<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>National Context</td>
</tr>
<tr>
<td>2.</td>
<td>Low emissions development strategy</td>
</tr>
<tr>
<td>3.</td>
<td>National Climate Finance Strategy</td>
</tr>
</tbody>
</table>
Agenda

1. National Context
2. Low emissions development strategy
3. National Climate Finance Strategy
Introduction

- In the past, all countries made a mistake of discussing economic growth strategies without including climate or environmental impacts.

- Today, we must not make the same mistakes of the past, i.e. climate and environmental strategies without considering the impact on growth and development.

- One of the main pillars for low emissions development is macroeconomic balances

- National Challenges: Education and Productivity
Macroeconomic balances

- Fiscal sustainability
- Controlling Inflation
- External Balances
  - Structural Budget Balance
  - Inflation targets
  - exchange rate flexibility
Debt in countries with similar credit risk

**Gross debt**
(%, 2015)

- Japan
- Belgium
- Ireland
- France
- Israel
- Malaysia
- Slovakia
- Poland
- China
- Czech...
- Lithuania
- Taiwan
- South Korea
- Latvia
- Qatar
- Chile
- Estonia
- Saudi Arabia

Average: 51.7%

**Net debt**
(%, 2015)

- France
- Ireland
- Belgium
- Israel
- South Korea
- Taiwan
- Latvia
- Poland
- Lithuania
- Estonia
- Chile
- Saudi Arabia

Average: 34.1%

Note: Countries with credit risk between A- y AA.
Current account adjustment

Current Account (% of GDP)

Source: Central Banks of each country.
Macroeconomic stability has helped to achieve favorable financial conditions

**Sovereign Spread**
(basis points)

Chile has one of the lowest levels of sovereign Spread, allowing both the government and local companies borrow at low costs.

Source: Central Bank of Chile.
National Challenges: Education

Students lacking basic skills (%)

- OCDE: 21.3
- Chile: 45.3

Certified teachers (%)

- Chile
- Mexico
- OECD average
- Finland
- Germany
- United States
- New Zealand
- Australia
- Spain

Source: OECD 2015 “Universal Basic Skills: What Countries Stand to Gain”
# National Challenges: Education

## Educational Reform Investment

<table>
<thead>
<tr>
<th>Reforms</th>
<th>2016</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-School education</td>
<td>0.13%</td>
<td>0.23%*</td>
</tr>
<tr>
<td>Primary and secondary education</td>
<td>0.33%</td>
<td>0.56%</td>
</tr>
<tr>
<td>Tertiary education</td>
<td>0.13%</td>
<td>TBA</td>
</tr>
<tr>
<td>Teachers Carreer</td>
<td>0.11%</td>
<td>0.77%*</td>
</tr>
</tbody>
</table>

(*) (% GDP) Estimation conditional on triggers.

Source: Budget Office
National Challenges: Boosting Productivity, opportunities for low-carbon development

Opportunity

Opportunity

Opportunity

Opportunity

Opportunity

Opportunity

Opportunity

Opportunity

Opportunity

Opportunity

Opportunity

Opportunity

Opportunity
South Korea: Successful results of following this strategy (Education, productivity, innovation) in the past

GDP per capita in Chile and South Korea

Goal: achieving a more diversified and less focused on the extraction of natural resources productive matrix.

Agenda

1. National Context
2. Low emissions development strategy
3. National Climate Finance Strategy
Some Successful experiences

- Governance/ institutionality of climate change
- Intended Nationally Determined Contribution
- Boosting competition
- New instruments: green tax
Governance/institutionality

Council of Ministers for Sustainability

Climate Change Focal Points in each ministry

Interministerial coordination to develop action plans to Climate Change

New Sustainable Growth Area of Ministry of Finance
Ministry of finance like National Designated Authority of Green Climate Fund
Intended Nationally Determined Contribution: 5 pillars

- Mitigation
- Adaptation
- Capacity Building
- Technology Transfer
- Finance
Boosting competition: energy sector

The government has reduced regulatory barriers to non-conventional renewable energy.

- **Energy Agenda: renewable energy and energy efficiency goals**
- **Power supply auctions**
- **Electrical transmission law**
- **Distributed generation**
Boosting competition: energy sector

Private Investment
(US$ millions)

Increased investment in non-conventional renewable energy

Source: Corporación Bienes de Capital (CBC), March 2016,
New instruments: green tax (tax reform 2014)

- Import tax on diesel vehicles
- Tax local pollutants emissions (MP, SO2, Nox)
- Tax global pollutant emissions (US$5/ton Co2)
Agenda

1. National Context
2. Low emissions development strategy
3. National Climate Finance Strategy
Two work streams to address systematic issues and specific measures

“Greening” the financial system: Long-term, systematic measures to level the playing field for climate-compatible investment

*What policy changes in banking, capital markets, insurance and institutional investment can increase capital flows to mitigation and adaptation?*

Direct interventions: Developing a strategy to finance programs in support of INDC

*E.g., What specific measures and financing options can help Chile meet 2025 target of 45% installed capacity from non-conventional renewables?*
Phases of work: technical assessments

“Greening” the financial sector

I. Scope
- Benchmark the financial system
  - Evaluate financial regulations and standards, fiscal and monetary policies

II. Analyze
- Systematic gaps
  - Assess against international best-practices

III. Identify options
- Policy and financing options
  - Flesh out measures and sources of support

Direct interventions

I. Scope
- Priority measures in key sectors
  - Identify near-term measures

II. Analyze
- Barriers in target sectors
  - Assess policy and investment environment

III. Identify options
- Policy and financing options
  - Flesh out measures and sources of support

"Greening" the financial sector
Phases of work: technical assessments

**I. Scope**
- Benchmark the financial system
  - Cost and availability of finance

**II. Analyze**
- Systematic gaps
  - Understand real and perceived risks facing banking sector

**III. Identify options**
- Policy and financing options
  - Blended finance instruments, priority sector lending

**“Greening” the financial sector**

**Direct interventions**
- Priority measures in key sectors
  - Installed capacity from non-conventional renewables

**Barriers in target sectors**
- Lack of grid infrastructure and transmission
- Lack of familiarity with technology

**Policy and financing options**
- Incentives for private sector grid investment
- Performance guarantees
Phases of work: Integrating work stream findings into an overall framework

IV. Recommendations

Integrated recommendations that address both systematic issues and specific financing measures

Institutional arrangements for implementation

Effective use of domestic public finance and international public support

V. Publication

- Publish final Strategy
Project stakeholders

Project leads: Ministry of Finance and Ministry of Environment

Strategic advisors: Task Force or Steering Group
  • Government Agencies, stakeholders from economic and financial sectors, multilateral institutions

Technical lead: Center for Clean Air Policy
Support requested

International support requested for:

- Quantitative and qualitative research and analyses
- Contracted studies as needed
- Workshops and face-to-face interviews with academics and experts
- Consultations with Government of Chile and other stakeholders

Goal is to publish National Climate Strategy by 2018

<table>
<thead>
<tr>
<th>Phase</th>
<th>Activity</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase I</td>
<td>Scoping of systematic and specific issues</td>
<td>3-5 months</td>
</tr>
<tr>
<td>Phase II&amp;III</td>
<td>Analysis and identification of options</td>
<td>6-8 months</td>
</tr>
<tr>
<td>Phase IV</td>
<td>Recommendations</td>
<td>3-5 months</td>
</tr>
<tr>
<td>Phase V</td>
<td>Publish strategy</td>
<td>1 month</td>
</tr>
</tbody>
</table>