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Green hydrogen: Latin America ‘moving in the right direction’

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Published: 09/08/2023

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Latin America’s strong potential as a producer and exporter of hydrogen is beyond doubt.

Some countries, like Chile and Uruguay, are laser-focused on the green variant. Neighbor Argentina in contrast, given a major push to tap its unconventional gas resources, has blue hydrogen on its radar.

The region’s biggest economy, Brazil, is also advancing and employs the term low-carbon hydrogen, to encompass hydrogen produced from diverse processes, energy sources and technologies, including renewables and fossil fuels with carbon capture.

The major challenge today in the region is [advancing projects](#) from the planning and permitting stages to construction, which in most cases will require the securing of offtakers.

To discuss the general hydrogen landscape, the region’s perspectives and more, BNamericas conducted an email interview with Laura Souilla, an Argentina-based partner and managing director at global consultancy firm [GME](#), which serves the energy, water and sanitation sectors. Latin America is GME’s main market.

BNamericas: What is the role of H2 in the energy transition?

Souilla: The main pillars of the energy transition are, fundamentally, gains in energy efficiency, changes in behavior, the incorporation of renewable energies and the direct electrification of all those sectors where it is possible. Then clean hydrogen and its derivatives such as ammonia, methanol and synthetic fuels and carbon dioxide-capture techniques are added. Clean H2 and its derivatives can contribute to decarbonizing those uses and sectors where electrification is not possible, such as in energy-intensive industrial processes, aviation, and long-distance maritime and/or land transport.

BNamericas: Is it possible to achieve global decarbonization goals without H2?

Souilla: The main engine driving the development of production and international trade in low-carbon H2 is a push to reduce greenhouse gas emissions. This need comes mainly from the regions that are envisioned as importers (European Union, Japan, South Korea) that do not have enough energy resources or space to produce all the clean H2 they need to meet their emission-reduction goals.

BNamericas: What prospects does the LatAm region have in terms of consumption and export of H2?

Souilla: The countries of the LatAm region have very different characteristics from the importing regions. On the one hand, they have abundant energy resources and availability of land to produce low-carbon H2 and thus be able to become net exporters and, on the other, the contribution of H2 to reduce its own emissions is insignificant compared to other actions such as direct electrification and energy efficiency improvements.

This said, and even focusing exclusively on the export role, a country’s productive matrix plays an important role. Countries with industrial segments that currently produce and at the same time consume H2 (grey) as a raw material, for example, refineries in Brazil or fertilizer-producers in Argentina, can take advantage of this situation to develop smaller-scale projects for domestic consumption, to progress in technological maturity and market penetration.

BNamericas: How would you describe the current situation in the region regarding hydrogen projects? For example, are you seeing concrete steps towards final investment decisions, or is it the case that most projects are still in the early stages?



Souilla: At a global level, it is observed that the projects announced on a commercial scale are in their early stages. In general, the large projects announced are structured through a consortium of sponsors with knowledge and experience in the different stages of the H2 value chain and its derivatives. In any case, only a minor percentage, close to 10%, is in the FID stage. In the region, this incipient situation is even more evident.

BNamericas: Regarding hydrogen, have you noticed any trends in terms of the information and/or services requested by your clients or prospective clients?

Souilla: Here we must mainly distinguish three groups of clients: promotion and multilateral credit agencies, sectoral institutions and private developers. The trends among the first two are more linked to the creation of favorable ecosystems for this type of project in terms of regulation, energy policies, promotion schemes and certifications. Among potential private developers there is interest in analyzing the main factors that determine the success of these projects, especially in terms of the main cost drivers, routes to market and other requirements that must be met to obtain financing.

BNamericas: In the region, it seems that Chile, Brazil Uruguay and Colombia are the most advanced countries regarding the development of hydrogen industries. What other countries could emerge as major producers this decade?

Souilla: Almost all the countries in the region are working, at different rates, on national hydrogen strategies and roadmaps to achieve the goals set. Uruguay is making decisive progress in this field. A strength of Uruguay is having an electrical matrix that is almost 100% renewable, giving it a great advantage for the development of pilot projects taking energy from the grid, which eases the journey of the learning curve. Argentina not only has the advantage of being one of the countries in the Southern Cone with the largest expanse of available land, but also has a very important renewable resource with wind capacity factors in Patagonia greater than 60%.

BNamericas: Apart from hydrogen, what other areas or segments, for example, transmission and natural gas, in the region are generating demand for your services – and what is anticipated for the coming years?

Souilla: To our more traditional lines of business linked to electricity transmission and the greater participation of renewables in the generation matrix (including the emergence of batteries and the concept of firm demand), market forecasts (demand and electricity prices) and the regulated distribution segment, we add the analysis of the new opportunities and challenges posed by the energy transition for companies linked to the current and future uses of hydrogen and its derivatives (ammonia production, refineries, steel industry, cement) and the synthetic fuels route to decarbonize the aviation and maritime transport sector.

BNamericas: In general, what would you say is the central concern of investors considering investing in the region, and do you foresee any change in this trend?

Souilla: The commercial-scale clean hydrogen development path is in its early stages and must overcome several barriers to make it competitive in different end-use applications. The main one is its cost and very significant investments are required. Assuming the same cost of capital, the region is competitive compared to other regions or countries that are also positioned as potential exporters such as Australia, Morocco and Canada.

Given that, in practice, it is probable that there will be a differentiation in the cost of capital between countries, other related factors acquire great relevance and are under analysis by investors: stimulus policies and access to financing, regulatory frameworks, certification schemes, qualified local labor, related infrastructure (ports, power lines, gas pipelines, roads) and demand hubs that can act as initial offtakers.

The region is moving in the right direction. The role of sectoral institutions as facilitators of private investment is also key for these projects to materialize.

BNamericas: And finally, what is the USP, or unique selling proposition, of GME?

Souilla: GME has provided strategic, technical, economic and regulatory consulting services in the different segments of the value chain of the electricity and natural gas industry for 30 years. Latin America and the Caribbean is the main market, but our reach is global.

Pathways to decarbonization are varied and complex. There is no single solution for all cases, but it depends critically on the starting point, on both the energy and production matrix of each country. Our capabilities and track record allow us to address the multiple challenges posed by the nascent low-



carbon H2 industry with a robust and comprehensive approach.

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