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Ministry of Finance

NATIONAL CLIMATE FINANCE STRATEGY



Climate Finance Forum
Center for Clean Air Policy (CCAP)

May 20, 2016. Bonn, Germany



Table

1. National Context

2. Low emissions development strategy

3. National Climate Finance Strategy



Agenda

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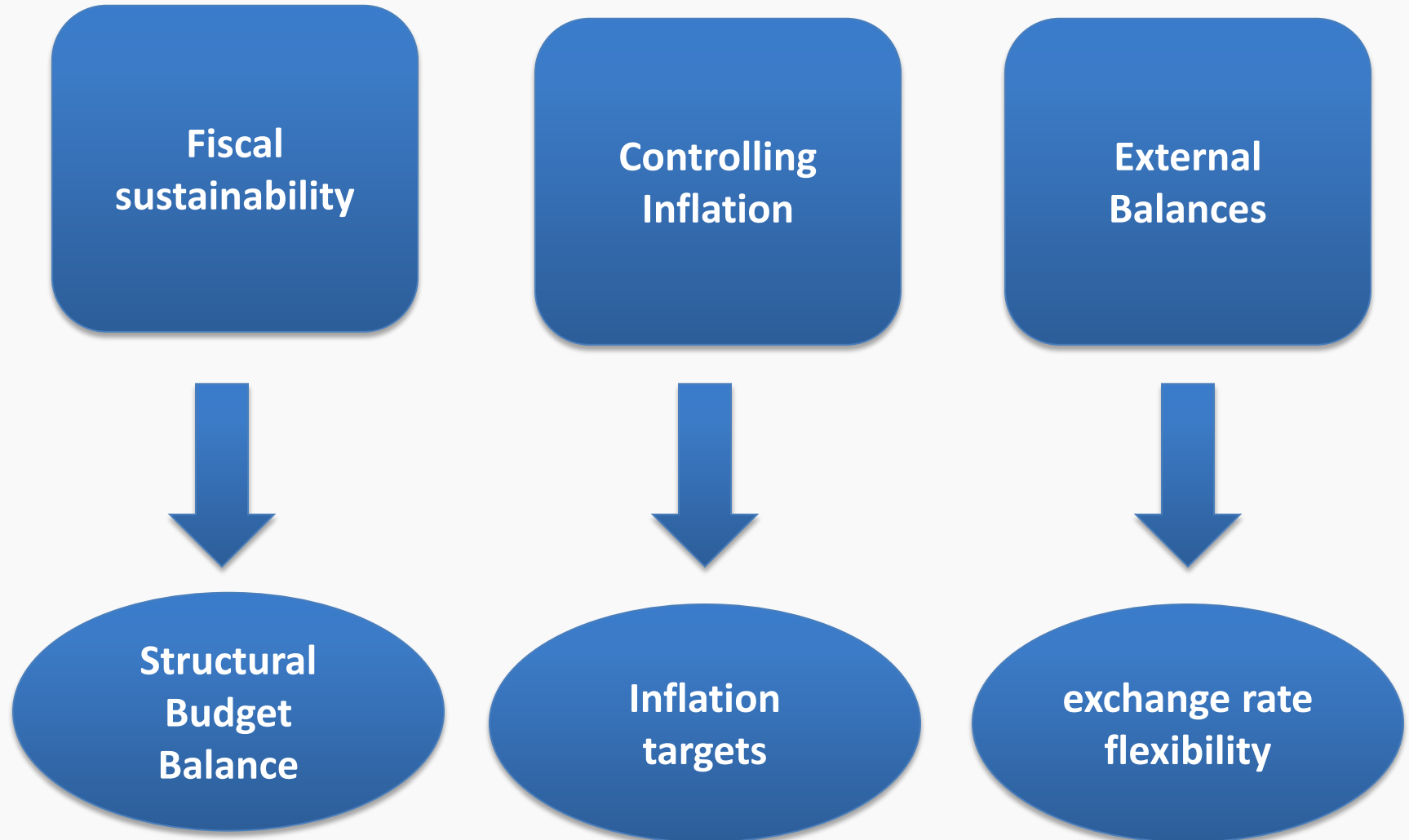


Introduction

- ❖ 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



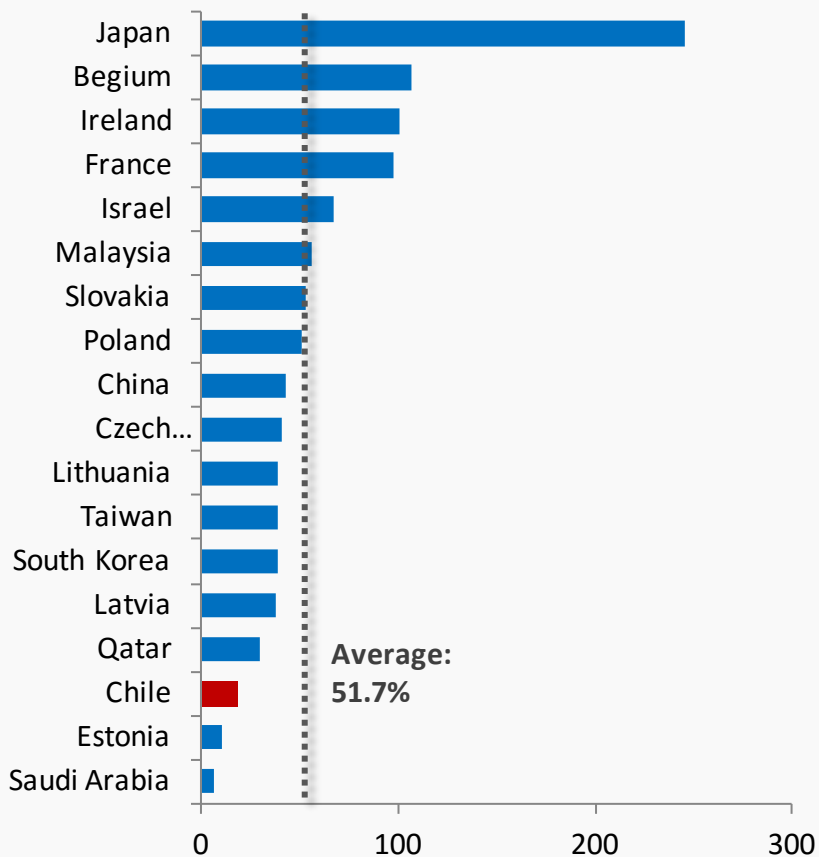
Macroeconomic balances



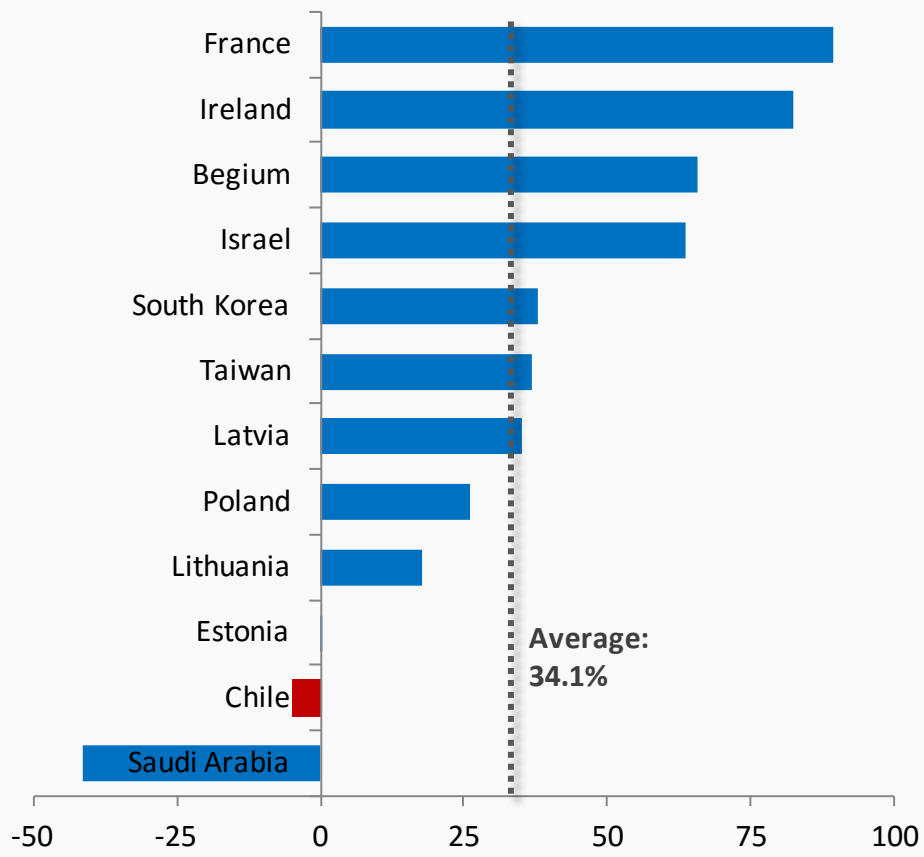


Debt in countries with similar credit risk

Gross debt
(%, 2015)



Net debt
(%, 2015)



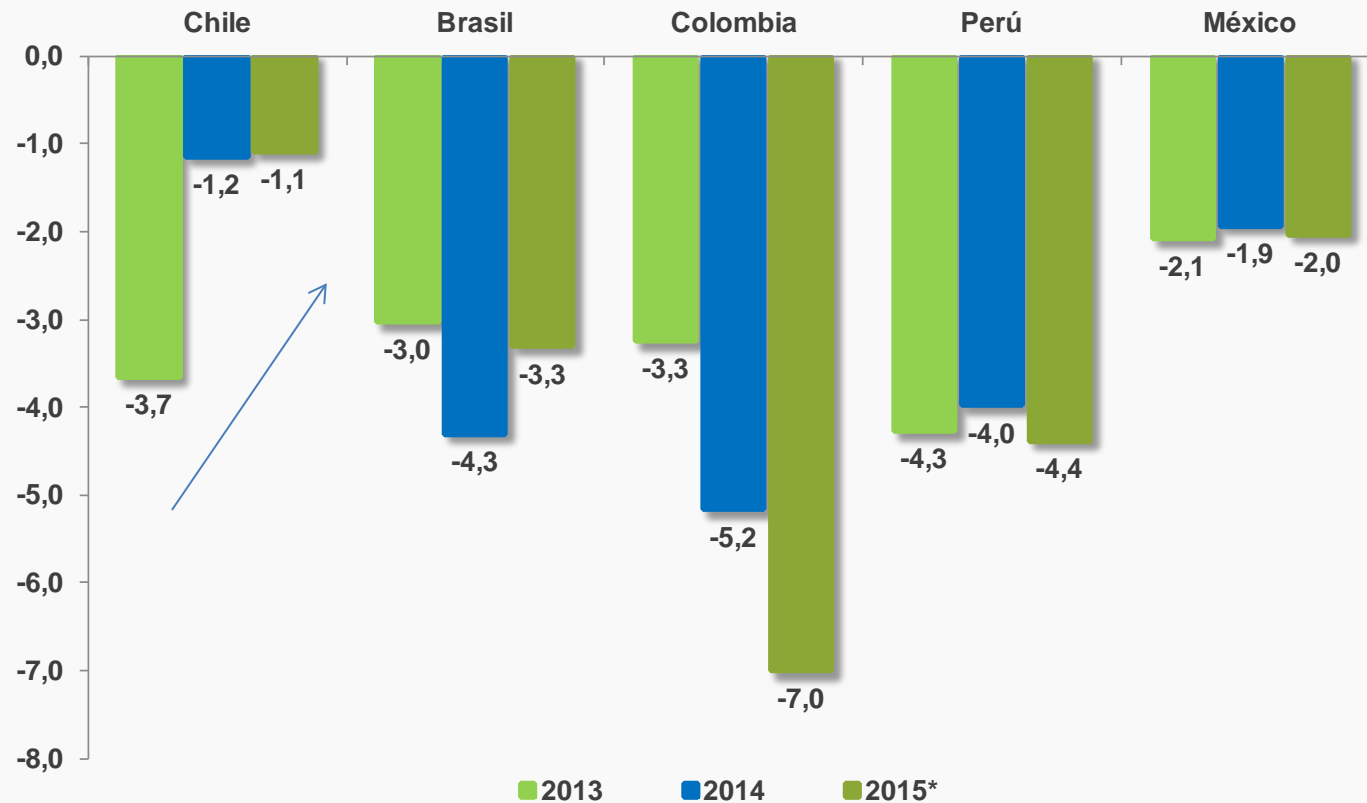
Note: Countries with credit risk between A- y AA.

Source: S&P, Moody's, Fitch. FMI, World Economic Outlook (WEO), October 2015.



Current account adjustment

Current Account (% of GDP)



Source: Central Banks of each country.

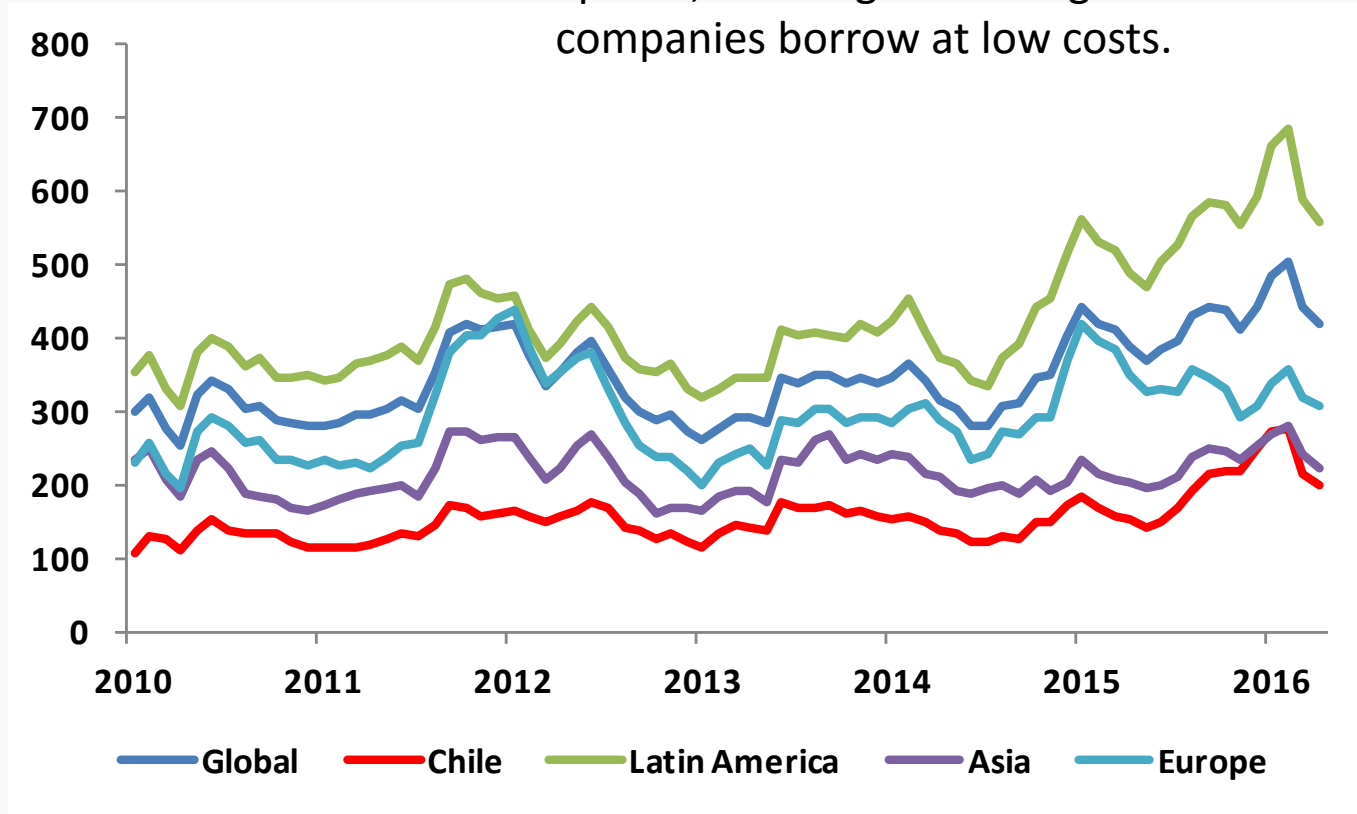


Macroeconomic stability has helped to achieve favorable financial conditions

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.

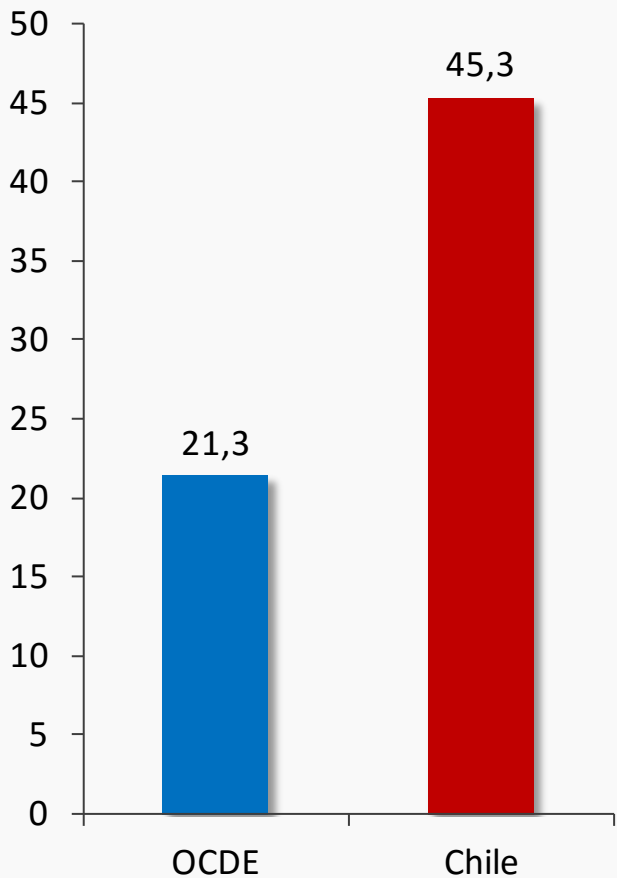


Source: Central Bank of Chile.

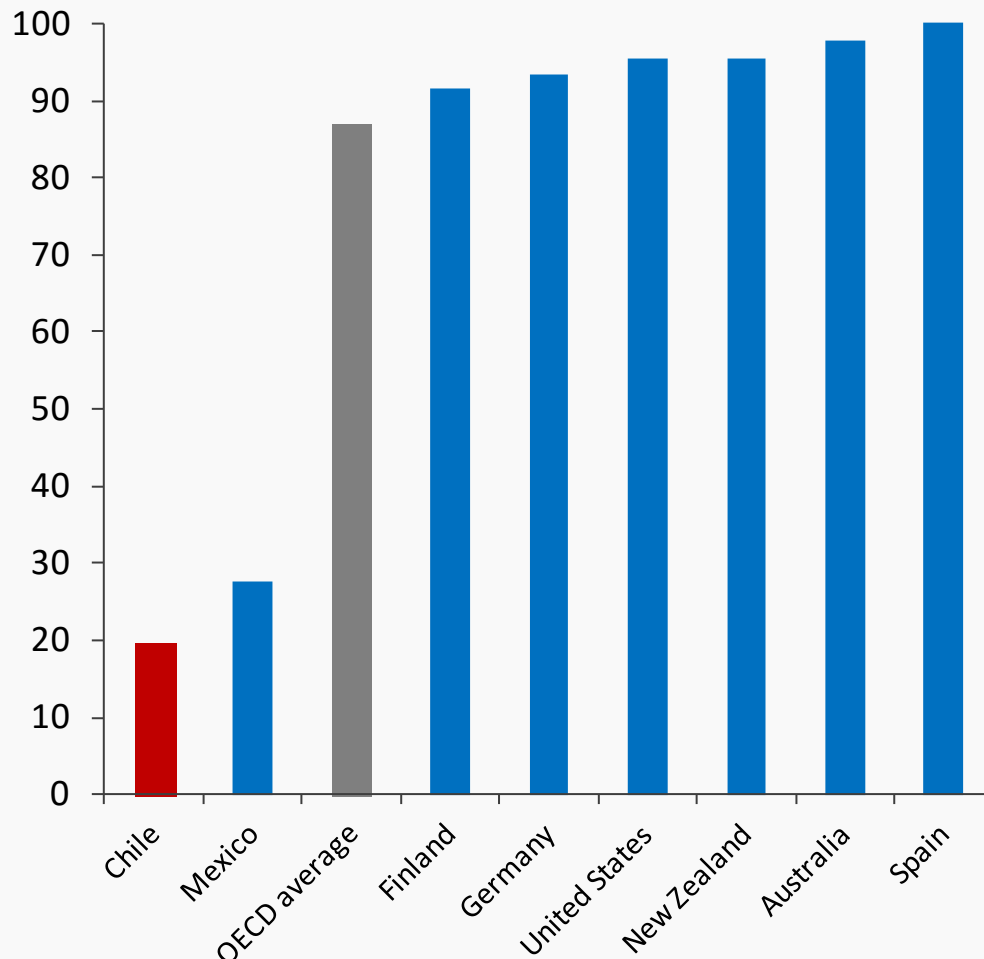


National Challenges: Education

Students lacking basic skills
(%)



Certified teachers
(%)



Source: OECD 2015 "Universal Basic Skills: What Countries Stand to Gain"



National Challenges: Education

Educational Reform Investment

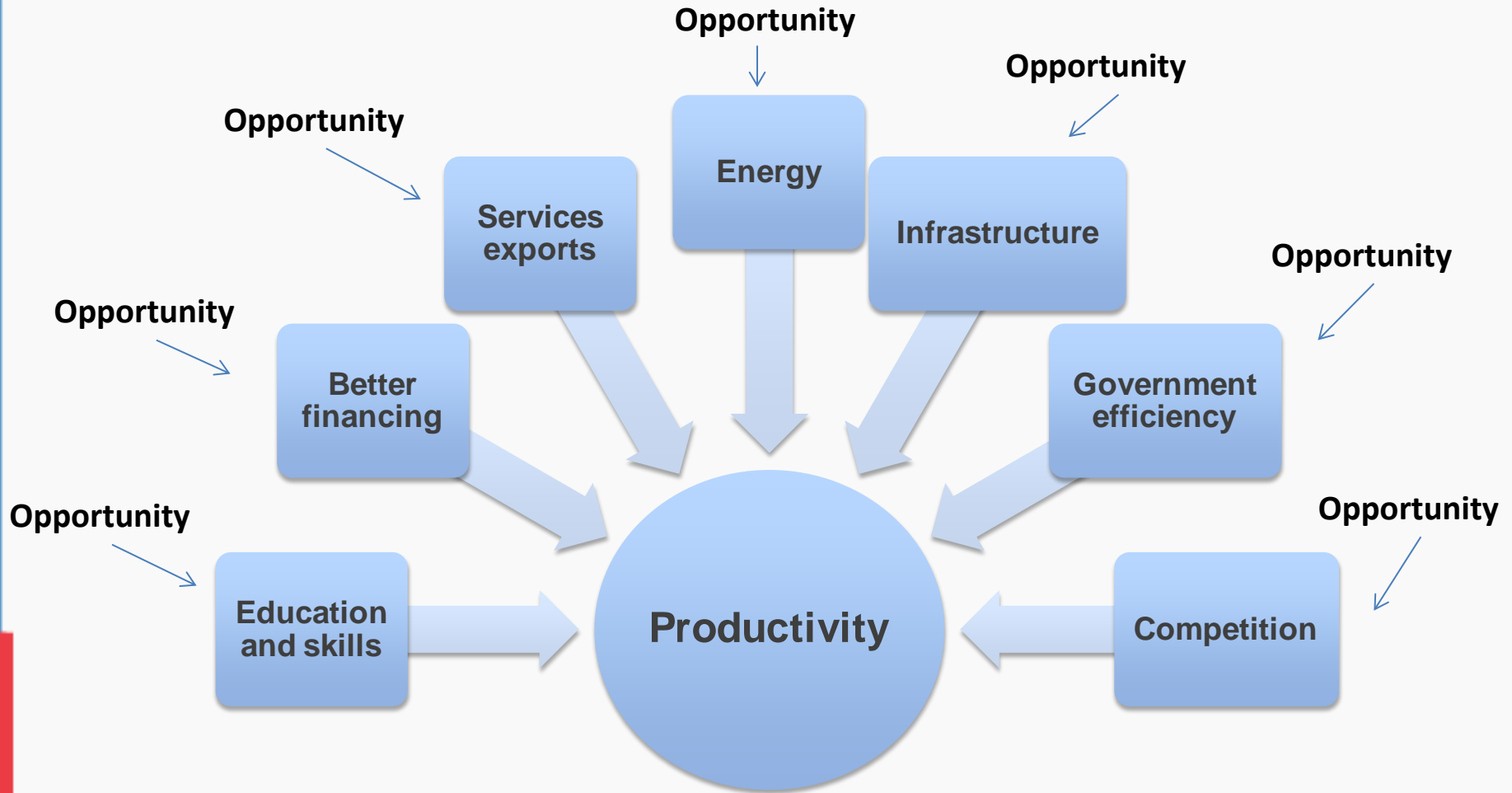
Reforms	2016	2025
Pre-School education	0,13%	0,23%*
Primary and secondary education	0,33%	0,56%
Terciary education	0,13%	TBA
Teachers Carreer	0,11%	0,77%*

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

Source: Budget Office



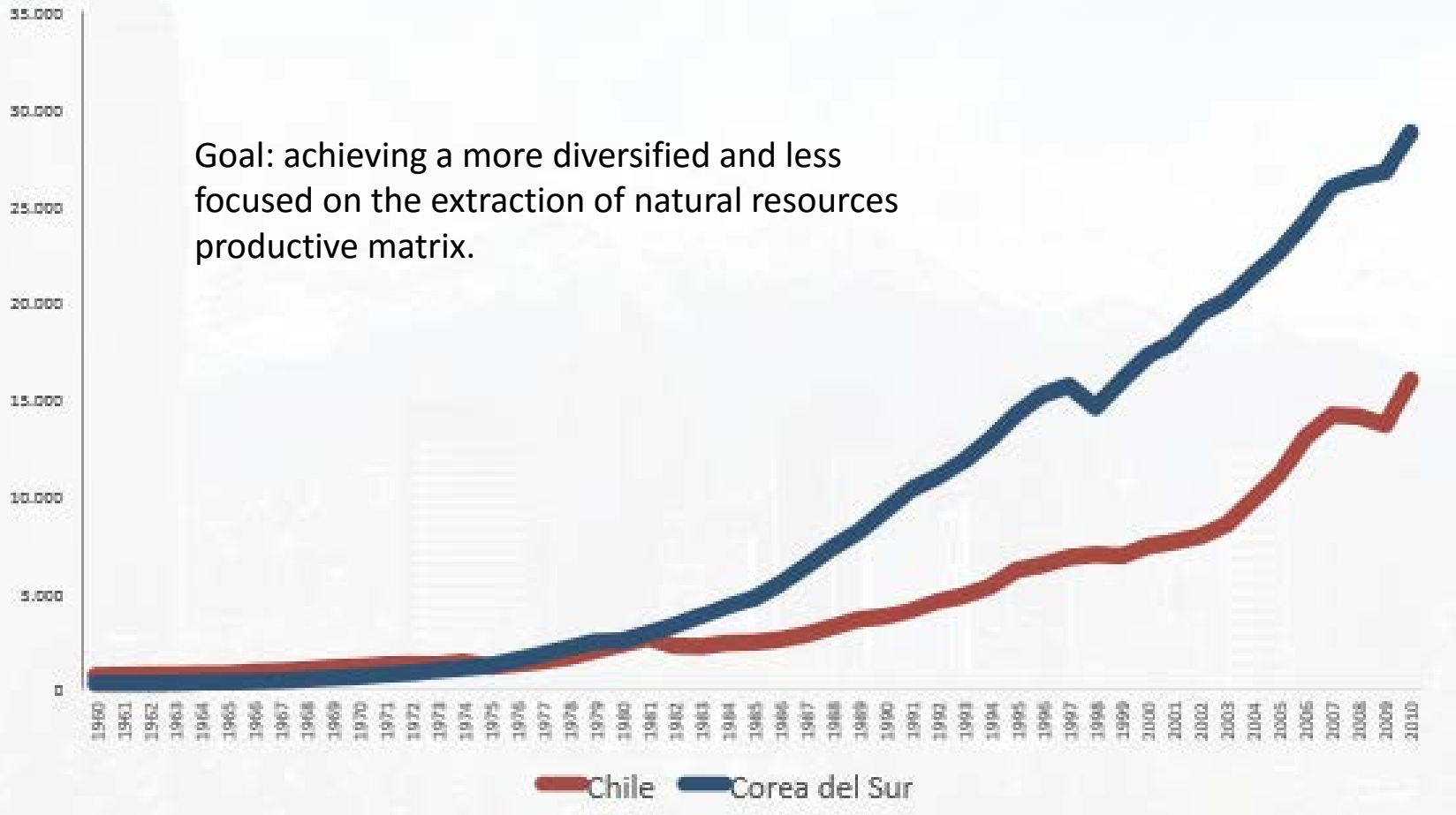
National Challenges: Boosting Productivity, opportunities for low-carbon development





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

GDP per capita in Chile and South Korea



Source: Eduardo Fernández Arias (2014).



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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

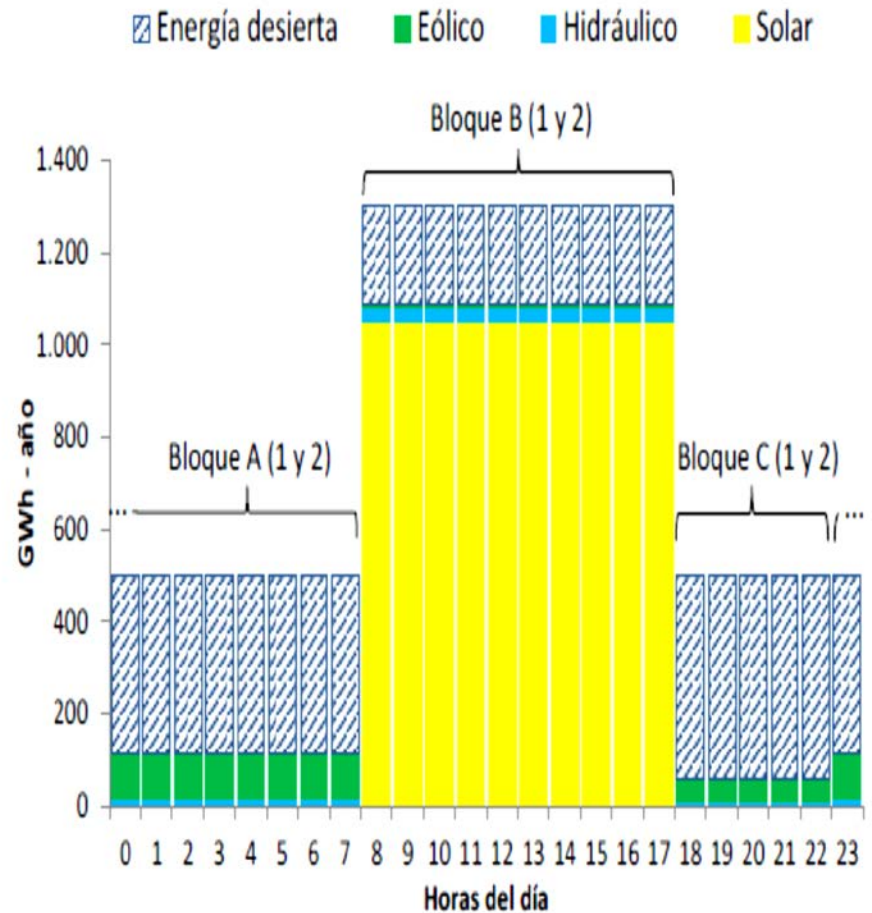
The government has reduced regulatory barriers to non-conventional renewable energy

Energy Agenda: renewable energy and energy efficiency goals

Power supply auctions

Electrical transmission law

Distributed generation

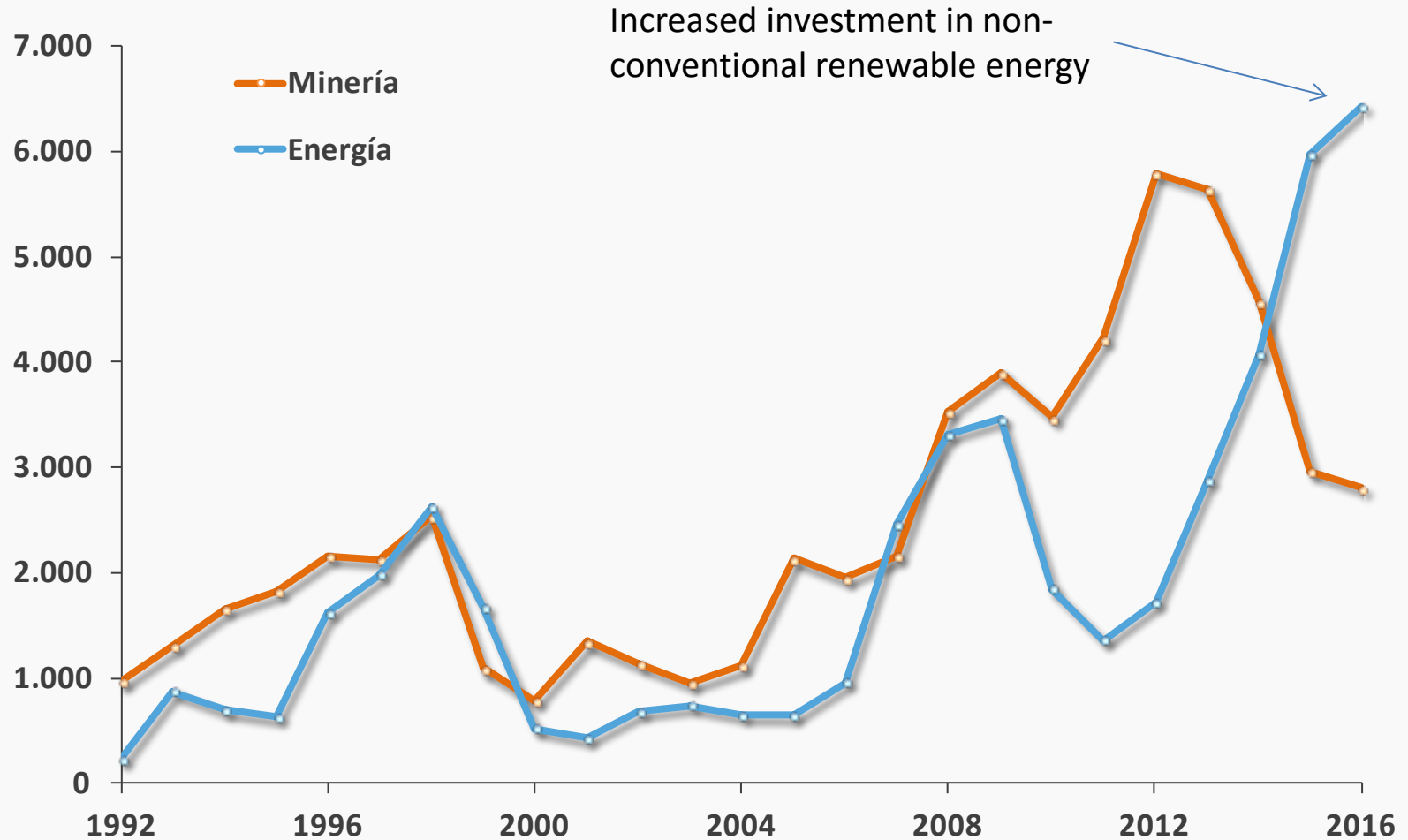




Boosting competition: energy sector

Private Investment

(US\$ millions)



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)



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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

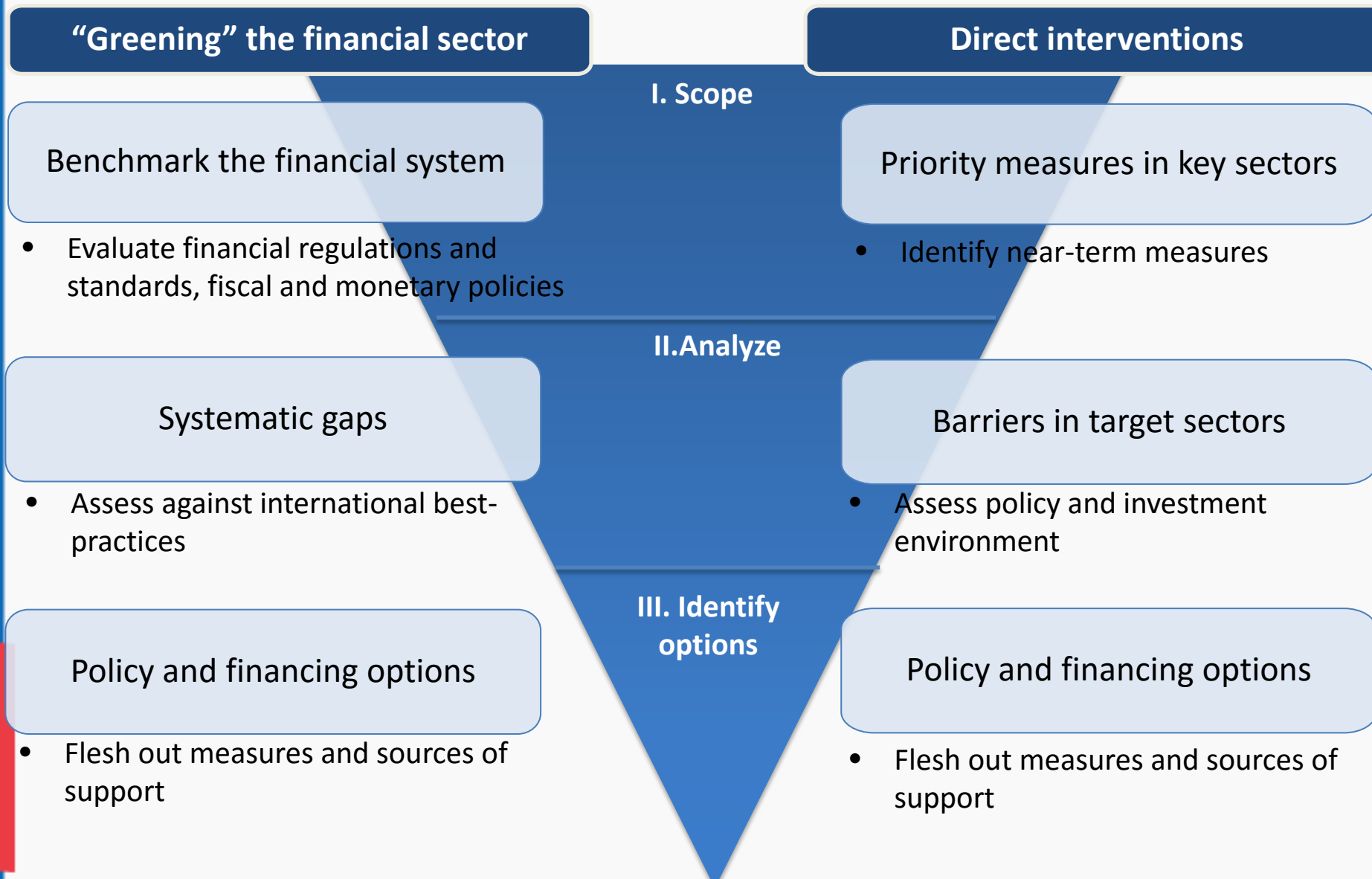
What policy changes in banking, capital markets, insurance and institutional investment can increase capital flows to mitigation and adaptation?

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?

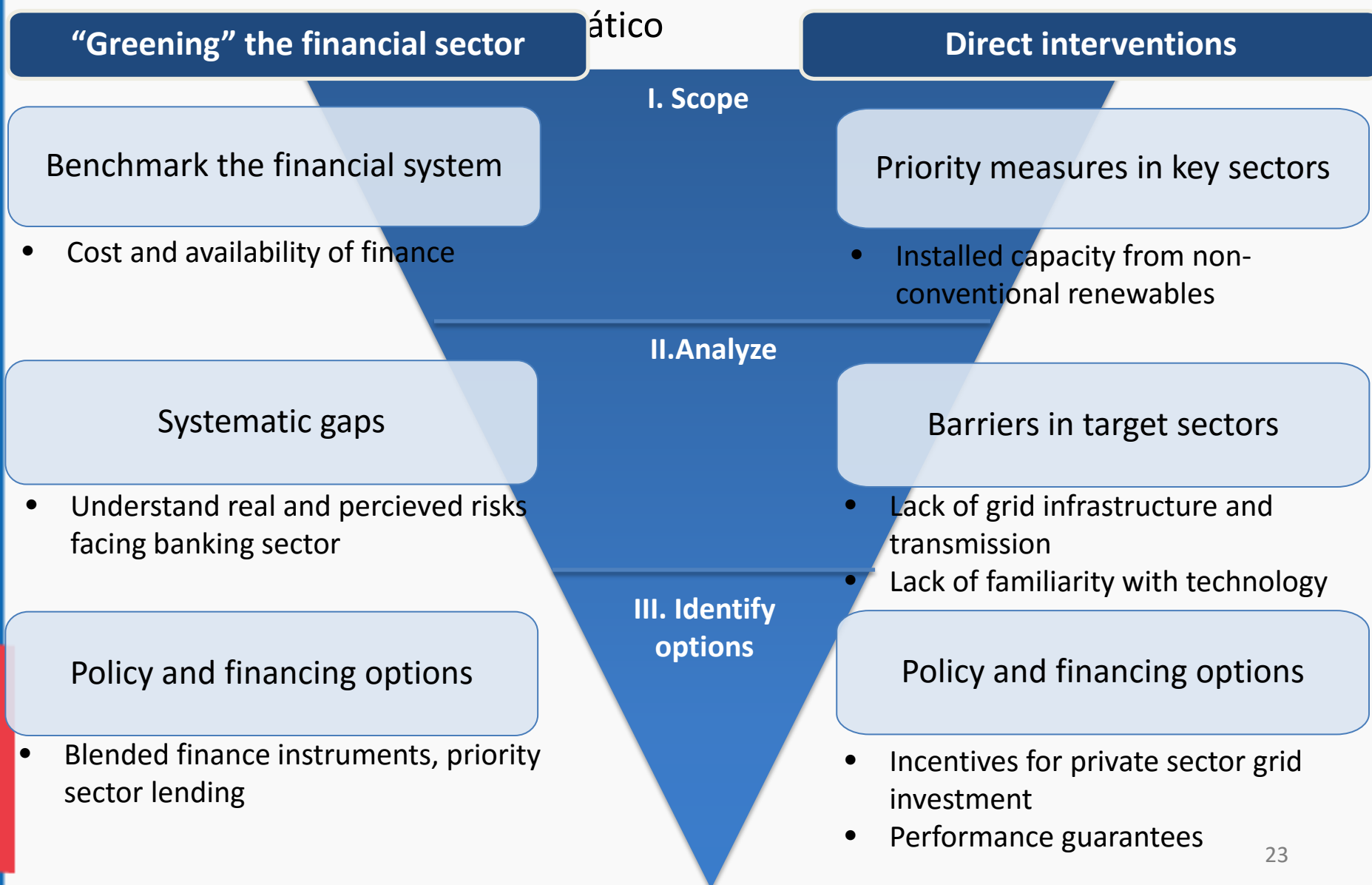


Phases of work: technical assessments





Phases of work: technical assessments





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

Phase I	Scoping of systematic and specific issues	3-5 months
Phase II&III	Analysis and identification of options	6-8 months
Phase IV	Recommendations	3-5 months
Phase V	Publish strategy	1 month



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