INTEGRATING CLIMATE 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.

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.

PROGRESS ON CLIMATE CHANGE MITIGATION IN PUBLIC INVESTMENT IN CHILE

- In 2011, the MDS estimated the SCC to be 4.05 USD/tCO2.
- In 2016, the SCC was revised up to 6.45 USD/tCO2.
- In 2017, the SCC was estimated to range from 20 to 43 USD/tCO2 with an average of 32.5 USD/tCO2.

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)

ORGANIC DEGREE 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.