STRATEGIC DIALOGUE ON NDC IMPLEMENTATION AND POLICY INSTRUMENTS TO SUPPORT THE TRANSITION TOWARD LOW-CARBON DEVELOPMENT

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Session II: Policy and investment planning for a country’s contribution to climate change mitigation and adaptation

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Figure 1. Chile’s NGHGI: GHG emissions and removals trend by sector, 1990–2010 series

Emissions of the energy sector have increased 104% since 1990, mainly due to the increase in coal and diesel consumption for electricity generation.

Source: Chile’s First Biennial Report
Figure 10. Energy Sector: GHG emission trend by subcategory, 1990–2010 series

Source: Chile’s First Biennial Report
Chile’s iNDC

- 30% reduction of its emissions intensity (CO$_2$/GDP) by 2030, compared to 2007 levels.
- Increase it up to 45% with international support.
- Role and responsibility of the Energy Sector is very high.
ENERGY POLICY FOR 2050

- Launched by President Bachelet on December 2015
- Long term view on energy development
- Multistakeholder engagement
- Relevant goals on RE and EE
- Climate change as important topic
First Policy accompanied by a Strategic Environmental Assessment, strategic decision-making tool, which explicitly and actively incorporates economic, environmental and social considerations.
VISION AND PILLARS OF THE POLICY

RELIABILITY

PILLAR 1
QUALITY AND SECURITY OF SUPPLY

INCLUSIVENESS

PILLAR 2
ENERGY AS A DRIVING FORCE FOR DEVELOPMENT

COMPETIVENESS

PILLAR 3
ENVIRONMENTALLY-FRIENDLY ENERGY

SUSTAINABILITY

PILLAR 4
ENERGY EFFICIENCY AND ENERGY EDUCATION
PILLAR 1
QUALITY AND SECURITY OF SUPPLY

SECURITY AND FLEXIBILITY OF CENTRALIZED PRODUCTION

DECENTRALIZED PRODUCTION AND ACTIVE MANAGEMENT OF DEMAND

INTERCONNECTION WITH OTHERS COUNTRIES
PILLAR 2

ENERGY AS A DRIVING FORCE FOR DEVELOPMENT

- Inclusive Energy Development
- Equitable Access to Energy Services and Quality of Life
- Territorial Inclusiveness
- Competitiveness in the Energy Sector
PILLAR 3
ENVIRONMENTALLY-FRIENDLY ENERGY

- RENEWABLE ENERGY MATRIX
- LOCAL EXTERNALITIES
- ENERGY AND CLIMATE CHANGE
PILLAR 4
ENERGY EFFICIENCY AND ENERGY EDUCATION

ENERGY EFFICIENCY

EDUCATION AND ENERGY CULTURE
ENERGY POLICY AND CLIMATE CHANGE

GOAL FOR 2035:
✓ Contribute to the COP 21 commitment of reducing the intensity of GHG emissions in Chile by 30% compared to 2007 levels.
✓ Implementation of a GHG Emissions Mitigation Plan for the energy sector.
✓ Implementation of a plan to adapt the energy sector to climate change.

GOAL FOR 2050
✓ GHG emissions of the energy sector are consistent with international thresholds and national NDCs.

RELEVANT RELATED GOALS
✓ At least 60% of electricity generated in Chile comes from RE sources (2035)
✓ At least 70% of electricity generated in Chile comes from RE sources (2050)
✓ Promote the use of low emissions fuels
✓ EE Law (in preparation), initial focus: big consumers
CURRENT WORK ON CLIMATE CHANGE

Development of the Mitigation Plan for the Energy Sector
Published first semester 2017

Main drivers/aims

Estimate the impact of the Energy Policy in reducing the sector’s GHG intensity

Estimate the contribution of the sector to Chile’s first NDC

Contribute to the National CCAP
What are some of the challenges faced in policy planning for climate change [in your sector] and how have they been overcome?

- **Climate change commitments are new to our country.** The Paris Agreement will imply substantial challenges in policy planning, especially considering the evolving nature of NDCs.

- **Coordination among stakeholders.** EP 2050 is a good example, but costly in terms of resources and dedicated time.

- **Definition of iNDC** (needs more high level involvement, improvement of dialogue with the private sector).

- **No definition of sectoral responsibilities**, or at least, a way forward (like carbon budgets or similar approaches to provide for the clarity needed).
CHALLENGES WITH RESPECT TO ENERGY AND CLIMATE CHANGE

• What are some of the challenges faced in investment planning for climate change [in your sector] and how have they been overcome?

  - **Lack of clarity on the evolving nature of NDCs.** What would be the subsequent NDCs, and corresponding sectoral share, is not yet understood/not considered in medium to long term investment planning. The Mitigation Plan for the Energy Sector will provide initial thoughts.

  - **The uncertainty on climate change effects on resources** like available hydropower; we need to invest more on information and analysis to reduce it.

  - **Uncertainty in the evolution of the carbon tax** (increase its value, expand to other sectors?, move to an ETS?)
CHALLENGES WITH RESPECT TO ENERGY AND CLIMATE CHANGE

• What is the private sector’s role in generating climate investment and how has government had a role to play in encouraging private sector engagement?

  - **Private role: Look for business opportunities in climate investment.** Not only in Renewable power generation but other complementary investment: power lines, interconnections, flexible technologies to incorporate variable renewable sources. It is not enough to have an internal green tax but it is a good first step.

  - **Government role: Give orientation and incentives.** The price of carbon combined with an intelligent energy reform could be crucial in unleashing clean technologies and building a low-carbon economy. Chile has established a tax on the overall pollution caused by electricity generation, which increases the cost of polluting energy sources. The analysis of other carbon pricing instruments will be important to internalize the environmental externalities of energy development.
Thanks!