

# National Reports

## Chile

### RENEWABLE ENERGY Non-conventional renewable energy

Report on non-conventional  
renewable energy law

 Chile; Renewable energy

On April 1, 2008, a new law was enacted regarding non-conventional renewable energy (the NCRE Law). The following is a brief report of the main aspects of the NCRE Law.

The aim of the NCRE Law is to fulfil future Chilean energy requirements and to increase the development of non-conventional renewable energies such as geothermal, eolic, solar and tidal sources, biomass and small hydroelectric plants. In addition, the NCRE Law intends to increase generation resources, and to create alternative methods of energy generation that will enable Chilean sources of energy not to depend upon environmental considerations. In fact, the main source of energy generation nowadays in Chile is hydropower.

### NCRE Law general provisions

- Concept of non-conventional renewable energy. The NCRE Law defines non-conventional renewable energy as the electrical energy generated by non-conventional renewable energy means such as biomass, hydro, geothermal, solar, eolic and tidal source plants, to the extent that such sources of energy fulfil the requirements set forth by the NCRE Law.
- Companies forced to demonstrate 10 per cent of non-conventional renewable energy resources. In accordance with the NCRE Law, the generation companies that trade energy to regulated or non-regulated clients or distribution companies in systems with an installed capacity of more than 200MW, shall annually demonstrate that 10 per cent of their total energy trade was injected into the energy system by non-conventional renewable energy sources, by means of their own energy plants, or by contracting such energy supply from third party companies. The fulfillment of this obligation shall start from 5 per cent of the total energy trade from 2010 to 2014. After such a term, starting from 2015, the obligation will be increased 0.5 per cent annually, reaching 10 per cent in 2024.
- Maximum capacity for hydroelectric plants. Hydroelectric plants shall be considered as non-conventional renewable energy sources, to the extent that their energy injections are less than 20MW. However, power plants that produce more than 20MW (up to 40MW) shall have the right that part of their energy be recognised as non-conventional renewable energy, based upon a decreasing calculation. Therefore, the recognition of non-conventional renewable energy of a power plant that produces 40MW will be 0.
- Breach of the obligations. Companies that infringe the obligation of trading a percentage of their energy from a non-conventional renewable energy source shall pay a fine of 0.4 UTM<sup>1</sup> per MW not obtained from such sources per year. Compliance with the obligation set forth in the NCRE Law must be proved by March 1 of the following calendar year.
- Limited legal effect. In accordance with the NCRE Law, the obligation set out in the second point above shall be mandatory for the energy traded as of January 1, 2010, and it will apply to all agreements executed as of May 31, 2007—either new agreements, renewals, extensions or any other arrangements of similar nature. The obligation will endure for 25 years (2010–2034). The Chilean Government believes that after the above-mentioned 25-year term, non-conventional renewable energy will naturally gain entry into the Chilean electric market.

<sup>1</sup> *Unidad Tributaria Mensual* means Monthly Tax Unit. In May 2008, it amounted to CLP \$35,085 per unit. Considering an exchange rate of CLP \$460/USD, the penalty set forth in the NCRE Law amounts to USD \$30.508/MWh.

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