



Uruguay has successfully gone through its first energy transition, thus achieving a power matrix in which participation of energy coming from renewable sources exceeds 90%. Current energy policies are focused on the second energy transition, which seeks to decarbonize the primary energy supply matrix and is directly related to innovative transport alternatives that can displace the use of hydrocarbon and the development of a green hydrogen economy.

Electric mobility has gained relevance in the country, through various activities promoted by the Government (i.e.: 'MOVÉS' project, 'Green Fleet Plan'), as well as tax benefits that encourage the purchase of electric vehicles. State entities, UTE and DNE, are working on regulatory frameworks and public tenders to strengthen the recharging network in the country. These changes in mobility are a key factor aligned to the national commitments related to climate change management.

The strong development of renewable energies in Uruguay positions the country in a place of preference for green hydrogen projects; since it is an energy vector that can take advantage of the available renewable resource and the structural surplus of power generation. Hydrogen and its derivatives to be produced can be applied in alternatives, such as transportation, that can contribute to the reduction of greenhouse gas emissions significantly.

The geopolitical situation and the price of oil are key factors to help speed up the implementation of these new technologies. Uruguay will launch this year its national strategy for green hydrogen followed by a tender for pilot projects called 'H2U' with Government support in order to start creating a knowledge curve in this field. In addition, the international memorandums of understanding signed (i.e.: with the Port of Rotterdam) are the first steps for the export of green hydrogen to be produced in the country.

Regional integration, for a small country like Uruguay, has a substantial impact: it was considered the most critical uncertainty by energy leaders in this survey. The drought in Brazil in 2021 is a clear example, as a result of which Uruguay had more than 50% of its power generation dedicated to export in several occasions. The robust electricity interconnection infrastructure, particularly with Brazil, made this exchange possible. To the extent that Uruguay's own demand is supplied almost entirely from renewable energies, regional trade is an opportunity considering the contribution to the transformation of the regional power matrix. The development of an adequate market design and regulations is the current challenge and concern to reduce uncertainty about the rules of the game and maximize the energy integration.

The prices of commodities, particularly oil and gas, are losing weight to comply with the electricity supply in Uruguay. However, it is expected that for a few more decades the participation of hydrocarbons in the energy matrix will continue to be important. In the short term, since Uruguay does not have its own hydrocarbon resources, uncertainty and volatility in oil prices pose a big challenge for the country. Regarding natural gas, although the physical possibility is available to import natural gas from Argentina, this market is small and limited by geopolitical factors.

In a context marked by a pandemic that hit the entire world, the economic growth was slowed down. Uruguay, in line with international environmental commitments and promoting attractive investment conditions (i.e.: investment grade, institutional stability, etc.) is positioned at the forefront in the application of new technologies that promote the economic and energy reactivation of the country and the region.

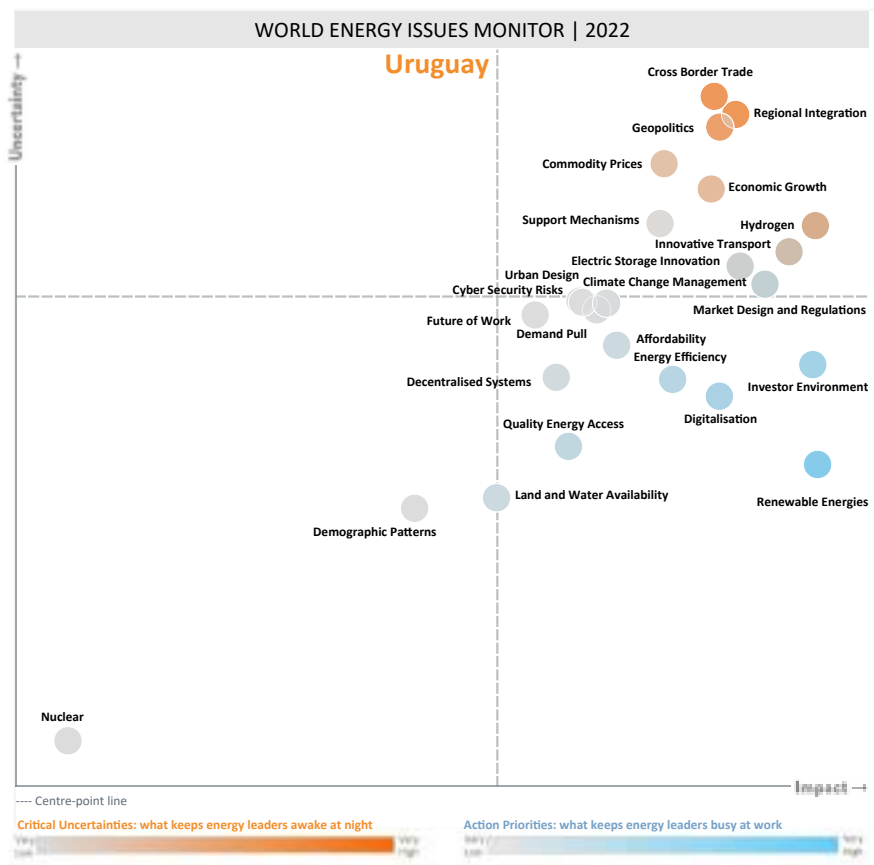
### **TESTING PERSPECTIVES WITH THE WEC URUGUAY MEMBER COMMUNITY**

The results of the World Energy Issues Survey were discussed with WEC Uruguay members in February 2022. During the discussion, the key findings regarding Action Priorities and Critical Uncertainties were confirmed and the following three theses were highlighted:

1. Uruguay current energy policies are focused on the second energy transition, which seeks to decarbonize the primary energy supply matrix, reducing the reliance upon hydrocarbon revenues. Therefore, electric mobility as innovative transport has gained relevance in the country, through various incentives and activities promoted by Government. These changes in mobility are a key factor in line with international environmental commitments.

2. The strong development of renewable energies in Uruguay, with a power matrix in which participation of renewable energy sources exceeds 90%, positions the country in a place of preference for green hydrogen projects. Uruguay will launch this year its national strategy for green hydrogen followed by a tender for pilot projects called 'H2U'. In addition, the international memorandums of understanding signed are the first steps for the export of green hydrogen, while favourable investment conditions are the basis for attracting investment in these new technologies in the country.

3. Regional integration, for a small country like Uruguay, has a substantial impact. The development of an adequate market design and regulations is the current concern to reduce uncertainty about the rules of the game and maximize the energy integration. Since there is a robust electricity interconnection infrastructure, shifting from individual improvements to regional strategies that work diversifying the region's energy mix is the great challenge.



**WORLD ENERGY COUNCIL**

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