economic, financial and regulatory policy instruments, information and education instruments, with focus on specific technical-professional training, dissemination campaigns to the general population, regulatory agencies and public sector (fundamentally at the provincial level) and industry-tailored programs.
- In parallel, opportunities can be identified for the development of equipment and spare parts national suppliers. This opportunity, however, needs to be further explored.

### 2. AFOLU Sector

- In the AFOLU sector, economic-financial barriers are also central. Therefore, tax incentives and concessional loans are decisive for the successful implementation of the evaluated options.



- There are infrastructure needs related to the transport of agricultural and livestock goods produced in different areas in the country that need to be addressed aligned with the pathway to decarbonization.
- Support for R&D also emerges as a key instrument, along with dissemination and training on the benefits of currently relatively scarcely-known technologies and practices.
- Technicians' and professionals' training together with the inclusion of certain topics in agricultural sciences degree university curricula are also of considerable importance.

The analysis undertaken in this Report serves as a basis for further in depth examination of the specific policy instruments that would allow to overcome the specific barriers of a set of mitigation options prioritized in order to then develop a sectoral investment plan.

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