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IG:GRD
Iniciativa Global de Gestión del Riesgo de Desastres

INTEGRATING CLIAMTE CHANGE INTO PUBLIC INVESTMENT IN CHILE

KEY FACTS ON CHILE

- Chile has set itself the goal of becoming a low-carbon economy.
- Chile has estimated the **social cost of carbon (SCC) since 2011.**
- Since **2018**, Chile has been using the Energy Efficiency and Social Costs of Building Projects **(ECSE)** software tool to promote energy efficiency in public building projects.
- Sector-specific methodologies for the social evaluation of projects **(SEP)** are in use in the country.
- As part of the **SEP**, the impacts of Greenhouse Gas **(GHGs)** are identified, quantified, and valued.
- In **2019**, Law 20530 established the Ministry of Social Development and Family **(MDS)** which is tasked with evaluating the investment initiatives seeking government funding.
- In **2021**, Chile Long-Term Climate Strategy **2050** was adopted.
- In **2022**, the Framework Law on Climate Change **(Law No. 21455)** was published.

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ORGANIC **DECREE LAW (1263)** ON THE FINANCIAL ADMINISTRATION OF THE STATE ESTABLISHES CHILE'S FINANCIAL ADMINISTRATION SYSTEM.

THE ENTITIES THAT MAKE UP THE NATIONAL PUBLIC ADMINISTRATION HAVE THE FOLLOWING FUNCTIONS:

- **Identify, formulate, and evaluate investment projects.**
- **Update the project inventory.**
- **Carry out physical and financial checks on projects.**
- **Conduct ex-Post evaluations and exchange information with the Division of Social Investment Evaluation and the Budget Office.**

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FOUR PILLARS UNDERPIN THE INCORPORATION OF CLIMATE CHANGE CONSIDERATIONS INTO PUBLIC INVESTMENT:

- **Mitigation of (GHGs)**
- **Mitigation of black carbon (BC), PM2.5, and PM10**
- **Climate change adaptation (CCA) and disaster risk reduction (DRR)**
- **Integration, circular economy, land use and forestry, ecosystems (restoration, protection)**

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IMPLEMENTING THE METHODOLOGY FOR INTEGRATING CLIMATE CHANGE CONSIDERATIONS INTO PUBLIC INVESTMENT PROJECTS INVOLVES **THREE STEPS:**

STEP 1. Identify the potential effects of **GHG** emissions according to the situation current to the project evaluation.

Step 2. As part of the **SEP**, quantify the **GHG** emissions in detail according to the current situation and the proposed alternatives.

*- The quantification is based on the differential of **GHG** emissions between the current situation and the situation in with the project occurs.*

Step 3. Incorporate in the streams of benefits the savings achieved through the lower **GHG** emissions as influenced by the **SCC**.

SECTORAL METHODOLOGIES FOR INCORPORATING CLIMATE CHANGE CONSIDERATIONS INTO PUBLIC INVESTMENT.

Chile's National Investment System (SNI) incorporates the quantification of externalities associated with GHGs through methodologies for the social evaluation of projects:

- ***Methodology for the formulation and social evaluation of projects involving the management or handling of household solid waste and similar waste.***
- ***Methodological instructions for incorporating pollutant emissions into the social evaluation of urban road transport projects.***
- ***Methodology for the formulation and social evaluation of projects for the supply of sanitary hot water to public facilities.***
- ***Methodology for the formulation and social evaluation of projects for the supply of sanitary hot water to households.***
- ***ECSE software and manual.***
- ***Methodology for the evaluation of investment portfolios for the neighborhood recovery programme – "Quiero Mi Barrio" (I Love My Neighborhood). The SNIP is currently developing methodologies for including climate change adaptation through investment portfolios.***

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PROGRESS ON CLIMATE CHANGE MITIGATION IN PUBLIC INVESTMENT IN CHILE

- **2015** Completion of the study to evaluate the social profitability of the incorporation of **Energy Efficiency in Public Buildings**, **ECSE** software.
- **2017** Development of the **Methodology for Formulating and Evaluating Interurban Transport projects**.
- **2018** Formalisation of the **Sectoral Information Requirements** applying to energy efficiency analysis in public buildings.
- **2018 -2021** Application of the **SCC** in studies. This has shown that having an **SCC** enables changes in CO2 emissions to be estimated for public infrastructure projects such as public buildings, roads, airports, rural drinking water supply, freight and passenger railways, etc.
- **2019** Development of the Zero Emissions National Stadium Project and the **Methodology for the Preparation and Social** Evaluation of Sanitary Hot Water Projects for Public Buildings and Domestic Settings.
- **2022** Publication of the Investment Portfolio Methodology of the **"Quiero mi Barrio"** Programme and the Methodology for the Comprehensive Management of Household and Similar Waste.

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In 2011 the **MDS** estimated the SCC to be **4.05** USD/tCO2

In 2016 the SCC was revised up to **8.45** USD/tCO2

In 2017 the SCC was estimated to range from **20** to **43** USD/tCO2 with an average of **32.5** USD/tCO2

CHILE

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