CHILE

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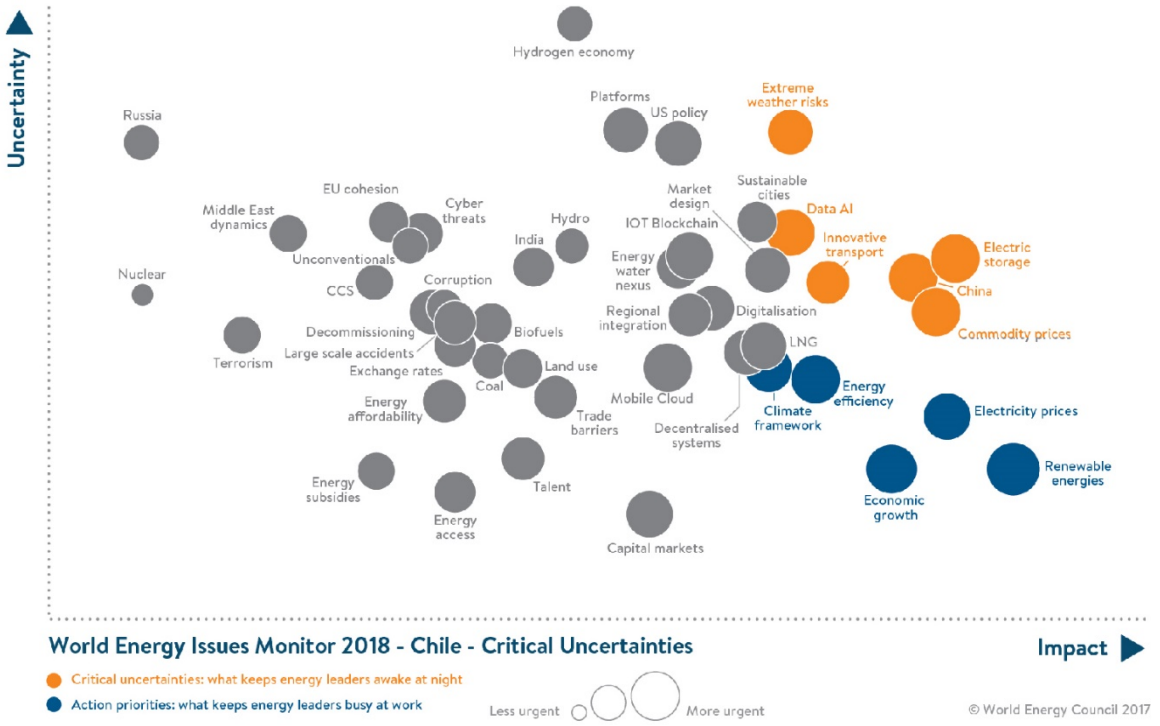

NATIONAL OVERVIEW & CONTEXT

2017 has seen the unprecedented activation of Chile's National Interconnected System and the beginning of bidding rounds for works to link the country's two major power grids. The unification is aimed at reducing costs and enhancing energy security as power flow is facilitated from north to south of the country. It also opens new opportunities for regional power trade., Regional integration has become a priority as Chile looks to optimize its energy system with a strong focus on transmission and efficiency over investment in new generation capacity.

The General Elections saw the return to office of right-wing president Sebastián Piñera and the nomination of Susana Jiménez Schuster as the new Energy Minister. Jiménez commented at the beginning of her mandate that the government's vision is for Chile to be "at the forefront of energy modernization, which is advancing by leaps and bounds in the world. We believe that technologies and innovation should be at the service of citizens and improve their quality of life." This explains why technologies and innovation are the top critical uncertainties for Chile's energy leaders, as highlighted in this year's Issues Monitor. We anticipate next years' Monitor maps will reflect new policies.

KEY ISSUES FROM THE NATIONAL MONITOR

The Issues Monitor tracking reflects the evolution in generation and growth of non-conventional renewable energy (NCRE) in Chile's electricity mix. Since 2010, concerns about coal, hydro and energy affordability have completely moved out of the critical uncertainties quadrant and attention has focused on new issues.

With the rapid growth of solar and wind power in Chile's energy matrix and the goal to add 20% of NCRE to the electrical system for the year 2025, access to viable **electric storage** solutions to partner with this development rises as a critical uncertainty. As a key green energy trading partner, **China** represents opportunity and uncertainty for Chile's energy leaders – the opportunity of accessible energy products and services, and the uncertainty on the efficiency level of such products, with imports from China increasing participation in the local industry.

The shifting focus from reinforcing generation to enhancing efficiency has prompted questioning around **big data artificial intelligence (AI)** as smart technologies begin to be incorporated. AI software solutions will be critical in solving issues arising from the integration of NCRE into the grid through improved analytics. The focus on efficiency and innovation extends through the transport sector as the country plans to achieve "the highest international standards of energy efficiency for road, air, rail and maritime transport" with its Energía 2050 long-term policy plan. The ambition for **transport innovation** raises questions around the possible bumps in the road towards this progress.

Extreme weather risks remain as previous years, a top critical uncertainty as Chile's exposure to the El Niño and La Niña weather phenomenon which is a cause of rainfall deficit. Correspondingly, the volatility of **commodity prices** also stands uncertain, with imported LNG being a source of safe supply in the events of unavailable hydro power. The impact of gas price volatility is enhanced this year with the resume of LNG exports to Argentina during the winter period.

The successful inclusion of NCRE in the mix helped to increase certainty around **renewable energies**, **electricity prices** and **climate framework**. These issues, aligned with **energy efficiency** and **economic growth** are the top action priorities this year's Monitor, indicating a coherent pathway with the Energía 2050 plan towards a "reliable, inclusive, competitive and sustainable" energy sector. The plan is currently in its fourth year of implementation and includes policy directions and incentives for private sector engagement. In addition, August 2017 saw the inauguration of Chile's national action plan on climate change for the period 2017-2022, which focuses on four themes: adaptation, mitigation, means of implementation, and climate change management. A key ingredient for successful fulfilment of Chile's objectives will be the ability to capitalize on this political will and public-private collaboration, as the private sector buy in will be essential to achieve the ambition for an efficient, equitable and sustainable energy performance.

CONCLUSION

Chile's 2017 Issues Monitor describes a great focus on the three dimensions of the Energy Trilemma: efficiency, equity and sustainability. Although the three dimensions are represented among the country's action priorities, the critical uncertainties revolve around innovations and technologies which are ultimately new contributors to the evolution of Chile's energy system. The map highlights a coherence in focus and objectives as a new administration takes the lead.

KEY QUOTE 1

Regional integration has become a priority as Chile looks to optimise its energy system with a strong focus on transmission and efficiency over investment in new generation capacity.

KEY QUOTE 2

A key ingredient for successful fulfilment of Chile's objectives will be the ability to capitalise on this political will and public-private collaboration, as the private sector buy in will be essential to achieve the ambition for an efficient, equitable and sustainable energy performance.

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