Buenos aires energy storage economics

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The Board of CAF-development bank of Latin America- confirmed its commitment to support the sustainable development of Argentina during its 163rd meeting, held today in Madrid, Spain, approving a three-installment loan for a total of USD 400 million. The initiatives are focused on strategic sectors, such as transport, energy and capital markets, in order to boost national productivity.

The Board members approved USD 150 million for the "Belgrano Sur Railway Renovation Project, Section M - Tapiales/Marinos del Crucero General Belgrano - Phase II," a second, USD 100-million installment for the "Regional Power Transmission Program in the Province of Buenos Aires," and an additional USD 150 million for the "Capital Market Development Program for Productive Financing."

"We are an ally when it comes to Argentina"s sustainable development, and CAF offers through these funds not only a financial contribution, but also knowledge and experience in transport and power transmission infrastructure, as well as in issues related to financial inclusion of micro, small and medium-sized enterprises in the capital market, in order to boost productivity and improve the well-being of the population, based on a global and long-term vision," said Luis Carranza, CAF"s executive president.

The "Regional Power Transmission Program in the Province of Buenos Aires" includes feasibility studies and the construction of high-voltage transmission infrastructure, which is required to meet the growing demand and relieve overload in the provincial main power supply grid. Similarly, the project is expected to strengthen the institutional capacity of the executing and technical support units of the Ministry of Infrastructure and Utilities in the Province of Buenos Aires.

The Program will receive funding from CAF in the amount of USD 100 million, and will increase efficiency and reduce power supply costs in one of the most populated regions in the nation. The expected benefits include an improved power system operability, which will increase transformation capacity; the phase-out of diesel-powered generation, which will lead to a significant reduction in operating costs and environmental impact; and the improvement of quality of service indicators.

CAF"s USD 150-million installment will support the Ministry of Finance in implementing the Law on Productive Financing (Ley de Financiamiento Productivo, LFP) through freely available budget funds. The LFP promotes financial inclusion of micro, small and medium-sized enterprises in the capital market, encourages domestic savings and subsequent long-term investments, while empowering the capital market"s regulating entity.

The "Capital Market Development Program for Productive Financing" is in line with the strategies of the Argentinian government to promote financial inclusion of all sectors of the economy, and strengthening of institutional and regulatory frameworks governing productive financing and the capital market.

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Energy storage, in the form of large arrays of batteries, is still in the early stages of deployment in Latin America. However, the role of electricity storage promises to become much more significant as the region diversifies its sources of power generation, and looks to batteries to help smooth out intermittent energy generation and mitigate the costs of peak demand.

Some policymakers and private companies in the region are already preparing for the rise of battery storage with test projects and new policies. In Mexico, General Electric has announced plans to develop five energy storage projects that will help integrate solar and wind projects into the grid. And in the Dominican Republic, two 10MW arrays of batteries, installed by AES Dominicana in August 2017, were credited with helping that country"s grid remain operational when Hurricane Irma struck a few weeks later.

Energy storage will affect the entire electricity value chain across Latin America as it replaces peaking plans, alters future transmission and distribution (T& D) investments, reduces intermittency of renewables, restructures power markets and helps to digitize the electricity ecosystem.

For utilities, battery storage will become an integral tool for managing peak loads, regulating voltage and frequency, ensuring reliability from renewable generation, and creating a more flexible transmission and distribution system. For their customers, storage can be a tool for reducing costs related to peak energy demand.

Driving all of this opportunity is the decreasing cost of battery storage, a result of the rapid increase in the development and manufacture of batteries for electric vehicles. Research by Bain & Company estimates that by 2025 large-scale battery storage could be cost competitive with peaking power plants, which run when there is a high demand for electricity--and that is based only on cost, without any of the added value we expect companies and utilities to generate from storage. In some markets, renewables combined with battery storage already cost less than coal generation.

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Web: https://www.hollanddutchtours.nl/contact-us/
Email: energystorage2000@gmail.com
WhatsApp: 8613816583346