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FEATURED Q&A

Does Chile Have the Right Plan on Climate Change?



Chile's president has set a goal of eliminating coal-powered electricity in the country over the next two decades. The Bocamina Thermoelectric Plant in the city of Coronel is pictured above.
// File Photo: Enel.

Q Chile has pledged to eliminate coal-powered electricity by 2040, with the aim of reducing the country's greenhouse gas emissions, President Sebastián Piñera said this month. The initiative involves Chile's main power generators and would gradually eliminate nearly 30 coal power plants that currently operate in the country. Piñera's remarks followed Finance Minister Felipe Larraín's announcement that Chile is preparing to issue a sovereign green bond this year with the aim of raising as much as \$1.5 billion to support spending on "green" projects. Are Chile's proposals the right measures to mitigate the effects of climate change, and are they economically sound? How have businesses in the country reacted to the announcements, and what implications could the initiatives have on Chile's most critical economic sectors, such as mining? What will it take for Chile to meet its long-term goals?

A Sergio Bitar, nonresident senior fellow at the Inter-American Dialogue and president of Consejo Chileno de Prospectiva y Estrategia: "Chile lacks oil, gas and coal. Its comparative advantage is water, sun and some wind. Even so, 40 percent of its current electricity is coal- and oil-generated. Can Chile decarbonize its electricity matrix before 2050? It's possible. In 2015, it was announced that Chile had the goal of reaching 70-percent renewable energy by 2050. Four years later, the goal is reaching 75 percent by 2030. Why so much optimism? The energy policy that began in 2015 is bearing fruit. Between 2010 and 2018, oil-generated electricity fell from 17 percent to 1 percent, while renewable energy (excluding hydro) rose from 0

Continued on page 3

TODAY'S NEWS

POLITICS

Brazil's High Court Votes to Criminalize Homophobic Acts

The country's Federal Supreme Court outlawed discrimination and acts of hate against gay people and transsexuals, saying that lawmakers have failed to pass legislation on the issue.

Page 2

BUSINESS

Bayer to Double Size of Costa Rica Services Center

The German pharmaceutical company will double the size of its facility in Heredia Province to more than 500 employees.

Page 3

POLITICAL

Chile's Piñera Replaces Foreign Minister in Cabinet Shakeup

Chilean President Sebastián Piñera replaced several cabinet members, including Foreign Minister Roberto Ampuero, whom he replaced with former Justice Minister Teodoro Ribera.

Page 2



Ribera // File Photo: Chilean Government.

POLITICAL NEWS

Brazil's High Court Votes to Criminalize Homophobic Acts

Brazil's Federal Supreme Court on Thursday voted in a decision of 8-3 to criminalize acts of hate and discrimination against gay and transsexual people, saying that lawmakers have failed to pass legislation on the issue, The Wall Street Journal reported. In the decision, the court ruled that such acts of hate would be judged under a current anti-racism law

“Violence toward [those groups] must be considered a hate crime.”

— David Miranda

until the country's Congress passes a law that specifically criminalizes discrimination against members of the LGBT community. “Sexual orientation and gender identity are essential to human beings, to the self-determination to decide their own life and seek happiness,” said Justice Gilmar Mendes, Reuters reported, citing the court's Twitter account. David Miranda, a congressman of the leftist Socialism and Liberty Party, told The Wall Street Journal in an interview that lawmakers for years have introduced legislation that would outlaw crimes against gay people, but none of the measures have been approved. “It's taking too long to pass legislation against crimes” against people who are gay, lesbian, bisexual, transsexual and intersex, said Miranda, who is the husband of American journalist Glenn Greenwald. “Violence toward [those groups] must be considered a hate crime.” Since President Jair Bolsonaro's election last October, some gay rights groups said they have faced increasing hostility. Bolsonaro has a history of making homophobic, racist and misogynistic remarks and told an interviewer in 2011 that he would rather have a dead son than a gay one. The Supreme Court's ruling “is a step forward, but

it won't make much of a difference unless we improve education and change attitudes,” Claudia Regina, president of the LGBT Pride Parade Association of São Paulo, told The Wall Street Journal. “There's been a subtle worsening of attitudes” since Bolsonaro's election, she said, adding that the president “is encouraging this, indirectly. He inspires his followers to behave this way.”

Diplomats Meet in Sweden to Discuss Venezuela Crisis

Diplomats from around the world met Thursday in Sweden to discuss the ongoing crisis in Venezuela in the latest effort to find a peaceful resolution to the South American country's political turmoil, the Associated Press reported. Representatives of Russia, the United Nations, the Vatican, Cuba and the European Union attended the meeting in Stockholm, a European diplomat said. The United States was reportedly invited but opted not to participate. “The talks in Stockholm are for backing the Norway dialogue,” the unnamed European diplomat told the AP, in reference to talks in Oslo between



Guaidó // File Photo: Venezuelan Government.

representatives of the government of Venezuelan President Nicolás Maduro and of the opposition, which Juan Guaidó leads. Guaidó in January declared himself interim president under the Venezuelan Constitution, claiming Maduro's re-election was fraudulent. Sweden, the United States and dozens of other countries recognize Guaidó as the country's legitimate president. “All parties feel the need to keep as low key as possible because the mediation is going through a delicate phase,” the European diplo-

NEWS BRIEFS

Guatemalans Head to Polls Sunday for Presidential Vote

Guatemalans are to vote on Sunday in the first round of the country's presidential election. Former First Lady Sandra Torres is leading polls, with right-wing candidate Alejandro Giammattei trailing in second place. Neither candidate is expected to win the 50 percent support needed to avoid a runoff in August, Agence France-Presse reported.

Chile's Piñera Sacks Foreign Minister in Cabinet Shakeup

Chilean President Sebastián Piñera on Thursday shook up his cabinet as polls showed his approval rating plummeted 12 points to just 25 percent, Agence France-Presse reported. Piñera fired Foreign Minister Roberto Ampuero and replaced him with Teodoro Ribera, a former justice minister. He also announced a change in leadership at the ministries of health, economy, public works, social development and energy. It is Piñera's second cabinet shuffle. The country's recently sluggish economic growth has weighed on the president's popularity, according to a spokesman for pollster CEP.

Brazil's Bolsonaro Fires Moderate Government Minister

Brazilian President Jair Bolsonaro on Thursday fired Government Minister Carlos Alberto dos Santos Cruz, a retired army general who was seen as a voice of moderation within the administration, the Financial Times reported. Gen. Luiz Eduardo Ramos will replace him. Santos Cruz oversaw the government's relations with Congress. Santos Cruz had recently come under fire from Bolsonaro's more ideologue aides, including his son, Carlos, a Rio de Janeiro city councilman, Reuters reported.

mat added. Guaidó, who is in Venezuela, said on Thursday that the Sweden meeting “clearly shows there is consensus in the world that there must be a new, free presidential election in Venezuela, that the usurpation must cease, that there must be a transition,” the Voice of America reported. A Venezuelan government source with knowledge of the talks told the AP that only low-level diplomats attended the meeting, describing it as a waste of time.

BUSINESS NEWS

Bayer to Double Size of Services Center in Costa Rica

German pharmaceutical company Bayer has announced that its shared services center in Costa Rica will double in size in the coming months, the Tico Times reported Thursday. The center, which provides administrative support to the Americas, will have openings in several departments, including human resources, order-to-cash and source-to-pay, Bayer said. “The growth is not only due to the level of satisfaction of our clients, but also to a corporate strategy of optimization of the processes of administrative support,” said Klaus Wussow, Bayer’s financial manager for Central America and the Caribbean, the Tico Times reported. Around 286 people already work at Bayer’s offices in Costa Rica’s tax-free zone in Heredia Province, according to government figures. The number is expected to rise to more than 500 by the end of the year. The multinational company will also open two new offices, an investment that totaled \$3 million, according to the report. The announcement is “an importing signal of confidence and security that Costa Rica offers to foreign investment,” President Carlos Alvarado said in a statement. Foreign investment generates 30 percent of net employment in the country, Edna Camacho, who serves as economic coordinator in Alvarado’s administration, told the Advisor. [Editor’s note: See related Q&A in Monday’s issue of the Advisor.]

FEATURED Q&A / Continued from page 1

percent to 13 percent. Installed capacity in renewables will increase rapidly. Today, it’s of 5,500 megawatts (of a total of 23,000 megawatts), and very soon it could surpass 15,000 megawatts. Imports of natural gas from Vaca Muerta, in Argentina, have quickly expanded, and if investment in Argentina continues, Chile could import more gas to displace coal. Two additional facts reinforce this trend. First, in 2019, the electrical system of the north—which has surpluses in solar energy—and that of the south-central zone—with a greater proportion of coal—will be connected. Second, the transformation of the public transportation system, which already has 200 electric buses, will soon grow thanks to the tender of Santiago’s fleet, of nearly 7,000 buses. Optimism that the commitments of the COP-21 conference in Paris will be fulfilled, and of good results in the COP-25 in Chile in December, has risen.”

A **Andrés Rebolledo, former energy minister of Chile:** “Chile has made great progress in the energy sector. Electricity is increasingly generated using renewable sources, particularly solar and wind power, which in four years went from representing 4 percent of the electricity matrix to representing 20 percent. Today, nearly 100 percent of projects under construction are based on solar and wind power. However, 40 percent of electricity is still generated using coal, a more expensive and polluting source, which also represents nearly 30 percent of the country’s greenhouse gas emissions. Therefore, to consolidate the energy transition toward a more sustainable model, it is inevitable and urgent to replace this polluting electricity generation. The year 2040 was agreed on as the final term for the closure of all coal plants. However, I am convinced that technological change and the drama of the climate emergency that we’re facing will force us to move up this term. We have to be more ambitious. In December, Chile will host the COP-25 conference, which

will be almost the last opportunity to put a limit on global warming.”

A **Guy Edwards, independent consultant on Latin America and global climate change governance:** “Chile has been trailblazing for years on low-carbon development, characterized by its impressive progress on renewable energy and more recently on bringing hundreds of electric buses to Santiago. With Chile hosting the 2019 U.N. climate talks, this leadership has stepped

“**Chile is attempting to simultaneously spur growth while reducing emissions on a number of fronts.**”

— Guy Edwards

up a gear, highlighting how climate action is increasingly viewed as a key way to spark economic growth. Chile is attempting to simultaneously spur growth while reducing emissions on a number of fronts. First, it is preparing to issue the first sovereign green bond in the Americas supported by the Inter-American Development Bank, which will help to mobilize private investment for projects including clean transport and the protection of biodiversity. Second, the government is attempting to pass an energy efficiency bill, which it says could lead to savings of as much as \$3.5 billion by 2035. Third, the government has announced that Chile is aiming to be carbon neutral by 2050 and to phase out all coal power generation by 2040, which could provide Chile’s renewables market with a major boost. Fourth, Chile is seeking to transition to a 100 percent electric public transport fleet and a private vehicle fleet 40 percent made up by electric vehicles by 2050, which could avoid around 11 million tons of carbon dioxide emissions per year and reduce energy ex-

Continued on page 4

FEATURED Q&A / Continued from page 3

penditure by roughly \$3 billion per year. The government must ensure that its legislative agenda to achieve these ambitious goals sufficiently includes the ideas and concerns of Chilean civil society, indigenous groups, ESG investors, EV and renewable energy associations and scientists, whose significant expertise and knowledge has not yet been fully considered.”

A Sara Larraín, executive director of Chile Sustentable: “Chile has 28 coal power plants with a capacity of approximately 5,000 megawatts. The plants’ owners include the United States’ AES (52 percent) and France’s Engie, Italy’s Enel and Chile’s Colbun. President Piñera made three announcements on June 4: first, the closing of eight coal-fired plants (around 1,000 megawatts) between 2019 and 2025, of which seven are more than 40 years old. Second, he announced the closing of the remaining 20 coal power plants by 2040. He did not present a specific timeline for each plant’s closure over these 15 years, instead leaving the decision to the companies, with which there would be a dialogue every five years to decide which ones would close. And third, he announced that Chile would be carbon neutral by 2050. He did not present any concrete action as to how this will be achieved. Are these the right proposals? The decarbonization announcement is completely insufficient, since the energy sector is the biggest carbon-dioxide pollutant. The energy sector is responsible for 78 percent of carbon dioxide emissions,

with the energy industry accounting for 41.5 percent of CO2 emissions, followed by transport with 31 percent. Almost all of these emissions come from coal-fired plants. The closing of eight plants by 2025 and, hypothetically, of the other 20 by 2040, is not an effective measure, and it’s not coherent with Chile’s reduction commitments

““ The closing of eight plants by 2025 and, hypothetically, of the other 20 by 2040, is not an effective measure...”

— Sara Larraín

in line with the Paris accord. Moreover, it is not the standard agreed on with the OECD, for the closure of all coal plants by 2030. Chile’s national electricity coordinator has presented a closure timeline for all the coal plants by 2038, without altering the security, quality of service or the cost of energy. Chile Sustentable also proposed to the government a timeline for the closure of all coal power plants by 2030, and its additional cost to business as usually is only \$2.4 million. Some efficient measures include establishing a timeline for the closure of coal power plants by 2030; increasing the green tax from \$5 to \$30 per ton of CO2 (the real cost of CO2 abatement); and accelerating the Law of Energy Efficiency, with ambitious goals for the 2020-2030 decade.”

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