

# Financing Net-Zero in Latin America: Policy Instruments and Mechanisms

## Argentina

**CHALLENGES AND OPPORTUNITIES OF THE TRANSITION**

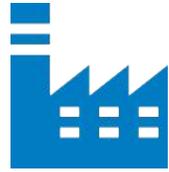
**METHODOLOGICAL APPROACH AND PRIORITIZED MEASURES**

**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.



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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.



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



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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



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# 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)

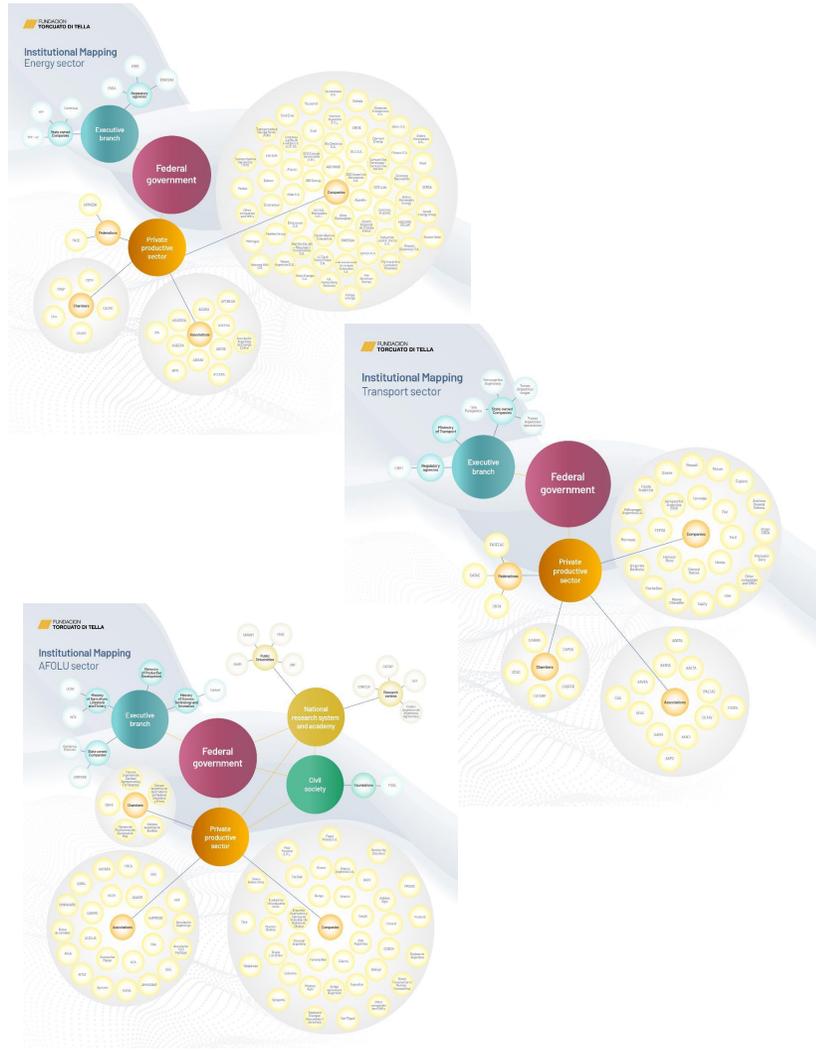
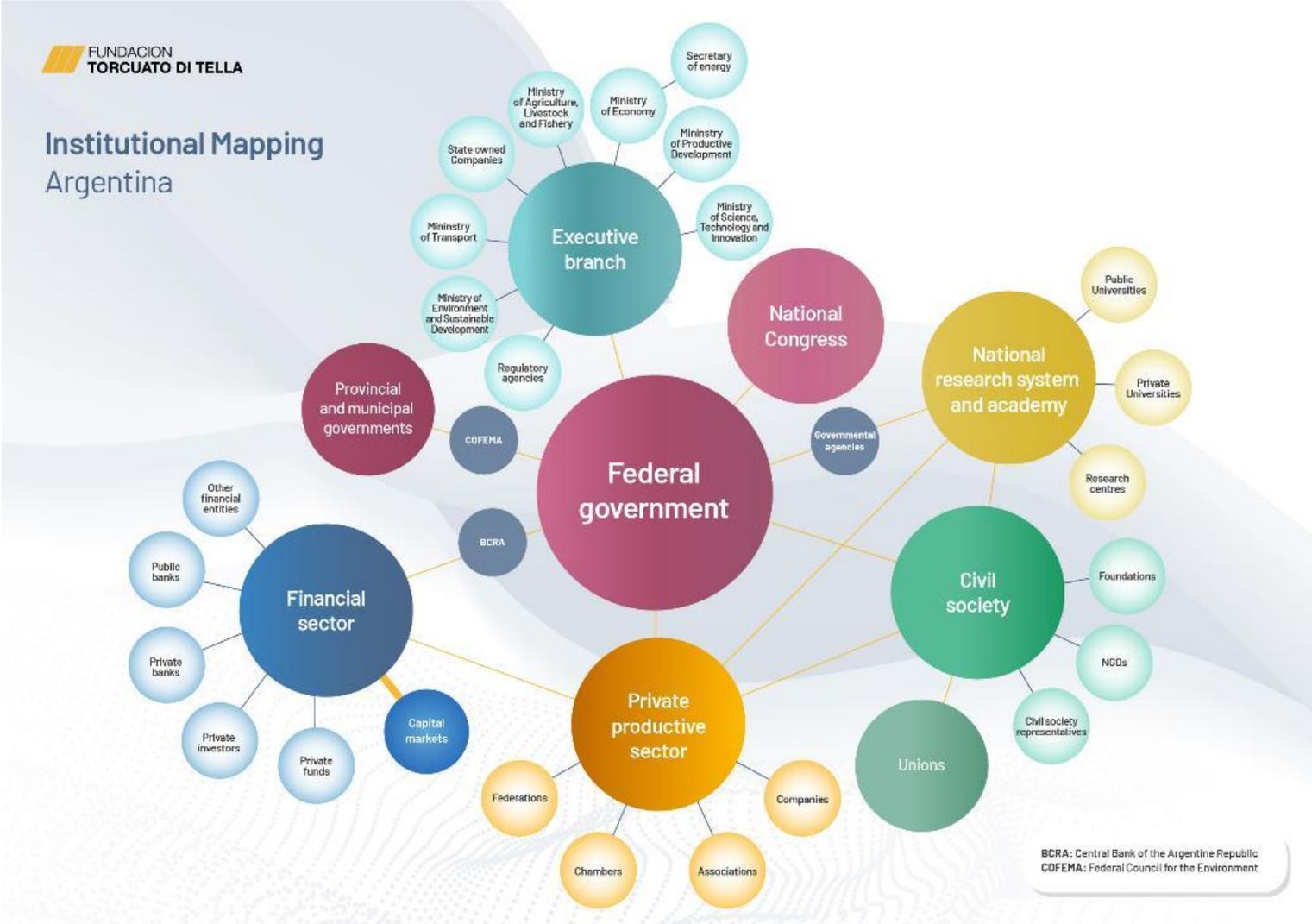
Appliances, lower consumption technologies; buildings; industrial processes; lighting systems; responsible energy use (behaviour, habits, and practices)

Demand

Intensity

Reduction

# 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, tele-communications, 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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