

UNLOCKING ENERGY INVESTMENT

OPPORTUNITIES IN LATIN AMERICA'S ENERGY TRANSITION

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Unlocking investment opportunities in Latin America's energy transition



Cecilia Tam, Head of Energy Investment Unit, IEA

Gaston Siroit, OEMLAC Director, OLADE

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While total energy investment in Latin America has stalled, clean energy spending is growing fast

Globally, energy-related investments are set to reach USD 3.3 trillion in 2025, according to the IEA's latest [World Energy Investment 2025](#) report. Around USD 2.2 trillion is expected to go collectively towards renewables, nuclear, grids, storage, efficiency and the electrification of end-use sectors, with USD 1.1 trillion going to oil, gas and coal.

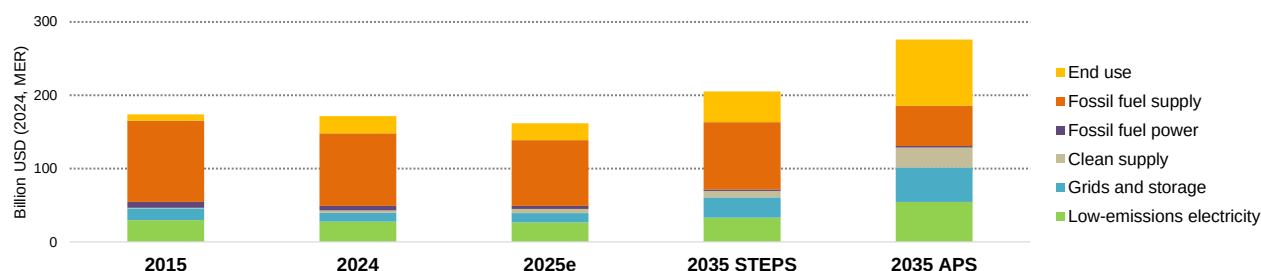
This analysis, prepared jointly by the IEA and the Latin American Energy Organization (OLADE), dives further into the latest data. It examines energy investment trends in Latin America and the Caribbean (LAC) since 2015, highlighting investment opportunities for the region as countries look to support economic growth, enhance energy security and accelerate clean energy transitions while ensuring energy affordability and access.

Latin America has some of the world's best solar, wind and hydro resources, and it is a pioneer in the development of biofuels and renewable power. Leveraging these assets, the region has seen clean energy investment grow by 25% since 2015. Spending on renewables, grids, energy efficiency and electrification are on course to increase to about USD 70 billion in 2025.

Fossil fuel resources are unevenly distributed across the region; some countries are heavily dependent on imported fossil fuels, while others are major exporters. Today, fossil fuel spending accounts for just over 55% of total energy investments, compared with nearly 65% a decade ago. This year's fossil fuel investment is expected to be about 20% lower than in 2015.

Overall, energy investment in the region is projected to reach USD 160 billion in 2025. This would be around 7% lower than a decade earlier, though this can be explained in part by cost declines over this period, both for both for upstream oil and gas activities as well as for key clean energy technologies.

Annual energy investments in LAC by sector



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APS projections are based on the World Energy Outlook 2024, as the updated figures are not yet available. [More on World Energy Outlook 2025 scenarios](#).

Meeting the region's energy transition goals requires much greater investment

Fifteen countries¹ in the region have pledged to reach net zero emissions by mid-century. Meanwhile, a slightly different group of 15 LAC countries² have put forward new Nationally Determined Contributions under the Paris Agreement with targets for 2035. Across the region, meeting announced energy and climate targets would require a significant acceleration in investment in low-emissions power generation, grids and storage, low-emissions fuels, energy efficiency and the electrification of end-uses. Based on today's policy settings, annual clean energy investments would exceed USD 110 billion by 2035, rising by 60% from current levels. However, in the IEA's [Announced Policies Scenario \(APS\)](#), annual clean energy investment in Latin America would exceed USD 200 billion, more than triple anticipated investment levels in 2025. Investments in EVs would need the largest amounts of additional capital, with investment needs for energy efficiency and electrification nearly quadrupling and accounting for about 45% of end-use investments in 2035.

Grids in particular will need a boost in spending; as with many other regions, spending on distribution and transmission have not kept up with the rapid growth in solar and wind capacity. Today, for each dollar spent on new power generation in the region, less than USD 0.50 is spent on grids and storage. By 2035, this needs to reach about USD 0.85, with total spending on grids and storage reaching nearly USD 50 billion under the APS.

As energy transitions in LAC accelerate under the APS, investments in fossil fuels decline, reaching about 50% of 2015 levels by 2035. Total spending on fossil fuels drops by over USD 30 billion by then, with much of this reduction offset by a sharp increase in investments in low-emissions fuels, which rise to nearly five times current levels.

Governments are using a range of methods to attract private capital for clean power projects

Policymakers in Latin America and the Caribbean have major opportunities to expand energy investment, especially due to the region's vast renewable resources. Northern Chile and Western Argentina have high-quality solar radiation, while the "Southern Cone"³ and Northern Colombia offer highly productive wind corridors.

¹ Antigua and Barbuda, Argentina, Barbados, Brazil, Chile, Colombia, Costa Rica, Dominica, Dominican Republic, Grenada, Jamaica, Mexico, Panama, Peru, Uruguay

² Bahamas, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Cuba, Ecuador, Jamaica, Panama, Paraguay, Peru, Saint Lucia, Uruguay

³ Geographical area encompassing Paraguay, Uruguay, Argentina, Chile, and southern Brazil.

Brazil has well-established bioenergy and sustainable fuel industries, along with most of the continent's installed capacity in distributed solar, utility-scale solar and wind generation. Capacity across these categories is also expanding in Argentina, Colombia and Paraguay. In the Caribbean, countries are exploring solar, storage and hybrid projects to reduce fossil fuel dependence and increase energy security. These are very much in line with the ambitious targets adopted in the region: Barbados seeks to establish a 100% renewable power mix by 2035, and Antigua and Barbuda aims to source one-third of its electricity from renewable sources by 2030. And many other countries, including Trinidad and Tobago, Saint Lucia and Dominica, have policies in place to support significant decarbonisation efforts in the coming decade.

For the moment, the region receives only 5% of global private investment in clean energy, compared with 8% of private sector spending on fossil fuels. There are, however, multiple examples from across LAC that show how a clear vision for energy transitions and a willingness to engage with the private sector can produce results.

Across two auctions in 2024, Brazil raised nearly USD 4 billion to build almost 7 300 kilometres (km) of new transmission lines. In October 2025, [another auction](#) was successfully held for the construction and operation of more than 1 000 km of new lines. These investments, which aim to strengthen the grid, integrate more renewable energy and improve system reliability, show how competitive auctions can attract private capital for major infrastructure projects.

In Argentina, the first large-scale auction (AlmaGBA) for a battery energy storage system (BESS) targeted the installation of 500 megawatts (MW) of capacity in the Buenos Aires Metropolitan Area. The market responded strongly, with over 1 300 MW in bids and a final allocation of around 660 MW. The programme focused on congested areas and enabled greater renewable integration.

In Honduras, energy storage is being used to stabilise the electricity system in regions where renewable expansion is limited by transmission capacity and variability, showing that flexibility solutions are spreading across the region beyond large electricity markets. The National Electricity Company (ENEE) launched an international tender in 2025 to contract 1 500 MW of firm capacity to secure electricity supply through 2030. At least 65% of capacity must come from renewables with storage under a multi-round reverse auction and a Build-Operate-Transfer scheme with contracts of about 15 years.

This year, the Dominican Republic, through its National Energy Commission (CNE) and the Dominican Hydroelectric Generation Company (EGEHID), also launched an international tender for up to 600 MW of new renewable capacity with mandatory storage, with the aim of diversifying the country's energy mix, reducing fossil fuel dependence and achieving 30% renewable generation by 2030 under long-term power purchase agreements spanning from 15 to 20 years.

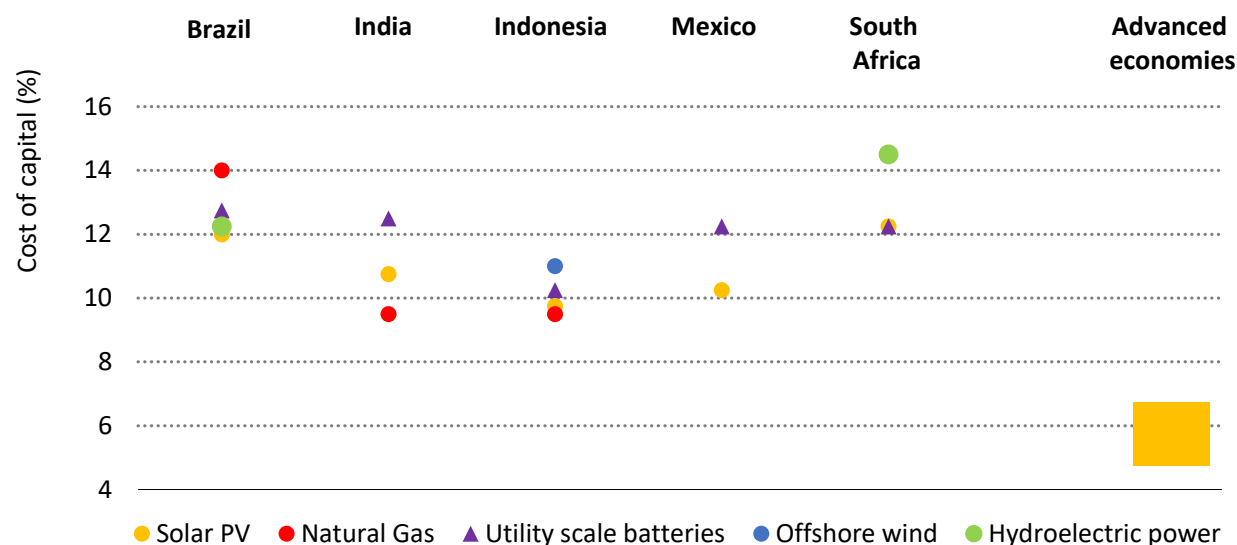
In Chile, a strong regulatory framework is in place that encourages battery integration and transmission improvements as renewable penetration grows.

Overall, these initiatives show that countries across the region are actively fostering conditions for further growth in energy investment, particularly amid their shift toward more resilient, flexible and renewable energy-focused power systems.

The region's high cost of capital remains a key barrier

As with other emerging and developing economies, the high cost of capital for clean energy projects in LAC remains a barrier to accelerating investments. The capital-intensive nature of these projects makes viability highly dependent on financing costs. According to the latest update of the IEA's [Cost of Capital Observatory](#), financing costs for renewable power and battery storage projects in Brazil and Mexico are two to three times higher than in advanced economies.

Note: Values are reported in nominal, post-tax terms in local currency. For Indonesia, the cost of capital for offshore wind is based on



Expectations from respondents to the IEA's Cost of Capital survey.

Although the region attracts a relatively high share of foreign capital into its clean energy sector (about half), indicating a degree of market confidence, the higher cost of capital reflects a mix of real and perceived risks in LAC countries. Risk factors vary across different markets, with regulatory, political and bankability risks among those most commonly cited. In some of the region's largest economies, investors and other experts also identify currency and sovereign risks.

Rising energy investment in Brazil in recent years stands out among other emerging and developing economies. Spending has been increasing due to strong and sustained policy action – such as the new [Sovereign Sustainable Bond](#) launched with the support of multilateral development banks – and the country's high solar and wind potential, which [has enabled Brazil to further take advantage of low-cost renewable power](#).

Strong policies could unlock further investments in key sectors

Regional energy integration is a key tool to harmonise planning, facilitate decision-making and enable the development of larger-scale projects. In line with this objective, OLADE created in 2024 a [Regional Energy Planning Council](#), whose goal is to act as a regional coordination platform that identifies opportunities for integration and promotes a common energy agenda by helping energy ministers share information, reach agreements and align national planning efforts. The broader aim is to speed up the energy transition in Latin America and the Caribbean by exchanging best practices and creating better conditions through coordinated sustainable energy policies and market integration across the region.

Another critical element is the implementation of stable frameworks for renewable energy auctions and contracts. Recent experiences in Argentina, Brazil, Chile, the Dominican Republic and Honduras show that competitive auctions and long-term contracts provide certainty to developers and reduce financial costs for investors. OLADE's [Regional Regulatory Convergence initiative](#) reinforces this principle by promoting the harmonization of criteria and contracting practices that encourage cross-border and regional investment.

National incentives and regulations have an important role to play. For example, [Brazil's Fuel of the Future Law](#), passed in late 2024, could unlock around USD 4 billion per year in investments for sustainable fuels, including green diesel, biogas and sustainable aviation fuel. The law sets mandatory blending targets, carbon intensity mandates and incentives to expand biofuels, supporting the country's energy transition and attracting private capital to the sector.

The availability of instruments to mitigate currency risk and public guarantees is another key factor in attracting foreign investment, while the expansion and digitalisation of electricity grids also serves as an essential enabler to unlock investments in distributed generation and large-scale renewables. Additionally, the development of regulations for energy storage and flexibility allows renewable energy to be fully integrated into the system, providing firming, reserve and rapid demand-response services. As elsewhere in the world, robust energy planning in LAC remains central to creating a strong enabling environment for investments in a secure, affordable and sustainable energy future.

The G20 [Roadmap to Increase Investment in Clean Energy in Developing Countries](#), developed by the IEA for Brazil's G20 Presidency in 2024, identifies opportunities and actions to help achieve a rapid scaling up of clean energy investments. The roadmap outlines specific, timebound steps for increasing private financing in order to mobilise the investments required across different regions and sectors to build modern, clean energy systems.

International Energy Agency (IEA) 2025, Latin American Energy Organization (OLADE) 2025

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