

ENERGY AGENDA

A CHALLENGE FOR THE COUNTRY, PROGRESS FOR EVERYONE

SUMMARY



Ministerio de
Energía

Gobierno de Chile

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BUILDING AN AGENDA

President Michelle Bachelet has brought up important changes to move towards social equity and progress as a country. To achieve this, we must also develop a new phase of competitiveness, innovation and productivity.

The Ministry of Energy was entrusted, as one of the 50 measures of the first 100 days of the new government, to create a plan that would work as a road map to design and execute a long-term Energy Policy that is socially, politically and technically valid.

Since the beginning, we have set out to create an open and inviting agenda, which is why we exchanged ideas with different social sectors, politicians, members of parliament, municipalities, corporations, NGOs, and academics that have thought over and assessed the country's energy situation.

The resulting document is an action plan and a road map to make decisions together that will allow us to sort out the energy sector, a task that requires the participation of all Chileans.

Máximo Pacheco M.
Minister of Energy



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THE CHALLENGES OF CHILE IN TERMS OF ENERGY

The energy sector is strategic and vital for the functioning of our society and peoples' lives.

Having energy available is a necessary condition for growth, economic development, and moving towards better social inclusion.

However, we do not want any type of energy.

We want energy that is:

- ✓ Reliable,
- ✓ sustainable,
- ✓ inclusive
- ✓ and at reasonable prices.

Reaching this energy matrix is a challenge for the entire country and it requires social legitimacy and a sense of urgency.

GOALS AND OBJECTIVES OF THE ENERGY AGENDA

- ✓ Cut marginal costs by 30% during this government's term.
- ✓ Reduce tendering prices for power supply for homes, businesses and small businesses by 20% during the next decade in relation to the prices offered in the last tendering processes.
- ✓ Boost the development of NCRE (Non-conventional Renewable Energy) to fulfill the 20% goal for 2025.
- ✓ Develop the efficient use of energy as an energy resource to reduce the foreseen consumption for 2025 by 20%.
- ✓ Turn ENAP into a key player in the country's energy challenges through the creation of a corporate government.
- ✓ Develop an Energy Development Strategy for 2035 and 2050 that is validated by the Chilean society.





HOW HAS THE ENERGY AGENDA TAKEN SHAPE?

- Through a process involving dialogue and listening to the various and different social sectors that have reflected on and assessed the energy situation in the country.
- Including the goals that have been suggested in the President's Government Program since the beginning. Michelle Bachelet.
- Putting all the divisions of the Ministry of Energy to work, as well as the 6 SEREMIs to help achieve progress in energy matters.
- Calling upon other ministries to form a strategic alliance to move this Energy Agenda forward.

CENTRAL CONCEPTS OF THE ENERGY AGENDA

The Energy Agenda sets forth strategic pillars that will be strengthened by the country in the short, medium, and long term.

CENTRAL CONCEPT 1:

A NEW ROLE FOR THE STATE IN ENERGY DEVELOPMENT

- Meeting the energy challenges of Chile requires a more active role from the State in terms of planning, regulation, and management of the sector.
- To achieve this, all the existing capacities of the Government will be expanded to face the urgency of the energy shortage and to create the conditions for efficient and sustainable energy development.
- Establishing this new role of the State is becoming even more pressing given the current lack of generation projects.
- The demand for the 2010-2014 period was supplied by power stations from before said period and with the ones that started operating during that time. Their construction had started during President Bachelet's first term in office.

Measures

1. We will strengthen the institutional structure of the Ministry of Energy.
2. We will transform ENAP into a robust company in order for it to play a key role in the country's energy challenges.
3. We will create a State Energy Policy that is valid in social, political, and technical terms.
4. We will boost human capital, science, and innovation in energy.
5. We will strengthen the system to deal with safety issues and energy emergencies to be able to plan the measures needed at a regional and national level.
6. We will promote transparency for key players in the sector and consumers.
7. We will create stronger commitments from the energy sector to protect the environment and community in construction zones and operation of energy projects, as well as their implications on a global scale.



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CENTRAL CONCEPT 2:

REDUCTION OF ENERGY PRICES WITH MORE COMPETITION, EFFICIENCY, AND DIVERSIFICATION OF THE ENERGY MARKET.

- Starting from the review of supply tenders' design for electricity distributors, it is possible to:
 - ✓ Provide more competition to the market
 - ✓ make it easier for new players to enter the market and
 - ✓ gain more diversification in the use of technology, including the NCRE.
- In this situation, we must take into account that the greater availability of GNL will be one of the determining factors so that the next power supply tenders for regulated clients will be successful, both for contracted supply and offered prices.

Measures

1. Improve the regulation of supply tenders for regulated clients to increase competition.
1. We will promote the use of GNL in electricity generation as a replacement for diesel, as well as for industrial and residential purposes.
1. Pro Efficiency Measures in the Distribution Market of the Gas Network (regulation of rates).

CENTRAL CONCEPT 3:

DEVELOPMENT OF SELF-OWNED ENERGY RESOURCES

- We will promote the changes that are necessary to strengthen the development of renewable energy.
- The same tenders of the distributors offer a specific option for this.
- We know that we have enormous potential for solar, wind, as well as mini-hydraulic energy, and we want to make its development easier. Through this, we will strive towards a more sustainable and diversified energy matrix.

Measures

1. We will support the development of hydroelectric power with sustainability in sight.
2. We will encourage the integration of NCRE in compliance with the Law for Development of NCRE (20/25).
3. We will promote the development of socially efficient self-consumption NCRE market that affects all economic players.
4. We will promote the development of geothermal energy for local development.
5. We will develop, jointly with regions and municipalities, special plans for extreme or isolated areas.
6. We will develop a policy that takes care of heating challenges and the use of dendro energy.

CENTRAL CONCEPT 4:

CONNECTIVITY FOR ENERGY DEVELOPMENT

- Blockages in energy transportation and the effect this has on prices in the SIC demonstrates part of the problem.
- The inclusion of new power plants will require the necessary infrastructure for its transportation.
- The interconnection option between SING and SIC will allow us to carry surpluses produced in the Far North to the central zone, by taking advantage of the idle capacity, which is close to 2,000 MW, since the Argentinean gas cut-off, in the generator park located mainly in the Atacama region.

Measures

7. New regulatory framework for the transportation of energy (Trunk transmission, Subtransmission, and Additional).
 8. SIC-SING interconnection.
 9. Adaptation of regulations of the operation of Interconnected Systems for the incorporation of NCREs.
 10. Remodeling of the Economic and Cargo Dispatch Centers.
- Strengthening of regional interconnection.



CENTRAL CONCEPT 5:

AN EFFICIENT SECTOR THAT MANAGES CONSUMPTION

- During President Bachelet's first term in office, a number of measures were taken in regards to Energy Efficiency that were not continued over the last few years.
- International experience suggests that the improvement in energy consumption management is not only complementary to the progress that can be obtained in generation, but that it can also reduce the gap between energy offer and demand.
- In Chile, 28 establishments consume 21% of the total energy, and the industry and mining sector consume 39% of the energy and 67% of electricity.
- International experience has shown that the best way to promote energy efficiency in these sectors is through the obligation to improve energy management.
- The proposed measures are aimed at reducing the projected consumption for 2025 by 20%.

Measures

1. Energy Efficiency as a State policy: Energy Efficiency Law.
2. We will introduce measures to make the development of energy efficiency projects accessible to all.
3. We will take measures to promote energy efficiency in the housing and construction sector.
4. We will support the energy management of municipalities and emphasize public lighting.
5. We will carry out massive campaigns and educational programs on Energy Efficiency.

CENTRAL CONCEPT 6:

BOOST THE ENERGY INVESTMENT FOR THE DEVELOPMENT OF CHILE

- We are determined to promote the investments projected in this sector, as well as the incorporation of new players and technologies because we need to move forward towards a supply with lower prices for our homes and industries that is more reliable and sustainable.
- Less investment creates more concentration, higher prices and large profits for the market players, which are paid for by the entire Chilean population.

Measures

1. Development of the ability to track and manage energy projects.
2. Tendering of Public Lands, along with the Ministry of National Assets, for the development of generation projects.
3. We will stand behind the development of thermoelectric based projects that provide safe and economic energy to the country that complies with environmental standards.
4. Incorporation of local associative practices in the development of energy projects.

CENTRAL CONCEPT 7:

CITIZEN PARTICIPATION AND TERRITORIAL ORGANIZATION

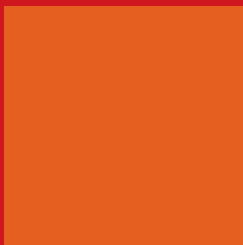
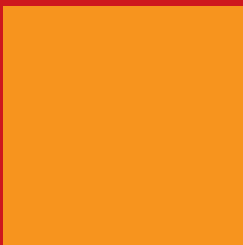
- Defining a territorial organization that guarantees the harmonious coexistence between the different economic activities in the country and nearby communities.
- In the particular case of the energy sector, it will allow us to identify the alternatives that facilitate the conditions for the development of projects and that involve an inclusive and participative construction model.
- Investors will have the certitude to be able to join the initiatives that are necessary for the development of the country.

Measures

1. Development of an Agenda for Territorial Organization for hydroelectric power.
2. We will advance in integral Territorial Organization that focuses on efficiency and sustainability.
3. Design of standards and institutional structure for the participatory development of projects.







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