Andrés Gluski: “Within 10 years the country should achieve its energy self-sufficiency”

The President of AES said that the company will invest US $300 million in Argentina and wants to boost the services business.

Julieta Tarrés FOR LA NACION SUNDAY, APRIL 24, 2016

It’s not the first time that Andrés Gluski is visiting the country. However, on this occasion he undoubtedly breathes a different air in the business environment. “The new measures are very positive; above all, the freeing of the foreign exchange controls and the possibility of issuing dividends. That was the sign that things were changing in Argentina,” admits the President and CEO of the power generation company AES in a face-to-face interview with LA NACION, in which he shared his vision about the local industry and the future of renewable energies.

The business executive of Venezuelan origin - although he now resides permanently in Washington - has a doctorate in Economics, earned his PhD at the University of Virginia, has worked in the company since 2001 and took up the role of company President in 2011. AES is one of the US firms listed as a Fortune 500 company, and has a total of 36 gigawatts of energy installed in 144 power plants worldwide - which is equivalent to the amount of gigawatts that Argentina has overall. From this total, 8 gigawatts correspond to renewable energies.

AES closed 2015 with a net revenue of US $285 million from domestic operations, and US $15 billion from its global operations in 17 countries. It employs 18,000 people, of which 4,500 work in 10 power generation plants that the company has in the country. These facilities account for 12% of the power capacity installed. The company has been in the country since 1993, when it set up its second headquarters outside of the United States here, and since then they have invested US $4000 million.

-How do you view the local energy industry?
-Argentina has a great infrastructure and many resources. An exchange of resources and technological know-how with the United States at this time would be ideal. I think Argentina could take advantage of technology transfers in order to grow and achieve its energy self-sufficiency.

-How long will it be before the country can be energy efficient and not have to depend on imports?
-Argentina should be self-sufficient in 10 years, but the development process requires a lot of money in investments. Vaca Muerta is an example of the energy resources that this country has. AES does not carry out operations in exploration; it is involved only in the generation of electric power.

-What investment plans does the company have in the country?
-We plan to invest up to US $300 million to maintain our power plants. The goal is to achieve a sustainable and efficient growth, such as, for example, the closure of the combined cycle to generate and reduce emission by using the CO2 generated by each machine, and transforming it into more energy. Currently 2% of the power we generate is renewable; our goal is to reach 8% by 2017.

-What are the main resources that the country has for generating renewable energies?
-Wind and solar are two forms of renewable energy that have the biggest potential in Argentina. The world is turning to these types of energies. A third of what AES produces annually is renewable; another third is gas and the rest is coal. During the 90s we were leaders in the generation of wind and solar energies. However, we sold those business units because they offered us excellent prices for them.
Has the fall in the international price of oil reduced the value of renewable energies?
- Yes, they fell by 30%, mainly those generated by solar panels. The cost of generating wind energy is also less, because the value of the turbines depreciates as they create new and more efficient ones. Nevertheless, all these types of energies will replace the conventional ones in the future. We need to invest in the generation of these energies and hope that the prices adjust.

What do you think about the political and economic decisions that the current government is making?
- The new measures are very positive; above all, the freeing of the foreign exchange controls and the possibility of issuing dividends. For us this was the sign that things were changing in Argentina. No company wants to invest in a country that prohibits them from taking their own earnings or the capital that they initially invested for starting their operations. And secondly, having come out of default is a key step that will enable Argentina to have access to the financial markets again. It is important to obtain loans on lower interest rates in order to grow.

Did this encourage investment?
- No. In our case our investment was already planned, because we have to maintain the facilities of our ten power generation plants. However, we can now begin to think about new projects. We are already working in the development of our new services center, a business area that will double the number of local employees. We want to increase the capacity over the next few years and expand our services.

What type of services?
- Since 2013, AES became self-sufficient by having its own financial and information technology services with centers that provide this type of services to subsidiary companies in different parts of the world. One of these centers is located in Buenos Aires.

What is it based on?
- We use blocks of lithium batteries to stabilize the frequency and the voltage of the power transferred. It is a service that we can offer to other companies: to power generation companies as well as to energy distributors. What this development allows us to do, for example, is to store wind energy. This has been working in Chile for over eight years now; the idea is to implement it here as well.

Are these batteries similar to those used in electronic devices of mass consumption?
- Similar, but on a much larger scale. They are blocks of lithium batteries that can be as big as a whole building or the size of a standard freight container. AES developed this technology to meet an in-house demand, and then it began to market it. We own the patent, but we don't manufacture it. It is the solution to grid congestion in the transmission lines of any type of power. And there is such a strong demand for it, that we now offer the service even to our competitors. The US company Eaton and the Japanese company Mitsubishi, for example, are companies that signed international agreements with AES to buy batteries. We have investments amounting to US$ 9 billion in development projects in 17 countries.