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# Is Chile's New National Energy Strategy a Promising Plan?

Inter-American Dialogue's Latin American Energy Advisor

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***Q and A: Is Chile's New National Energy Strategy a Promising Plan?***

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Chilean President Sebastián Piñera released a National Energy Strategy last month designed to formulate a comprehensive energy policy through 2030. In recent years, Chile has struggled to meet rapidly rising demand, and the plan's six priority areas are aimed at improving energy security in a more cost-effective and clean manner. Does the National Energy Strategy represent a feasible plan? Who is likely to oppose it and why? What are its strengths and shortcomings?

**A: Amanda Maxwell, Latin America project director at the Natural Resources Defense Council:**

"Chile's new National Energy Strategy represents significant progress in the Chilean government's approach to its energy sector. Prior to this document, the country had no guiding energy policy, leaving the sector's development largely up to the few large companies that dominate the market. This new strategy will help send positive signals about the government's priorities to new actors and investors looking to enter the market. One of the real strengths of this plan is the fact that energy efficiency and non-conventional renewables are the first and second pillars. These are two areas where Chile has unique natural and human resources, and can make incredible gains. With the proper policies in place, the country could become a leader in the development of both efficiency and renewables. The strategy also correctly identifies the needs to create independent system operators which will manage dispatch, improve access for smaller generators to the grid and revise the tendering process, all of which will create a healthier, more competitive and diverse market. The government missed the mark, however, by making the advancement of conventional energies—large hydro and fossil fuels—another priority. Chile's continued reliance on these resources, which dominate power generation in both of Chile's main grids, has led to a series of energy crises in the past decades, and has been the source of much recent public controversy. If the government can make the energy sector friendlier for new entrants, more secure for investors and cleaner and more efficient for citizens, everyone wins."

**A: Leni Berliner, chair of M3 Investment Group and president of Energy Farms International:**

"Chile's recently released National Energy Strategy proposes institutional reforms, better information on the country's energy-generating natural resources, better communication with the public and innovative land management and procurement practices to support six 'pillars' of a

sustainable, clean and secure energy supply. The six components are: promotion and support of energy efficiency, enabling a 'big jump' in the use of renewable energy by making it easier to connect renewable generating capacity to the grids, increasing reliance on hydropower, promoting investment in the grids to make them more reliable and 'smarter', making the distribution system more competitive and working toward the integration of Chile's electrical grids with those of neighboring countries. The strategy is thoughtful and hits all the necessary points; success lies in the details. Energy efficiency remains 'low-hanging fruit' 40 years after the first oil price shock prompted efforts to conserve electricity. The strategy proposes vague attempts to change Chilean culture and more defined efforts to encourage energy efficient construction through information and incentives. International procurement of energy efficiency promotion services (i.e. to aid in fostering behavioral change or production and marketing of 'green' building materials and energy efficient appliances) would contribute to success. The strategy proposes that construction and connection to the grids of wind, solar, biomass, geothermal and wave generation occur on a pilot project basis. Pilot projects cannot achieve the scale needed for economic viability, and international developers dislike them. Projects should be realistically sized. The strategy recognizes the need for investment in the transmission grids and distribution systems. Some institutional changes are suggested; changes to electricity pricing methods are implied but not directly addressed. There will be fights over this. The strategy is firmly in favor of further development of Chile's hydroelectric resources. While it proposes much closer collaboration with the Ministry of Environment to do a better job planning hydroelectric projects involving large dams, no mention is made of using run-of-river hydro technologies. No mention is made of valuing the watersheds. The strong position on hydropower is weakly supported and will continue to be a bone of contention especially in the southern part of the country."

**A: Rodrigo Fernández Hirsch, project manager at Energética:**

"President Sebastián Piñera released the National Energy Strategy at the Chacayes hydro power plant. The choice of this site wasn't random; Chile needs to install more than 8,000 MW by 2020, according to the president. The National Energy Strategy has six fundamental pillars, the first of which is energy efficiency. The main idea is to decouple economic growth from energy consumption, reducing expected energy consumption by 12 percent by 2020. This seems ambitious for a country undergoing development, particularly if we consider that some of the outlined measures have already been implemented in previous administrations. The next goal is to speed up the installation of non-conventional renewable energy, aiming to reach 20 percent by 2020. While this is a desirable initiative, the ways that it will be implemented are not yet clear. A third pillar is to increase the hydro power share; also not a new strategy. This goal's importance lies with additional measures that aim to simplify the related to the connection of new plants and players in the system. Perhaps the most important announcement is a different view on the development of transmission systems. It foresees a more active state role in transmission system planning and the establishment of 'public transmission corridors' for the construction of new power lines. Today, transmission system planning is not working as expected and Chile is having important shortages that affect some regions' competitiveness. Piñera also said that the country should move toward a more transparent and competitive electric market, improving regulated clients' bids and facilitating the incorporation of new actors. This is one of the Chilean market's main weaknesses, so such actions are worth the effort. Regional

integration is the strategy's last pillar. It could be seen as a debatable point due to the negative experiences with Argentine gas. However, the advantages of regional integration are many and moving toward it, as much as possible, is quite rational. Certainly all the government's statements are commendable; however, it's necessary to be more precise about the measures that would ensure their implementation. Otherwise, things will continue as usual and Chilean energy prices will never fall."

*The Energy Advisor welcomes reactions to the Q&A above. Readers can write editor Gene Kuleta at [gkuleta@thedialogue.org](mailto:gkuleta@thedialogue.org) with comments.*