

DECARBONISING CHILE - LEADING BY EXAMPLE

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Legal Briefings

With Chile issuing Paris Agreement plans to slash greenhouse gas emissions, we ask if its playbook stack up

Fighting climate change is a particularly relevant goal for Latin America since it is home to half of the planet's biodiversity and over a quarter of its forests.^[1] It therefore does not come as a surprise that all the Latin American and Caribbean countries [ratified](#) the [Paris Agreement](#) between 2016 and 2018. The Paris Agreement aims to limit global warming to between 1.5°C and 2°C above pre-industrial levels by 2050.

As part of their commitments under the Paris Agreement, all Latin American and Caribbean countries have to submit their Nationally Determined Contributions ("NDC"), which outline and communicate their post-2020 climate change action plan. On April 9, 2020, Chile [issued](#) its NDC which sets out a progressive retirement of coal powered generation.

There are [twenty eight coal-powered plants](#) located across Chile that are owned by major energy companies Enel, AES Gener, Colbún and Engie. As part of the state policy to combat climate change, some of these companies voluntarily closed five plants in 2020, which represented 20% of the energy generated by coal in the country. Chile plans to replace this energy with renewable energy initiatives, and among those are the production and exportation of green hydrogen.

CHILE'S CONTINUOUS COMMITMENT TO CARBON EMISSION REDUCTION

In June 2019, the Chilean President and Energy Minister announced the [Plan for Decarbonization and Closure of Coal-Fired Power Plants in Chile](#) (the "Plan"). The program established three main commitments: (1) closure of eight coal-fired thermal power plants by 2025, with a timetable for the decommissioning of the plants between 2019 and 2024; (2) closure of the remaining twenty coal-fired plants by 2040, with a timetable subject to the discretion of the companies, who should meet every five years with future government representatives; and (iii) achievement of carbon neutrality by 2050.

Although the State announced the closure of the eight oldest power plants by 2024, on December 9, 2019, and in the context of the [2019 United Nations Climate Change Conference](#) (known as COP25), Chile's Energy Minister [announced](#) that four of the eight plants would close earlier than scheduled based on agreements entered into with AES Gener and Engie. AES Gener's Ventanas I and Ventanas II plants were scheduled to close in late 2022, but actually closed by the end of 2020; whereas Engie's Mejillones I and Mejillones II plants were scheduled to close in 2040, but will close by the end of 2024.

On May 28, 2020, Enel also [announced](#) that it would accelerate the closure of its two coal-powered plants, with the Bocamina I plant closing on December 31, 2020, and the Bocamina II plant scheduled to close by May 31, 2022.

While these closures demonstrate a proactive move by the private sector to support the country's decarbonization efforts, some consider these measure are not enough, or at least, not coming fast enough. As a response to this sentiment, in early 2020, a group of legislators drafted a [bill](#) (submitted to the House of Representatives (*Cámara de Diputados*)) to prohibit the installation and operation of coal-fired power plants nationwide by 2025 (the "Bill"). If approved, the Bill would accelerate as a matter of law the closure of the remaining power plants originally scheduled to close by 2040 (pursuant to phase 2 of the Plan). The Bill would not affect the closure of the power plants comprised in phase 1 of the Plan.

In terms of the legislative process for the enactment of the Bill into law, both chambers of the Chilean Congress (the House of Representatives and the Senate), as well as the President of Chile would have to approve it. According to the House of Representatives' [website](#), that chamber approved the bill on October 27, 2020 with 145 favorable votes out of 155 representative votes. The Bill will therefore move for further debate and approval at the Senate.

In conclusion, it seems like key stakeholders such as the executive and legislative branches, as well as private corporations generally support Chile's policy towards decarbonization. However, as the Bill illustrates opinions differ as to how fast coal-powered plants closures should take place in the country.

INVESTING IN ZERO CARBON FUEL: GREEN HYDROGEN

Chile also has an ambitious goal to emerge as one of the world's leading producers and exporters of green hydrogen across the globe. Historically, hydrogen has been produced from fossil fuels in processes that emit greenhouse gases, known as 'grey hydrogen.' Now, Chile proposes to use renewable power to produce it and therefore the reference to 'green hydrogen.'

On November 3, 2020, the Chilean government [launched](#) its National Strategy for Green Energy to promote the production of green hydrogen by taking advantage of the vast and cheap solar energy produced in the north of the country. An action plan was drafted to accelerate the production of green hydrogen in key national industries by 2025 and for Chile to enter into the export market by 2030.

As explained by the Ministry of Energy, the idea is for the agriculture and mining sectors to replace the use of diesel or natural gas with green hydrogen in productive processes. For instance, last month, major mining company BHP [began](#) a pilot project in its Spence copper mine to replace the diesel and natural gas used in the boilers for its copper obtaining process.

CONCLUSION

Chile is certainly committed to a transition towards a net-zero economy, in which green hydrogen will play a fundamental role. With the initiatives described in this post, Chile seems to be in track to transition from a country that grows by extracting nonrenewable resources, to one that produces the clean and renewable fuels that the world requires to avoid climate change. Time will determine how other States in the region undertake their own efforts to comply with their commitments under the Paris Agreement.

[1] See Carolina Herrera, [Latin America Reaffirms Climate Action Commitment at COP25](#), December 06, 2019.

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