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Chile Skirts Clean Energy Focus, Approves Two Major Coal Projects

By Benjamin Witte-Lebhar

Promises by President Sebastián Piñera to give Chile's electricity matrix a green makeover went up in proverbial smoke last month when authorities approved a pair of costly coal projects: one, an open-pit mine in the far south; the other, a massive coal-burning power plant slated for the northern Atacama region.

Chile derives the bulk of its electricity using conventional thermoelectric (fossil-fuel) generators and large-scale hydroelectric dams. The latter contribute roughly 36% of the country's total installed capacity, currently about 15,700 megawatts. A handful of modern wind parks contribute 0.9%, while the rest of Chile's electric power--nearly 10,000 MW--comes from thermoelectric facilities. Of those 10,000 MW, slightly more than half is derived from natural gas, the least polluting of the fossil fuels, while 37% (or 23% of Chile's total capacity) comes from coal, a cheaper but far dirtier alternative. Diesel or fuel oil powers the remainder of the country's thermoelectric plants.

Environmental groups would like to see Chile embrace nonconventional renewable (NCR) technologies, such as solar and wind power, which have already made huge inroads in Europe, the US, China, and elsewhere. Germany has a current installed capacity of more than 27,000 MW from wind power alone, nearly double the capacity of Chile's total grid. In Spain, wind parks contribute roughly 20,000 MW.

If Chile were to follow a similar path, environmentalists argue, it could cut back on thermoelectric power and maybe even put a moratorium on the dirtiest of all the generating options: coal-burning plants.

Until recently, President Piñera seemed to agree. As a candidate, the billionaire president promised to reduce greenhouse-gas emissions and promote investment in NRCs. "We can't continue growing in Chile with so many coal-burning thermoelectric plants, because they're the most polluting," he said while campaigning in 2008. Last September, Piñera appeared to put his money where his mouth is, stepping in personally to block construction of the Barracones project, a billion-dollar coal-burning plant planned for Chile's north-central coast.

"Climate change is already hitting the world, and we cannot be irresponsible...We cannot close our eyes, because if we do so, our countries, our people, and our children will suffer a lot," the president said in a November interview with the Chinese news service Xinhua. "We need to realize Mother Nature is crying for help, and we cannot be deaf to those cries. We have to react. And one of the sources of contamination and all the gases that are provoking this climate change comes from the energy sector, so we must look for new and clean sources of energies."

Chile's per capita rate of carbon dioxide emissions, 3.96 tons annually, according to the Energy Information Administration (EIA), is high by Latin American standards. The overall Latin America average is 2.57 tons. Many area countries, including regional giant Brazil (2.11 tons), have far-lower emissions rates.

"We can't oppose everything"

But, while President Piñera may be saying one thing, Chile's regional Comisiones de Evaluación Ambiental (CEA), local environmental boards staffed entirely with political appointees, are doing quite another.

In mid-February, while much of the country--including the Congress--was off enjoying their summer holidays, the CEA in the far-southern Magallanes region sat down to deliberate the fate of a controversial coal mine planned for Isla Riesco, an island roughly 180 km west of Punta Arenas.

Co-owned by Copec and Ultramar, the mine--Mina Invierno--is the first of five the two Chilean firms plan to open on Riesco during the next two decades. In all, Copec and Ultramar, owned by the Angelini and Von Appen families respectively, plan to invest approximately US\$500 million in the project.

The owners claim Invierno will spur local development by providing at least 700 permanent jobs. The 12-member CEA, presided by Intendente (regional governor) Liliana Kusanovic, agreed, voting unanimously Feb. 15 to approve the mine.

Once in operation, the open-pit mine will be by far Chile's largest, eventually producing up to 6 million tons annually. In that way, argue its backers, Invierno (and its sister mines) will allow Chile to cut back on the coal it buys from Colombia, South Africa, and elsewhere by as much as 30%.

The mine also promises to earn a pretty penny for its owners, who revealed last week that they have entered into negotiations to provide coal to US-owned AES Gener, Chile's second-leading electricity provider, and GDF Suez, the French company behind the failed Barracones plant. The Angelini and Von Appen groups are already quite familiar with AES Gener, with which they co-own the 600-MW Guacolda coal-burning electricity plant in central Chile. Invierno, which is expected to begin operations in 2013, will also mean more business for Von Appen's Ultramar, a shipping company.

"We can't oppose everything," Chile's Mining and Energy Minister Laurence Golborne told reporters just hours before the CEA vote. "We need to make environmental sustainability and community development compatible."

Golborne worked as a money manger with AES Gener before joining the Piñera administration last year as mining minster. He assumed responsibility for Chile's energy matters as well starting in January, when then energy minister Ricardo Raineri resigned.

Golborne's rationale did little to reassure environmental groups and other Mina Invierno opponents, who worry about what the 2,500-hectare mine will mean for the Patagonian island's relatively unspoiled ecosystems. Part of the huge, multi-island Alacalufes national reserve, Isla Riesco boasts rich and varied flora and fauna, including Huemul deer and condors, both endangered species.

A more general concern for critics of the Isla Riesco mine is what the CEA ruling implies for Chile's overall energy picture. Six months after blocking Barracones, the Piñera administration seems suddenly to be sending an altogether different message--encouraging rather than phasing out dirty coal-based electricity projects. By approving the mine, opponents say, the government is not only reactivating what had been an all-but-defunct national coal industry, it is also sending a clear message to AES Gener and other companies using coal for electricity production that Chile is open for business.

"The government recently confirmed its goal of pushing a plan that would allow 20% of the country's electricity to come from nonconventional renewables by 2020. However, all the signals we're now seeing point in the opposite direction, away from [what the government] promised and against the desires of the people," the Partido por Democracia (PPD) complained in a Feb. 16 press release. The PPD is one of four member parties in the center-left Concertación, Chile's principal opposition coalition.

Back from the dead

If the Isla Riesco ruling was a "signal" about where the Piñera administration stands vis-à-vis coal power, then what happened less than two weeks later--at the opposite end of the country--was a loud-and-clear all-points bulletin. There, in the northern Atacama region, the local CEA voted Feb. 25 to approve construction of what will eventually be the largest coal-burning power plant not only in Chile but in Latin America as a whole.

Known as the Central Termoeléctrica Castilla, the plant--owned by Brazilian multibillionaire Eike Batista--is a behemoth. At a cost of US\$4.5 billion, the Batista-owned company MPX Energia plans to build six coal-burning generators and two diesel-powered backups that will together boast an enormous 2,354 MW of installed capacity.

Long a target of local resistance, the massive coal project spent nearly two and a half years bogged down in administrative red tape while authorities wavered back and forth regarding its potential environmental impact. In 2009, then regional health minister Pilar Merino determined Castilla to be *contaminante* (polluting), an official characterization that would have made it impossible for the local CEA to approve the project. Last year's change in government, however, resulted in a new Secretaría Regional Ministerial (SEREMI)--and with it a new opinion about the coal plant. Merino's successor, Piñera-appointee Raúl Martínez, recast the controversial Castilla plant as a *molestia* (nuisance).

Last November, the Corte Suprema de Justicia (CSJ) chimed in on the matter, ruling that Martínez--who had resigned two months earlier because of fallout from the Barracones controversy--had no right to reassess the plant, at least not without conducting a thorough re-examination of the project. The ruling drew thunderous applause from Castilla's many opponents, who viewed it as a nail in the controversial Brazilian venture's coffin. Just three months later, however, the project is very much alive and kicking.

The rapid resurrection began in early February when MPX Energia--much to the surprise of local critics--announced an agreement with one of its leading opponents, the Dominguez family. The local landowners agreed to drop pending lawsuits after MPX promised, among other things, to establish a local nature reserve. The gesture will reportedly cost the company US\$9.5 million (equivalent to 0.2% of the project's total estimated cost).

A week later, Nicolás Baeza, the Piñera government's new regional health minister, breathed even more life into the project when he offered his own official assessment of its potential environmental impact. Like his immediate predecessor Martínez, Baeza qualified the plant as a "nuisance," as opposed to a serious pollution threat. He later told reporters that Pilar Merino, Atacama's health SEREMI under President Michelle Bachelet (2006-2010), had made calculation errors.

With Castilla suddenly clear of its major administrative hurdles, the Atacama CEA rushed to put the matter to a vote. Like their counterparts in Magallanes, Atacama Intendente Ximena Matas, Baeza, and the board's other 10 members ruled unanimously.

A wolf in green clothing?

Opponents of the project, among them several Concertación legislators, blasted the "murky" maneuverings as an obvious example of political manipulation. "What you have here is an arrangement made for political reasons," said Sen. Juan Pablo Letelier of the Partido Socialista (PS). "The president blocked Barracones, sidestepping the legal procedures, so now he has to show signs of good behavior [towards to the business community] by making sure this project goes through."

Calling Baeza's reassessment of the project "arbitrary," Letelier and his congressional allies insist the entire process was calculated, right down to the timing of the vote, which happened during the final week of summer holidays. Other lawmakers opposing the massive coal plant include Sen. Guido Girardi (Partido por la Democracia, PPD), Sen. Isabel Allende (PS), and Dep. Alberto Robles (Partido Radical Social Demócrata, PRSD).

"The Ministerio de Salud needed more than two months to find a new regional health minister, because, as far as I know, none of the colleagues who were offered it would accept the job given that it came with the imperative of approving Castilla," said Robles. "It was obvious that whichever SEREMI ended up getting appointed would approve Castilla, that he would do everything possible to change its designation from 'polluting.'"

For Chile's environmental groups, the Piñera administration's about-face on the coal issue is a major disappointment--albeit not a huge surprise.

For all his apparent interest in the environment, Piñera is also a consummate capitalist. On the latest Forbes magazine billionaires list, the Chilean president is now worth an estimated US\$2.2 billion, US\$200 million more than when he took office last March. Also on the list, interestingly enough, is Eike Batista (US\$30 billion), in the number-eight spot. Even a casual observer would expect Piñera to side in some cases with his business-world peers.

The same could be said for the president's Cabinet members, most of whom received their professional training in corporate positions. Golborne worked for AES Gener. His undersecretary, Sergio del Campo, was the general manager for the Guacolda coal-burning power plant, which AES Gener co-owns with the Angelini and Von Appen groups, owners of Mina Invierno. And Environment Minister María Ignacia Benitez worked until recently for a firm that helps energy companies maneuver the government's Sistema de Evaluación de Impacto Ambiental (SEIA), a system over which she now presides.

"This government has finally shown its true environmental colors. And they had no shame in bending the business lobby, or tweaking the figures to get Castilla approved," said Flavia

Liberona, head of the Santiago-based environmental think tank Fundación Terram. "Piñera stopped dressing himself up in green."