



The Chilean Energy Sector

Chile is currently widely recognised globally as a leading nation in the production of renewable energy, owing both to its advantageous geography and political support. A number of projects have been given full political backing to push for an 'energy revolution'.

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Market Overview

During the recent COP25 conference-Chilean Energy Minister Juan Carlos Jobet announced a new agreement signed by nine other countries which sets a renewable energy target for the whole of Latin America and the Caribbean for renewable energies to be making up 70% of the regional energy matrix by 2030.

Chile's mining sector is one of the most energy-demanding, with it at present consuming about a third of energy generated nationally.

Chile's total installed capacity is 24.066GW. In February 2020, Chile's energy matrix was comprised 52.1% of non-renewable energies, 27.7% of hydroelectric power, and 22.3% of non-conventional renewable energies (11.2% solar, 6.7% wind, 2.1% biomass and 0.2% geothermal).

Chile, just like the rest of Latin America, has historically relied on large-scale hydroelectric power projects for power generation, particularly given Chile's lack of fossil fuel reserves. The Ralco Hydroelectric Plant is the largest in Chile with a capacity of 690MW. However environmental pressure against such plants, along with periodic droughts rendering them unreliable, have led to the Chilean government diversifying the country's energy matrix.

Key Players

With regards to generation the key companies are Enel Generación (with an installed capacity of 6351 MW) AES

Gener (5222MW), Colbún (3852MW) and Engie (2040MW). With regards to distribution, the key companies are Chilectra (with 15,690GWh worth of sales) and CGE Distribución (12,220GWh).

Opportunities

Chile's 4000-mile long coastline and strong easterly winds blowing towards the Andes mean that there is a large potential for the development of both on and off-shore wind farms.

Chile also has a large potential for the development of photovoltaic solar power plants, with the Atacama Desert in the north of the country having some of the highest levels of solar radiation in the world. With the mining industry, mostly located in northern Chile, representing about a third of Chile's power usage, as well as prices of solar energy decreasing by over 60% in the last five years, mining corporations consider photovoltaic solar power a logical alternative to conventional forms of energy.

Following on from the GEOLAC summit in Chile in July 2019, the Chilean government is now trying to promote investment from energy companies in geothermal energy, estimating that Chile has an untapped geothermal energy generation potential of 3GW. This is an attractive option for investors considering its round-the-clock reliability and minimal environmental impact.

Political Backing

From only generating 5% of energy from renewable resources (excluding hydro over 20MW) six years ago, today,

thanks to policy support, as well as a higher quantity of environmental permits granted, this percentage has quadrupled to 20%. This means Chile has reached its target, of non-conventional renewable energies comprising 20% of its matrix by 2025, five years early.

The Chilean government has revised its target for energy produced from renewable sources by 2050 from 45% to 90%. But considering successes in Chile concerning renewable energy infrastructure projects, as well as the falling cost of renewable energy itself, the government is currently considering further revising this target to 100%.

The implementation of the Chilean government's 2018 - 2022 Energy Roadmap, a set of commitments including increasing the quantity of electric cars on roads tenfold, introducing new taxes on CO2 emissions and cutting the red tape around renewable energy projects, has so far been successful. In terms of electromobility for example, the capital Santiago has seen its fleet of electric buses double in the past year.

Challenges

Competition is weakened through domination by a small number of key players. Moreover, environmental groups have historically had a large influence on whether projects are approved, as in the case of the HydroAysén project cancelled in 2014.

This report was put together by the British Chilean Chamber of Commerce's Trade Department. For more information about Chile or specific business opportunities, get in touch with our team:

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