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Inter-American Dialogue's Latin American Energy Advisor

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Q and A: What Is the Fate of Chile's HidroAysén Project?

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A court ruling in Chile on June 20 suspended the controversial HidroAysén project, a proposed plan to dam two rivers and build five hydroelectric plants in Patagonia, The New York Times reported. While environmental groups hope that the ruling is the first step in canceling the dams, a lawyer for the project told local newspaper La Tercera that the ruling was "purely formal" and made no decision about the complex's legality. Does Chile's booming demand for energy outweigh the detriments of the project, as the government has claimed? Are there adequate alternatives to supply the necessary power for the country's economic development and, if so, what are they? Will the project likely be continued despite a high disapproval rate among Chileans?

A: Craig Kelly, member of the Advisor board and vice president of the Cohen Group in Washington:

"Leaders do not normally get to choose between option A, which is good, and option B, which is bad. More likely, they face a range of options, each of which is negative in its own way. That is certainly the case with the HidroAysén debate, which must be viewed within the overall Chilean energy context. Chile is poorly endowed with non-hydro conventional sources of power, and even its hydro power sector has faced severe droughts. (A former Chilean energy minister once said he began each day with a rain dance.) Gas supplies from the continent have proven unreliable given Argentina's inability to honor contracts, and Chile must spend a great deal of money to import liquefied natural gas. The government commissioned a study of nuclear power, but Fukushima has bolstered Chilean opponents of nuclear plants in light of the country's seismic activity (although California operates four nuclear plants in seismic areas). Nonhydro renewables—wind, solar, geothermal—are attractive, as *The New York Times* notes, but they represent only three percent of current Chilean power generation. As experience in other OECD countries shows, raising that percentage to even 10 percent takes time. Indeed, a 2008 law calls for Chile to reach that level by 2024. Therefore, Chile's short- and medium-term energy needs are great, intensified by the high demands of sectors that are critical to the national economy, like mining. The government's approach—to apply rigorous environmental scrutiny and standards to a project that will make a huge contribution to Chile's energy needs—must be judged within the context of real-world options."

A: Sara Larraín, executive director of Chile Sustentable:

"Chilean courts froze the environmental approval of the HidroAysén project over the Pascua and Baker rivers due to a large number of irregularities made by several government agencies during the environmental assessments, including significant changes to some texts of the official reports on environmental and social impacts. This legal action puts HidroAysén in a very difficult position; and delays the company's intention to submit an environmental evaluation for the project's more than 2000 kilometer transmission lines from southern Patagonia to the Santiago metropolitan central region. Chile doesn't need HidroAysén energy in this decade because, in the last few years, the government has approved projects with more than 9,000 megawatts, which can supply Chile's energy needs over the next 10 years. Additionally, the Energy Efficiency Strategic Plan 2010-2020 will save the equivalent of 2,600 megawatts in the next 10 years. That is exactly the amount of energy needed to replace the energy generated by HidroAysén. All this means that the Chilean government has no argument to support an unsustainable and unpopular mega hydro project, which has already shown a great efficiency in declining President Piñera's popularity, which has dropped more than 15 points, during the last month."

A: María Isabel González, general manager of Energética, an energy consultancy in Chile:

"I believe that the public is uninformed with regards to the country's energy needs and is showing its discontent with Chile's inequalities through any cause that seems to be against big business. However, it is known that without energy, we will not develop. Thus, those who oppose the projects in general are taking a very selfish position, as they want to preserve the environment and keep everything unchanged so that the well-off continue to benefit while two million Chileans remain poor and certainly will never have the opportunity to go anywhere near the natural beauty that these projects will allegedly destroy. Moreover, the environmentalists forget that Chile has had environmental legislation promoted during the administration of President Aylwin, which ended with environmental atrocities that had been committed before. Obviously, there are always alternatives and coal generation is the most available and economical, though it would be absurd not to use a resource that is as clean and abundant as hydroelectricity."

The Energy Advisor welcomes responses to this Q&A. Readers can write editor Gene Kuleta at kuleta@thedialogue.org with comments.