



# Decarbonizing the Economy – the Record of Chile vs. the World

[Bretton Woods Committee](#) | Thu, Jan 11, 2024

by Miguel Schloss

## Body

*The following blog post is in reference to the piece, "[Energy in Transition in Unsettled Times](#)" by Miguel Schloss published in the Global Journal of Science Frontier"*

There are times when crises provide more eloquent warnings about unattended problems than all discourses and learned studies. The crisis detonated almost 15 years ago by the gas supply cutoff from Argentina awakened Chile to its perilous vulnerability resulting from its growing (and excessive) dependence on a single source of energy supply. This situation also triggered the opportunity to start addressing emerging issues, particularly environmental concerns.

To this end, a simple “benchmarking” exercise was undertaken to enable Chilean power sector stakeholders to learn from what other countries have done in their energy programs in terms of their: (i) impact or results; (ii) all-in costs; and (iii) required institutional arrangements for implementation.

The results were eye-opening. Whereas countries like Germany embarked on an ambitious recasting of their energy matrix, others followed a more gradualist and organic approach to increase their share of renewables. The former approach, required a solid top-down and disciplined investment and tracking effort, resulting in a significant change in the energy matrix, though at a major cost and increased energy risks, which became evident early on the Ukrainian war, when gas supplies were significantly curtailed, triggering an important energy crisis. There were others that acted more gradually, and hedging through some degree of diversification the risks of misjudging energy demand forecasts.

When discussing these outcomes with Chilean civil society organizations, environmental NGOs, utilities, most stakeholders particularly final consumers centered their concerns on affordability (fancy programs being OK, but “not with my money”), energy security and compatibility with the institutional capabilities in the country. In contrast with the top-down framework implied in international environmental meetings, the approach chosen in Chile centered on “crowding in” the private sector for investments, rather than stretching an already overextended (and consequently slow and ineffective) public sector for such task.

This approach in effect encouraged the Authorities to center their attention on creating business conditions through pricing, taxation and other conditions that could be instrumental in attracting financial and human resources from the private sector to finance and manage investments that otherwise would be difficult to handle, given the institutional limitations and fiscal constraints.

The progress in the end spoke for itself. While it does not, provide for longer-term assurance of continued enhancement, its the very success “crowds in” new players and solutions. This generated new sources of competition and other conditions that require further adjustment in the enabling and regulatory environment, which becomes difficult to accommodate when vested interests and inertia start constraining adaptation of governance arrangements defended by incumbents.

In all, though, Chile has been ranked among the five best performing countries in terms of the increases attained of renewables in overall energy supply, leaving however a steep and more complex road ahead. Over the last 10 years, the sector has added 14,000 MW in installed capacity, evidencing favorable investment climate to meet energy demand. Of this, 63% share is in renewables, and 75% if hydro and geothermal are included. Another 7000 MW are currently in execution that will enter into service in the near term. Ultimately, CO<sub>2</sub> emissions in Chile amounted to 4.96 metric tons per capita in 2022, down from 5.27 tons in the previous year.

At the global level, bottom line seems to be that to keep to 1.5 degrees warming established in international agreements, the world needs to cut emissions in half by 2030. Currently we are adding emissions, let alone cut by 50%. If the top 10 polluters (70% of total) or better the top 20 (80%) agreed to halve by 2030 or before, and delivered like Chile, there is some hope of coming closer to the agreed goals.

*Miguel Schloss is a BWC member with more than 35 years of experience in economic development issues and has held leadership positions in multilateral agencies, the*

private sector, and non-governmental organisations He was Director of Corporate and Budget Planning at the World Bank as well as Executive Director of **Transparency International** during its formative (1998-2002) years. He is currently President of **Surinvest Ltda.** and Board member and Executive Director of **Virtus-Atlas SpA**.

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