



The IMF, its climate policy and the conditionalities for Argentina

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Key points

- The International Monetary Fund (IMF) plays a leading role in the global financial architecture, ensuring countries' macroeconomic and financial stability.
- The IMF's recent attempts to incorporate a climate change perspective are unambitious and may be risky. Its strategy fails to mention the Paris Agreement goal of limiting the average temperature increase to 1.5°C above pre-industrial levels, and does not propose transforming the agency and the way it operates. Thus, the goals of short-term debt repayment and prescribed market-based policies take precedence over development strategies aligned with 1.5°C and the principles of a just transition.
- Argentina is an example of this contradiction: accelerating unconventional hydrocarbon extraction for export is at the core of the country's repayment strategy, as well as intensifying an export matrix based on raw materials.
- The IMF explicitly supports the use of fossil fuels for export, rather than for domestic consumption. In a [recent report](#), it recommended increasing carbon prices locally to free up more hydrocarbons for export.
- Carbon pricing is the main tool that the IMF is proposing to address the climate crisis.
- The World Bank itself has questioned the sustainability of the model proposed by the IMF to Argentina.

Introduction

The international financial system, with the [International Monetary Fund \(IMF\)](#)¹ at the center, makes it difficult for the countries of the Global South to respond quickly and effectively to the climate crisis. Lack of liquidity, unequal access to international credit markets and the absence of mechanisms to resolve debt crises are central to arrangements that continue to push countries further away from the goals of the [Paris Climate Agreement](#)².

The [Bridgetown Agenda](#)³ and the subsequent [Paris Summit](#) for a “New Global Financing Pact” (June 22-23 2023) show that there is international recognition of the need to reform this system in order to respond to the multiple crises (of development, debt, climate, biodiversity, etc.) that these countries are experiencing.

However, at present, the main reform proposals are limited to increasing the amounts of money that these institutions can handle. Questions about decision-making⁴ processes, their transparency, and the influence that economic agendas in the Global North have on them are not part of the discussion. The proposals under discussion also exclude structural reform of debt architecture⁵.

This means that the interests of creditors are prioritized, pushing debtor countries into socially and environmentally unsustainable economic models. This is the case in the exploitation of [Vaca Muerta](#) in Argentina, the second largest unconventional gas [reservoir](#) and fourth largest unconventional oil reservoir in the world.

1. The IMF has three [missions](#): 1) furthering international monetary cooperation, encouraging the expansion of trade and economic growth, and discouraging policies that would harm prosperity. The agency is governed by and accountable to its 190 member countries.

2. It was adopted in December 2015 and commits countries to keeping a global average temperature rise this century to well below 2°C above pre-industrial levels, and to pursuing efforts to limit the temperature increase to 1.5°C. Additionally, the agreement aims to increase the ability of countries to deal with the impacts of climate change and at making finance flows consistent with a low greenhouse gas (GHG) emissions and climate-resilient pathway.

3. The Bridgetown Agenda [emerged](#) as a result of the work of a group of economists, academics and representatives of civil society, together with [Amina Mohammed](#), Deputy Secretary-General of the United Nations and Chair of the United Nations Sustainable Development Group, in the eponymous city of Barbados in July 2022. The meeting, which was led by Barbados Prime Minister Mia Mottley, was held to discuss the weaknesses of the global economic and political order and the challenges faced by the population. This resulted in a series of requests or proposals, published by the government of Barbados, to the international financial institutions (IFIs). The main message? Countries need more liquidity to meet their climate goals. Thus, the [purpose](#) of this agenda is to increase both public and private climate finance, and to adapt the rules of the IFIs to the new contexts and risks associated with the climate crisis.

4. In the IMF’s Board of Directors—the body with decision-making power over the institution, where policies are defined and financing agreements are voted on—voting is determined by the [“quota,”](#) which is how much each country contributes financially to the fund. Although the [countries of the Global South](#) are demanding a larger quota in order to have more voting power, in the [16th review](#) of this system (December 2023) the G7 countries reasserted their decision to concentrate voting power among themselves.

5. Currently, there is no mechanism for debt resolution that brings together all (bilateral, multilateral and private) creditors and allows for renegotiation between debtors and creditors. Debt issues have clauses that ensure their regulation under the U.S. or British judicial systems, endangering the legal sovereignty of the countries. This implies that, in the event of any type of default on such debt, it will be resolved in the courts of those countries.

What does the IMF do? What is its policy advice to countries?

The IMF was created in 1944 by the Bretton Woods Agreement—which is celebrating its 80th anniversary this year—with the aim of achieving sustainable growth and prosperity for each of its 190 member countries. It is the only international institution tasked with ensuring global macroeconomic and financial stability. It is best known for the emergency loans it provides to countries facing balance of payments crises or debt servicing difficulties.

The IMF, together with the national governments, designs economic programs that guarantee countries' return to international credit markets—that is to international financing. The implementation of these programs is carried out with previously agreed policies that must be complied with in order to receive the different disbursements of the financial agreement.

IMF missions visit debtor countries regularly and monitor the progress of macroeconomic variables that the institution considers relevant (international reserves, fiscal deficit and monetary issuance, among others), in order to determine whether or not to continue with the economic programs.

Countries in the Global South experiencing difficult financial conditions are unlikely to be able to access international financing without IMF approval of their political and economic plans⁶. This power inequality gives the economies with the most votes on the Board (such as, currently, the United States, Japan, China and Germany) a significant influence on the course of other countries in times of crisis—this is how the IMF played a leading role in the design of structural adjustment plans that were made a condition for securing financing during the Latin American debt crisis of the 1980s and 1990s⁷.

As a consequence of this model, the countries of the Global South had to reduce their tax expenditures, privatize utilities and state-owned enterprises, and deregulate prices with the promise of economic development, while ignoring socio-environmental impacts. It was a failure for debtor countries—where debt crises were exacerbated and inflation increased—but a success for creditors, who were assured of debt repayment. Structural reforms associated with the reduction of budget deficits resulted in spending cuts in infrastructure, health and education, in addition to a wage freeze and an increase in the rate of unemployment. These reforms proposed an increase in exports to generate foreign currency for debt repayment.

6. According to the IMF, its adjustment and restructuring programs are successful in improving capital flows to countries with economies in crisis.

7. In the 1980s, Latin America faced one of its greatest economic crises. Its root causes can be traced back to domestic macroeconomic imbalances and external shocks in the 1970s, both in hydrocarbon prices and in the availability and cost of foreign financing (high interest rates). The countries of the region—particularly hydrocarbon exporters capitalizing on rising prices—expanded their spending at a higher rate than their GDP. This dynamic led to increasingly higher current account deficits and inflationary pressure, as well as to an increase in foreign debt, both public and private, with international banks, especially those in the United States. As a result, between 1975 and 1980 Latin America tripled its level of foreign debt and the Brady Plan was launched in 1989 to provide debt relief by converting loans into guaranteed bonds. This allowed debtor countries to buy back their own debt. The plan combined U.S. government support with that of foreign creditor commercial banks for countries that successfully implemented broad structural reforms backed by the IMF and the World Bank. By restructuring its debt, a country could obtain a partial cancellation and, at the same time, postpone part of the principal and interest payments for a few years. Most countries that defaulted on their debts to commercial banks during the 1980s exchanged that debt for Brady bonds or restructured it with new loans.

The way the IMF operates—with funds that are not earmarked for specific projects, but for broader structural reform of the economy—involves designing countries’ policies as conditions in its lending programs and as policy advice under its annual surveillance. The World Bank, by means of its [Development Policy Loans](#), also makes its financing conditional on the implementation of specific policies, an effort usually aligned with the goals set by the IMF.

The absence of methodologies to assess financial support for fossil fuels in policy reforms is a gap in financial institutions such as the IMF. Through an [executive order](#) in 2021, the U.S. government asked the Department of the Treasury—which represents the federal government on the Board of Directors of several international financial institutions, including the IMF—to develop a strategy on how its voice and vote will align with the Paris Agreement. However, in preparing this [guideline](#), the Treasury focused on development banking (which finances projects) to the exclusion of the IMF (which provides [financial support](#) to countries in crisis and not to particular projects).

The IMF’s interest in climate change

In 2021, the IMF published a climate strategy in its [Comprehensive Surveillance Review](#)⁸. Specifically, in its approach to Small Island Developing States (SIDS). It was the first reference to inclusive approaches to climate change in the institution’s documents. Its purpose is to “help members address climate change-related policy challenges,” but it fails to mention the 1.5°C goal of the Paris Agreement. Under this strategy, IMF Directors agree each year on how many [bilateral surveillance](#)⁹ reports should cover climate policy challenges and how many staff would be needed for that work.

The IMF is focused on [macroeconomic stability](#)¹⁰ and [financial stability](#)¹¹, and works on the challenges posed by climate change from this standpoint. However, this approach has significant constraints as it does not propose a concept of “macroeconomic stability” that includes the impacts associated with the challenges posed by climate change. In other words, the current climate strategy prioritizes macroeconomic stability over other goals (climate change mitigation and adaptation, for example), thus paving the way for the expansion of fossil fuels in countries of the Global South with hydrocarbon reserves to ensure debt service repayment and balance of payments stability.

This means that the IMF’s climate strategy allows for the possibility of increasing public investment for extracting fossil fuels for export, in Argentina (as will be seen later in this paper) and in [Uganda](#), [Senegal](#), [Suriname](#), [Colombia](#) and [Indonesia](#), among other countries.

8. One of the core tasks of the IMF is surveillance, which consists of monitoring the economic and financial policies of member countries and providing them with advice.

In this process, the IMF identifies potential risks and recommends policy reforms to promote economic growth and financial stability.

9. IMF surveillance encompasses two main areas: bilateral surveillance, i.e. the assessment of the policies of each member country; and multilateral surveillance, i.e. the review of the state of the world economy.

10. For the IMF, macroeconomic stability exists when key economic relationships are in balance. For example, between domestic demand and output; the balance of payments, fiscal revenues and expenditure; and savings and investments.

11. According to the IMF, financial stability is defined as the ability of the financial system to facilitate and enhance economic processes, manage risks and absorb shocks.

The Resilience and Sustainability Trust Fund (see box 1) is an example of how the IMF prioritizes climate policies that are aligned with macroeconomic and financial stability, such as those that reduce fiscal spending (cutting energy subsidies or carbon pricing), without analyzing their social and environmental impact. This happens in a context with no accountability mechanisms, as is the case in its loans—for example, the IMF has no safeguard policies or transparency mechanisms—and staff and management are not held accountable for their decisions.

Therefore, for example, **the institution presents carbon pricing in the form of a tax as a solution to the climate crisis in various international forums.** However, **studies** have shown that the resources that such a tax could generate do not offset the impacts of climate change. Furthermore, the tool may have societal impacts as it was designed by an institution that does not prioritize distributive impacts in its analysis, and because of pressure **to include it in a wider range of climate policies.**

Meanwhile, the IMF has continued to support subsidies for the supply of fossil fuels through policies that make them more profitable for hydrocarbon companies, for example in **Mozambique and Mongolia.** According to the institution global fossil fuel subsidies were **US\$7 trillion, or 7.1% of the global GDP** in 2022, of which **18% were explicit subsidies (including support for extraction) and the rest were implicit subsidies** (including those linked to consumption). The agency's proposal is to remove these subsidies in order to raise fuel prices to levels considered efficient. The IMF estimates that removing explicit subsidies only would reduce greenhouse gas (GHG) emissions to **5% below** the baseline by 2030, while increasing prices **would reduce emissions by 31%.** What the IMF does not estimate is the redistributive impact of this initiative and how it could affect energy access for lower-income social groups.

By this logic, climate change is a market failure that can and should be addressed using a tax, under the premise of the “polluter pays” principle.

In a recent report, the IMF defends carbon pricing [1], arguing that it can reduce domestic consumption of fossil fuels, allowing greater volumes for export¹² and consequently have a positive impact on the balance of payments. But, again, it fails to consider potential negative social and environmental impacts.

This reveals a contradiction between the IMF's “climate concern” and its usual modus operandi, which encourages countries to reduce fiscal spending and increase exports without analyzing social and environmental externalities. This is the case in Argentina, as this report will show.

12. The logic behind these measures is that hydrocarbon extraction is mainly for export rather than for domestic consumption, meaning that the market adjusts according to supply and demand based on the price of carbon. Thus, if a country has a high income it will be able to pay the price of carbon and consume fossil fuels, whereas if it is a middle- or low-income country that has fossil fuel resources it will export them.

Box 1: Climate conditionalities of the Sustainability and Resilience Trust

The Resilience and Sustainability Trust (RST) was established in 2022 to rechannel unused Special Drawing Rights (SDRs)¹³ through long-term financing programs with climate conditionalities.

The existence, for the first time, of a long-term, more concessional financing program¹⁴ is in theory good news for Latin America. The problem? The IMF is using it to impose its climate approach on countries. According to the Operational Guidance Note published in November 2023, the IMF will provide more concessional financing to countries that implement policies such as liberalizing energy tariffs, reducing subsidies, creating private water markets or imposing a price on carbon, among others.

A “traditional” upper-credit tranche program with the institution is a requirement to access the RST, i.e. an orthodox macroeconomic plan that has macroeconomic stability as a short-term objective, without addressing long-term socio-environmental impacts. This gives rise to contradictions: in Senegal, for example, there is a program under the RST that goals include adjusting electricity tariffs for climate change mitigation, while the “traditional” concurrent program proposes an increase in hydrocarbon exports by 7% of the gross domestic product (GDP) in 2025 in order to achieve macroeconomic stability.

As part of the strengthened collaboration with the IMF, the World Bank is in charge of climate analytical tools and designs climate policy in the RST.

13. The IMF defines Special Drawing Rights (SDRs) as an international reserve asset whose value is based on a basket of five currencies—the US dollar, the euro, the Chinese renminbi, the Japanese yen and British pound sterling. They were created by the IMF to supplement the reserves of member countries. They are not a currency and cannot be used directly to purchase anything. However, as they are a medium of exchange they provide liquidity to a country and can be exchanged for freely usable currencies. For example, if a country lacks external resources to import goods, SDRs can be exchanged for hard currencies, such as dollars, pounds or euros. They can also be used as a form of payment to other SDRs holders (e.g. to pay debt service).

14. Concessional loans have more generous terms than non-concessional loans. They usually include below-market interest rates or grace periods in which the loan beneficiary is not forced to repay the debt.

Climate change in Argentina

Argentina's contribution to climate change ranks it 25th globally, with the country accounting for 0.8% of global GHG emissions, according to the United Nations Environment Program (UNEP). In turn, its per capita contribution is 8.89 tons of carbon equivalent (tCO₂eq) per person per year, which puts the country above the global average of 6.71 tCO₂eq—a similar level to that of the European Union. The energy and agribusiness sectors are the main emitting industries, each accounting for 45% of total emissions.

Since the Paris Agreement came into force in 2016, GHG emissions in Argentina increased by 3.3%, according to its National Inventory for the year 2020. This implies that in order to meet the goals it has committed to, the country would have to reduce its emissions by 7% in absolute terms by 2030.

However, sectoral policies in the country are not aligned with this goal [5] according to the IMF. In fact, the gap between emissions reductions and the commitments included in the country's nationally determined contribution (NDC) is the third highest in the G20, after Brazil and Russia, according to current trends.

Meanwhile, the impacts of climate change are becoming increasingly evident in the Argentine economy. Intensifying drought is a case in point: during the 2022/2023 season, agricultural production fell by 40% as a result, affecting exports to the same extent. This led to a 65% reduction in the collection of export duties in 2023 compared to the previous year.

Argentina and its debt

Argentina had an estimated debt stock in 2023 of US\$403,836 million, equivalent to 88.4% of its GDP. In turn, the ratio between debt service and annual export revenues was 28.8%, which indicates that external debt service is so high that exports cannot, at present, generate enough foreign currency to repay interest and principal owed.

Since the last civil-military dictatorship (1976-1983), Argentina's public debt has grown steadily. In spite of ideological differences in the administrations that have taken office since, the main purpose of the debt has not been linked to productive, social or environmental investments, but rather to financing capital outflows—that is the net outflow of foreign currency, either for the payment of interest abroad or for hoarding outside Argentina's financial system.

Due to its status as a middle-income country, Argentina is not usually included in initiatives aimed at addressing the problem of over-indebtedness. Given this context, the tendency has been to become more dependent on the export of raw materials in order to meet debt payments.

A new “match” between Argentina and the IMF

Argentina signed a **Stand-By Arrangement**¹⁵ with the IMF in June 2018, with its corresponding addendum in October 2018. According to the latter, the amount was approximately US\$57 billion (SDR 40,714 million) or 1,277% of Argentina’s quota in the IMF. Ultimately, **disbursements were US\$44.21 billion (SDR 31,913 million)** as of July 16 2019.

Most of the funds were used to meet **short-term debt** commitments. According to a **report by the General Audit Office of the Nation (AGN)**, “70.85% of the total payments made with the use of the funds of the Stand-By Agreement, for services of public securities, corresponded to debt issues of the 2016-2019 period where the amounts corresponding to maturities of debt issued in the years 2017 and 2018 stand out”¹⁶.

The loan accounted for 8.8% of the central government’s **stock of direct debt** in 2018, and 14% in 2019. **In reference to GDP**, it accounted for 6% in 2018 and 10% in 2019. In 2019 it reached the equivalent of more than **90% of international reserves and almost 68% of exports**.

This amount is above the **regular lending limits** of the IMF¹⁷ but can be framed within its exceptional access policy, which requires an in-depth analysis by the IMF’s Executive Board. As for Argentina, the loan **was neither authorized nor executed by the competent authority**: it was signed by the then Minister of the Treasury, Nicolas Dujovne, when such powers were held by the Minister of Finance. “This mixing of powers led to a series of procedural and functional loopholes that (...) contributed to incurring, without timely technical assessments, a debt that, given its amount and structure (in particular the currency and term), increases the risk of unsustainability of the debt,” reads the **AGN report**¹⁸.

According to the same document, the amount of the IMF loan **significantly increases the exposure of local currency to devaluations and the need to obtain a high volume of foreign currency in a very short period of time**. This results in a demand for a sharp increase in the primary surplus, i.e. the difference between the government’s current expenditure and its tax revenues.

In March 2022, due to difficulties in meeting loan repayments, the Argentine government and the IMF signed an **Extended Fund Facility (EFF)** agreement, undertaking a three-year path to reduce the fiscal deficit and its monetary financing. The **axes of deficit reduction** are: reducing discretionary transfers to provinces and state-owned companies, cutting energy subsidies, and restraining salaries and pensions.

15. Stand-By Arrangements are the IMF’s central lending instrument. These are non-concessional credit facilities whose **purpose is** “short to medium-term assistance for countries with short-term balance-of-payments difficulties”. The conditions include the adoption of “policies that provide confidence that the member’s balance-of-payments difficulties will be resolved within a reasonable period.”

16. Quote translated from **original**: “...el 70,85% del total de los pagos realizados con uso de los fondos del Acuerdo Stand-By, en concepto de servicios de títulos públicos correspondieron a emisiones de deuda del período 2016-2019 donde se destacan los montos correspondientes a vencimientos de deuda emitida en los años 2017 y 2018.”

17. The limits established by the IMF to extend loans is 145% of the quota.

18. Quote translated from **original**: “Este cruce de atribuciones determinó una serie de vacíos procedimentales y funcionales que (...) contribuyeron a contraer, sin evaluaciones técnicas oportunas un endeudamiento que dado su monto y estructura (en particular la moneda y el plazo) aumentan el riesgo de insostenibilidad de la deuda.”

The EFF extends for 30 months, which entails 10 quarterly reviews, the last one being in the second half of 2024. Disbursements were made on a quarterly basis based on a **technical review** by IMF staff and the Board of Directors that established macroeconomic targets. Repayment will be made in 12 semi-annual installments over a 10-year period with a 4.5-year grace period, so between 2026 and 2034.

As of February 2024, Argentina is the IMF's largest debtor **with 28.8% of the IMF's total** outstanding credit. This means that 1 out of every 4 dollars that the IMF holds in loans is in Argentina. In 2023, the repayment of principal and interest on the debt cost **US\$2,618 million**¹⁹. And, according to IMF data, US\$2,883 million will have to be paid in 2024. The total debt of **US\$37,217 million** should be canceled in 2042. .

The IMF encourages hydrocarbon extraction in Argentina - Why?

When reviewing country-level documents published by the IMF from 2016 (Article IV) to early 2024 (seventh review of the Extended Fund Facility) priorities become evident. The IMF suggests economic growth based on **exports** [2]: when designing the agreement with the Argentine government, **the IMF estimated that repayment could take place because it projected a 28% increase in exports (US\$22 billion) between 2021 and 2027**. Given that **70% of the country's exports**²⁰ rely directly on the exploitation of natural common goods, based on low value-added commodities and highly dependent on international prices, the agreement has extractivism at its core.

Although the IMF recognizes that Argentina is among the top 25 GHG emitting countries [3] in the world, its proposals go hand in hand with the intensification of the economy in sectors it considers "strategic" [4], such as agribusiness, mining and hydrocarbons. Regarding these, the IMF proposes to generate incentives to attract investment and avoid costly tax and regulatory burdens.

IMF documents from 2016 onwards position Vaca Muerta, with unconventional oil and gas extraction, as a key part of the country's economic solution, not only because of the reduction in energy imports that it would enable, but also because of the **export horizon** [6] that it could open in the short term. In line with this, and in view of the crisis generated by the drought in 2018 (as well as in 2020 and 2023) that hit the agriculture and livestock sector, the IMF proposes a **growth in exports** as a solution, supported by Vaca Muerta [7].

Although focusing on exports may offer improvements in **exchange rate performance**, dependence on international oil and gas prices increases the level of volatility in the domestic economy, employment, foreign exchange inflows, and the tax revenues of provinces extracting oil and gas. In addition, the **internationalization** of prices results in higher energy tariffs and fuel prices at the domestic level.

19. Payments to the IMF amounted to 794,116 million Argentine pesos in 2023.

20. Data for the first 10 months of 2023.

Box 2: Vaca Muerta

Vaca Muerta is an unconventional hydrocarbon geological formation located in the Neuquen basin of Argentina. It has an area of 30,000 square kilometers (147 times the size of the Autonomous City of Buenos Aires), distributed between the provinces of Neuquen, Río Negro, La Pampa and Mendoza.

According to the U.S. Energy Information Agency (EIA), it is the world's second largest unconventional gas reserve and the fourth largest unconventional oil reserve.

A total of 58% of the gas consumed in Argentina and 50% of the oil come from Vaca Muerta. The main companies present there are YPF, Tecpetrol, Pampa Energía, PAE, Total Energies, and Pluspetrol in gas extraction; and YPF, Vista Oil, Shell, Petronas, PAE and Chevron in oil extraction. As these are unconventional resources, their extraction requires fracking or hydraulic fracturing.

The megaproject directly crosses seven Argentine provinces, including the extraction of hydrocarbons and sands (the latter for fracking), and associated infrastructure such as gas pipelines and export plants.

However, the development of Vaca Muerta involves a wide range of risks and socio-environmental impacts, due both to the consumption of fossil fuels and to the impacts of fracking and its infrastructure on the province's territories and the environment. These include: conflicts over water scarcity and water quality (and the meager royalties paid), lack of consultation processes with indigenous communities, waste management problems and improper waste handling, and seismic activity and related earthquakes. It is estimated that there are six environmental incidents per day in Vaca Muerta.

According to data published by the Center for Environmental Technologies and Energy of the Universidad Nacional del Centro de la Provincia de Buenos Aires, reaching the maximum levels of hydrocarbon extraction would increase fugitive GHG emissions from Vaca Muerta. In a scenario considered efficient, the country's total emissions would increase by 56% to 66% (compared to 2019 data) depending on the scenario analyzed.

In 2018, in the concluding observations on Argentina's fourth periodic report, the Committee on Economic, Social and Cultural Rights (ESCR) of the United Nations Economic and Social Council, recommended that the State reconsider large-scale exploitation of unconventional fossil fuels in the Vaca Muerta region to ensure compliance with the commitments of the Paris Agreement.

The IMF recommends Argentina progress with the exploitation of the "vast shale oil and gas reserves" [8] of Vaca Muerta, which would allow the country to not only increase exports but also to become a net energy exporter in the medium term. To achieve this, the organization highlights the need for associated infrastructure, with the Nestor Kirchner gas pipeline [9]²¹ playing a prominent role.

21. The gas pipeline was inaugurated on July 9 2023. Section I starts in the town of Tratayen, in Neuquen, and ends in the town of Salliquelo, in the province of Buenos Aires. It covers 73 kilometers.

For the IMF, this work “would significantly improve Argentina’s external energy trade balance in the coming years, boosting export receipts, reserves, and the country’s repayment capacity” [10]. All this, in turn, would improve access to international capital markets.

The gas pipeline is considered essential to boost gas extraction from Vaca Muerta, since the infrastructure for the evacuation of gas from the formation is one of its main bottlenecks. For the gas pipeline to make financial sense it is also key to ensure gas extraction, for which the Plan for the Promotion of Argentine Natural Gas Production ([Plan Gas.AR](#))²² was created.

Between 2021 and 2023, US\$2,662 million was spent on its construction, investments that, within the framework of a global energy transition, could become stranded assets²³ in the medium term. The cost of the first section²⁴ was similar to the projected total expenditure on the gas pipeline, estimated at US\$2,540 million. According to the country’s [Energy Plan 2030](#), this expenditure would have covered 92% of the investment in infrastructure works required for the high- and medium-voltage electricity interconnection²⁵ in a 2030 energy transition scenario where 20% of power comes from renewable sources.

The topic of subsidies has a special section in the IMF country papers. They emphasize the importance of reducing them as a fundamental tool to lower the fiscal deficit. The IMF demands mainly refers to [demand-side energy subsidies](#) [12] (i.e. those that go to consumers) because of their high level in Argentina, the country with the highest subsidies and lowest energy prices in Latin America. The IMF’s proposal, in this sense, is not only to remove demand-side subsidies, but also to increase tariffs so that they cover the costs of energy generation²⁶.

In contrast, a gradual reduction of [supply-side subsidies](#) [11] (i.e. for those who produce energy) is only mentioned in 2018. In 2022 documents, the IMF highlighted the importance of sustaining the Gas.AR Plan for the advancement of Vaca Muerta.

In Argentina’s 2023 Budget²⁷, subsidies to supply were 70% higher than those aimed at demand. Between 2016 and 2023 the government spent more than US\$4 billion in supply subsidies²⁸, which went to private companies for the extraction of gas from Vaca Muerta. This amount represents 9% of the Stand-By Arrangement. At this point, it is important to note that [energy subsidies](#) in Argentina arise from a problem with supply and not from a problem with demand. Although tariffs affect their amount, in recent years subsidies have been associated with fluctuations in the amount of imported energy and its cost.

22. The [Gas.AR Plan](#) is a program to stimulate gas production that is in force until 2028, within which National Public Bidding Processes, called Rounds, are carried out, in which gas companies bid to cover gas demand. The most economical bids are then chosen. In return, the participating producers undertake to supply such volumes and to comply with injection and local content requirements.

23. Stranded assets are resources that have value but, in the long term, will not reach their full useful life due to some kind of external change, including changes in technology, markets and social habits.

24. The bidding process for a second [524-kilometer](#) section, that will connect Salliquelo in the province of Buenos Aires with San Jeronimo in the province of Santa Fe, is still pending.

25. The estimated cost for electric transportation is US\$2,875 million (Secretaría de Energía [Department of Energy], 2021:58).

26. According to [IMF data](#), tariffs covered 37% of the cost of electricity and 44% of gas in 2022.

27. According to data from Presupuesto Abierto, the budget for supply subsidies was 150,112 million Argentine pesos and 87,764 million Argentine pesos for demand (information consulted as of 01/02/2024).

28. This figure is based on our own calculations from the work of [Fundación Ambiente y Recursos Naturales \(FARN\)](#) (2023:15) and [Presupuesto Abierto](#).

Box 3: Not so different

The IMF is not an exception: despite various announcements about decarbonization in their portfolios, other international financial institutions also continue to support fossil fuels through their support for the private sector. One example is the International Finance Corporation (a member of the World Bank Group), which extended a US\$135 million loan to Pan American Energy's refinery in 2019. Another is the U.S. International Development Finance Corporation (DFC): it extended a US\$300 million loan to drill 110 wells in Vaca Muerta to Vista Oil & Gas, also in 2019.

Drought as evidence of climate change for the IMF

In IMF documents, mentions of drought highlight the implications of climate change on the Argentine economy. More specifically, the drop in exports due to the decrease in agricultural production [13]. In addition to reducing the trade surplus, this leads to foreign currency outflows and stress on public finances [14]. Processes of this type tend to generate pressure towards devaluation and stoke inflation [15], situations that usually lead to a reduction in the economy's growth opportunities and increased levels of uncertainty [16].

Although these climate shocks used to occur every 5-10 years [17], the IMF points out that they will become more frequent and more severe [17]. The IMF pointed out that the drought of 2023 was the worst in the last 60 years [18], with a loss of 20% of corn production and 35% of soy production [18]. The cost for Argentina is estimated at US\$20 billion [19] due to the drop in exports. The cost of imports to compensate for production shortages—US\$2.5 billion [20]—should be added to this. In total, losses are estimated at about 1.5% of GDP [21].

What does the IMF recommend for Argentina on climate policies?

In 2022, the IMF highlighted the need to step up efforts to begin to address the challenges of climate change [22]. The initiatives [23] to be promoted by the IMF included laws on electromobility and regulations to support investment in the hydrogen sector, and the implementation of a Green Productive Development Plan to promote environmental adaptation and energy efficiency by firms.

These measures are mentioned **without any investment responsibility** on the part of the State or commitments on the part of the IMF. No review of the EFF, nor any previous consultation associated with Article IV²⁹, expressly considers the country's **climate situation** in terms of repayment capacity.

Since 2018, the IMF's recommendation to cut the **fiscal deficit** [12] has limited funds that the State can direct to energy transition. The IMF even acknowledges the importance of moving forward with climate measures despite the challenge of reduced fiscal space. In this situation it points out the need to reduce costly energy subsidies, as well as to **relax capital controls** [24] in the energy sector as an economic strategy aligned with climate change mitigation.

Specifically, according to the **Asociación Civil por la Igualdad y la Justicia (ACIJ)**, the amount of the EFF (through which the Stand-By Arrangement was restructured) **"is equal to half the estimated cost of the strategic line of the energy transition, or three times the estimated cost of the productive transition"**³⁰ by the former Ministry of Environment and Sustainable Development³¹.

The IMF acknowledges that Argentina's policies **are not aligned** [5] with the goals of the Paris Agreement and it highlights the need to advance the transition to a cleaner energy matrix. However, the measures it proposes tend to increase dependence on a fossil economy. On the other hand, the expansion of copper and lithium mining is part of the process of changing the energy matrix. The real objective is to increase exports: the IMF estimates the potential for a **five-fold increase in mining exports by 2030** [25], deepening the dependency on commodities in the export mix.

The IMF bases its climate policy **recommendations** [26] on World Bank documents and the Climate Public Investment Management Assessment (C-PIMA)³². The latter is dated January 2022, but **has no public status**.

29. Under Article IV of its Articles of Agreement, the IMF holds bilateral discussions with its member countries, usually on an annual basis. A team of IMF staff visits the country, gathers economic and financial information, and discusses economic developments and policies with authorities. Upon returning to IMF headquarters, the staff prepare a report that provides the basis for the Executive Board's discussion.

30. Translated from the **original**: "equivalente a la mitad del costo estimado de la línea estratégica de transición energética, o el triple de lo calculado para la transición productiva"

31. A productive transition involves structural changes in consumption and production in a context of national and global economic recovery. This aims to promote production chains that are resilient to climatic variations and changes in market conditions. The amount estimated in [Argentina's National Climate Change Adaptation and Mitigation Plan](#) for the energy transition is US\$86,808.65 million. For the productive transition, it is US\$15,238.97 million.

32. The IMF's [Public Investment Management Assessment \(PIMA\)](#) is a comprehensive framework to assess infrastructure governance for countries. It evaluates the procedures, tools, decision-making, and monitoring processes used by governments to provide infrastructure assets and services to the public; and helps identify reform priorities and devise practical steps for their implementation. The [Climate-PIMA \(C-PIMA\)](#) adds a climate-responsive dimension into the PIMA framework and assesses countries' capacity to manage climate-related infrastructure. Likewise, it helps governments identify potential improvements in public investment institutions and processes to build low-carbon and climate-resilient infrastructure.

In its [Country Climate and Development Report](#), the World Bank encouraged exploitation in Vaca Muerta. However, although it considers that the megaproject represents an opportunity for the trade balance, it acknowledges that the benefits will be lower than expected due to the subsidies required and the possible long-term negative impacts on the trade balance, due to the energy transition at the international level. The private sector benefits in all the different scenarios explored in the report, but this is not the case for the public sector given the risks to the trade balance and tax revenues (between 53% and 77% of the scenario results are negative).

The report goes further, even mentioning ecological impacts such as high water use and pollution. On climate issues, it highlights that in order to keep global warming below 2°C Argentina's unconventional hydrocarbon extraction would have to decrease by up to 40%, with 2018 as a baseline, and that between 19% and 27% of gas reserves will remain unburnable, thus generating stranded assets.

Closing remarks

On paper, Argentina's climate policy responds to the bureaucratic demands of the Paris Agreement. The country participates in international negotiations, updated its NDC, is working on its GHG inventories, developed its Mitigation and Adaptation Plan, and published its Long-Term Strategy. It is in the fine print and the translation of these policies from narrative to action where the paths do not match: Argentina's climate policy is not aligned with either the 1.5°C nor the 2°C targets of the Paris Agreement. On the contrary, decisions that have been made—which focus almost exclusively on intensifying the extractive model—only contribute to an increasingly warmer planet.

This also applies to the IMF. One might ask: What is the use of a climate strategy that fails to mention 1.5°C as a horizon and limit? Should it aim at macroeconomic and financial stability without ensuring socio-environmental sustainability? Is it even possible to do so in the current context?

The high costs and conditionalities of international financing, as well as external restrictions, are barriers that prevent Argentina from meeting its international climate commitments and obligations. Prioritizing the repayment of debt services, as is the case under the current agreement with the IMF, implies postponing long-term goals and the opportunity to design economic and social programs that guarantee climate justice.

In this sense, the measures and conditionalities that the IMF requires from Argentina do not lead to a reduction of its carbon footprint. Rather, they promote policies oriented to economic growth based on exports and concentrated in projects that contribute strongly to climate change, as is the case for Vaca Muerta. This, far from the climate narrative that the IMF leads with, entails intensifying hydrocarbon extraction for development—a model whose main beneficiaries are companies in the sector—with [operating methods that include the constant transfer of foreign currency abroad](#).

Proposals that fail to address the risks to macroeconomic stability caused by dependence on the fossil fuel exports within the framework of a global energy transition, or that focus on reducing subsidies without taking into account their impact on access to energy for vulnerable populations, are not consistent with actions aimed at climate justice, which is related to an equitable distribution of income and access to energy, among other things.

Policies devised to address climate change must be centered on this concept. If, for example, emissions are limited by reducing the consumption of the most vulnerable or developing market mechanisms to achieve this, it will entail negative distributive impacts. The IMF has already done this in countries such as **Pakistan**, **Egypt** and **Ecuador** (the IMF's main debtors after Argentina) with little (if any) positive effects.

The international financial institutions, and particularly the IMF, must align their climate policies and lending policies, taking responsibility for the consequences that conditionalities have on the productive matrices of debtor countries, all of them in the Global South, and on climate justice. This implies, among other things, making their processes transparent and democratic.

Ensuring that their policies and recommendations respond to scientific criteria and not just to the short-term needs of the largest creditors is key to beginning to find answers to the various development crises. The IMF will only be able to support fair transitions if it changes its focus on macroeconomic stability and stops ignoring the long-term impacts of its short-term interventions.

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 - Secretaría de Energía, 2021. Resolución SE 1036/2021 “Lineamientos para un Plan de Transición Energética al 2030”. Anexo I

Appendix 1: Quotes from the IMF

A continuación, un listado de las citas textuales de los documentos del FMI. Esta es una revisión a modo de ejemplo. En la sección “Fuentes consultadas y citadas” quedan disponibles la totalidad de los documentos para una revisión exhaustiva.

➔ [1] “Carbon pricing provides incentives to switch to lower carbon sources of energy, freeing up hydrocarbons for export markets, which can improve health and generate fiscal revenue” (FMI, 2023c:12)

➔ [2] “During 2019 there will also be a rotation of demand out of domestic consumption and investment and toward an export-led recovery” (FMI, 2018:73)

“Staff assumes efforts are made to encourage exports and incentivize FDI, including in Argentina’s vast shale oil and gas reserves of Vaca Muerta” (FMI, 2020:12)

“Policies are needed to moderate domestic demand (in the near term), support a buildup of reserves and set the basis for stronger and more export-oriented growth” (FMI, 2022b:67)

“Furthermore, continued efforts are needed to boost Argentina’s net export capacity” (FMI, 2023a:27)

“Initial steps have been undertaken to boost investment and exports in the strategic energy and mining sectors (...) Regarding the energy sector, alignment of retail fuel prices with international prices, the proposal to eliminate the domestic oil price ceiling, together with market-based pricing of electricity and natural gas utilities, will support investment in the shale oil and gas reserves, subsequently boosting energy exports” (FMI, 2023d:26)

➔ (3) “However, further efforts will be required as Argentina is among the top 25 greenhouse gas emitting countries in the world” (FMI, 2022a:30)

➔ (4) “Incentives for strategic sectors. Legislation and regulations are being advanced—in close consultation with various stakeholders—to encourage investment and exports on a number of key strategic sectors, including hydrocarbons, mining, agro-industry, automotive, and knowledge economy” (FMI, 2022a:119).

“Given Argentina’s vast and untapped energy and mining resources, as well as its agricultural potential, positive opportunities also arise from rising commodity prices and geopolitical reconfigurations” (FMI, 2022b:12)

“We are strongly committed to boost Argentina’s net export potential, which is essential to strengthen resilience and lay the foundations for more sustainable and inclusive growth. In this regard, we have redoubled our efforts to advance legislation and regulations that will boost investment and net exports in strategic sectors. Discussions with relevant stakeholders, including international investors to secure financing, have intensified to increase investment in the hydrocarbon, mining, agro-industry, automotive, hydrogen and biotechnology industries” (FMI, 2022c:6)

“Enhancing regulatory frameworks of strategic sectors, including energy, mining, and the knowledge economy, will be needed to boost investment and Argentina’s export potential” (FMI, 2023a:27)

➔ (5) Image 1: Impacts of Current Policies, Relative to No Climate Policies, on Carbon Dioxide Levels in 2030

country	CO2 reductions										Emissions reductions			Sectoral policies achieve binding NDCs?	Implied gap between economywide reductions and NDCs/CPF	Paris aligned?	
	Existing carbon pricing	Higher expected prices by 2030	Renewables pledges	Coal phaseout	Carbon per kilometer emission targets	Electric vehicle targets	Building	Industry	Other policies or unspecified	Nationally determined contributions	ICPF	Sectoral policies					
Argentina	-0.54344187	0	0	0	0	0	0	0	-18.9777	-0.54344	-19.5211887	-28.8787	19	No	28	No	-2
Australia			-26.3014	0	0	-1.37264	0	0	0	-27.674	-22.2243599	-22.4024	18	Yes	0	Yes	-2
Brazil	0	0	0	0	-1.84806	0	0	0	-30.1687	-1.84806	-32.0068061	-13.5079	17	No	30	No	-2
Canada	-17.1053396	-19.8118	-6.11409	-1.64905	-1.34933	-1.57719	-0.85508	0	0	-48.4622	-41.289965	-23.4535	16	Yes	0	Yes	-2
China	-1.21754041	-1.48174	0	0	-0.08744	-0.48848	-0.058	0	0	-3.33319	-1.06876005	-24.0534	15	Yes	21	No	-2
France	-4.73848491	-2.85785	-11.252	-0.19771	-0.06967	-6.3039	-11.1643	-5.24249	0	-41.8265	-38.7447508	-11.2783	14	Yes	0	Yes	-2
Germany	-11.2999516	-5.05596	-10.5045	-5.62154	-0.00691	-3.78003	-10.1647	-6.28101	0	-52.7144	-36.0264349	-14.6515	13	Yes	0	Yes	-2
India	0	0	-8.19621	0	0	-0.45239	-0.19678	0	0	-8.84739	0	-19.4285	12	No	11	No	-2
Indonesia	0	0	-4.85458	-1.92647	0	0	-0.34952	0	-1.10905	-7.13058	-8.23963294	-34.0833	11	No	27	No	-2
Italy	-2.23054385	-2.05316	-1.07929	-3.61191	-7.5216	-8.17937	-5.29532	0	0	-29.9712	-20.4991246	-11.0592	10	Yes	0	Yes	-2
Japan	-0.35011656	0	-2.72645	-1.88641	-7.71e-06	-2.85728	-6.8675	8.01901	2.92157	-22.4859	-26.4074547	-18.4284	9	No	3	No	-2
Korea, Rep. of	-3.27493566	0	-3.41527	0	0	0	-0.45179	0	-18.8258	-7.142	-26.967916	-13.9213	8	No	19	No	-2
Mexico	-0.32775088	0	-14.381	0	0	0	0	0	-22.275	-14.7087	-36.9836733	-22.7755	7	No	22	No	-2
Russia	0	0	0	0	-2.24145	0	0	0	0	-2.24145	0	-34.7649	6	No	33	No	-2
Saudi Arabia	0	0	-27.3839	0	0	0	0	0	0	-27.3839	4.00098238	-27.5124	5	Yes	0	No	-2
South Africa	-6.56258966	0	-10.7387	0	0	-0.9862	-0.42659	0	-13.2647	-18.2265	-11.4912012	-36.4833	4	No	18	No	-2

Fuente: FMI, 2023c

➔ (6) “Investments in energy production and transportation (in the untapped shale oil and gas reserves of Vaca Muerta) have the potential of turning Argentina into a net energy exporter over the near to medium term” (FMI, 2022a:43)

“Boost investment in energy production and transport in vast shale oil and gas reserves” (FMI, 2022a:104)

“(…) construction of the second phase to connect shale and oil fields (Vaca Muerta) with other large urban areas is a priority. These investments together with efforts to boost crude oil production and transportation could help turn Argentina from a net energy importer to a large energy exporter” (FMI, 2023b:25)

➔ (7) “The net negative impact on exports is expected to be small since the measure will likely be offset by an increase in the productive capacity from last year’s strong investment in export industries, a rebound of agricultural exports after the drought, and an expected increase in energy exports as production in the Vaca Muerta basin picks up” (FMI 2018b:13).

➔ (8) “Staff assumes efforts are made to encourage exports and incentivize FDI, including in Argentina’s vast shale oil and gas reserves of Vaca Muerta” (FMI, 2020:12)

“Efforts are needed to facilitate the construction of the natural gas pipeline project connecting the vast shale oil and gas reserves of ‘Vaca Muerta’ with the large urban areas, including to reduce reliance on more expensive energy imports” (FMI, 2022b:21)

“Opportunities could arise in the medium term from new global trade and commodity price developments, given Argentina’s vast shale oil and gas reserves, as well as its agricultural and mining potential” (FMI 2022b:64).

“The construction of the Nestor Kirchner gas pipeline —connecting the vast shale oil and gas reserves of ‘Vaca Muerta’ with large urban areas— remains the cornerstone of the authorities’ strategy to boost domestic energy production and reduce costly energy imports starting in mid-2023” (FMI, 2022c:22)

“Once completed, the pipeline will connect the vast shale oil and gas reserves of ‘Vaca Muerta’ with large urban areas (...)” (FMI,2022d:21)

“Construction of gas pipelines, connecting the vast shale oil and gas reserves of ‘Vaca Muerta’ with large urban areas, has the potential to reshape Argentina’s external position, by reducing costly energy imports and boosting crude oil and gas exports to neighbouring countries over the medium term” (FMI, 2023a:21)

➔ (9) “Efforts are needed to facilitate the construction of the natural gas pipeline project connecting the vast shale oil and gas reserves of ‘Vaca Muerta’ with the large urban areas, including to reduce reliance on more expensive energy imports” (FMI, 2022b:21)

“The construction of the Nestor Kirchner gas pipeline —connecting the vast shale oil and gas reserves of ‘Vaca Muerta’ with large urban areas— remains the cornerstone of the authorities’ strategy to boost domestic energy production and reduce costly energy imports starting in mid-2023” (FMI, 2022c:22)

“Protecting critical infrastructure projects, namely the gas pipelines” (FMI, 2022d:13)

➔ (10) “Importantly, completion of the gas pipelines would significantly improve Argentina’s external energy trade balance in the coming years, boosting export receipts, reserves, and the country’s repayment capacity” (FMI, 2023a:25)

➔ (11) “The first phase of the pipeline is expected to be completed by end-June 2023, supporting an increase in the daily supply of domestically-produced gas of 11 million cubic meters. This will be complemented by a new ‘Plan Gas’ to encourage domestic gas production and arrangements with Bolivia and Brazil to secure energy supplies at favorable rates during winter” (FMI, 2022c:18)

“This will be complemented by a new ‘Plan Gas’ to encourage domestic gas production and

arrangements with Bolivia and Brazil to secure energy supplies at favorable rates during winter” (FMI, 2022d:21)

➔ (12) “Eliminating untargeted energy subsidies. The current system of regressive energy subsidies should be replaced with measures to protect the poor. (...) Staff estimates suggest that, if successful, bringing both electricity and natural gas tariffs to cost recovery while maintaining a social tariff would reduce spending by about 1 percent of GDP” (FMI, 2016:31)

“A subsidized tariff to protect the poor from the planned elimination of subsidies (the tarifa social introduced last year by the authorities, which reduces the cost of gas, water, electricity and transportation for the most vulnerable segments of the Argentine population)” (FMI, 2017:20)

“(...) eliminating inefficient electricity and fossil fuel subsidies (...)” (FMI, 2018a:11)

“(...) and planned changes in the natural gas industry (following the introduction of auctions between gas producers and distributors), together with planned increases in tariffs, should reduce subsidies” (FMI, 2019a:12)

“Staff recommended contingency revenue measures in case of additional revenue shortfalls. (...) These could include (i) deeper reductions in economic subsidies (...)” (FMI, 2019a:14)

“At the same time, reductions in energy subsidies and discretionary transfers to provinces and state-owned enterprises will be necessary to make room for higher social and infrastructure spending” (FMI, 2022a: 20)

“Fiscal consolidation needs to be underpinned by (...) reduce energy subsidies (...)” (FMI, 2022b:25)

“Policies underpinning the fiscal adjustment in 2023 include: (i) reductions in subsidies (0.5 percent of GDP), largely in the energy sector (...)” (FMI, 2022c:17)

“ (...) a reduction in subsidies (0.6 percent of GDP), mostly from the energy sector (...) but also in the water and transport sectors (...)” (FMI, 2022d:15)

“(...) these efforts are projected to reduce energy subsidies by around 0.5 percent of GDP and, by staff estimates, raise cost recovery levels from around 30 percent in September 2022 to about 60 percent by end-2023” (FMI, 2022d:16)

“Energy subsidies are expected to decline to 1.5 percent of GDP in 2023, from 1.9 percent in 2022, while average cost recovery is estimated to improve, reflecting a combination of lower production costs and higher real tariffs (...)” (FMI, 2023a:15)

“Average wholesale natural gas prices (where historical data are scant) are projected to change by an average of [-3-6] percent in real terms, with subsidized commercial and high-income residential users observing a 40-55 percent increase, offsetting a 20-25 percent real decline for other subsidized users. Yet, average real tariffs and cost recovery remain low by historical standards” (FMI, 2023a:30)

“Once complete, the pipeline is projected to reduce energy imports, supporting the planned reduction in fiscal subsidies” (FMI, 2023a:31)

“(...) the authorities will announce their decision (prior action) to adjust electricity prices (...)”

for low-and other middle-income residential users as well as smaller commercial users (in line with the established legislation and agreed cost recover objectives). Meanwhile, electricity prices for high-income residential users will continue to evolve with production costs, and larger commercial users will reach full cost recovery by end-2023. Staff and the authorities also discussed the need to better align natural gas prices to changes in production costs (...)" (FMI, 2023b:23)

"(...) sharper spending cuts to moderate domestic demand (including accelerated energy subsidy reductions) (...)" (FMI, 2023b:25)

➔ [13] "A domestic drought is expected to significantly erode agricultural export revenue" (FMI, 2018a:13)

"A surge in imports in the first quarter together with sharp declines in agriculture production and primary exports (driven by the drought) led to a widening of the trade balance" (FMI, 2018b:12)

" (...) on account of a sharp reductions in exports (due to the drought) (...)" (FMI, 2023d:64)

➔ [14] "Moreover, intensification of the drought would hurt agricultural exports and foreign currency inflows, all of which would jeopardize key program objectives" (FMI, 2022d:14)

"The historic drought resulted in significant losses to agricultural production, fiscal revenues, and export receipts, stressing already weak public finances and complicating Argentina's balance of payments situation" (FMI, 2023b:32)

➔ [15] "Decline in exports, from drought-induced lower agricultural output, would reduce trade surplus, in turn leading to FX outflows and currency devaluation pressures" (FMI, 2022a:104)

"Intensification of the ongoing drought could reduce agricultural exports and foreign currency inflows, stoking inflation, and jeopardizing program objectives" (FMI, 2022d:5)

➔ [16] "Argentina is subject to frequent volatility in its terms of trade resulting from climate shocks that impact agricultural production and exports. These have become increasingly frequent and more severe, as experienced during the severe drought of 2018" (FMI, 2022a:104)

"The evolution of the severe drought introduces a high level of uncertainty to these projections" (FMI, 2023a:55)

➔ [17] "Argentina has historically been subject to drought events every 5-10 years, but recent global trends suggest a potential acceleration in the frequency and severity of such events" (FMI, 2023b:36)

➔ [18] "(...) risks are skewed to the downside, as latest estimates suggest this drought could be the worst in 60 years. In that event, corn and soy production could be down by an additional 20 and 35 percent, respectively" (FMI, 2023a:29)

➔ [19] "The latest harvest estimates by experts (including Bolsa de Cereales de Buenos Aires and USDA) suggest export losses of about US\$20 billion relative to the 2022 harvest (compared to US\$6 billion at the time of the fourth review)" (FMI, 2023b:36)

➔ (20) “Reduced agricultural production also generated additional BOP pressures, including through increased imports of the agriculture-based manufacturing sector to compensate for lower domestic production (about US\$2.5 billion)” (FMI, 2023b:36)

➔ (21) “[...] with an estimated transitory impact from the drought at about 1.5 percent of GDP” (FMI, 2023d:64)

➔ (22) “Reforms will need to take into account Argentina-specific factors and challenges arising from climate change” (FMI, 2022a:29)

“Further efforts are needed to start addressing the challenges from climate change” (FMI, 2022a:30)

➔ (23) “Ongoing initiatives include (i) preparation of a new Electro-Mobility Law to incentivize the production and use of renewable energy-powered vehicles; (ii) establishment of a new regulatory framework to support investment in the hydrogen sector; and (iii) implementation of a Green Productive Development Plan to promote environmental adaptation and energy efficiency by firms” (FMI, 2022a:30)

➔ (24) “Efforts to reduce costly energy subsidies and to transition towards a cleaner energy matrix must be sustained and revamped” (FMI, 2022a:30)

“These should be accompanied by further corrections in relative prices and a gradual conditions-based easing of capital flow management measures as imbalances are addressed and reserve coverage improves” (FMI, 2023b:11)

➔ (25) “Beyond energy, foreign and domestic investment currently in train in the lithium and copper sectors could potentially permit a five-fold increase in mining exports over the next decade” (FMI, 2023b:25)

➔ (26) “Future policy commitments under the program will be developed in this area drawing on recommendations from the ongoing World Bank’s Climate Change and Development Report (CCDR) and the recently finalized PIMA, which included a climate module” (FMI, 2022a:30)

“Over time, savings generated from the new gas pipelines could support fiscal consolidation and the transition to a more efficient, sustainable, and low carbon energy sector, taking into consideration the recommendations of the World Bank’s Country Climate and Development Report (CCDR). In this sense, the gas pipelines provide an important foundation for the development of a broader strategy, which includes scaling up investment in renewables, reducing energy subsidies, and improving energy efficiency” (FMI, 2023a:31)

➔ (27) “The potential export of LNG also provides significant upside, though this would also require major infrastructure investment to construct liquefaction terminals” (FMI, 2023d:42)



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