



EMISSIONS TRADING SYSTEM

Capacity Building Study Tour

Partnership for Market Readiness, PMR-Chile
11-15 Dec 2017, Berlin



Chile's INDC

- Committed to in Paris, December 2015 (COP21)
- Reduce GHG emissions intensity (tCO₂e per unit of GDP in million CLP\$ 2011) by 30% by 2030 from 2007 level
- Target raised to 35-45% conditional on availability of international support
- applies to all sectors of the economy except LULUCF (separate absolute targets)





PMR-Chile's Carbon Pricing Strategy

Evaluate options and scenarios for the implementation of a more complete system of Carbon Price Instruments in Chile, through a transparent process of consultation and participation.

Strengthen regulatory and institutional capacities for the implementation of 'Green Taxes' (and other possible carbon pricing instruments) and design a Monitoring, Reporting and Verification (MRV) System.

Achieve national and international positioning on developments and advances in carbon price instruments in Chile – through a communications, consultation and training strategy with

Policy Interaction Analysis

			ÁREA DE POTENCIAL INTERACCIÓN O INCONSISTENCIA DEL IMPUESTO							
			Consistencia con objetivos de política	Doble Regulación	Cobertura y alcance	Señal de precio consistente	Requerimientos MRV	Temas Administrativos (Regulador)	Temas Administrativos (Regulado)	Control del Regulador
POLICY AREA	Medio Ambiente	Aporte a las contribuciones nacionales (INDC)	✓	?	✓	✓	✓	?	?	✓
		Regulación de contaminantes locales	✓	✓	✓	?	✓	✓	?	✓
	Matriz Primaria	Ley de Energía Renovable y Energía 2050	✓	✓	✓	✗	✓	✓	✓	✓
		Net Billing	✓	✓	✓	✓	✓	✓	✓	✓
		Aumento Capacidad Terminal GNL	✓	✓	✓	✓	?	?	?	✓
	Mercado Eléctrico	Cambio de política de licitaciones (bloques horarios)	?	?	✓	✓	✓	?	?	✓
		Interconexión SIC - SING	?	?	✓	✓	✓	✓	✓	✓
		Ley de Transmisión	?	?	✓	✓	✓	✓	✓	✓
		Ley de Equidad Tarifaria	?	?	✓	?	✓	✓	✓	✓
	Demanda	Ley de Eficiencia Energética	?	?	✓	✗	✓	✓	✓	✓
Otras Políticas de Eficiencia Energética		✓	✓	✓	✓	✓	✓	✓	✓	



Interacción positiva o consistente



Potencial conflicto o área de incerteza



Sin interacción directa

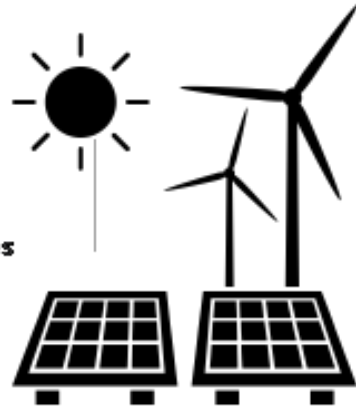


Inconsistencia, conflicto o interacción negativa



CCPS

Comité de consumo y
producción sustentables



$\geq 50 \text{ MW}_t$



Mitigation 'related' policies

- Implemented/approved measures:
 - Non-Conventional Renewable Energy (NCRE) Law
 - Action Plan for Energy Efficiency 2020 (APEE20)
 - National Sustainable Construction Strategy
 - Carbon tax (USD 5/tCO₂ on power gen)
 - Net billing law

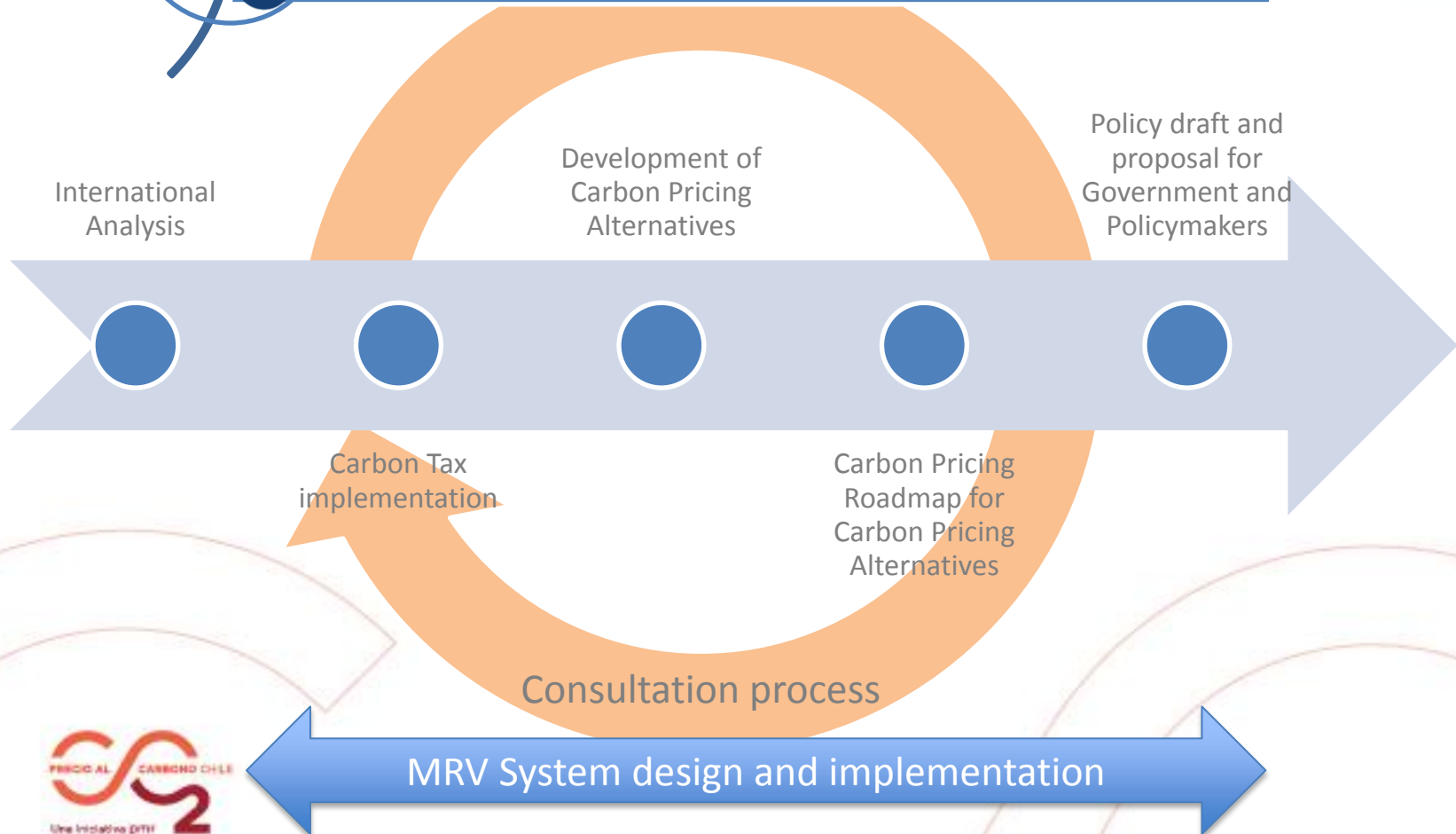
The energy sector relies on current policies to meet its targets:

- Energy 2050 policy (e.g. 70% renewables by 2050)
- Energy Efficiency Regulatory Framework?

The process so far...



Communication and dissemination of information



Phase I Activities

Component 1: Evaluating Options for Future Use or Carbon Pricing Instruments

- Understanding further the role of Carbon Pricing in Climate Policy Mix
- Developing Alternatives for a more Comprehensive Carbon Pricing policy

Component 2: Supporting Green Tax Implementation

- Enhancement of Regulatory and Institutional Capacities
- Supporting MRV infrastructure

Component 3: Communications, Engagement and Capacity Building

- Development of a Communications Strategy
- Working under a Participation process with stakeholders
- Preparation and Training for Private and Public Sectors

Component 4: Administration

- Human Resources
- Procurements
- Contracts

Additional Phase I Programmed Activities

Component 3: Communications, Engagement and Capacity Building

- Development of a Communications Strategy
- Working under a Participation process with stakeholders
- Preparation and Training for Private and Public Sectors

Component 4: Administration

- Human Resources
- Procurements
- Contracts

Component 5: Further enhancement of MRV Capacities

- Evaluation of First Period for the Carbon Tax
- Strengthening Green Tax MRV System
- Setting a more robust Mandatory Reporting System

Component 6: Evaluation of Alternatives and Scenarios for Carbon Pricing

- Establishing an MRV for Mitigation Actions
- Designing a Climate Policy Simulation Tool for Decision Making

Chile's 'Green Taxes'



Light vehicles (Efficiency, NOx) -
2015



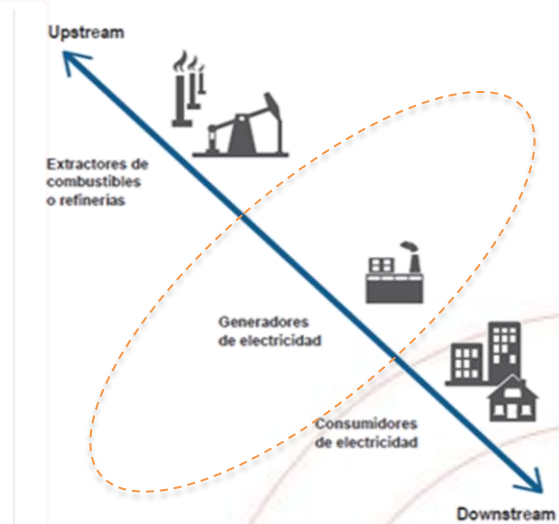
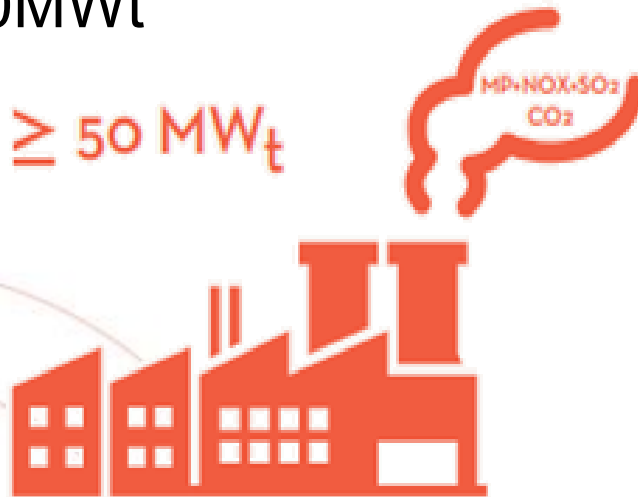
Local Pollutants (PM, SOx, NO2) -
2017



Global Pollutants (CO2) - 2017

The Chilean Carbon Tax

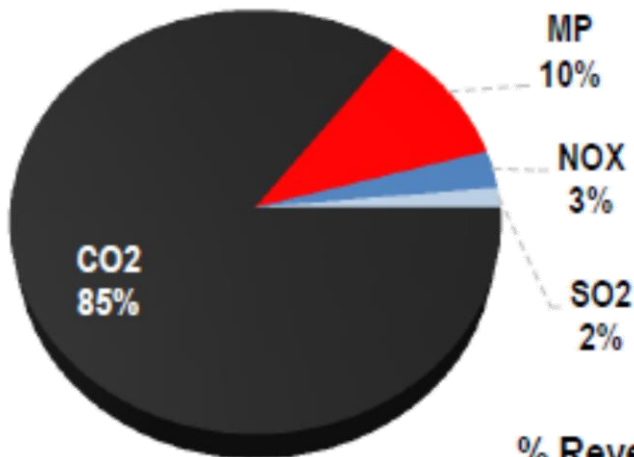
- Chilean carbon tax implemented in 2017
 - 5 US\$/MWh
 - Designed not to alter marginal costs
 - It does not modify dispatch in the short term
 - Regulated installations: Boilers or Turbines $\geq 50\text{MW}_t$



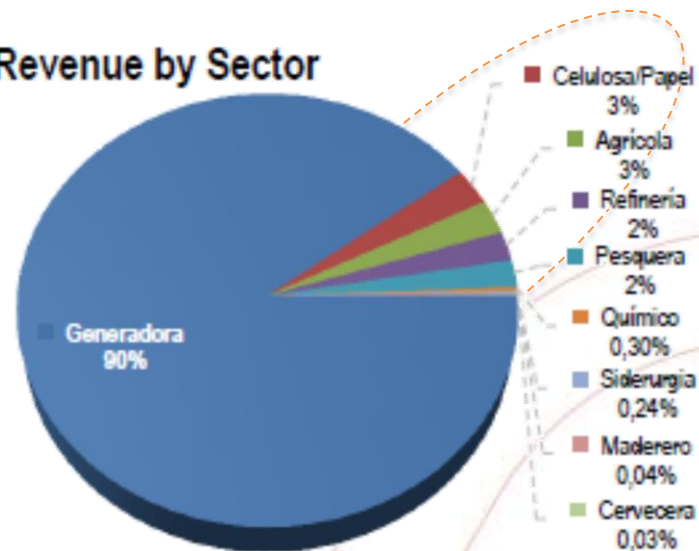
Fuente: Adaptado a partir de U.S. EPA 2003.

Initial estimated Carbon Tax revenues

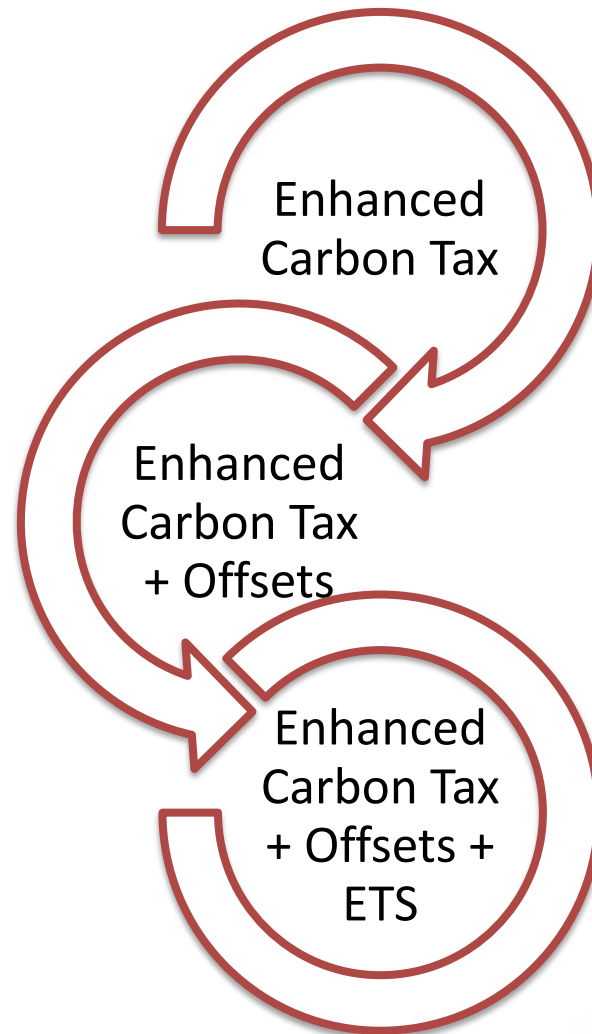
% Revenue - contaminants



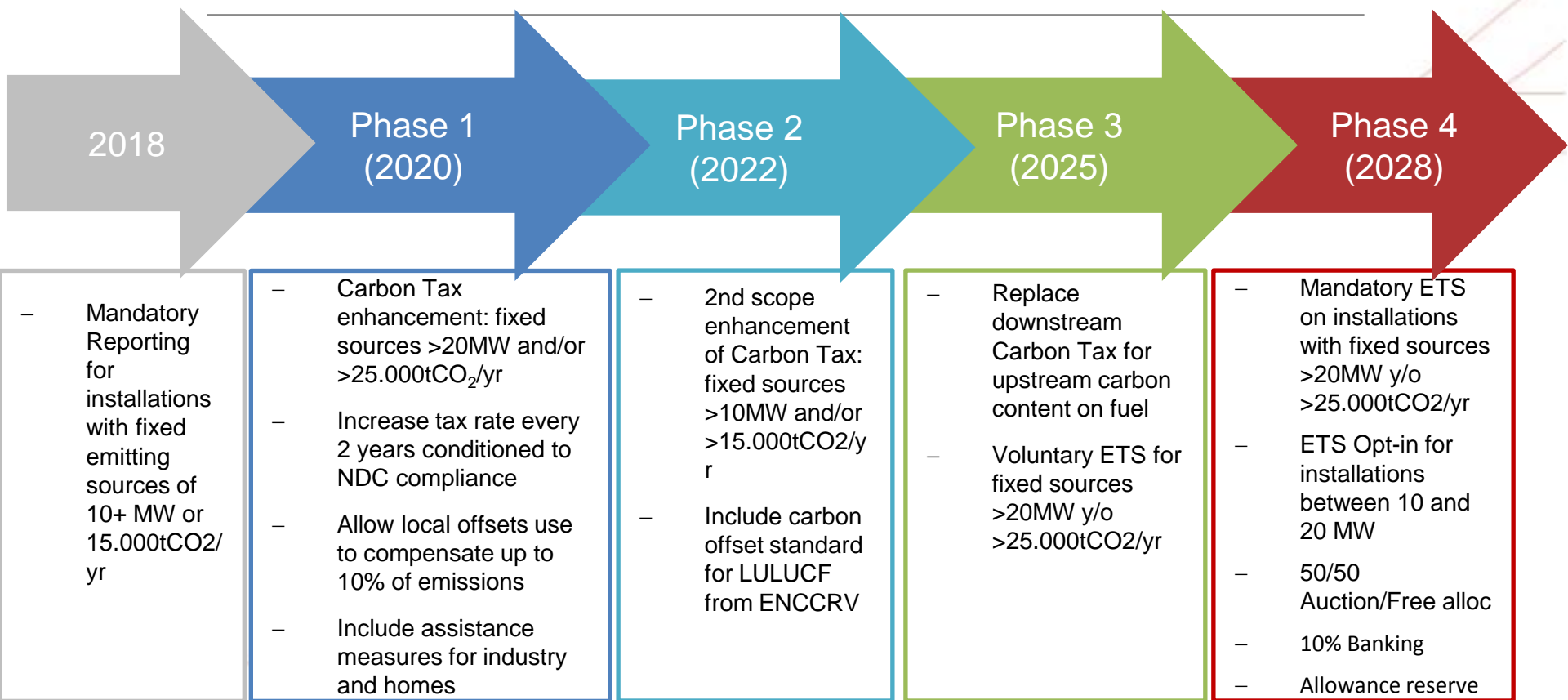
% Revenue by Sector



Development of Alternatives for CP in Chile



The road ahead – Proposed Roadmap (Draft)



Complementary measures: low-income household and vulnerable industry assistance

**FOR MORE INFORMATION, PLEASE VISIT
THE CHILEAN PMR WEBSITE AT:**

www.precioalcarbonochile.cl

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