




Financing Net-Zero in Latin America Argentina


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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



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We developed our own methodology to identify cross cutting and specific sectoral barriers for mitigation measures in the Energy, Transport and AFOLU sectors

Economic	Financial	Technical	Political	Legal
<p data-bbox="191 368 422 406">Cross-cutting</p>  <ul data-bbox="96 611 489 996" style="list-style-type: none">■ Macroeconomic instability■ High perceived risk for foreign investors■ Fluctuating exchange rate■ Productive and fiscal dependence on main emitter sectors■ Pricing policies and intersectoral incentive inconsistencies	<p data-bbox="580 368 996 449">Cross-cutting and sector specific</p>  <ul data-bbox="580 625 996 878" style="list-style-type: none">■ High upfront costs■ Difficulties for accessing financing■ High interest rates■ Lack of long-term financing	<p data-bbox="1123 368 1421 449">Cross-cutting and sector specific</p>  <ul data-bbox="1072 625 1488 1016" style="list-style-type: none">■ Insufficient infrastructure■ Scarce availability of new technologies and support for innovation■ Lack of technical skills and networks of suppliers■ insufficient comprehension of policy impact on sectoral dynamics	<p data-bbox="1612 368 1911 449">Cross-cutting and sector specific</p>  <ul data-bbox="1556 625 1951 849" style="list-style-type: none">■ Resistance to change■ Inconsistencies of plans to stimulate production and climate change mitigation■ Pressure groups	<p data-bbox="2097 368 2395 449">Cross-cutting and sector specific</p>  <ul data-bbox="2040 625 2435 921" style="list-style-type: none">■ Outdated regulatory frameworks■ Weak enforcement of laws and regulations■ Bureaucratic costs and delays, administrative complexity


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



Prioritization criteria


1 Emissions reductions

Projects with the greatest contribution to GHG emission reductions



2 Transformational 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

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

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!

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For more information:
www.descarboniz.ar