

Chile



THE SITUATION

Chile’s economy has grown at a fast pace over the past several decades and requires an additional 4GW new power generation capacity by 2016 to keep pace. But dependence on imported fossil fuels makes Chile vulnerable to global market shocks, threatening stable growth. While fossil fuels currently account for 74% of Chile’s primary energy supply, the government is highly committed to using its vast untapped solar, wind, hydro, and geothermal resources to tackle the domestic drivers of climate change. It has set a target of doubling non-conventional renewable energy capacity from 2012–2022. Achieving its ambitious goals will require not only policy actions and budgetary commitments, but also market support to stimulate investment.

THE TRANSFORMATION

The government of Chile has designed a plan that taps US\$200 million from the Clean Technology Fund (CTF) to address key risk, cost, and liquidity barriers by providing concessional financing and technical assistance intended to stimulate the development of Chile’s solar power and energy efficiency markets. Chile’s CTF investment plan was drafted under the leadership of the government in coordination with the Inter-American Development Bank (IDB), members of the World Bank Group (IBRD, IFC), and key Chilean stakeholders. Chile’s CTF funds are expected to leverage over US\$1 billion.

“Wehavetodoubleourpowergenerationcapacityduringthisdecade. This is a formidable challenge, and we want secure, clean and economical energy.”

Sebastián Piñera, President of Chile



Source: langalex



Source: IFC Infrastructure

CHILEQUICKFACTS

ECONOMY

Projected GDP growth (2013):
4.25-5.25%

ENERGY

Average annual electricity demand growth (to 2016):
4.8%

Renewable energy capacity (% total, 2012):
4.4%

National energy reduction target (% total, 2020):
-12%

National renewable energy target (% total, 2024):
10%

Fossil fuel-based electricity supply (% total):
74%

CLIMATE

Power sector GHG emissions (% total):
75%

GHG emissions growth (2000–2012):
+37%

Projected annual GHG emissions growth (2012–2016):
+3–5%

National GHG emissions target (vs. BAU, 2020):
-20%

CHILE CTF QUICK FACTS

CTF financing:
US\$200 million

Expected to leverage:
US\$1.015 billion

CTF IMPACT: Chile to bring CSP to Latin America

Chile's long sunny days equate to solar power potential that has remained untapped until now. Supported by US\$67 million CTF financing, Chile will build a concentrated solar power (CSP) plant, the first large-scale CSP Plant in Latin America, with a targeted capacity of 50MW. In addition to achieving 5.8MtCO₂e GHG emissions savings and reductions, the project will source 70% of its supplies from local firms by 2030, providing broad economic stimulus for Chile's low carbon development objectives.

CTF financing is expected to leverage US\$386 million from the government, IFC, private sector, and others to offsetting the project's high capital costs and mobilize greater economies of scale. Moreover, given that Chile's power sector is 100% privately owned and operated, the Chilean government's intent to promote this CSP project is expected to catalyze unprecedented financing in Chile's blossoming renewables sector. In the words of Sergio del Campo Fayet, Chile's Vice Minister of Energy, CTF financing is transforming the Chilean energy sector by "provid[ing] key catalytic resources to reduce targeted risk, cost, and capacity barriers and attract private investment."

CHILE CTF PROJECT FOCUS AREAS

RENEWABLE ENERGY AND ENERGY EFFICIENCY

RATIONALE: Despite outstanding renewable energy potential, high risk perceptions, low institutional and technical capacities, and lack of experience with investments in renewable energy and energy efficiency inhibit large-scale investment.

FINANCING: US\$67 million CTF financing is expected to leverage US\$386 from the government, IDB, IFC, private sector, and others for Latin America's first concentrated solar power project. US\$50 million is expected to leverage US\$250.6 million from IDB, IFC, the private sector, and others for a large-scale photovoltaic program. US\$50 million CTF financing is expected to leverage US\$372.8 million from the government, IDB, IFC, private sector, and others for energy efficiency and renewable energy projects.

EXPECTED RESULTS:

- Support the competitive tender and financing of a 50MW concentrated solar power (CSP) plant, improving rural access to energy and stimulating the Chilean renewables sector.
- Lower risk perceptions and financing costs for solar technologies by catalyzing investments needed to achieve economies of scale and demonstrating their commercial viability.
- Support systematic knowledge and capacity building among local financial institutions to improve access to finance for renewable energy and energy efficiency projects and to incentivize scaled-up private sector and end-user efficiency investments.
- Diversify Chile's energy portfolio to enhance energy security; reduce GHG emissions, local air pollutants, and waste, to improve public health quality of life, and economic opportunity.

