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Despite Government Approval, Chile's HidroAysén Dam Project Still Not Done Deal

By Benjamin Witte-Lebhar

Flip-flop rulings have left the fate of the controversial HidroAysén venture, a multibillion-dollar dam scheme slated for southern Chile's Patagonia region, very much up in the air. The recent roller-coaster events have made one thing clear: in Chile, energy matters--once the exclusive domain of private utilities companies--are now becoming everyone's business.

The project's developers, Spanish-Italian electricity giant Endesa and Colbún, a Chilean utility, have been pushing for the past five years to build a network of hydroelectric plants along the Río Baker and Río Pascua, a pair of powerful rivers that flow through Chile's far southern Aysén Region. HidroAysén, as the joint venture is called, promises the five dams will have an installed generating capacity of 2,750 megawatts, equivalent to roughly 17% of the country's current grid capacity.

HidroAysén and its backers claim Chile desperately needs that electricity to continue its march toward "first-world" status. The country's current installed electricity capacity is roughly 15,700 MW. Analysts say that, by the end of the decade, Chile will have to double its grid capacity to keep up with steady economic growth.

The more than US\$3 billion hydroelectric project has no shortage of critics, however. Led by the umbrella group Consejo de Defensa de la Patagonia (CDP), environmentalists have waged an international campaign against the dam scheme. Under the banner "Patagonia sin Represas" (Patagonia without Dams), opponents argue that the dams would cause irreparable harm to the Baker and Pascua river valleys and open up the largely undeveloped wilderness area to further industrial exploitation.

The debate between the CDP and HidroAysén has divided both the general public and Chile's political leaders. A number of senators and deputies, including Sen. Antonio Horvath of President Sebastián Piñera's center-right Renovación Nacional (RN), have sided with the dam-opposition movement. So, too, has a growing majority of average citizens. A survey by the polling firm Ipsos suggested that, as of April, 61.1% of Chileans disapproved of the HidroAysén project.

But the dam scheme has enjoyed support from top government officials in the administrations of both Piñera and his predecessor, President Michelle Bachelet (2006-2010). Bachelet was careful not to opine one way or the other. But her energy minister Marcelo Tokman and interior minister Edmundo Pérez Yoma each made it clear at moments that Chile needs the HidroAysén project. Piñera's two energy ministers--Ricardo Raineri and Laurence Golborne, the man who replaced Raineri last January--have done the same.

Show of hands

The heated national debate came to a head on May 9, when regional environmental authorities in Aysén finally sat down to vote on the project. The vote marked the end of a nearly three-year evaluation process that began in August 2008, when HidroAysén first submitted the polemical project to Aysén's Comisión Regional del Medio Ambiente (COREMA).

During the drawn-out evaluation process, citizens and government agencies submitted thousands of objections. Chile's national water directorate (Dirección General de Aguas, DGA) complained that HidroAysén's original environmental-impact statement (EIS) lacked "relevant and essential information." Chile's forestry department (Corporación Nacional Forestal, CONAF) noted with concern that the project--which calls for a 5,900-hectare reservoir--would flood a corner of Patagonia's Laguna San Rafael National Park.

The CDP and other opponents urged COREMA members to reject the dam project outright. Instead, the board opted for a lengthy delay, giving HidroAysén a chance to revise and eventually resubmit its heavily criticized plans. The decision was widely interpreted as a way for the Bachelet administration, which was nearing the end of its term, to pass the controversial matter along to its successor.

The environmental-evaluation process is ostensibly a technical exercise. Board members are instructed to judge a given project based on its technical merit, on whether it meets various established guidelines. Observers, however, say that politics clearly plays a role as well, since the evaluation boards--now known as Comisiones de Evaluación Ambiental (CEAs)--are staffed entirely by direct political appointees. Presiding each CEA is the regional intendente, or governor, who is handpicked by the president and answers directly to the interior minister.

When it finally came time to vote on the HidroAysén project, Intendente Pilar Cuevas opted for the dams. Her decision was hardly a surprise considering that, just hours before the vote, Cuevas' boss, Interior Minister Rodrigo Hinzpeter, said in an interview with Radio Duna that "it would be good for the country if [HidroAysén] were approved."

Ten of the CEA's other 11 members followed the intendente's lead. Only one person, the head of the regional health ministry, abstained, citing concerns that the project--which will require thousands of imported laborers--could result in an outbreak of sexually transmitted diseases.

A huge victory for Endesa and Colbún, which between them already provide roughly 55% of Chile's electricity, the ruling came as a stunning blow to the CDP and its congressional allies, who blasted the CEA ruling as being purely political. Opponents note that President Piñera's brother-in-law is a board member of HidroAysén. Energy Minister Golborne admitted recently he was at one point offered the job of directing the company.

"This is a political decision that went over all our heads," Dep. Guillermo Teillier of the Partido Comunista de Chile (PCCh) told reporters. "We know that they tweaked and changed some of the technical reports....We know that what's behind this is big business, which isn't very concerned with the interests of the country but is instead just looking to turn a profit."

Flooding the streets

HidroAysén opponents mobilized quickly--and en masse. Huge protests erupted May 9 in Santiago and elsewhere, including in the Aysén cities of Coyhaique and Cochrane. Emboldened by the public's palpable frustration with the CEA verdict, organizers led another massive march through Santiago on May 14, drawing at least 30,000 people. And on May 21, thousands demonstrated outside the Congress building in Valparaiso while President Piñera delivered his annual State of the Nation speech.

When the president's speech turned to energy, a group of deputies and senators rose to their feet and unfurled a large "Patagonia sin Represas" banner. Dam opponents interrupted Piñera several more times during his nationally televised address, prompting the visibly vexed president to warn, "The subversives will never have the last word in this country."

During his speech, the president said he supports investment in nonconventional renewable energy (NCRE) sources. "But to say that these energies represent the solution to all our problems is a utopia that gives Chileans false illusions. We can't, therefore, turn our backs on hydroelectric and thermoelectric projects," he explained.

"We know that the approval of these dams and transmission lines generates impassioned controversy. The easy road would be to put these decisions off, leave them for the next administration," he said. "I'm clear about my responsibilities for the environment. But I'm also clear about my responsibility for the country."

Polls suggest the Chilean public is not convinced--either by the project or by the billionaire president who has chosen to overtly support it. An Ipsos survey after the first wave of anti-HidroAysén protests put public disapproval of the Patagonia dam plan at 74%.

Piñera's approval numbers, in the meantime, are heading in the opposite direction. The polling firm Adimark announced in early June that support for the president had fallen to 36%, down from 41% the month before. His approval rating has since dropped to just 31%, as protests against the HidroAysén venture have given way to massive student demonstrations.

Reversal of fortune

Opponents of the project got even more good news on June 20, when an appeals court in Puerto Montt--at the behest of several members of Congress--issued an injunction against the project. The project will remain legally frozen until the court settles an appeal filed by Sen. Horvath, Sen. Guido Girardi of the opposition Partido por la Democracia (PPD), Deputy Enrique Accorsi, also of the PPD, and Deputy Patricio Vallespin of the centrist Partido Demócrata Cristiano (DC). The lawmakers claim the members of Aysén's CEA acted arbitrarily and illegally in deciding to approve the dams.

HidroAysén was quick to downplay the ruling as par for the course, saying this is neither the first nor the last time it will have to deal with legal matters of this kind. The CDP and its congressional allies, however, are hailing the Puerto Montt verdict as a major victory--a significant turning point in their ongoing struggle to save the Patagonian wilderness. Momentum, they argue, is now shifting against the project.

"This is a second triumph. The first was that tens of thousands took to the streets to protest HidroAysén," said Sen. Juan Pablo Letelier of the opposition Partido Socialista (PS). "The decision [to approve the dams] was illegal and arbitrary, made by people who received their political

instructions from Santiago....This is the first battle. We have many more before we can finally put an end to this project."

What looks to be the biggest of the pending "battles" centers around a lengthy transmission line HidroAysén will need if it is to plug the Baker and Pascua dams into Chile's central grid. Sparsely populated Aysén has no need for 2,750 MW of electricity. Mining operations in the north, and bustling Santiago in the center, do. The goal, therefore, is to erect what some describe as the world's longest power line, which would run some 2,200 km north toward Santiago.

Detractors say that, from an environmental standpoint, the proposed power line is in many ways more objectionable than the dams. The transmission line, they say, would require countless acres of clear cutting and inevitably pass through national parks and nature reserves.

Without the transmission line, the HidroAysén dams are useless. Yet, administratively, the power line and hydroelectric dams are being treated as two different projects. The company that would build the massive "electric highway," Canadian-owned Transelec, has yet to even submit its plans for environmental approval. Transelec is reportedly aiming to file an EIS by December, meaning the matter is not likely to be resolved until next year--at the earliest.

"There's still a lot to be determined here," Juan Pablo Orrego of the Santiago-based environmental organization Ecosistemas told *Radio Universidad de Chile*. "This transmission line has to enter the environmental-impact-evaluation process. And, according to many technicians, lawyers, and environmentalists, this is one of the riskiest projects. It's going to attract more criticism than all of the projects we've seen up to now."

Everybody's business

At this point, it is impossible to say what will happen with the embattled HidroAysén venture. If the protests, opinion polls, and Puerto Montt injunction can together convince authorities to block the Transelec power line, the dam project will die along with it. However, political pressure from on high may once again tip the scales in favor of the multibillion-dollar venture.

What is clear is that this particular project--regardless of the final outcome--has already triggered a dramatic shift in the way energy matters are viewed and handled in Chile. HidroAysén and Transelec may still get their way. But their efforts will not go unnoticed by the public and some politicians, who are now taking a keen interest in energy-related decisions.

Since the dictatorship of Gen. Augusto Pinochet (1973-1990), private and mostly foreign-owned utilities in Chile have had more or less free rein to generate electricity as they see fit. For Endesa, Colbún, and the handful of other companies that control the country's energy market, that has meant conventional and cost-effective thermoelectric (fossil-fuel-burning) and hydroelectric plants. Dams account for roughly 36% of the Chile's total installed capacity. The rest of the power--with the exception of a handful of modern wind parks--is generated with thermoelectric plants.

As May's large anti-HidroAysén rallies demonstrated, a growing sector of the Chilean public is now demanding alternatives. Options include solar and wind power, which have already made significant inroads in countries like Germany and Spain. The CDP-led environmental movement has clearly had a stake in raising awareness. The involvement of conservative politicians like

Sen. Horvath plays a significant role as well, making it harder for large corporations and their political backers to dismiss dissent as coming on from the left-wing fringe.

"I oppose [HidroAysén] because I have clear evidence that southern Chile is better off economically, socially, and environmentally without these megaprojects. That's true for the rest of the country too," Horvath told the online news service El Mostrador in a recent interview.

Issues that used to be decided behind closed boardroom doors are now becoming matters of public debate--and in some cases sparking popular outrage. How much actual influence the public has in determining the outcome of those decisions, however, remains to be seen. Shifting public perceptions are nowhere close to prompting an energy revolution in Chile.

In fact, the country now appears headed in the opposite direction--at least in the short term. In the past year, President Piñera has backed off his original campaign pledge of "20% renewables by 2020," opting instead for huge, single-source conventional projects: HidroAysén in the south, and Central Termoeléctrica Castilla in the north. Castilla, a 2,300 MW coal-burning plant slated for the Atacama region, won government approval in February.

"Truthfully, there are more than a few of us who are surprised," said Horvath, who during the campaign joined soon-to-be energy minister Raineri in helping Piñera brainstorm energy policy. "Little by little, the discourse is changing. With Minister Raineri we were really on line to meet the 20/20 goal...But with Raineri's exit, there's been a shift in direction. Now Minister Golborne is saying that the 20/20 goal is more something we might aspire to. I was witness to the fact that originally the commitment was there."