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Global  
Sustainable Electricity  
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## Summary, Major Conclusions and Ideas for Next Steps

### Financing Low Carbon Electricity in Latin America Workshop

August 22-23, 2011

Sala Raúl Presbich, ECLAC, Santiago, Chile

- Number of Country Participants: 56
- Number of Targeted Countries that attended: 13
- Countries that attended: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Mexico, Panama, Paraguay, Dominican Republic, Uruguay.

#### Summary of official opening of the Dialogue and welcoming remarks by the sponsoring organizations

Ms. Alicia Bárcena, Executive Secretary of the Economic Commission for Latin America and the Caribbean (ECLAC) opened the Dialogue, highlighting the importance of such discussions in view of the region's preparation for United Nations Conference on Sustainable Development (Rio+20). A large percentage of the population in the region remains without access to electricity. There is a need to combine the efficient use of resources with the lowering of greenhouse gas emissions, without hampering economic growth. Stimulating discussions between public and private parties is key to break down the barriers.

Mr. Paul Loeffelman, Managing Director – Corporate External Affairs, Head Of International Cooperation Affairs of American Electric Power, a member of the Global Sustainable Electricity Partnership, spoke on behalf of all the Partnership members, explaining these Dialogues are a part of a larger initiative that aims for the transfer of institutional expertise and business-oriented know-how for the financing of sustainable electrification projects and the deployment of low-emitting power technologies in developing and emerging countries. Several Dialogues have already taken place (for Southern and Eastern Asia in Bangkok, Thailand (September 2009), for Eastern and Southern Africa, Nairobi, Kenya (April 2010), for Eastern and Central Europe and Central Asia in Geneva, Switzerland (November 2010)). Discussions on clean energy have moved beyond just saving the environment, but also improving social and economic conditions. Technology plays a key role and these dialogues help launch discussions on how capital can flow to allow for the technology and cleaner energy. The Partnership plans to support the countries as much as it can in improving their ability to attract such investment and reach the UN's goal of giving access to modern electricity service to all by 2030.

Ms. Celia Nork, Expert on Energy for the Division for Sustainable Development, Department of Economic and Social Affairs of the United Nations, remarked that access to sustainable energy is indispensable to foster economic growth, to enable social and human development and to achieve the UN Millennium Goals. Renewable energy and energy efficiency are key solutions to accelerate access to sustainable energy. Therefore, the promotion of renewable energy and energy efficiency is of high importance. However, the costs of such technologies are often still higher than for conventional energy.

Thus, it is necessary to increase their cost competitiveness and to stimulate the channelling of much needed financial resources towards such technologies. Policies, if designed and implemented in an adequate manner, can create incentives for the needed investments. The initiative with the Global Sustainable Electricity Partnership, umbrella under which this workshop was organized, was created to support with these issues and to stimulate discussion and exchange of knowledge and best practices to finance sustainable electricity. Ms. Nork further noted that the United Nations Secretary-General proclaimed sustainable energy as one of his priority, and that the General Assembly adopted a Resolution declaring 2012 as the year of Sustainable Energy for All.

Mr. Sergio del Campo, Sub Secretary of Energy of Chile gave the keynote speech to official open the workshop. Mr. del Campo highlighted that energy was key to the development of a country. To ensure strong constant growth, there is a need for secure and sustainable sources of energy. The world is changing and with new challenges governments need to adapt by looking at the local resources and ensuring that they are more efficiently used in order to promote growth, without increasing greenhouse gas emissions. Regulatory frameworks can help in creating the conditions necessary to attract investments needed in energy.

### Summary of major outcomes and conclusions of the Dialogue

- **LEGAL AND REGULATORY ISSUES:** Regulatory frameworks and instruments should be tailored to the individual situation of each country. It is not a one size fits all. Some common regional minimum guidelines for regulatory frameworks may be quite useful and some fundamental factors must exist, such as stability and transparency. Such frameworks should be part of the overall state policies, rather than subject to individual government compliances. Stable and transparent legal and regulatory frameworks are key aspects in the long run. Feed-in tariff in Latin America has proven difficult to ensure. In some cases it may be better to incentive as opposed to subsidize renewable electricity in the region.
- **THE ROLE FOR TRANSMISSION GRIDS:** the management of transmission grid expansion is important to cope with the needs related to the increase in renewable generation supply. Transmissions grid expansions need strong, clear and stable legal, regulatory and financing frameworks.
- Current challenges in the expansion of transmission grids (or connection of new lines) hamper renewable energy growth in the region. Regulatory and legal barriers should be removed (such as shortening issuing times for permits and licences and defining the right-of-way of transmission lines) in order to foster renewable energy supplies that can help meet the energy generation demands in Latin America.
- Energy is a national theme and should not be subject to individual governments. Long-term policies need to be in place and ensured regardless of government in power; stability of legal and regulatory frameworks is vital. These policies must be in line with the national realities, but also with the global realities to avoid being left behind. Education of the population on energy issues at an early stage (ex: primary school) can help foster changes in the longer term. The idea that the energy matrix for the electric sector should be defined by the market laws of demand and supply needs to be replaced by proactive action from the governments to ensure that changes towards low-carbon electricity are made.
- The low consumption of households in Latin America is still reality
- It is necessary to make efforts to decrease energy intensity in Latin American countries through improvements in energy efficiency.
- Local development of capacities (technical, political and financial) plays a key role. Ensuring local workers and suppliers get hired in renewable energy projects (as a clause in a contract) can help promote the development of local technological know-how and increase price competitiveness.
- **RENEWABLE'S COSTS AND FINANCING SUPPORT:** International development banks can take certain risks better than commercial banks when investing in low carbon electricity projects but the fundamentals (i.e., well

defined project, constraints that are imposed, incentives that are provided, sustainability in short-run and long-run, etc.) of the project need to be there either way. Public-private partnerships can play a vital role in project development and securing financing. However, the framework of the relationship must be clearly outlined in the regulatory framework and in contracts. The credibility of the government is essential as well. Both public and private entities in the partnership must share risks.

- The cost of renewable energy can in fact be lower than traditional energy sources, after all the hidden costs are internalized and taken into account for all energy forms. Synergies in the region can be achieved to help increase the region's competitiveness in renewable energy.
- Financing of larger projects is usually not a problem. Smaller scale projects have a harder time to get financing. National development banks can play a key role in ensuring the financing of such smaller projects.
- Investment in renewable energies in the region has increased. Private business investors look at the complete value chain when investing. The final consumer needs to be more educated so that they can understand the underlying issues, demanding more renewable energy and better technologies from governments.
- **OVERVIEW ON INTERCONNECTION BENEFITS AND CHALLENGES:** Objective to decarbonise an energy matrix is huge in terms of investment needed. Integration of markets in Latin America can play an important role. Markets need, however, to be structured for the integration and a supranational regulatory body can play a key role in ensuring integration and flexibility. Interconnections may be a quicker short-term solution in ensuring a cleaner electricity supply to countries. In Central America, it is important to finish developing the SIEPAC transmission grid, in order to cope with the increase of generation supply needs. In South America, the strengthening of transmission grids will make feasible the goal of integrating generation assets among countries. Improvements in energy efficiency can play a large role in mitigating losses in transmission and generation and provide cleaner electricity.
- Thermal conventional supply sources (with increased efficiency in terms of reduced greenhouse gas emissions) will nevertheless always play a role on the electric matrix of many countries, for energy security purposes

**FINAL CONCLUSION:** Latin America has excellent natural resources that can be used as renewable sources of energy, keeping greenhouse gas emissions in check without hampering economic growth. 45 million people in the region are still without access to electricity services. Low carbon electricity can be achieved with the right incentives. A coherent energy development policy is necessary to ensure this and it seems that most of the Latin American countries are moving towards establishing one. Projects that give access to low-carbon electricity must be sustainable for the environment, society and the economy. Energy security remains a priority but it should take into consideration the environmental and social factors as well.

### *Ideas for Next Steps*

ECLAC has accepted to take the lead in coordinating the development of the following ideas with all the countries involved in the Dialogue, as proposed by the country participants themselves:

- Promote similar dialogues on the topic to go deeper in the discussions of for example more concrete financial schemes available
- Given the need to have important regulatory framework changes, it could be important to invite legislators to the Dialogue
- Create an online forum for the exchange of ideas between country participants, organizers and panellists
- Promote a study and analysis on the energy sector in the countries and the changes needed in the regulatory frameworks, technology development, financing, etc. (ECLAC is already working on a regional study with OLADE, CAF, WEC and CIER, among others).
- Involve the national development banks and ARIAE, the Iberamerican association of regulators