
Americas view
The Americas

Energy in Chile
An unexpected setback

Jun 1st 2012, 20:27 by G.L. | SANTIAGO

FOR years Chile has been floundering about in search of cheap, reliable sources of fuel. Although it is the richest country in South America by many measures, it is among the poorest in energy, importing 75% of its needs in the form of fossil fuels.

Chile tried buying gas from Argentina, but its neighbour eventually reneged on its contracts. It has built two liquefied natural gas (LNG) plants, which have helped a bit, but LNG is expensive. The government has toyed with the idea of going nuclear, but last year's Japanese tsunami put paid to that idea. Importing gas from energy-rich Bolivia or Peru will not be an option until the three countries resolve their border disputes.

That leaves hydroelectricity as one of few realistic alternatives. Southern Chile's fast-flowing rivers already provide 40% of the country's electricity. The great hope for the future is HidroAysén, a plan to build five dams on two Patagonian waterways. They would generate more than 18,000 gigawatt-hours of electricity a year, around a third of current consumption. However, they would also require the flooding of 5,900 hectares (14,600 acres) of wilderness.

Environmentalists hate the project and have urged its owners, Spain's Endesa and Chile's Colbún, to rethink. On May 30th they won a small victory: Colbún said it would hold off seeking approval for a transmission line to link the proposed dams to Santiago, 1,800 km (1,100 miles) to the north. Endesa promptly called an extraordinary board meeting to discuss HidroAysén's future.

Some greens were quick to declare victory. However, Colbún said it was motivated not by

environmental concerns but rather by the government's lack of a clear energy policy. Other electricity firms agree: Rodrigo Castillo, the head of the industry association, says the country is living through a “transmission crisis” of tight supply and high costs. Although Colbún did not reveal what exactly it wanted the government to do before proceeding with the transmission line, local energy experts speculate that it is hoping to speed up the environmental approval process, and to encourage the state to take a more active role in planning electric infrastructure.

HidroAysén may never come to fruition. The project has become a political hot potato, and its costs are rising rapidly. Many Chileans would be happy to see it fail. But few can suggest viable alternatives for the country to meet its energy needs.