

Sectors must unite for LatAm energy transition to succeed

Elliott Hodgkin
15 November 2023



Monica Lopez

Latin American industries cannot drive the energy transition alone and must strive for a united approach when implementing the necessary infrastructure for a renewables boom in the region, a director at Norwegian brokerage group DNB Markets has said.

New York-based Monica Lopez joined a panel at Latin Lawyer Live: Regional Project Finance yesterday, where speakers analysed how projects can serve the energy transition and help Latin American countries reach their climate-related goals.

“Different industries need to come together to be able to be successful in the energy transition, so it’s not renewable companies [doing it on their own],” she said. To foster this unified approach, lawyers and companies will have to considerably widen the scope of projects.

Giving an example, Lopez explained that an integrated project that aligns the operations of a company that supplies water to a copper mine, which in turn provides materials to a wind farm, would achieve this kind of cohesion.

“All those industries . . . we used to look at them separately as infrastructure and renewables – now it’s a better approach if you look at this as the ‘energy transition’ and find ways for projects and the financing of them to come together,” she added.

Taking a broader view of projects in this way puts focus on the fact that many Latin American countries still lack the necessary infrastructure to guarantee the viability of renewables projects or help companies switch to clean energy sources.

Carlos de Maria y Campos, partner at Mexican firm Galicia Abogados, noted that focusing on the development of this infrastructure was essential, calling energy the “pillar” of all projects.

“Energy supply is the priority of investors when they are assessing a project, much before they consider any potential tax benefits, for example,” he said.

The lack of energy infrastructure development represents, however, a significant opportunity – one that will allow law firms and companies to start structuring projects that are innately green, rather than adapted, sometimes ineffectively, to align with sustainability guidelines and regulations.

Explaining how the situation is playing out in Chile, Paulina Cox Vyhmeister, legal director at EDF Renewables Chile, said that insufficient transmission infrastructure has prevented the country from effectively distributing renewable energy, as the most productive power generation facilities are often located in isolated areas. This means that when too much energy is generated at one grid, it can't be leveraged by another grid that may need additional power. Renewables companies could make losses as a result.

The increasing use of batteries that store solar energy, however, is allowing Chile to make significant headway in its development of renewables-related infrastructure.

"Batteries won't only help [a company's] operations but will diversity portfolios, we will see more hybrid projects that will be born with integrated batteries," she said, adding that more businesses will start participating in public bids on solar power purchase agreements that involve batteries.

Given Chile's status as a solar superpower, Lopez added that the country has been a "laboratory" for renewable energy and has "shown the importance of having the right infrastructure for renewables to work and prevent impact on the final consumer."

On a regional level, however, the success of hybrid projects and aligned industries still depends on sufficient administrative backing. The panellists broadly called for more sophisticated legal frameworks, with moderator and Mattos Filho partner Pablo Sorj pointing to a bill penned by Petrobras CEO Jean Paul Prates as an opportunity to regulate offshore wind generation and help the country tap into more than 500 gigawatts of potential capacity.

While innovation is needed, González Calvillo, SC partner Jorge Cervantes emphasised that the drive for change and new regulations may have clouded the fact that some satisfactory laws have been ineffectively used. In Cervantes' jurisdiction, Mexico, he believes this is the case with the current government's treatment of the General Law of Climate Change, which came into effect in 2012.

Cervantes argued that the government has largely disregarded the law and compliance with it has been poor, despite it being an "aggressive" piece of legislation that is "well-aligned" with the Paris Agreement.

He suggested that the law's value could be thrust back into the spotlight if the country's next government, following a general election in June next year, choose to follow it closely.

"We would expect to see a boom of clean energy investments and exports, as well as battery projects if that happened," Cervantes said.

More coverage of the conference will be published in upcoming briefings.

Elliott Hodgkin

Author | Senior Reporter

elliott.hodgkin@latinlawyer.com

Latin Lawyer

Copyright © Law Business Research Company Number: 03281866 VAT: GB 160 7529 10