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# Chile economy minister signals key role for foreign investment in green push

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Chile’s economy minister, Nicolás Grau, said foreign investment is positioned to play a central role in helping the country achieve a [rapid green](#) transition.

The new left-leaning government – which took office this month – has a strong environmental focus.

Greening the economy will require striking agreements and “rapid investment into new sectors,” said Grau during an investment conference hosted by Fundación Chilena del Pacífico, a public-private organization tasked with supporting Chile’s economic insertion into the Pacific basin.

“To state things in a simpler way, the new objectives put forward in Chile are clearly going to constitute business opportunities from the perspective of a foreign investor and we’re going to try to be very clear about what are the areas where this could bear fruit,” Grau said.

Foreign investment “will continue to play an important role and probably more important than before because, as mentioned at the beginning, the transition toward a green economy requires, above all, quickly mobilizing resources, and foreign investment is an excellent motor to move in this direction.”

Chile was already advancing along the green highway, which Grau acknowledged. The previous government got a climate change bill onto the statute books, worked on long-term plans for the decarbonization of the economy and devised a [green hydrogen](#) strategy. With a growing fleet of [renewable energy plants](#), Chile is aiming to achieve net zero [carbon emissions](#) by 2050.

“What is now needed to complement this is a common economic strategy, assimilated by the different actors, both internal and external, that allows us to move in that direction,” Grau said. “The objectives are well established,” he added, saying that various [instruments](#), in particular financial instruments, needed developing.

Foreign direct investment climbed 72% year-on-year in January-November 2021 to almost US\$16bn. Mining, finance and energy account for the biggest chunk of outlay, while last year the main investors were China, the US and Canada. The country, however, has seen an uptick in the outflow of local capital since the social protests of 2019 as investors adjust portfolios.

Objectives of the economy ministry – not to be confused with the finance ministry – include building a long-term country development blueprint, supporting public-private dialogue and cooperation, and reducing uncertainty, Grau said.

He said government plans also include "using multilateral spaces" to "be able to improve and modernize” Chile’s [trade agreements](#).

A draft of a planned [tax reform](#), expected to be [presented](#) in June, does not propose tax hikes for business or foreign investors, but will rather focus on boosting revenue from wealthy individuals, he said.

Following the election of President [Gabriel Boric](#) – who took office on March 11 – political risk on the government front has ticked down, with the major source today being a process to rewrite the [constitution](#).

In the energy sector, investment appetite has been spurred by plans to [retire coal-fired power stations](#) by 2040 at the latest and replace capacity with the likes of solar, wind and battery storage solutions.

Hydroelectricity developers are also eyeing opportunities. This week a unit of Canada’s [Innergex](#) submitted for environmental evaluation a [US\\$420mn run-of-the-river project](#). In project documents, Inversiones San Carlos cited Chile’s commitment to retire some thermoelectric power stations and the need for solutions that mitigate the intermittency of wind and power generation.

Chile’s installed capacity of 32GW – taking into account both operating plants and those in the testing phase – comprises around 42% thermoelectric, 37% non-conventional renewable energy and 21% large-scale hydroelectric.

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