

**FIRST JOINT MBD MISSION TO SUPPORT COUNTRY PREPARATION OF  
THE CTF CHILE INVESTMENT PLAN  
*TERMS OF REFERENCE***

**I - Background**

The Government of Chile (GoCh) expressed interest in utilizing the Clean Technology Fund (CTF) to support implementation of Chile's key climate change mitigation activities on renewable energy and energy efficiency. The original request dated back on September 22, 2009 to the International Bank for Reconstruction and Development (IBRD), the Inter-American Development Bank (IDB), and International Finance Corporation (IFC). The new administration is now confirming its interest to resume this process and to present an Investment Plan (IP) to the CTF Trust-Fund Committee (TFC).

Chile has a large potential to reduce greenhouse gas (GHG) emissions. The country's net GHG emissions grew 3 times in the period 1984-2006. According to its Second National Climate Change Communication, Chile's net emissions are about 60 million tons of carbon dioxide equivalent (Gg CO<sub>2</sub>eq) in 2006, of which about 58 Gg CO<sub>2</sub>eq came from the energy sector.

Chile accounts for approximately for 0.2% of global GHG emissions from fossil fuels. Available data also show that, for the period 1990-2005, per capita emissions were 3.9 ton CO<sub>2</sub>eq per capita, while for 2008 it reaches already 4.35 ton CO<sub>2</sub>eq per capita. Meaning that Chile's increase in annual emissions per cent basis has been consistently higher than the increase in Mexico, Brazil and Argentina.

Energy is the fastest growing emitting sector. In the period 1984-2003, the energy sector leads with a 152% increase, followed by the industrial processing and waste management sectors, which experienced a 142% and 144% increase respectively. Emissions from the agricultural sector only grew 33% for the same period.

Regarding the same indicators for period 2000-2006, all sectors have increased emissions in double digits except agriculture (2%), meaning energy (13%), industrial processing (21%), Waste (23%) and land-use, land-use change, and forestry (LULUCF) (29%).

Having recognized this, Chile has begun taking steps to address the twin energy challenges of energy security and environmental sustainability, while promoting a low carbon growth path. Highlights include:

- Chile ratified the United Nations Framework Convention on Climate Change (UNFCCC) in 1994 and the Kyoto Protocol in 2002.
- In 1999, Chile presented its First National Communication to the UNFCCC.
- The Government of Chile mandated the creation and implementation of the National Energy Efficiency Program (*Programa País de Eficiencia Energética*) in 2005, and has increased substantially the budget of the program each year since that time.

- The Board of Directors of the National Environment Commission (*Comisión Nacional de Medio Ambiente*, CONAMA) approved the National Climate Change Strategy (*Estrategia Nacional de Cambio Climático*) in 2006.
- The Chilean Congress approved Law 20,257 in March 2008, which mandated generation companies to commercialize 5% of their energy from energy from non-conventional renewable energy sources from 2010 to 2014, increasing thereafter by 0.5% per year to 10% in 2024.
- In 2008, Chile created the Non-conventional Renewable Energy Development Support Program (*Programa de Apoyo al Desarrollo de Energías Renovables no Convencionales*), including support for pre-feasibility and feasibility studies and credit lines and guarantees to support the investments of CORFO (*Corporación de Fomento a la Producción*, a national development bank).
- Also in 2008, Chile developed its 2008-2012 National Climate Change Action Plan (*Plan Nacional de Acción de Cambio Climático 2008-2012*).
- In August 2009, Chile created the Center for Renewable Energy (*Centro de Energías Renovables*, CER).
- In October 2009, the Senate approved the bill that creates the Energy Ministry (*Ministerio de Energía*) and the National Energy Efficiency Agency (formerly Energy Efficiency Country Program).
- Chile is currently developing its 2010-2020 Energy Efficiency Action Plan (*Plan de Acción de Eficiencia Energética 2010-2020*).
- In August 2010, Chile's Energy National Commission published the Assessment of Future Options for GHG Emissions Mitigation in the Energy Sector (*Análisis de Opciones Futuras de Mitigación de GHG en el Sector Energía*).
- The Chilean Congress approved Law 20,365 in August 2010, which established tax incentives for solar water heaters at a small scale (retail). Furthermore, in May 2011 the regulation that mandate over this Law was published, and therefore moving the Law into effect.
- Chile defined a voluntary target to achieve a 20% deviation below the baseline emission growth trajectory scenario as projected from the year 2007 by 2020.
- Chile's Second National Communication to the UNFCCC was presented on August 30, 2011.

The Chilean energy sector has a unique set of conditions that enable it to effectively pursue the Government's stated goals of reaching energy security and environmental sustainability through promotion of renewable energy and energy efficiency: (a) Chile has rich renewable energy resources, including solar, geothermal, wind, hydro, marine and biomass resources; (b) energy prices in Chile are high, for example electricity nodal prices averaged 110 USD/MWh in the northern grid and 90 USD/MWh for the central grid in mid 2009; and (c) the regulatory environment in Chile is recognized as exemplary —Chile is rated by private investors as having a stable and attractive regulatory environment in the electricity sector and a positive investment climate overall.

There is a large scope for investing in transformative projects /programs where CTF resources can play an important role in scaling-up relevant mitigation technologies, and in particular renewable energy. CTF interventions in Chile which support low-carbon development will have significant demonstrative impact, first within the country, and with even greater effect in the region as a whole.

## **II - Preparatory Activities**

The following activities have been carried out by GoCh and the multilateral development banks (MDBs) in connection with the CTF:

- A scoping mission was carried out in November 16-18, 2009, with the participation of IDB, IBRD, and IFC. During the mission, the MDBs met with high-level government officials and other stakeholders.
- In early 2010, given the lack of available resources in CTF, the GoCh informed the MDBs that they would not continue the preparation of an IP, until more resources became available.
- (In March 2010 President Sebastián Piñera's administration took office).
- On September 15, 2011 the GoCh informed the MDBs and the Administrative Unit of the Climate Investment Funds (CIF) its interest in resuming the CTF IP preparation process, and requested that IDB leads the MDB team.
- An informal technical mission was carried out on October 25-26, 2011 with the participation of IDB and IFC, in order to provide clarifications on CTF rules and procedures.

On October 26<sup>th</sup>, 2011, a **videoconference** was held with the participation of the GoCh (Finance and Energy Ministries) and representatives of the three MDBs in Santiago, Lima and Washington, D.C. During this conference:

- the GoCh made clear that they understood that there are still no available resources in CTF and no certainty with regards to when such resources will be available;
- the GoCh's stated its interest in preparing a CTF IP, that would include exclusively private-sector oriented components;
- the MDBs accepted the invitation of the GoCh to hold a First Joint Mission on November 16-18, 2011 in Santiago;

Mr. Sergio del Campo, Vice-minister of Energy, attended the CTF TFC meeting on November 4<sup>th</sup>, 2011, in Washington, DC, and communicated to the Committee the GoCh's firm interest in CTF, and the invitation for the Joint Mission on November 16<sup>th</sup> - 18<sup>th</sup>. He also informed the Committee the GoCh's intention to submit the IP in January 2012. The Committee would discuss the IP during its next meeting, to be held in May 2012.

## **III - First Joint Mission Objectives**

The main objective of the CTF Chile Joint Mission is to support the GoCh in the preparation of its IP. The specific objectives are:

- (i) to engage the relevant government ministries in the definition of IP priorities;
- (ii) to meet civil society and private sector representatives to exchange ideas on the IP contents;
- (iii) to coordinate with bilateral and multilateral agencies working in Chile on clean technology activities;
- (iv) to define a timetable for the presentation of the IP to the CTF TFC;
- (v) to review potential programs for CTF eligible resources;
- (vi) to define next steps for the preparation of the IP, and the required human and financial resources needed;
- (vii) to discuss relevant gender issues;
- (viii) to discuss monitoring and evaluation mechanisms.

The First Joint Mission will meet relevant actors in the national government (including Energy Ministry, Finance Ministry, National Energy Commission, and Environment Ministry), private sector representatives and industry associations (banks, project developers, and large energy consumers), civil society, and development partners.

#### **IV - Joint Mission Dates**

The First Joint Mission is proposed for November 16-18, 2011. A second Joint Mission is planned for a future date to be defined.

#### **V - Joint Mission Coordination and Focal Points**

The Joint Mission will be coordinated by the GoCh through the Energy Ministry, which serves as technical focal point to the CTF.

##### **GoCh focal point:**

Tatiana Molina, Economic Advisor to the Minister, Energy Ministry  
(tmolina@minenergia.cl)

##### **MDB focal points:**

- IDB: Claudio Alatorre (calatorre@iadb.org)
- IFC: Lisa da Silva (lsilva@ifc.org)
- IBRD: Marcelo Barg (mbarg@worldbank.org)

#### **VI - Expected Results**

The main expected results at the end of the Joint Mission are:

- Contributions of the different stakeholders for the IP.
- An aide-memoire that describes the main activities carried out during the Joint Mission, conclusions or agreements, recommendations, and next steps.

## VII - First Joint Mission Consultations

The First Joint Mission will include meetings with the main stakeholders involved in CTF. These meetings will take place in Santiago, Chile during the Mission. The relevant and critical stakeholders include governmental agencies, national institutions, development partners, non-governmental organizations, civil society organizations, and private sector representatives.

During the Joint Mission, stakeholder consultations will place particular emphasis on the draft IP, including its content and potential for effective implementation. The objectives of the consultation are not only to design the IP, but to include an open discussion on investment priorities in renewable energy and leverage of co-financing resources.

## VIII – Preliminary Agenda for the First Joint Mission

(Meeting venues to be defined)

<b>Wednesday, November 16, 2011</b>	
10:00 am – 11:00 am	Opening meeting with the Energy and Finance Ministries
11:00 am – 12:30 pm	Working meeting with the Energy Ministry and the Renewable Energy Centre (CER)
12:30 pm – 1:30 pm	Lunch
2:00 pm – 3:00 pm	Meeting with the Environment Ministry
3:00 pm – 5:00 pm	Meeting with the Regional Development Department ( <i>Subsecretaría de Desarrollo Regional</i> , SubDeRe) and CORFO
<b>Thursday, November 17, 2011</b>	
9:00 am – 11:00 am	Meeting with development agencies that are working in renewable energy-related issues (UNDP, GIZ, USAID, KfW, JICA, ECLAC)
11:00 am – 12:30 pm	Meeting with representatives of private project developers
12:30 pm – 1:30 pm	Lunch
2:00 pm – 3:30 pm	Meeting with representatives of commercial banks
3:30 pm – 4:30 pm	Meeting with large energy consumers (e.g. mining companies)
4:30 pm – 6:00 pm	Meeting with representatives from Civil Society Organizations
<b>Friday, November 18, 2011</b>	
9:00 am – 12:30 pm	Working meeting with the GoCh and MDBs to discuss stakeholder inputs and define next steps
12:30 pm – 1:30 pm	Lunch
2:00 pm – 3:00 pm	Meeting with the Energy Ministry to discuss monitoring and evaluation issues
3:00 pm – 5:00 pm	Meeting with Finance and Energy Ministries to sign the aide-memoire and close the mission

## Annex 1. CTF First Joint Mission Composition and Assignments

Agency	Mission member	Assignment	Expected contribution to mission outputs
IDB	1. Walter Vergara, Unit Chief	Mission leader on behalf of IDB	Contribute to the IP, ensuring synergies and leverage with other funding sources dedicated to low-carbon and renewable energy development in Chile
	2. Claudio Alatorre, senior climate change specialist	Lead coordinator on behalf of IDB	Act as focal point on behalf of IDB for the preparation of the IP
	3. Gloria Visconti, senior climate change specialist	Coordinator of monitoring and evaluation and CTF guidelines	Contribute to IP draft main part. Ensure that CTF guidelines are met
	4. Wesly Ureña, low-carbon technology expert	Coordinator of infrastructure and energy projects of IP	Contribute to IDB Program annex
	5. Jessica Thompson, CIF focal point for the private sector	Coordinator of private sector inputs in the IP	Contribute to IDB Program annex
	6. Franco Carassale, infrastructure specialist	Contribution to private sector RE intervention projects	Contribute to IDB Program annex
	7. Federico Lau Pun, infrastructure specialist	Contribution to private sector RE intervention projects	Contribute to IDB Program annex
	8. Marcelo Paz, financial market specialist	Coordinator of financial markets intervention projects	Contribute to IDB Program annex
	9. [to be defined]	Social/gender expert	Contribute to social and gender issues
IFC	1. Lisa da Silva, Principal Investment Officer	Lead coordinator on behalf of IFC	Act as point person on behalf of IFC for the preparation of the IP
	2. Pablo Verra, Senior Investment Officer	Coordination of financial markets intervention projects of IP on IFC side	Contribute to IFC program annex
	3. Gonzalo Arauz, Investment Officer	Coordination of infrastructure sector for IP on IFC side	Contribute to IFC program annex
IBRD	1. Marcelo Barg, Representative in Chile	Lead coordinator on behalf of IBRD	Define IBRD's contribution to the IP
CIF Admin Unit	1. Joumana Asso, Senior Private Sector Specialist	CIF private sector coordinator	Enable the team to learn from the experience with private sector operations in the CIF