

MERCOSUR AND POST-COVID 19 EXIT STRATEGIES IN TERMS OF SUSTAINABLE DEVELOPMENT: RENEWABLE ENERGIES AND CLIMATE CHANGE

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Introduction:

The beginning of the third decade of the 21st century confronted the world with the challenge of a global pandemic, where the conditions were imposed by an international environment defined since the turn of the millennium by rapid changes, risk, and uncertainty, together with what Hirst and Malacalza (2020) call a multilateralism reconfiguration without a clear direction. With the coronavirus crisis, it was suddenly necessary to respond to a challenge of global scope, although it is worth highlighting the existence of precedents and alerts that were not duly considered: numerous analyses by the World Health Organization (WHO) outlined pandemic scenarios, establishing the need for healthy environments for the prevention of potential pandemics and underlining environmental risks as a factor directly affecting morbidity at global and regional level (Prüss-Üstün 2006). Likewise, approaches from the United Nations Environment Programme (UNEP) indicated that the emergence of zoonotic diseases prone to be transmitted to humans is often linked to environmental disturbances and are stimulated by phenomena such as climatic events, floods, and famines (UNEP 2016).

To the complex post-pandemic and hegemonic dispute scenario at

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the international level, an issue within the security area such as the War in Ukraine was added in February 2022. This represents a strong reintroduction of geopolitical considerations in energy matters as well. In view of this, this study adopts a multilevel governance perspective to identify opportunities and challenges of Latin America regionalism and its potential for the coordination of instruments such as the 2030 Agenda and the SDGs at the Southern Common Market (MERCOSUR, for its acronym in Spanish) level.

Assuming a conceptual perspective of sustainable human development (Griffin 2001, Bertoni et al. 2011), this paper analyzes the dynamics of the Bloc in terms of its normative-institutional framework and actors' roles in promoting renewable energies given their contribution to the struggle against climate change. We explore elements that could eventually support future regional climate governance while raising questions of political economy, as well as differences between policies implemented in recent years and their inherent tensions. Based on a combined methods approach, a qualitative component is developed on the one hand, covering journalistic, bibliographical and documentary review (secondary data), as well as primary data from semi-structured interviews conducted between 2017 and 2022 with qualified stakeholders in Uruguay: perceptions regarding opportunities and challenges of the development of energy policies in MERCOSUR are considered focusing on renewable energies, climate change and the situation in Uruguay. The assumption of the new Brazilian government in 2023 is also considered here, with a relaunching of the "green" agenda, which may influence the external positioning of the Bloc. The quantitative component analyzes the evolution of investments in renewable energies in Uruguay during the last decade, presenting the evolution of electric energy exports due to the investment process already mentioned. Finally, the changes in the country's energy matrix are analyzed and compared to the energy matrices of Argentina and Brazil.

Analytical framework

The developments of recent decades are intertwined with moments of breakdown and questioning of international governance, which leads authors such as Sanahuja (2020) to describe events like the 2008 crisis as emerging issues that transcend the circumstances. They are rather, evidence of a broad globalization crisis, understood as a hegemonic model and narrative, following the end of the post-Cold War period, marked by the promotion of a Western

version of democracy, liberal internationalism, and economic globalization. The new stage of the so-called “post-globalization” brings challenges to Latin America’s foreign and development policies. On the other hand, the advent of the COVID 19 pandemic represents in this vision a “critical juncture” - plausibly understood as a “crisis within a crisis”. This would have connotations of reshaping correlations of forces, of redefinition of norms and institutions of the social, economic, and political structure, with a view to constructing new principles and legitimacy criteria. Following the author in a recent work of neo-Gramscian inspiration (Sanahuja, 2022a), the expression “interregnum” could be applied to an assertive description of the current historical period. This would imply an organic crisis marked by contradictions in a highly transnationalized and financialized global economy, but transcending the economic phenomenon to encompass international politics, immersed in a stage of systemic instability and erosion of the prevailing consensus of previous decades, both at international and domestic political levels. Contrasting with this vision, for Rodrik (2020) the pandemic would reinforce trends already present, without envisioning a new course for global political and economic dynamics. Instead, the author emphasizes the risks of climate change, which would become the “next foretold crisis.”

In Latin America, the concept of governance has been debated since the 1990s in relation to the role of regionalism in the new global architecture proposed by the United Nations Commission on Global Governance (1995), which was challenged by academic and political-diplomatic criticisms of this “adaptive” or “functional” vision of global governance. In fact, during recent decades there have been multiple schemes seeking an “alternative” regional governance, such as the Bolivarian Alliance for Our America’s Peoples (ALBA), the Union of South American Nations (UNASUR, acronym in Spanish) or the Community of Latin American and Caribbean States (CELAC, acronym in Spanish), while other types of initiatives such as the Pacific Alliance or the Forum for the Progress of South America (PROSUR, acronym in Spanish) have also emerged. Despite the undermining caused by segmentation, Riggirozzi and Wylde (2018) establish an explicit link between the conceptual category of governance and the development challenge, emphasizing institutional elements and the array of actors as crucial factors in regional integration processes. Likewise, Riggirozzi and Ryan (2021) stress that regional responses to challenges and opportunities raised at the international level have become a recurrent element, although the authors identify little recognition of regional policy impacts, where the influence exerted by the creation of regulatory frameworks, the regional diplomacy dynamics and the social policy impacts have been ignored, affecting the credibility of regional organizations and

negatively influencing regional governance. In turn, Riggiozzi and Tussie (2021) visualize the concept of post-hegemonic regionalism in connection with a manifestation of governance that has redefined the regional space as a sphere of action and contention.

The foregoing underscores the relevance of the approach to Latin American regional governance contemplating the specificity of various topics. In relation to sustainable development and decarbonization, different instruments established by the international community such as the 2030 Agenda and the Paris Agreement specify the relationship between the energy issue and climate change (Rivera Albarracín 2019). The Escazú Agreement must be also mentioned in this context. Although the fragmentation of the international governance mechanisms for the energy sector does not define sufficiently clear connecting lines between these issues, there are opportunities within the national spheres to internalize commitments established at the international level, which is relevant for the reconversion of the MERCOSUR countries' energy matrices.

The urgent need for these changes is expressed in the Human Development Report elaborated by the United Nations Development Program (UNDP), which conceptualizes the beginning of the new "Anthropocene" geological era due to the eminently anthropogenic nature of the threats facing the planet: in particular climate change, where State actions, regional authorities, and local communities are of crucial importance (UNPD 2020). The United Nations World Meteorological Organization (WMO) reports also highlight the severity of the climate crisis (WMO, 2020). At the action level, the Climate Summit convened virtually by the Biden Administration in April 2021 showed attempts to reposition the United States on environmental issues and emphasis on renewable energies, presenting its new goal of cutting emissions: between 50% and 52% by 2030, compared to levels in 2005. At the Summit of the Americas in June 2022, the U.S. government announced a series of measures to address the climate crisis, create green jobs and strengthen energy security. The aim was to promote trade and renewable energy investment in the Americas, fostering regional collaboration through the Renewable Energy in Latin America and the Caribbean (RELAC) initiative. Regional development banks will be given a leading role here: the Inter-American Development Bank (IDB), the Development Bank of Latin America (CAF), the Caribbean Development Bank (CDB), and the Central American Bank for Economic Integration (CABEI) will finance projects up to US\$50 billion over the next five years³.

3 See: https://elpais.com/internacional/2022-06-09/estados-unidos-lanza-una-propuesta-para-luchar-contra-el-cambio-climatico-en-la-cumbre-de-las-americas.html?rel=buscador_

Meanwhile, within the European Union (EU), proposals such as the Green Pact prior to the pandemic and the Next Generation EU program approved in July 2020 do not constitute mere sectoral strategies for decarbonization and fight against climate change, but rather seek to promote a green transition that fosters a cycle of investment, productive transformation, growth, and employment focused on sustainability (Sanahuja 2022b). Regarding the relationship with the EU, after the progress made in June 2019 on the preliminary trade agreement made with MERCOSUR, there was an impasse based on different issues, including the environmental concerns of the European partners. However, the discussion of a “green” exit from the pandemic as well as the energy crisis resulting from the Ukrainian War has repositioned the bi-regional issue in a different perspective: As Verdes-Montenegro and Jeger (2022) point out, Latin American and Caribbean countries, heavily impacted at different levels (social, financial, etc.) by the aforementioned crises, find it vital to link with the EU, which proposes the region a more diverse agenda compared to that of other foreign actors. In particular, the Social Agenda and the Green Transition are two of the central pillars of bi-regional cooperation. Specifically related to MERCOSUR, the authors underline that despite the aforementioned political economic challenges that have delayed the ratification of what has been agreed between the two regions, it is clear that this type of association agreement cannot be understood as a simple free trade agreement, but that its geopolitical dimension must be considered, as well as its potential to generate a common space for policy dialogue, regulatory convergence, and productive transformation for digital and green transitions, with the reconstruction of the social contract. Contrasting this view, the International Energy Agency (IEA) has pointed out the lack of drastic measures for an effectively “green” post-COVID-19 exit, although it recognizes the potential of renewable electricity generation and the production of electric cars, together with the creation of clean energy jobs⁴. ECLAC (Economic Commission for Latin America and the Caribbean) contributions regarding the construction of the future also point to renewable energies as one of the vectors for overcoming the climate crisis and as a possible key to post-pandemic recovery (ECLAC, 2020).

noticias.

4 See: https://elpais.com/clima-y-medio-ambiente/2021-11-04/la-agencia-internacional-de-la-energia-calcula-que-las-ultimas-promesas-dejarian-el-calentamiento-global-en-solo-18-gradus.html?rel=buscador_noticias

Renewable energy in MERCOSUR

Regarding MERCOSUR, recent analyses (Ayuso 2022) show the difficulties of establishing common standards and homogeneous policies given the great disparities among its members in terms of size, population, economic weight, and levels of development. Additionally, economic crises that successively hit the region due to its vulnerability to external shocks, its dependence on the export of raw materials, and the lack of internal financing, which stimulated defensive policies and weakened the solidarity among its members. In this view, although all these elements impeded further integration and stimulated centrifugal forces, MERCOSUR would nevertheless be the organization with the greatest potential in the region, and its success or failure would be an indicator of the health of Latin American regionalism. For authors like Alejandro Frenkel (2022), the Bloc is currently undergoing a process of identity redefinition, which becomes more visible when discussing trade orientation. In this sense, prioritizing progress on non-economic agendas may be a good way to untie the troublesome knots and the lack of agreements that currently define the integration process.

Considering the evolution of the Bloc - with its economic-commercial focus - it is possible to identify a zigzagging development process of the institutional-normative scheme that sought to frame the promotion of renewable energies. Regarding the perceptions of difference actors and stakeholders, this paper reports the results of a series of semi-structured interviews conducted from 2017 to 2022, making explicit the evolution of visions of experts from the public area in the Frente Amplio (FA, "Broad Front") government, as well as referents from the coalition government headed by President Lacalle Pou since March 2020. In 2017 and 2018, leaders of the National Energy Directorate (DNE, Dirección Nacional de Energía) of the Ministry of Industry, Energy and Mining (MIEM, Ministerio de Industria, Energía y Minería) reported years of difficulties in articulating within the Bloc⁵, with a weakening of consultation venues, like the SGT No. 9 (Working Sub-Group), in charge of energy issues, which had ceased to meet since 2011. Despite this, the then Director of Energy emphasized the coordinating potential of MERCOSUR's institutional framework, without denying the limitations imposed by discordant policies and divergent evolutions of national energy matrices⁶. On the other hand, during those years the energy infrastructure was reinforced through the Structural Convergence

⁵ Interview with Wilson Sierra (DNE), Uruguay, on 8/8/2018.

⁶ Interview with Olga Otegui (Director of DNE), Uruguay, on 07/31/2017

Fund (FOCEM, Fondo de Convergencia Estructural), which allowed for a significant increase in energy trade within the bloc, given the surpluses generated by the strong share of renewable energies in the Uruguayan energy matrix. However, the different paths taken by the countries were made explicit: in June 2019, Presidents Macri and Bolsonaro emphasized in a joint Declaration the strategic weight of oil and natural gas reserves and production in the Pre-Salt and Vaca Muerta deposits, although they alluded to bioenergy and biofuels as key to energy security, economic development, and environmental protection. At the regional level, a different trend emerged in October 2022 when a ministerial meeting of the Community of Latin American and Caribbean States (CELAC) was held in Buenos Aires, where Argentina's pro tempore presidency managed to promote a regional position paper on climate change and access to climate finance in preparation for the COP27 to be held in Egypt in November. Furthermore, new visions seem to gain strength with the new government assuming office in Brazil in January 2023, which has relaunched the green agenda internally and externally: thus, before the beginning of the VII CELAC Summit of January 2023 in Buenos Aires, President Luiz Inácio 'Lula' da Silva together with his Argentine counterpart Alberto Fernández made express reference to the importance of integrating energy policy with a focus on renewable energies in MERCOSUR. In turn, Lula da Silva underlined his intention to finalize the agreement with the EU, overcoming discrepancies that had arisen in environmental matters, particularly during the previous administration of Jair Bolsonaro⁷. Moreover, in his visit to the United States in mid-February 2023, Lula stressed that he sought to "reposition Brazil in global geopolitics," adding that Brazil would take "this climate issue very seriously" and calling on President Biden to build together a "stronger global governance" on the matter⁸. This is especially interesting if one considers that, as López Burián (2023) states, Brazilian politics has historically been a key piece in understanding Latin America's political positioning.

Regarding the specific issue of climate change it must be stated that at the end of the FA administration in Uruguay, DNE representatives had a positive view of energy trade with the Bloc, with strong links between economic and environmental factors on the basis of renewable energies⁹. When the MERCOSUR-EU Agreement was signed in June 2019, officials of

7 See: <https://ladiaria.com.uy/mundo/articulo/2023/1/lula-y-alberto-fernandez-anunciaron-que-trabajaran-en-la-creacion-de-una-monedacomun->

8 See: <https://ladiaria.com.uy/mundo/articulo/2023/2/lula-y-biden-destacaron-que-lademocracia-triunfo-en-sus-paises/>

9 Interview with Wilson Sierra (DNE), Uruguay, on 8/8/2018.

the National System for Climate Change Response (SNRCC, Sistema Nacional de Respuesta al Cambio Climático) expressed optimistic expectations about technological innovation at the domestic level, as well as in Argentinian and Brazilian industrial sectors, with the potential for boosting regional cooperation¹⁰. This contrasted with the vision of officials from the Climate Change Unit of the Ministry of Livestock, Agriculture and Fisheries (MGAP, Ministerio de Ganadería, Agricultura y Pesca) who represented Uruguay in the international negotiations on climate change: regarding the real possibilities of articulating the Latin American region outwardly, they mentioned the conditioning factors of the primacy of economic and geopolitical interests over those of an environmental and climatic nature¹¹. Regarding the internal organization of the Bloc, the representative for Uruguay of an international organization linked to the fight against climate change, like the Food and Agricultural Organization (FAO), noted the heterogeneous nature of the MERCOSUR countries due to their differences in size and orientation in energy matters¹². An example was Argentina's bet on gas imports, generating difficulties in the official balance sheets due to the lack of US dollars¹³.

After taking office in March 2020, the government led by Lacalle Pou expressed its intention to extend the regional energy cooperation existing even before MERCOSUR: within the MIEM, Minister Omar Paganini envisioned the La Plata Basin as an area of integral complementation for the MERCOSUR countries, especially Argentina and Paraguay¹⁴. In July 2020, when Uruguay assumed the pro tempore presidency of MERCOSUR, the new Director of Energy was appointed as Uruguay's delegate to the SGT No. 9, with the intention of revitalizing areas of coordination¹⁵. However, on the thirtieth anniversary of the Treaty of Asunción in March 2021, the differences between the partners regarding the future projection of the Bloc were very clear, where the Uruguayan presidency pointed to more flexible trade negotiations, without prejudice to positively valuing the energy trade between member countries on the basis of renewable energies. As Frenkel (2022) points out, the triumph of Lula da Silva for the Brazilian presidency will also likely determine a change in the energy agenda, given its key nature at both regional and global levels:

10 Interview with Ignacio Lorenzo, President of the SNRCC Coordination Group, on 7/24/2019.

11 Interview with Walter Oyancabal, Climate Change Unit, MGAP, on 7/26/2019.

12 Interview with Vicente Plata, FAO Representation in Uruguay, on 7/24/2019.

13 See: <https://elpais.com/argentina/2022-06-28/argentina-limita-el-acceso-a-dolares-para-el-pago-de-importaciones.html>

14 See: <https://www.miem.gub.uy/noticias/omar-paganini-se-comprometio-trabajar-en-reducir-costos-de-energia-y-transporte-que-afectan>

15 Interview with Walter Verri, Undersecretary of MIEM, on 7/9/2020.

in fact, Bolsonaro's climate change denialism and anti-environmentalist positions have affected relations with Europe and the United States, as well as hindering the evolution of the energy transition and the promotion of so-called "green investments" at the regional level in a decisive manner.

In relation to the possible energy articulation, the Environmental Unit of Uruguay's MIEM is currently pointing out the potential of the links established in the Bloc: "We probably should get more out of MERCOSUR in terms of energy, since we have a logic of sharing resources, we have signed Agreements, we have joint dams"¹⁶. In this vision, energy exports to Brazil during 2021 stand out, which implies a significant foreign currency income to the country, even if it was from turning on thermal power plants in Uruguay, which affects its GHG (greenhouse gas) emissions balance: "But how could we leave them without energy? In any case, it is a difficult trade-off, which could be solved if we turn on the thermal power plant using green hydrogen"¹⁷.

Renewable energy and climate change: Uruguay versus Argentina and Brazil

According to IRENA's (International Renewable Energy Agency) experts like Scholten et al. (2019), the development of renewable energies will affect the patterns of cooperation and conflict between countries, with geopolitical repercussions. Given that a large part of renewable energies is destined for electric power systems, there will tend to be a future 'regionalization of energy relations', with a shift from global networks to others of regional scope, with the emergence of 'network communities' centered on economic Blocs. For IRENA (2016: 11), policies in Latin America were decisive in fostering investment in renewables, with Brazil, Chile, Mexico, and Uruguay standing out, valued for their legal, institutional, and administrative frameworks.

The evolution of MERCOSUR countries shows differences in their productive profiles, regulatory frameworks, sectoral policies, and resource allocation. In absolute terms, Brazil and Argentina have achieved the highest levels of investment: as González Jauregui (2022) points out, the role played by China, whose commercial banks have focused their loans on renewable energies, is particularly noteworthy. Argentina takes the first place in this ranking, followed by Brazil, although neither of them have joined the One

¹⁶ Interview with María José González, Co-Coordinator of the Environmental Unit of the MIEM, on 8/4/2022.

¹⁷ Interview with María José González, Co-Coordinator of the Environmental Unit of the MIEM, on 8/4/2022.

Belt and One Road Initiative (OBOR). In the Argentinian case, within the framework of the RenovAr Plan launched in 2016, the prominence of Chinese investments in wind and solar power plants became evident. In the Brazilian case, Chinese investments in hydroelectric energy and wind energy are noteworthy, in addition to the fact that links have been developed with Brazil in terms of joint research and development in the renewable energy sector.

By contrast, in terms of relative investment amounts, the case of Uruguay is interesting, where since 2004 there has been a national debate to define a new energy policy, with the participation of the State, private companies, academia, and social agents¹⁸. As a result of this agreement, in 2008 the Executive Branch outlined an approach projected to 2030, proposing energy independence within the context of regional integration. Thus, it aimed to generate 500 MWh with “new” renewable energies by 2050, which was surpassed by a much faster evolution. By 2017, 98% of the electric energy generated was already of renewable origin, with the highest production over the previous ten years: 14,363.90 GWh (Ministry of Industry Energy and Mining, 2019a), and with a consolidated regulatory framework that decisively promoted renewable energies. The Decree on the promotion of renewable energies is worth mentioning: 354/09 (2009), Energy Efficiency Law 18.579, Agrofuels Law 18.195 and Regulatory Decree 532/2008 (2008), Solar Thermal Energy Law 18.585, Decree on the Relevance of the Wind Resource 258/09 (2009); Decrees promoting the purchase of electric power from renewable energies: 77/06, 397/07, 296/2008, 403/09 (from 2007 to 2009), as well as tax benefits. This allowed for securing investments higher than US\$ 8 billion (Uruguay XXI 2022a).

Since the government change, the MIEM focused on a review of the energy policy overall management, in order to correct the excessive contracting of wind energy: indicating a gap in the energy plan of the previous government, an overproduction with respect to what was proposed in the Inter-Party Agreement (500 MWh of wind energy), which currently reaches 1,500 MWh, has occurred. It is questioned that at times, the National Administration of Power Plants and Electric Transmissions (UTE, Administración Nacional de Usinas y Trasmisiones Eléctricas) is required by contract to pay for the surplus generated but not delivered, with a loss of energy, while at other times wind power is used and hydroelectric power is not delivered. Based on this, the model was reviewed, taking advantage of the Combined Cycle Power Plant with gas purchases from Argentina as a backup. In retrospect, Minister Paganini of the current Lacalle Pou administration had a positive view of the FA’s financial strategy to attract international investment, providing

18 Interview with Olga Otegui (Director of DNE), Uruguay, on 07/31/2017.

buying security and achieving high levels of private investment. However, this has generated an “over-enthusiasm”, resulting in 1,000 MWh of private contracting. At the State level, UTE also developed its own wind farms, some with investment open on the stock exchange (400 MWh more), in addition to solar energy and biomass. As a novelty, the new government sought to use the Combined Cycle Power Plant as a backup for export contracts, requiring gas to maintain competitive costs. However, negotiations were interrupted by the pandemic¹⁹. On the other hand, despite the positive assessment of the 2010 Interparty Agreement, the new Undersecretary Walter Verri stressed the need to review it as the first energy policy challenge, understanding that the commitment to renewables is an irreversible path for Uruguay, with international recognition. The new approach would focus on the use of waste as an energy source (circular economy), the promotion of e-mobility, and self-generation to be fed into the grid through the PROSUMER program (photovoltaic energy).²⁰. In public declarations the Director of Energy in July 2022 emphasized the need to sustain a “strategic vision” in terms of electric transportation due to its advantages in environmental and noise terms.

According to data from the REN21 report (2021), Uruguay is the second country in the world in terms of the proportion of renewable energies in the energy matrix²¹. For the second stage of energy transition and in relation to the transition towards decarbonization, the MIEM considers four pillars to be addressed in stages: thus, in the so-called “first transition” Uruguay made progress in the first pillar by decarbonizing its electric matrix, reaching 97% of the energy generated from renewables. It also made progress in terms of the second pillar related to energy efficiency, as well as in the third pillar of “green” electrification. In the second transition, the focus is on the fourth pillar, specifically on the so-called hard-to-abate sectors, where it is no longer efficient to use electrical energy, but rather green hydrogen to make fuels or to use biofuels²², for example.

In this context, the new administration made clear its commitment to the so-called “Hydrogen Economy”, to further the decarbonization of the energy sector, and the production of raw materials. As possible benefits for the country, MIEM officials mentioned the potential for hydrogen exports, as well as direct local consumption and for industries related to the production of

19 Interview with Minister Paganini held on 3/31/2020 at Radio Program ‘No Toquen Nada’, (99.5 FM).

20 Interview with Walter Verri, Undersecretary of MIEM, on 7/9/2020.

21 For more details see: https://www.ren21.net/gsr-2021/chapters/chapter_01/chapter_01/

22 Interview with María José González, Co-Coordinator of the Environmental Unit of the MIEM, on 8/4/2022.

raw materials and green chemicals, for local consumption or export: the aim was to develop a first operating Green Hydrogen pilot in Uruguay, based on the combination of public and private efforts²³. So a pilot plan was launched in collaboration with the National Agency for Research and Innovation (ANII, for its acronym in Spanish) and the Technological Laboratory of Uruguay (LATU, also for its acronym in Spanish), with an investment of ten million dollars, aiming to generate at least 1.5 MW²⁴. According to members of the Environmental Unit of the MIEM, the launching of the Green Hydrogen Roadmap must be seen in the context of new energy geopolitics: “It is no longer the oil-producing countries that are on the peak of the mountain, but all those that have wind and sun to produce a new energy vector like green hydrogen. We have to position ourselves in the global competition while driving our own decarbonization to lower GHG emissions at the national level”²⁵.

The specific aim is presently to decarbonize transport and industry, where green hydrogen would have a strong potential for long-distance transport, heavy transport, maritime and air transport), highlighting export opportunities, whether in the form of fuel, green fertilizers or raw materials: “In that regard, hydrogen is like a Swiss Army knife (...) The Roadmap is ambitious because it is about adding value to energy by turning it into an export product, in a context of uncertainty since it has no price. We must monitor what is happening in the world and cautiously go along with it”²⁶. POn the other hand, there is still resistance at the local level in relation to environmental issues due to the intensive use of water, as well as doubts about the feasibility of projects that require great investments²⁷.

Against this background, some significant nuances in the energy policy direction are currently emerging since in June 2022 the State-owned company ANCAP (acronym in Spanish for National Administration of Fuels, Alcohol, and Portland), announced that the oil companies Shell and the APA Group submitted bids to prospect hydrocarbon deposits, with a view to

23 See: [https://www.gub.uy/ministerio-industria-energia-mineria/comunicacion/noticias/hidrogeno-verde-eslabon-clave-para-completar-transicion-energetica#:~:text=Actualmente%20el%20m%C3%A9todo%20que%20se,%20y%20ox%C3%ADgeno%20\(O2\).](https://www.gub.uy/ministerio-industria-energia-mineria/comunicacion/noticias/hidrogeno-verde-eslabon-clave-para-completar-transicion-energetica#:~:text=Actualmente%20el%20m%C3%A9todo%20que%20se,%20y%20ox%C3%ADgeno%20(O2).)

24 See the Director of Energy's statements in this regard: <https://www.elobservador.com.uy/nota/el-desarrollo-de-energias-renovables-es-un-gran-paraguas-para-el-pais-2022721123245>

25 Interview with María José González, Co-Coordinator of the Environmental Unit of the MIEM, on 8/4/2022.

26 Interview with María José González, Co-Coordinator of the Environmental Unit of the MIEM, on 8/4/2022.

27 See: <https://elpais.com/america-futura/2023-03-09/lider-en-energias-renovables-uruguay-apuesta-al-hidrogeno-verde.html>

subsequently exploiting three new blocks located offshore in the Uruguayan Sea, after ANCAP has signed a contract with Challenger Energy in May of the same year. This led socio-environmental organizations to demand from the government more information about these contracts, considering that the process contradicts the path of the energy transition. In turn, the president of ANCAP affirmed in a press conference that the country “is putting itself back on the world oil map”²⁸. In this context, it is significant that in 2022 Uruguay lost its global leading and outstanding position in the “Green Future Index”, a world ranking compiled by MIT Technology Review, a publication specialized in technological and environmental issues, part of the Massachusetts Technological Institute (MIT) and sponsored by Morgan Stanley.

The index evaluates the progress and commitment of 76 countries in relation to decarbonization. While in 2021 Uruguay ranked in the top twenty countries showing the greatest commitment and progress on this topic, in 2022 it dropped in rank from number 20 to 38. Consequently, the country was placed almost at the bottom of the table in the second group of twenty countries that although they are making progress towards building a low-carbon future, they are not among the best²⁹.

Specifically, regarding the fight against climate change, during the FA administration, it was expressly linked to the promotion of renewable energies. With the 2009 establishment of the SNRCC coordinated by the then Ministry of Housing, Land Management and Environment (MVOTMA, for its acronym in Spanish), a multi-stakeholder and multilevel climate governance scheme was defined. In 2016 the Paris Agreement was ratified and in 2017 the National Climate Change Policy (PNCC, Política Nacional de Cambio Climático) was introduced, with the diversification of the energy matrix (SNRCC, 2017). From the SNRCC in 2019, the particularity of the first Nationally Determined Contribution (NDC) of 2017 was emphasized, making the country’s goals explicit to the international community and

28 See: https://ladiaria.com.uy/ambiente/articulo/2022/6/la-petrolera-shell-y-el-grupo-apa-exploraran-tres-bloques-en-la-plataforma-marina-uruguay-y-se-hara-un-pozo-para-buscar-hidrocarburos/?utm_source=newsletter&utm_medium=email&utm_campaign=tarde

29 The index mentioned above includes five components: (a) carbon emissions (indicator that measures how countries reduce carbon dioxide emissions overall, as well as in key areas); (b) energy transition (contribution and growth rate of renewable energy sources and nuclear energy); (c) “green” society (indicator that focuses efforts made by government, industry, and society to promote “green” practices); d) innovation and enabling environment for building a low-carbon future), and e) climate policies (ambition and effectiveness of each country’s climate policy, sustainable agriculture policies and use of spending to achieve a “greener” environment as part of the “exit” from the COVID-19 pandemic. See: <https://www.elpais.com.uy/negocios/noticias/uruguay-dejo-lideres-mundiales-medio-ambiente.html>

prioritizing subsequent five-year actions and goals³⁰. Likewise, the 2018 National Environmental Plan for Sustainable Development bet on renewable energies (MVOTMA, 2018). To FAO, Uruguay's role in adaptation and mitigation stands out, portraying one of the countries that advanced most rapidly, developing empirical evidence to support public policies: Uruguay was the first country to propose an NDC with numerical measures, showing a strong commitment, as well as an institutional and technical maturity that excelled at the international level³¹. Despite the changes in the environmental and climate institutions that implied the creation in 2021 of the new Ministry of Environment (MA, for its acronym in Spanish), which absorbed the SNRCC, the technical experts emphasized the continuity of the commitments assumed by Uruguay in climate matters. Thus, the new government did not see reasons for a drastic change in either policy or guidelines. In this respect, the interviewees point to a very smooth transition from one government to another in relation to climate change³².

Primary energy sources and electric power trade

The primary energy supply determines its availability for domestic consumption as well as for exports. From a Uruguayan perspective, we compare the changes in primary energy supply resulting from the analysis of the energy matrices of the three countries under study, considering the 2015 to 2021 period. The energy balance is divided into two main parts: energy sources and consumption. Energy sources are divided into primary and secondary energy sources. The analysis of the share of the different primary energy sources from the total allows us to determine the degree of transformation of the energy matrices towards the use of renewable sources, especially non-traditional ones. In this study, a recent period of analysis was used to determine whether the changes previously seen have continued or ceased, and if there were no changes, whether there have been recent changes.

Uruguay exports electric power to Argentina and Brazil. From the analysis of the 2015-2022 period, these have been increasing (Figure 1). Traditionally, the main export partner had been Argentina, but Brazil has been increasing its share. Particularly in 2021, electric power exports to Brazil valued in dollars, increased 7.5 times. This jump can be explained by the

30 Entrevista com Ignacio Lorenzo, Presidente do Grupo de Coordenação do SNRCC, em 24/07/2019.

31 Interview with Vicente Plata, FAO Representation in Uruguay, on 7/24/2019

32 Interview with Cecilia Penengo, technical specialist of SNRCC, on 3/29/2021.

drought suffered by that country, which prevented it from using hydroelectric energy sources. Imports valued in dollars are reported in 2016, and from 2018 onwards, there is an increase in imports, with a peak in 2020. This change in Uruguay's electric power trade with its neighboring countries is partially related to extreme weather events, especially droughts and high temperatures, which has resulted in close collaboration between them, to meet demand.

In Uruguay, there have been discussions about the relevance of producing energy for export to other countries, even when it must resort to other sources and produce energy, especially for export, incurring at times high costs and using fossil fuels, like oil. The authorities' argument has been to ensure the supply of energy in all three countries.

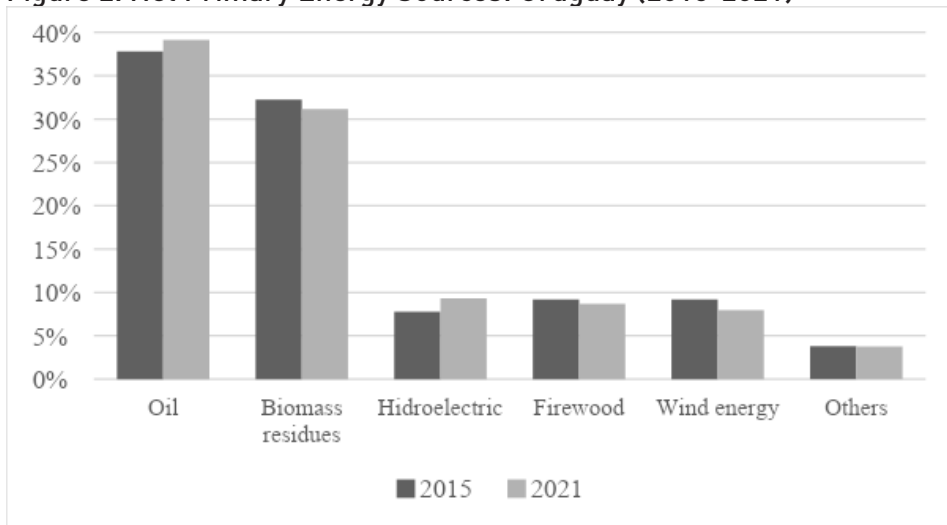
Figure 1. Uruguay's electrical energy exports by destination



Source: Uruguay XXI (2023).

The primary energy supply in Uruguay showed very marked changes between 2010 and 2015, and these changes have been consolidated after 2015. As of 2015, the prevalence of oil as a primary energy source continued, complemented by a stable participation of 8-9% of wind energy (Figure 2). Hydroelectric energy, which was one of the main primary energy sources, shows a similar participation in 2015 and 2021. Biomass residues have also maintained a stable share in this period, at about 30%. A big change took place between 2007 and 2008 when its share increased from 4% to 14% and further increased with a jump between 2014 and 2015. This phenomenon is clearly explained by the increase in the country's production capacity for cellulose, which has black liquor as a sub-product, a source of energy production.

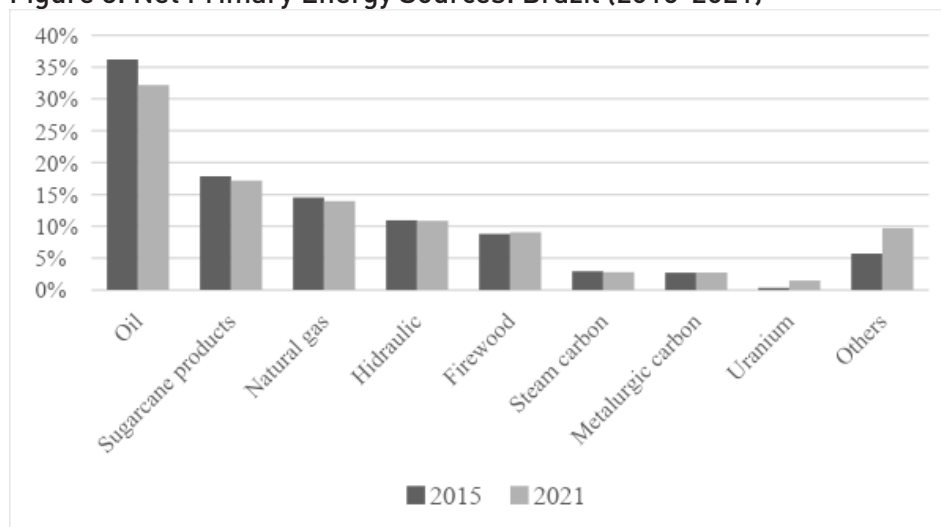
Figure 2. Net Primary Energy Sources: Uruguay (2015-2021)



Source: MIEM (2022).

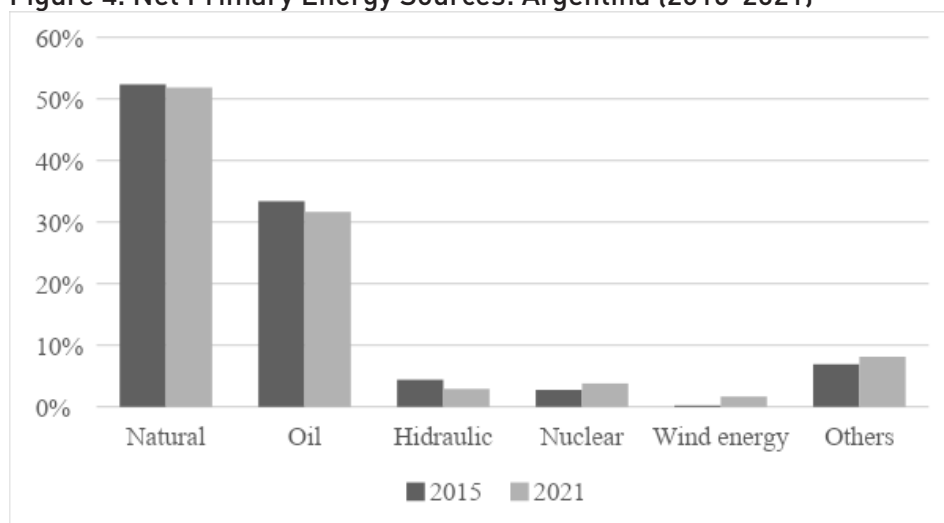
In the Brazilian case, although oil remained the main source of energy, as in Uruguay, between 2015 and 2021 there was a decrease in the share of primary energy supply (Figure 3). It may be noted that this was a big change in conjunction with the increase in the share of “other energies” from 6% to 10%. Sugarcane products remain in second place, with some fluctuations in the analyzed period. Natural gas maintains its third place.

Figure 3. Net Primary Energy Sources: Brazil (2015-2021)



Source: Brazil, Empresa de Pesquisa Energética, (2022).

With respect to Argentina, if primary energy sources are analyzed in the years 2015 and 2021, we can observe that natural gas continues to be the main source, contributing more than 50%, followed by oil with a share ranging between 34 and 33% (Figure 4). In terms of non-traditional renewable energy sources, low participation of wind energy is noted, with 1.7% in 2021, but with a significant increase from 2015, when its share was less than 0.5%. Within the group of other energies, some changes are observed, including the increase in the share of bagasse from 1% to 1.48%, and the increase in the participation of solar energy, which went from a negligible percentage to 0.25%. On the other hand, similar shares are observed for vegetable oils, mineral coal, firewood, and vegetable alcohols in both years.

Figure 4. Net Primary Energy Sources: Argentina (2015-2021)

Source: Ministry of Finance (2022). .

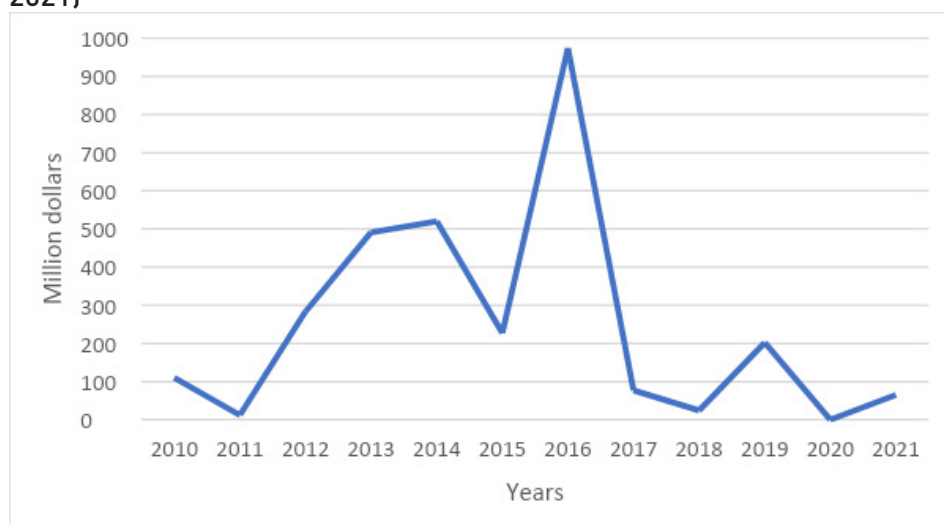
While Uruguay is the country that made the greatest changes in terms of its energy matrix, the analysis of more recent years, particularly the 2015 to 2021 period, shows that there are no major changes in the share of primary energy production by source. There was an increase in cellulose production, which explained the increase in the share of biomass in the total primary energy sources. Therefore, it was not due to specific new investments in renewable energy projects, but a by-product of other investments. In the case of Argentina, we see something like the Uruguay case: the incipient participation of some new energy source, in the case of the latter it was wind energy. As for trade, in the Uruguayan scenario we see recent changes: an increase in trade, with an increment in Brazil's participation as an export destination.

The change in Uruguay's energy matrix was supported by a strong process of attracting investment in the renewable energy sector. The regulatory framework for attracting investment was established with Decree 354/009. This decree declares the promotion of activities aimed at the production and use of energy from renewable and indigenous sources and energy efficiency. Companies submit their investment projects to the Investment Law Application Commission (COMAP) under the Ministry of Economy and Finance, which analyzes and authorizes projects that comply with the benefits of the Investment Promotion Law (16,906 of 1998 and successive decrees).

For this analysis, we took COMAP data and built a database where we

considered all those projects that are classified by activity since the activities are not standardized. For this work, all activities that included some reference to energy production were considered, covering the January 2010 - October 2021 period. They were then classified by the type of energy involved in the investment. In cases where this did not arise from the description, the Investment Promotion Decree was consulted. According to these estimates, investments of approximately US\$ 3 billion were promoted during this period, and in 2020 there were no investment projects that included renewable energies submitted to COMAP

Figure 5. Uruguay: Investments in promoted renewable energies (2010-2021)



Source: Prepared by the authors based on COMAP data (2022).

During investment peaks, more than 70% of the investments promoted refer to wind energy projects. More recently, there has been an increase in investment for projects using solar energy, but not at the same level as investments in wind energy.

Conclusions and future prospects

This paper assumes a perspective of sustainable human development, expressly considering the 2030 Agenda, the SDGs, and the Paris Agreement, considering the global processes in the context of the COVID-19 pandemic

and considering debates on Latin American regional governance. Given the international context, as well as the challenges and dilemmas faced by Latin America, this analysis addresses the potential and weaknesses of MERCOSUR to coordinate energy policies that contribute to the fight against climate change by promoting renewable energies. With a specific look at the evolving perceptions from different actors in the Uruguayan scenario, we consider the particular investment process in the renewable energy sector, which led to a radical change in the energy matrix and made energy exports possible for both public and private parties. The Uruguayan investment promotion regulations were an important factor, as well as Decree 354/009, which provided a clear framework.

From the data analysis between 2015 and 2021, it can be said that some observed trends are consolidated. In Uruguay's case, we no longer see major changes in primary energy sources, but we notice the emergence of solar energy in investment projects. In all three cases (Uruguay, Argentina, and Brazil), the changes in primary energy supply are not radical, as was the case with Uruguay in the 2010s, but some changes are evident.

Investments in Uruguay have been directed towards the wind energy sector, followed by the large biomass sector, and more recently there has been a growth in investments aimed at the solar energy sector. The country continues with a strong investment drive, and a continuous replacement of fossil fuel energy with renewables is being pursued. With the data analyzed up to the year 2021, it is not yet possible to see major changes in investments. However, changes may be observed in the trend of electrical energy exchanges from Uruguay, with greater participation from Brazil as an export destination and continuing the exchange with Argentina. These trends should be analyzed within the scope of collaboration between countries to ensure energy supply in the event of climatic situations like droughts.

Although the oil share in energy generation has decreased in some countries, it is still the first or second source of energy in the three analyzed countries. Seen from the point of view of "energy independence" of the countries, this observation has different implications for each country, since Argentina has oil reserves, for example. On the other hand, the use of non-renewable natural resources has implications in terms of sustainability.

Compared to Uruguay, the energy matrixes of both Argentina and Brazil show differences, since non-renewable energies are prioritized, either as sources of income or as mechanisms for energy security and national sovereignty. At the same time, political economy dynamics impact MERCOSUR's coordination areas and affect the emergence of a climate governance scheme at the present time. However, as Riggiorozzi and Tussie

(2021) point out, in a post-pandemic scenario different regional governance configurations could (re)emerge. This could begin to be reflected in the new stances outlined in Brazil with the new government and the coincidences voiced by the current Argentinian government on the importance of energy integration within the Bloc. Despite the differences that have emerged in recent years, this analysis in terms of multilevel governance with a focus on renewable energies makes it possible to identify incipient agreements at the Bloc level, which could even include its international repositioning, particularly about the ties with the EU and the bi-regional agreement under discussion. In this context, it can be asserted that the development of energy infrastructure in MERCOSUR and the growing trade based on “clean” energies represent positive factors in terms of decarbonization. Given the urgency of the climate challenge, the growing instruments of global climate governance, and the need to implement the Paris Agreement, the Bloc’s meager achievements in the energy field could constitute a significant asset for a future regional climate governance scheme.

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ABSTRACT

COVID 19 affected the projection of the SDGs, with debates on a post-pandemic “green” exit. With a multilevel perspective, this paper addresses the evolution of energy policies in MERCOSUR countries, focusing on renewable energies and climate change. Uruguay’s case is discussed, in contrast with Argentina and Brazil. Points of convergence in divergent situations are considered, given the commercial exchanges of electric energy between Uruguay and its MERCOSUR partners. Investments in renewable energies in Uruguay, its current situation, and its prospects are analyzed, considering the position of the Block and an eventual scheme of regional climate governance in the future.

KEYWORDS

MERCOSUR; Climate change; Renewable energies

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