

4-23-2010

## Chile: President Sebastian Pinera's Green Leanings Unlikely To Bring Energy Overhaul

NotiSur

Follow this and additional works at: [http://digitalrepository.unm.edu/la\\_energy\\_notien](http://digitalrepository.unm.edu/la_energy_notien)

---

### Recommended Citation

NotiSur. "Chile: President Sebastian Pinera's Green Leanings Unlikely To Bring Energy Overhaul." (2010).  
[http://digitalrepository.unm.edu/la\\_energy\\_notien/32](http://digitalrepository.unm.edu/la_energy_notien/32)

This Article is brought to you for free and open access by the Latin American Energy Policy, Regulation and Dialogue at UNM Digital Repository. It has been accepted for inclusion in NotiEn: An Analytical Digest About Energy Issues in Latin America by an authorized administrator of UNM Digital Repository. For more information, please contact [amywinter@unm.edu](mailto:amywinter@unm.edu).

## Chile: President Sebastian Pinera's Green Leanings Unlikely To Bring Energy Overhaul

Well-known for his business prowess, Chilean President Sebastian Pinera also enjoys a reputation as something of an environmentalist. Yet for all his ecological good works and pro-environment rhetoric, analysts say that, when it comes to energy, Chile is not likely to see a "green revolution" anytime soon. A successful entrepreneur and cutthroat investor whose personal fortune is estimated at US\$2 billion, Pinera does not fit the profile of a typical tree hugger. But in recent years, specifically through his Fundacion Futuro, the conservative leader has funded a number of conservation projects. The best known is Parque Tantauco, a huge nature reserve on the southern island of Chiloe that Pinera opened to the public in 2005. Pinera's ecophilanthropy, a trend pioneered in Chile by US garment mogul Douglas Tompkins, has earned him praise both at home and abroad. Last year Britain's The Sunday Times placed Pinera 46th on its Green Rich List, a ranking of the world's top 100 wealthy environmental investors.

Pinera, the London paper explained, "has promised to make conservation of offshore blue whales and inland virgin forests a top priority. The not-for-profit Fundacion Futuro, where Pinera is president, is looking into water-preservation and renewable-energy projects." Pinera took that green-energy message on the campaign trail in 2009, promising greater investment in projects using nonconventional renewable-energy sources (NCREs), like wind and solar. "These resources belong to us and represent a tremendous energy opportunity given advances in technology and high oil prices," his official energy program reads. The five-point plan also emphasizes energy conservation and efficiency and sets a specific target for renewables: 20% of Chile's total supply by 2020. By contrast, former President Eduardo Frei (1994-2000), the runner-up in January's presidential election (see NotiSur, 2010-01-22), promised to push hard toward nuclear energy. Frei also has a reputation of favoring large-scale hydroelectric dams, putting him at odds with environmental groups, which vehemently oppose projects like the US\$3.2 billion HidroAysen venture, slated for the Aysen region of Chilean Patagonia (see NotiSur, 2008-10-17).

"Pinera has a vocation for environmentalism, at least more than Frei had. It's all relative," said Raul Sohr, a Chilean author and energy analyst. "He showed an interest in Douglas Tompkins' experience, in his [privately created and donated] national park. With Parque Tantauco, Pinera tried to take many elements from Tompkins' Parque Pumalin and implement them in southern Chiloe. It makes one think he has an inclination, a sensitivity." New energy minister backs old plan A month after being sworn in, however, Pinera has yet to offer a clear indication of how that environmental inclination might translate into concrete policy particularly where energy is concerned. So far, renewable energy has been notably absent from any government discourse, despite featuring so prominently in the president's campaign platform. But the man who designed Pinera's energy policy, new Energy Minister Ricardo Rainieri, has commented on another high-profile electricity issue: the controversial HidroAysen project. Calling it "tremendously attractive," Rainieri said HidroAysen "represents an important hydroelectric resource that allows for highly reliable electricity generation....From that point of view, we're interested."

HidroAysen is a joint venture between Chile's leading electricity producer, Italian-controlled Endesa, and Colbun, a Chilean utility. The two companies are hoping to build five

massive dams in the far southern Aysen region that together would add a huge 2,750 megawatts to Chile's grid. The country's total installed capacity is roughly 13,100 MW. Since it was first unveiled four years ago, the project has drawn heavy criticism from both Chilean and international environmental groups, which fear the dams will ruin Aysen's two largest rivers, the Baker and Pascua, and open up the Patagonia wilderness region to further industrial exploitation. That pressure has helped stall the project at least for now. HidroAysen first submitted its plans for approval by environmental authorities in August 2008. A year and a half later it continues to be tangled up in red tape.

During the campaign, Pinera was careful not to weigh in on the HidroAysen debate. Analysts, however, say his government's apparent support for the project is hardly surprising. The new president may have some environmental leanings, but he is first and foremost a businessman with strong personal ties to the very companies, most of them foreign, that control the country's wholly privatized electricity market. "This government is going to have certain conflicts of interest, because it's so close to the business sector," said Sohr. "In fact, the majority of the Cabinet comes from that sector. Their social background, too, is very close to the business world. So there's an affinity toward business interests, something that facilitates the work of the lobby to install HidroAysen." It is no coincidence, say critics, that Rainieri's pro-HidroAysen comments came just one day after President Pinera met with top Endesa executives, who promised to donate US\$10 million to Chile's post-earthquake reconstruction efforts. Promising change, opting for continuity Observers say that closeness will result in government support of the status quo, which, for the handful of companies that control the electricity sector, means continued investment in the types of large-scale hydroelectric and thermoelectric (i.e. fossil-fuel-burning) plants that have proven cost effective and profitable in the past.

Chile currently derives nearly 38% of its electricity from dams and 59% from thermoelectric plants. Three companies Endesa, US-owned AES Gener, and Colbun together account for roughly 80% of Chile's total installed capacity. Huge conventional projects like the HidroAysen (Endesa-Colbun) dams promise to concentrate market control even more, increasing, in turn, the respective companies' lobbying leverage. "My impression is that, in terms of energy, there's going to be continuity," said Jaime Pena, director of the organization Chile Renovables. "I don't think the Pinera government, under Rainieri, will follow a policy that really changes anything, because they just haven't offered any signals." That continuity, according to Pena, includes the past government's approach to NCREs. Virtually nonexistent in Chile until just a few years ago, wind farms and other green alternatives have begun to gain a foothold, particularly after Pinera's predecessor, President Michelle Bachelet (2006-2010) of the Partido Socialista (PS), pushed through a 2008 law establishing a 15-year 10% NCRE target.

The Commission Nacional de Energia (CNE) says that renewables now account for close to 3% of Chile's total energy, up from just 0.2% at the start of Bachelet's term in office. More such projects are planned and, as the technologies become more cost effective, NCRE plants will almost certainly increase as a percentage of Chile's total generating capacity. Still, the country has a long way to go before it can even think of matching the kind of green-energy growth taking place in countries like Spain, Germany, and the US. Germany boasts more than 25,000 MW of wind power alone, nearly double Chile's overall generating capacity. Spain has close to 20,000 MW, which covers nearly 15% of total demand, while the US, now the world leader in wind

energy, has an installed capacity of some 35,000 MW. Letting the market decide Pinera's professed appreciation for NCREs may very well be genuine. In a meeting last month with US Secretary of State Hillary Clinton, then President-elect Pinera asked for "collaboration in all of the areas where the US has vast knowledge, such as the issue of nonconventional renewable energy that's environmentally friendly." But, argue analysts, neither the president's personal interest nor collaboration with the US will alone bring about substantive change to Chile's energy grid.

What the country needs are concrete, government-imposed incentives like the system of feed-in tariffs applied in Spain and Germany. There, the state fixes per unit renewable electricity at above-market rate and guarantees producers of all size access to the national grid. The system not only attracts new, and in many cases smaller, electricity producers but also offers lenders an incentive to extend credit for renewable-energy projects. "Banks here are very conservative, and since electricity prices aren't fixed in Chile, banks don't have any guarantee that they'll get a return on their investment," said Sohr. "Therefore they're very reluctant to lend." Given Chile's preference for the liberal market model so famously espoused by US economist Milton Friedman, however, it is unlikely that such government-imposed incentives will be forthcoming, especially now that Chile has turned to the right for the first time in 20 years. In a 2007 report authored by Chile's now energy minister, Rainieri offered an early glimpse of his stance on the issue. Topping his eight-point list of recommendations is the need to "increase market liberalization." He also suggested removing "market and bureaucratic barriers that slow down the introduction of new technologies and the development of large projects, like large hydroelectric-power plants and transmission lines." The report, *Chronicle of a Crisis Foretold: Energy Sources in Chile*, goes on to say, "Today, renewable energies do not solve all the energy needs. They may be part of the solution for a diversified energy mix, but they will impose an additional charge on the already high energy prices that affect the Chilean population."