

SOUTH AMERICA

# Chile

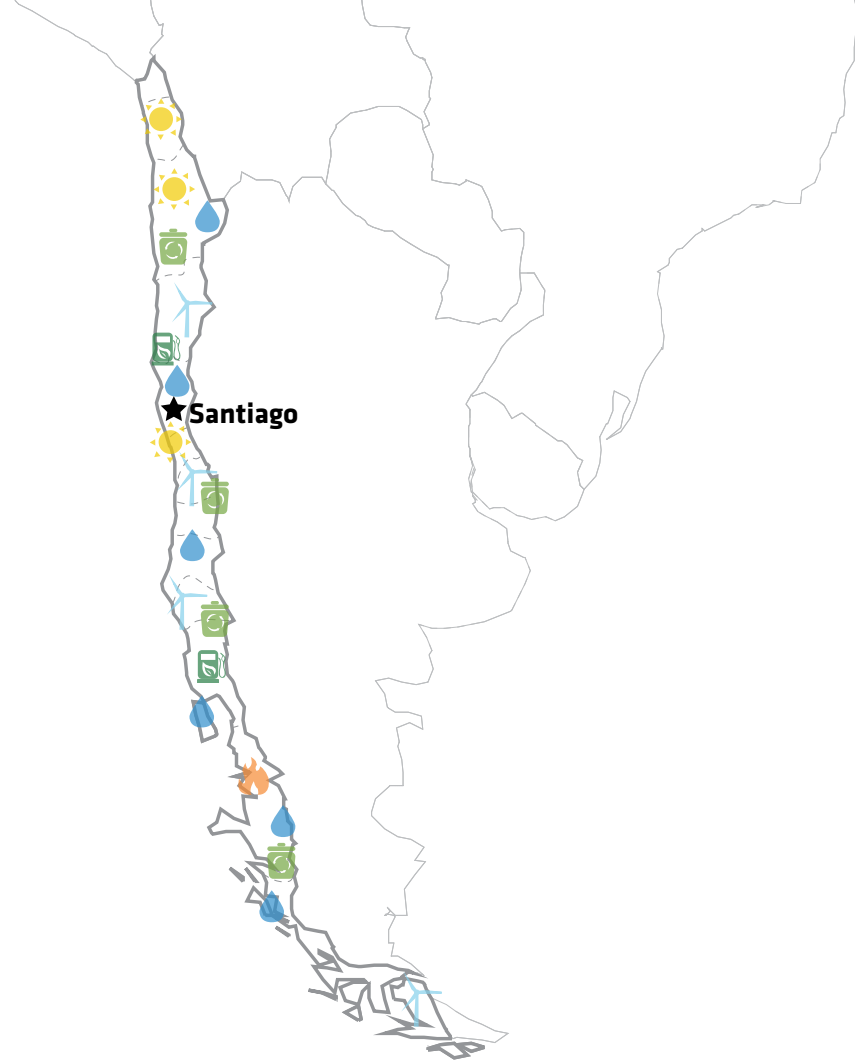
GDP: **\$277.2bn**  
 Five-year economic growth rate: **10%**  
 Population: **17.6m**  
 Total clean energy investments, 2006-2013: **\$7.1bn**  
 Installed power capacity: **17.8GW**  
 Renewable share: **8.4%**  
 Total clean energy generation: **6,509GWh**  
 Top energy authority: **Ministry of Energy**

OVERALL RANKING  
2014

**5**

OVERALL SCORE  
2014

**1.79**



PARAMETER	RANKING	SCORE
I. Enabling Framework	13	1.38
II. Clean Energy Investment & Climate Financing	17	0.79
III. Low-Carbon Business & Clean Energy Value Chains	11	3.18
IV. Greenhouse Gas Management Activities	01	3.48

## SUMMARY

On *Climatescope* 2014, Chile scored 1.79, placing it in the top five of the 55 countries accessed. When compared with the other 25 Latin American and Caribbean countries, it ranked 2<sup>nd</sup>, below only Brazil.

Chile is hungry for energy: demand for power has grown at an annual average of 4.3% since 2010. However, as it does not produce any of the fuels it uses (natural gas and oil, although it does produce a small amount of coal), it relies on imports, which drive up electricity prices, especially on the spot market. In 2013, the average spot price was \$112.3/MWh, but on Sistema Interconectado Central, one of the country's main grid

systems, it was much higher at \$148.7/MWh, with peaks above \$200/MWh in the summer months.

As a result, Chile is the first country where wind and solar projects are being developed on a purely merchant basis, selling directly to the spot market. Investment has followed: in 2013, a total of \$1.6bn was invested in clean energy capacity, with \$958m going to solar projects and \$583m to wind farms.

Chile has the economic fundamentals in place for the development of renewable power projects. Looking ahead, the country is on the right path to achieve its target to source 20% of its power from renewables by 2025.

For further information, access [www.global-climatescope.org/chile](http://www.global-climatescope.org/chile)

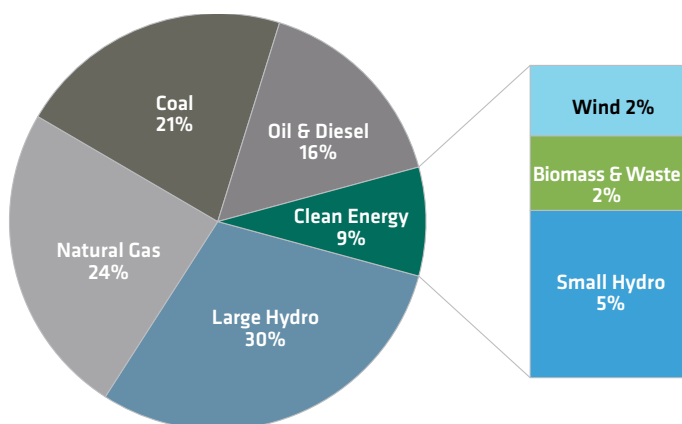
## PARAMETERS AT A GLANCE

Chile finished in 13<sup>th</sup> place on Enabling Framework Parameter I. In 2013, large hydro and coal represented 23% and 46%, respectively, of the total 68TWh generated; however, this is likely to change as there is mounting social and environmental pressure to find alternative sources of power. Most notably, in the first half of 2014, the Chilean government cancelled the environmental permit awarded to the proposed 2.7GW HidroAysen large hydro project in Patagonia.

More clean energy incentives are being introduced: at the end of 2013, the government doubled the renewable power target to 20% of total generation by 2025. It also created a fund to support development of renewable projects and will soon make distribution tender rules more flexible to make it easier for wind, solar and other renewable sources to participate. Clean energy capacity increased 24% in 2013 to represent 9% of the country's 17.8GW installed capacity. This share is likely to continue to grow.

### INSTALLED POWER CAPACITY BY SOURCE, 2013 (%)

17.8GW total installed capacity



Source: Bloomberg New Energy Finance, Comisión Nacional de Energía  
Note: Some values cannot be graphically represented due to scale, please see source data for the complete numbers.

On Clean Energy Investment Parameter II, Chile placed 17<sup>th</sup>. It attracted commitments of \$1.6bn in 2013, which was more than the previous year. Local banks played a key role, accounting for \$314m of total investment. Solar is the flagship clean energy sector, as exceptional insolation conditions and high power prices make it very attractive. In 2013, almost \$1bn went to finance 389MW of solar capacity, most of which will come online by 2014.

## KEY POLICIES

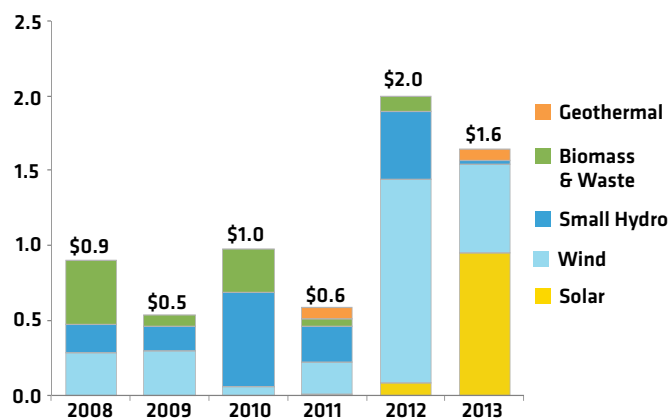
<b>Energy Target</b>	20% electricity generation from renewable sources by 2025.
<b>Tax Incentives</b>	Renewable generators receive a reduction on transmission tariff.
<b>Net Metering</b>	Net metering legislation approved.

Source: Bloomberg New Energy Finance Policy Library

Such a rate of investment has meant that there are project developers and engineering companies active in all six segments analyzed by Climatescope: biofuels, biomass, geothermal, small hydro, solar and wind. Although the country does not have clean energy equipment manufacturing capacity, it does have a wide range of service providers, which helped it to take 11<sup>th</sup> place on Clean Energy Value Chains, Parameter III.

### ANNUAL INVESTMENT IN CLEAN ENERGY, 2008-2013 (\$bn)

\$7.1bn total cumulative investment



Source: Bloomberg New Energy Finance  
Notes: Total investments includes: Asset Finance, Corporate Finance and Venture Capital / Private Equity Commitments.

Chile's best performance was on GHG Management Activities Parameter IV, taking first place globally. The country is part of the Partnership for Market Readiness and has 120 GHG offsetting projects registered, in addition to three NAMA projects at the implementation stage. More GHG offset initiatives are on the way: this year, it approved South America's first carbon tax - \$5 per ton of CO<sub>2</sub> emitted, starting in 2017.