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THEDIALOGUE

FEATURED Q&A

Can Chile Achieve a Fully Renewable Power Grid?

Chilean presidential candidates, including former President Sebastián Piñera, have pledged to expand the percentage of renewable energy in the country's matrix. // File Photo: Piñera Campaign.

Q Chilean presidential candidate and former President Sebastián Piñera has pledged to enact a plan that will move Chile to a fully renewable electricity grid by 2040, expanding upon major investments the country has already made in renewable energy. Piñera's opponents for the presidency, Beatriz Sánchez and Alejandro Guillier, have also voiced support for increasing renewable energy. Where is Chile's renewables sector headed? Is Piñera's plan—and the time span in which he hopes to achieve it—realistic and the best way to address the country's energy needs? What steps would Chile need to take to create a fully renewable electricity grid?

A Sergio Bitar, nonresident senior fellow at the Inter-American Dialogue, former Chilean senator and cabinet minister: "The push to change the energy matrix began under the current administration of President Michelle Bachelet. The government has achieved a substantive transformation of the sector, and it is expected that the proportion of renewables in the energy matrix will continue to grow. During the previous administration of former President Sebastián Piñera, the country faced a grave energy crisis and a loss of competitiveness. The new stimulus, tenders for blocks of time, investments in transmission and the 2050 energy plan created under the direction of Minister Máximo Pacheco, all managed to unite the public and private wills and initiate a new cycle for the sector. Bids have been tendered and assigned for less than $50 per megawatt hour. The goals of the current government made in collaboration with COP21 are to reach an energy matrix that

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TODAY'S NEWS

POLITICAL

Top PDVSA Exec Among Several Held in Graft Case

Among those arrested in Venezuela was Orlando Chacín, who led a subsidiary in charge of joint ventures with foreign partners at the state oil company. In another case, Spanish police arrested a former deputy Venezuelan energy minister on a U.S. warrant.

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POLITICAL

Guatemala Ends Death Penalty for Non-Military Cases

Guatemala's highest court issued the ruling to abolish capital punishment. The country had not applied the death penalty in years because of its participation in a regional human rights agreement.

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BUSINESS

Azcárraga Jean Stepping Down as Televisa CEO

Emilio Azcárraga Jean has served as the Mexican media company's CEO for the past 20 years.

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Azcárraga Jean // File Photo: Televisa.

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POLITICAL NEWS

Top PDVSA Executive Among Several Held in Corruption Case

A top official at Venezuela's PDVSA as well as 10 other executives at the state-run oil company have been arrested on charges of graft as part of a corruption probe that is implicating a growing number of its top executives, Venezuela's prosecutor said Thursday, Reuters reported. Orlando Chacín led a PDVSA subsidiary in charge of joint ventures with foreign partners. He had been the right-hand man of Eulogio Del Pino, the former president of PDVSA and the current oil minister. The other executives who were arrested, including at the Petropiar and Petrozamora joint ventures with U.S. oil company Chevron and Russia's Gazprombank, allegedly participated in schemes including overpricing and non-execution of planned projects, according to prosecutor Tarek Saab. PDVSA did not immediately respond to a request for comment. President Nicolás Maduro has long vowed to combat corruption, which has plagued the country's oil sector for decades. Opposition leaders, however, say arrests attributed to anti-corruption efforts are often more the result of infighting among rival factions in the government than a sign of a concerted effort to combat corruption. In related news, Spanish police on Thursday arrested a former deputy Venezuelan energy minister on a U.S. warrant for his alleged involvement in a $1 billion bribery scheme involving PDVSA, The Wall Street Journal reported. Nervis Villalobos was arrested by a police unit specializing in money laundering crimes. He would be the first former top official detained as part of a wide-ranging U.S. probe into corruption at PDVSA.

Guatemala Abolishes Death Penalty for Non-Military Cases

Guatemala's highest court on Thursday abolished the country's death penalty for non-military cases, the Associated Press reported. The decision by the Constitutional Court is final. The Central American country had previously allowed the death penalty in cases of the murder of victims younger than 12 and older

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reduces CO2 emissions by 30 percent per unit of production and to have 70 percent of power generated come from renewable energy by 2050. What's more, given the absence of sufficient public-sector capacity to partner with and push the private sector, the government sent and won approval for an expansion of powers for the National Oil Company, or Enap, to generate and distribute electricity. Therefore, what appears to be the proposal from Piñera is not a new goal, but rather merely a reaffirmation of ongoing plans, especially if hydroelectricity is included. The plans are equally part of the platforms of the other candidates, as well. In addition, the program Guillier proposed suggests endowing the country with a public solar energy company that will facilitate the sector's orderly expansion, provide support for projects with the private sector and develop more national engineering and research capacity. This type of public initiative has been rejected by conservative parties that support Piñera, who maintain that the market is the only operator and investor in energy. The shortage of fossil fuels in Chile is becoming a tremendous stimulus for renewable energy, and research shows that the Atacama Desert receives the most solar radiation in the world. Thankfully, there is broad internal consensus on this front."

Leni Berliner, president of Energy Farms International: "The proposed targets of having an all-electric transit system and an electrical grid powered 100 percent by renewable fuels by 2040 are certainly feasi-

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NEWS BRIEFS

Brazilian Gov't Appeals Injunction to Halt Pre-Salt Oil Auction

The Brazilian government is appealing an injunction sought by the leftist Workers' Party on Thursday to order the suspension of the billion-dollar auctions of pre-salt oil and gas rights, and the government expects the bidding to go ahead as planned today, Mining and Energy Minister Fernando Coelho Filho said, Reuters reported. A federal judge from Amazonas State issued the injunction. Major oil companies are looking to bid on blocks of Brazil's offshore pre-salt area, which is believed to encompass billions of barrels of oil trapped beneath a layer of salt. The Workers' Party, however, opposes the privatization of oil production.

Cook to Chair U.S. House Western Hemisphere Subcommittee

U.S. Rep. Paul Cook (R-Calif.) has been tapped to head the U.S. House Subcommittee on the Western Hemisphere, and Rep. Francis Rooney (R-Fla.) has been named the subcommittee's vice chairman. The moves follow the departure of the subcommittee's former chairman, Rep. Jeff Duncan (R-S.C.), who is joining the House Energy and Commerce Committee.

Protesters Clash With Police as Macron Visits French Guiana

Protesters and police forces clashed Thursday during the first day of French President Emmanuel Macron's visit to French Guiana, the Associated Press reported. The climate is tense in French Guiana six months after a general strike over crime and economic hardship crippled the South American territory. Macron said upon his arrival that he didn't come "to make promises," adding, "I'm not Santa Claus." Five people were arrested Thursday night.

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than 60, as well as kidnappings in which the victim dies or is severely injured, assassination of the president or vice president, and in some drug trafficking cases. The death penalty will remain allowable in the country's military justice system.

BUSINESS NEWS

CEO of Mexico's Televisa Stepping Down After 20 Years

Emilio Azcárraga Jean, who has led Mexican broadcaster Grupo Televisa for the past 20 years, is stepping down as its chief executive officer, The Wall Street Journal reported Thursday. The mass media company has faced slumping advertising sales and tougher competition to attract younger viewers from streaming services such as Netflix. Two of Azcárraga Jean's closest advisors, Alfonso de Angoitia, Televisa's vice president and finance chief; and Bernardo Gómez, who heads Televisa's news division and government relations, will serve as co-CEOs, The Wall Street Journal reported. The company's board approved the changes on Thursday. Azcárraga Jean, who became Televisa's CEO in 1997, will stay on as chairman. He will also head Televisa's charity foundation as well as the Club América soccer team, which Televisa owns. Azcárraga Jean's family founded the broadcaster in 1973. In a statement, Azcárraga Jean said the changes would allow him to "focus on the company's long-term strategy."

Principal Financial Acquires MetLife's Mexico Pension Unit

Principal Financial Group announced Thursday that it has acquired full ownership of MetLife's pension fund management business in Mexico, known as MetLife Afore. The financial terms of the acquisition, which is subject to regulatory approval, were not announced. "As the middle class in emerging markets continues to grow, there is increasing demand for long-term retirement and investing products that enable individuals to retire with the highest pension possible," Roberto Walker, the president of Principal International in Latin America, said in a statement. "This acquisition strengthens our commitment to Mexico's pension market." Principal, based in Des Moines, Iowa, said that the acquisition will give it additional scale as well as a larger distribution network and an increased ability to serve its customers in Mexico. The deal is expected to close in the first quarter of next year, at which time Principal Afore would become Mexico's fifth-largest pension provider in terms of assets under management. Principal has already had a presence in Mexico for 25 years. The investment management company said it is "committed to growing across its mandatory pension, voluntary long-term savings, and mutual funds businesses."

THE DIALOGUE CONTINUES

Will U.S., Mexican and Canadian Negotiators Be Able to Rework NAFTA?

Q The fourth round of negotiations for the North American Free Trade Agreement, or NAFTA, ended on Oct. 17 with U.S., Mexican and Canadian negotiators deciding to prolong the talks through next March, abandoning their goal of reaching an agreement by year-end. Will negotiators be able to strike a deal amenable to all three countries? Will Trump administration demands, blasted as "poison pill" proposals by the head of the U.S. Chamber of Commerce, doom the talks? How will next year's U.S. midterm elections and Mexico's presidential election affect the renegotiations? If NAFTA disappears, what would be the consequences for North America's businesses and economies?

A Claudio M. Loser, president of Centennial Group Latin America and former head of the Western Hemisphere Department of the International Monetary Fund: "The expectations about the current NAFTA negotiations are shrouded in great uncertainty. After about a quarter century of significant, if uneven, progress, the trade association of the three North American economic powers is in serious danger, mostly on account of the mistaken policies of the U.S. administration. First, a few facts: In 2016, the United States exported about $580 billion (26 percent of total exports) to its two trading partners; Canada exported $290 billion (63 percent of its total exports), and Mexico exported about $330 billion (82 percent of total exports). The United States had a net deficit of $43 billion, less than 2 percent of total U.S. imports. In addition, foreign direct investment from the United States in Canada and Mexico amounted to $450 billion as of 2015, with almost $290 billion invested in the United States. These numbers show the close interrelationship within NAFTA. A seriously weakened agreement would have devastating consequences, including for the United States. It is very difficult to predict what the U.S. negotiators will do. However, there will be enormous pressure by companies and states to preserve it. While there are important issues to resolve, including on intellectual property and non-NAFTA content, the current U.S. demands are unreasonable, and are seen as deal-breakers by Mexico and Canada, who are tough negotiators as well. Hopefully, reason and true self-interest will prevail, but the next months will show a bumpy road for NAFTA for sure."

EDITOR'S NOTE: The comment above is a continuation of the Q&A published in Wednesday's issue of the Advisor.

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ble. The first target is an emissions-reduction goal, and will greatly increase demand for renewably generated electricity. The environmental, health and trade benefits of meeting such targets are obvious. Chile has the supply chain and access to engineering technologies for electric vehicles and for efficient (i.e. 'smart'), low-emission and resilient generation, storage, transmission and distribution from power from sun, wind, waste and run-of-river hydro. The challenge lies in getting everyone to pull in the same direction, putting the pieces together and paying for it. Investment to meet the targets must be carefully coordinated in time and among multiple entities. Piñera should create a public-private partnership (P3) to have responsibility for meeting both targets. The P3 should have a life cycle distinct from the government budget, and be financed and empowered to propose legislation and changes to power-industry structures and practices. It would offer support to municipal entities to help them participate in electrifying transport and grid renewal, including decommissioning, tariff setting, development of requests for proposal, project finance, technical education, operations and maintenance. The P3 should have two boards: governing and advisory. The former should include representatives from local and national governmental bodies, financial institutions, private industry, small business and community organizations. Experts from other countries that have installed several gigawatts of renewable power should be included on the advisory board."

Cristián Vallejo, partner at Manatt, Phelps & Phillips, LLP: "Conventional and nonconventional renewables are on the path to becoming the main or sole component of the country's energy matrix by 2050. Chile's successful turn to renewables is mostly the result of the incentives and policies enacted by the current and prior administrations. There is a general consensus on energy matters by the country's political factions, particularly as to the role that renewables must have. This consensus is reflected in the 2050 Energy Policy enacted in 2015. Pursuant to the policy, 'at least' 70 percent of the country's energy matrix is expected to come from renewables by 2050. All presidential candidates agree that the policy must be the framework for Chile's energy development. So, regardless of the outcome of the upcoming presidential election, it is expected that development of renewables in Chile will continue its current path toward becoming the main source of the country's energy matrix, as set out by the policy. Piñera's plan is very ambitious. The goals set forth in the policy with respect to the participation of renewables in the country's energy matrix, namely, 'at least' 60 percent by 2035 and 70 percent by 2050, are more realistic. Given the short presidential terms in Chile (four years without the possibility of immediate reelection), it is unlikely that, if elected, Piñera will have enough time to take and implement all necessary actions to effectively 'accelerate' the goals for renewables set forth in the policy. In order for Chile to create a fully renewable electricity grid, among other measures, it must 1) continue implementing the actions outlined in the policy to achieve the goals for renewables set forth therein; 2) take appropriate actions to ensure that all required changes and investments in the transmission system are made in a timely manner to address the issues that renewables face in this regard; 3) resolve all environmental- and community opposition-related issues that hamper development of certain renewable projects; 4) resolve existing issues relating to land- and water-securing processes that affect development of certain renewables; and 5) update the laws and regulations governing energy distribution."

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org.

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