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Energy Transition Readiness Index highlights Latin America's potential to become a global powerhouse

Study Download

- The region – a minor contributor to global climate change – currently sits at 22 % on the energy-transition readiness scale
- At the top of decisions makers' priority list is speeding up the expansion of renewable energies, where technology is advanced and costs are competitive
- Although Latin America has a golden opportunity to further develop its role as a reliable exporter of green energy, particularly hydrogen, any move in this direction requires regulatory support
- Policy is the main area where action is needed, by implementing investment-driving regulations that have clean energy exporting as a strategic priority

Munich, July 2022: Siemens Energy and global management consultancy Roland Berger teamed up to prepare an Energy Transition Readiness Index focused on the Latin America region. The study results from the feedback from around 530 regional and global business leaders, policymakers and government representatives across various sectors who attended Latin America Energy Week 2022, a series of conferences held by Siemens Energy to discuss regional challenges and opportunities for the energy transition.

The survey bundled the experts' answers to each of the 12 predefined key energy priorities by combining the progress of each priority ("readiness") with an assessment of their respective importance ("system maturity"), measured by the average importance of all priorities.

The report, which describes the perceived readiness on a scale of 0 to 100%, found that the region currently scored 22% on the Readiness Index. This indicates that, although Latin America has a solid foundation for expanding its influence in the global energy transition, it will need to create the right conditions to do so, by achieving greater regional integration and making clean energy exports a strategic priority.

“On a race-to-zero scenario, Latin America has the potential to rise as a significant worldwide clean-energy provider as well as a key food supplier with a sustainable label for other continents. Therefore, it is in the region's best interest to establish transnational alliances in accordance with systemic thinking, that not only considers local value chains, but also global demand,” says André Clark, Sr. Vice-President of the Siemens Energy Latin America Hub.

The survey also revealed a gap between perceptions and reality when it comes to what has been achieved so far: Participants estimated that the region's emissions fell 17% on average between 2005 and today, with just four in ten correctly answering that no reduction in emissions had actually been achieved. The reason for this discrepancy, according to the study, is a result of public discussions about the initial decarbonization measures already under way, when, in reality, current emissions growth counteracts any potential reductions achieved by these measures so far.

This gap is also reflected in future ambition levels, where participants expect emission levels to fall 37% by 2030 compared to their 2005 level – a highly ambitious figure. In global terms, Latin America is a minor contributor to climate change, accounting for just 5% of global CO_2 emissions in 2020, however, emissions grew by around 20% between 2005 and 2019, driven by economic expansion and increased energy demand.

Priority areas and current progress

Conference participants considered all energy priorities very important for achieving climate goals. At the top of their list is speeding up the expansion of renewable energies. In this area, technology is already advanced, and costs are competitive, making implementation relatively straightforward.

Participants also viewed integrating renewables into the energy system, that also requires storage solutions, as a priority task. In addition, they consider decarbonizing industry a priority: If done successfully, this will enable

economic growth without driving emission levels.

According to the respondents, current progress on achieving the energy priorities in Latin America has been slow, however. Some progress has been made in the area of power generation but installed capacity for solar and wind still leaves room for wider rollout in the future.

The survey further reveals a number of blind spots for participants. Areas that have a high impact but where little progress has been achieved include implementing energy storage solutions and developing new energy business models.

“Latin American countries should associate energy transition initiatives with innovation. The solution is to tighten collaboration between traditional and new players in the sector like startups and universities. As energy is traditionally highly regulated and requires capital intensive investments, these partnerships require cultural efforts from both parts to be effective,”, says Georges Almeida, Partner at Roland Berger.

Opportunities on the rise

Most countries in Latin America enjoy abundant, high-quality wind and solar energy sources, allowing for highly competitive generation costs. Although Latin America has a golden opportunity to further develop its role as a reliable exporter of green energy, particularly hydrogen, any move in this direction requires regulatory support.

According to respondents, in order to develop its full potential, Latin America needs to implement investment-driving regulations to ensure infrastructure improvements, while making clean energy exports a strategic priority.

After policy, participants elected funding as a priority area. They see the requirement for action on funding as particularly high for renewable energy sources (RES) – here, according to the participants, regulations also need to be adjusted to create more investment opportunities.

The Energy Transition Readiness Index is part of a global collaboration between Roland Berger and Siemens Energy, aimed at developing valuable data to enhance key strategies for the energy transition. A global version of the report, comprising insights from all regions, will be disclosed later this

year.

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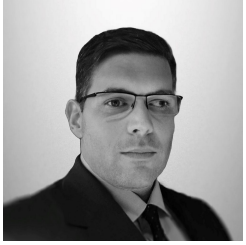

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