

# IEA-OLADE Ministerial Roundtable

Insights for defining Latin America's regional energy agenda for a Post-Covid-19 era

7 October 2020

16:00 – 18:00 CEST (Paris time)

Virtual High-Level Dialogue

International Energy Agency

in cooperation with



## Background

The Covid-19 pandemic has created an unprecedented global health emergency and economic crisis that is affecting the energy landscape around the world. In Latin America, the devastating impacts of these crises is compounded by an already fragile economic outlook in many countries, which face a large proportion of informal employment and the lack of access to adequate housing for millions of citizens.

Thanks to the sustained policy commitments to promote hydropower and biofuels over the past decades, Latin America today boasts one of the highest shares of renewables in power generation and transport. Looking ahead, the region has the opportunity to leverage its world-class solar and wind resources, as well as to harness the multiple benefits of energy efficiency to build more sustainable, inclusive and resilient energy systems. Decreasing energy demand and prices, as well as the rapid fall in fossil fuel prices, could have lasting impacts for the region's energy landscape, and could prevent the region from tapping its potential for further global leadership on clean energy. In several countries across Latin America, major oil and gas projects are facing delays and additional financing difficulties, whilst decision-makers face the challenge of protecting jobs, economic development and security of supply.

While governments are rightly focusing their immediate efforts on protecting the health and safety of their citizens, attention is also turning to addressing the medium to long-term implications of the crisis, raising key questions in regard to government's roles in defining a pathway towards a sustainable recovery, managing the impact on the oil and gas sector, as well as ensuring that no one is left behind in the next phase of energy development.

With abundant renewable and non-renewable resources and growing energy demand in the medium- to long-term, the energy sector has the potential to become one of the motors of Latin America's economic recovery from Covid-19. To achieve this, the region needs to be able to secure sufficient investment across its energy sector, a challenging task even before the pandemic. In particular, investments in energy innovation could help tap the region's energy resource potential, while fostering further development of the region's thriving innovation ecosystem.

With limited public resources available, targeted sustainable recovery efforts in the energy sector could enable policy-makers in Latin America to protect jobs and create new ones, improve the living conditions of their citizens while continuing to move forward towards lower emissions and increased sustainability. Concerted action, regional dialogue and international support for policy implementation are needed to help countries respond to this crisis. Outcomes from the roundtable will feed into IEA's enhanced work with Latin American partners as well as into OLADE's 50th Meeting of Ministers.

### Ministerial roundtable key objectives:

- To take stock of the effects of the Covid-19 pandemic and its socio-economic impacts across the energy sector in Latin American, as well as the actions being taken to address these impacts, addressing both the power and the oil& gas sector;

- To share views on which sustainable and resilient recovery efforts can deliver the greatest benefits for the region in a cost-effective way, while ensuring that no one is left behind.
- To seek guidance on how the IEA can best support the region in pursuit and implementation of sustainable and resilient recovery efforts as well as development of a new regional agenda for the Post-Covid-19 era.

## Agenda

<p><b>16:00 – 16:15</b></p>	<p><b>Welcome Remarks</b> by Co-Chairs</p> <ul style="list-style-type: none"> <li>• Dr. Fatih Birol, Executive Director, <b>International Energy Agency</b></li> <li>• Mr. Alfonso Blanco, Executive Secretary, <b>Latin American Energy Organization</b></li> </ul>
<p><b>16:15 – 16:20</b></p>	<p><b>Key note remarks</b></p> <ul style="list-style-type: none"> <li>• Mr. Mauricio J. Claver-Carone, President, <b>Inter-American Development Bank (IDB)</b> – video message</li> </ul>
<p><b>16:20 – 16:50</b></p>	<p><b>Session 1: Power sector: turning crisis into opportunity</b></p> <p><b>Moderator:</b> Dr. Fatih Birol, Executive Director, IEA</p> <ul style="list-style-type: none"> <li>• H.E. Diego Mesa Puyo, Minister of Mines and Energy, <b>Colombia</b></li> <li>• Dr. Jorge Rivera Staff, Secretary of Energy, <b>Panama</b></li> </ul> <p>Interventions by other Latin American Ministries</p> <ul style="list-style-type: none"> <li>• H.E. Bento Albuquerque, Minister of Mines and Energy, <b>Brazil</b></li> <li>• H.E. Juan Carlos Jobet, Minister of Energy, <b>Chile</b> – video message</li> <li>• Mr. Rolando Castro, Viceminister of Energy, Ministry of Environment and Energy, <b>Costa Rica</b></li> </ul> <p>Comments and questions from other attendees</p> <ul style="list-style-type: none"> <li>• Mr. André Pepitone da Nóbrega, President, <b>Ibero-American Association of Energy Regulators (ARIAE)</b></li> <li>• Mr. Tulio Alves, Executive Director, <b>Commission for Regional Energy Integration (CIER)</b></li> <li>• IEA Governing Board representatives from <b>Germany, Japan, US</b></li> </ul>

<p><b>16:50 – 17:20</b></p>	<p><b>Session 2: Oil and Gas: Immediate impacts and longer-term strategies</b></p> <p><b>Moderator:</b> Alfonso Blanco, Executive Secretary, OLADE</p> <ul style="list-style-type: none"> <li>• H.E. Bento Albuquerque, Minister of Mines and Energy, <b>Brazil</b></li> <li>• H.E. René Ortíz Durán, Minister of Energy and Non-Renewable Natural Resources, <b>Ecuador</b></li> </ul> <p>Interventions by other Latin American Ministries</p> <ul style="list-style-type: none"> <li>• Dr. Javier Papa, Undersecretary for Energy Planning (acting), Secretariat of Energy, <b>Argentina</b></li> </ul> <p>Comments and questions from other attendees</p> <ul style="list-style-type: none"> <li>• Mr. Miguel Moyano, Executive Secretary, <b>Regional Association of Oil, Gas and Biofuels Sector Companies in Latin America and the Caribbean (ARPEL)</b></li> <li>• Mr. Kazutomo Irie, President, <b>Asia Pacific Energy Research Centre (APERC)</b></li> <li>• IEA Governing Board representatives from <b>Spain, US</b></li> </ul>
<p><b>17:20 – 17:50</b></p>	<p><b>Session 3: Leaving no one behind: how to build inclusiveness into sustainable recovery?</b></p> <p><b>Moderator:</b> Ariel Yépez, Head of Energy Division, IDB</p> <ul style="list-style-type: none"> <li>• H.E. Hon. Prime Minister Brigadier Mark Phillips, <b>Guyana</b></li> <li>• H.E. Alberto Pimentel Mata, Minister of Energy and Mines, <b>Guatemala</b></li> </ul> <p>Interventions by other Latin American Ministries</p> <ul style="list-style-type: none"> <li>• Mr. Leonardo Deras, Secretary of State for Energy (acting), <b>Honduras</b></li> <li>• Mr. Ryan Cobb, Director of Energy, Ministry of Public Service, Energy and Public Utilities, <b>Belize</b></li> </ul> <p>Comments and questions from other attendees</p> <ul style="list-style-type: none"> <li>• IEA Governing Board representatives from <b>UK, US</b></li> </ul>
<p><b>17:50 – 18:00</b></p>	<p><b>Closing remarks and conclusions</b></p> <ul style="list-style-type: none"> <li>• Alfonso Blanco, Executive Secretary, <b>Latin American Energy Organization</b></li> <li>• Dr. Fatih Birol, Executive Director, <b>International Energy Agency</b></li> </ul>

## Session background

### Session 1: Power sector – turning crisis into opportunity

The Covid-19 pandemic has highlighted, once again, the crucial role that electricity plays in our modern societies. The IEA 2020 Global Energy Review singles out renewables as the only energy source showing demand growth at the global level in 2020, driven by larger installed capacity and priority dispatch. As power demand across Latin America recovers from the historic lows seen during the first half of 2020, policy-makers are turning their attention again to a sector that will play a key role in the region's clean energy transitions.

Thanks to abundant hydropower, Latin America has long been a leading region for clean electricity generation and many countries in the region share the ambition to maintain and increase the share of renewables in their power mix, leveraging on increasingly competitive variable renewables and harnessing new technologies. This will require changes in power system planning and operations, as well as improvements in market design to promote investments.

Building on national level initiatives to address these challenges, the regional RELAC initiative, which aims at achieving a 70% share for renewables in generation capacity by 2030, highlights the value of regional and international collaboration to advance Latin America's clean energy transitions.

Looking ahead, in addition to attracting investments in renewable energy deployment and grids, the Covid-19 pandemic also risks to divert away attention from investments in innovation, a key medium- to long-term driver of energy sustainability. The IEA Energy Technology Perspectives (ETP) Special Report on Clean Energy Innovation highlights that many technologies are not ready for markets today and that their development may be hindered by new risks and uncertainties arising from Covid-19.

Strategic and well-focused investments in low-carbon energy innovation can help unlock new markets and foster structural job creation in the medium-term. At the same time, innovation can also help ensure electricity resilience and security of supply: a broader portfolio including emerging technologies is a means to diversify the energy mix and energy supply chains. From established technologies such as hydropower, via renewable power generation to electrification of demand, the region has world-leading potential for developing and deploying innovations for the benefit of a sustainable and resilient recovery.

Against this background, the session will discuss the challenges of power sector development and innovation along the following guiding questions:

- How can Latin America's power systems and markets evolve to achieve clean energy goals while addressing the significant immediate Covid-19 crisis?
- How can countries around the region collaborate to promote clean electricity development? How can the IEA support these initiatives?
- How can investment frameworks and business models support sustainable and resilient recoveries?
- In terms of innovation, which technologies should be prioritized in the context of a sustainable recovery from Covid-19? What policies may help governments accelerate innovation in these sectors and stimulate private sector innovation? What is the role of regional cooperation and innovation partnerships for information and good practice sharing?

## **Session 2: Oil & Gas – immediate impacts and longer-term development strategies**

Despite sustained progress on clean energy, oil and gas resources will continue to play a key role in Latin America's energy systems in the coming decades and could be a motor for the next phase of development in the region.

The Covid-19 pandemic has hit Latin America's oil and gas sector particularly hard, as lockdowns and other restrictions resulted in a marked decrease in hydrocarbon demand that could put compromise the sector's long-term economic viability.

With abundant conventional and unconventional hydrocarbon resources, Latin America has the challenge to foster their development in a way that promotes job creation and as well as energy security and affordability as the basis for a competitive economy.

Natural gas in particular is set to play an increasingly important role in the region as an affordable fuel for industry and households, and as a source of dispatchable power generation providing security of supply as more and more intermittent renewables come online. Moreover, natural gas could be a gateway for the development of low-carbon gases, including bio-methane and hydrogen, which have the potential to be key items in the region's clean energy transitions.

In Brazil, the recent approval of the new gas bill by the lower house of Congress marks an important milestone in the implementation of the country's *Novo Mercado de Gás*, a market reform package that seeks to create a competitive and efficient market to support the expected increases in domestic gas supply and demand. Moreover, the continued development of country's offshore oil and gas resources in the country highlight the resiliency of these projects, in spite of prevailing low oil prices.

In Argentina, the rich Vaca Muerta shale play continues to attract attention as one of the most promising areas for unconventional oil and gas development outside North America, with the potential to offset the natural decline in domestic conventional production, replace imports and even supply neighboring countries. To meet this promise, Argentina has the ambition to attract sufficient investments in exploration and production in a way that fosters the development of the local services industry, creates jobs and guarantees affordable energy to its economy.

This session will discuss the challenges ahead for Latin America's oil and gas sector along the following guiding questions:

- What are governments doing to address the long-term impacts of Covid-19 in the region's oil and gas sectors?
- How can Latin America benefit from its abundant oil and gas resources in the post-pandemic economic context?
- How can governments shape the future of the sector to promote secure, sustainable and affordable energy for the region?

### **Session 3: Leaving no one behind: how to build inclusiveness into sustainable recovery?**

The COVID-19 pandemic is inflicting high and rising human costs worldwide, and the necessary protection measures are severely impacting economic activity. After seven years of already slow growth, the Covid-19 crisis will lead to the biggest drop in Latin American GDP in a century (-5.3%), which will push 16 million more people into conditions of extreme poverty in 2020, to a total of 83.4 million people overall (ECLAC). The pandemic could limit or even reverse the recent progress on access to electricity and clean cooking, by limiting the governments ability to fund energy access programmes and the population's ability to afford modern energy sources, which have multiplier effects for the whole economy.

Between 1990 and 2018, Latin America had made great progress in improving electricity access, increasing from 86 to 98% - even if significant pockets of lacking access remain, especially in rural and remote areas. During the immediate crisis, many governments and electricity utilities around the world have made commitments to avoid hardship, including payment moratoria, additional assistance with bills or pledges not to disconnect customers in arrears. Going forward the challenge will be to maintain the region's previous momentum towards universal access to electricity and to improve the availability and affordability of modern energy in order to avoid regression to traditional fuels by already connected households.

Access to clean cooking remains an important issue in many countries, in particular rural areas: Between 2000 and 2018, clean cooking access has made only slow progress, increasing access from 80% to 88% – leaving millions of Latin Americans relying on (often low-quality) traditional uses of biomass. During the times of the pandemic, the resulting respiratory diseases lead to even greater risk exposure to Covid-19 of vulnerable populations, adding another reason to focus on closing the access gap in this area.

A further aspect of inclusiveness, which should be taken into account in tracing paths towards a sustainable recovery, is the consistent gender gap which continues to characterize the energy sector: for example, women comprise 48% of the global labour force, but only account for 35% in the renewable energy sector, and even less (22%) in oil and gas. However, research shows that industries with significant gender gaps could be missing out on tangible benefits in terms of profitability and innovation. Public policy in education, employment and industry can help lower the barriers of entry and hindrances to career progression for women – helping improve gender equality and competitiveness in the energy sector alike.

The session will discuss these aspects of inclusiveness as part of the pandemic response and recovery, led by the following main questions:

- Which sustainable recovery actions in the energy sector could deliver the most benefits in terms of social and economic development?
- How can the region ensure energy access to all Latin Americans and avoid backsliding on past progress?
- How can inclusiveness be addressed as an integral part of recovery measures?