

REGULATORY FRAMEWORK FOR GEOTHERMAL ENERGY IN CHILE

Rodrigo Godoy Ibañez
Lawyer
Ministry of Energy



Agenda

Present situation of Geothermal Energy Licences in Chile

- ❖ Licence Registry
- ❖ Division by company
- ❖ Geographical Location

Regulatory Framework for Geothermal Energy

- ❖ Statute No. 19657, basic concepts and important milestones in the licence procedure
- ❖ New Regulation Supreme Decree No. 114 of 2012, principal amendments
- ❖ Statute No. 20698 (20/25)

Present situation of Geothermal Energy licences

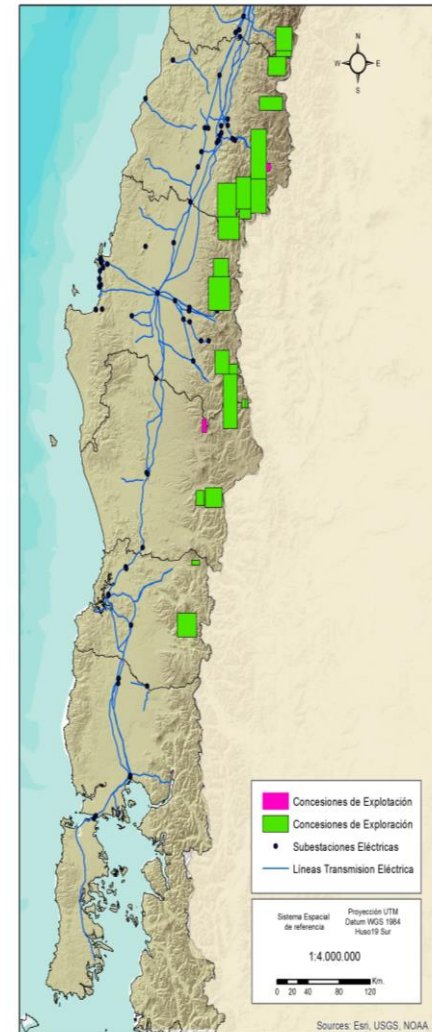
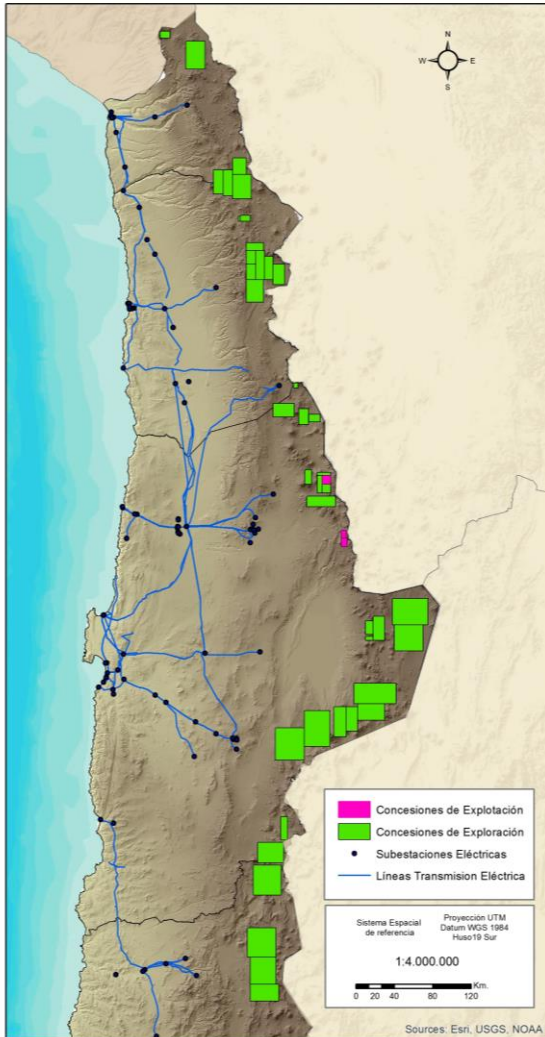
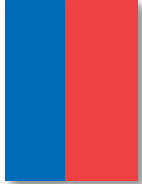


Current Exploration licences	48
Expired Exploration licences with exclusive rights	30
Current Exploitation licences	8
Exploration applications being processed	68
Exploitation applications being processed	6

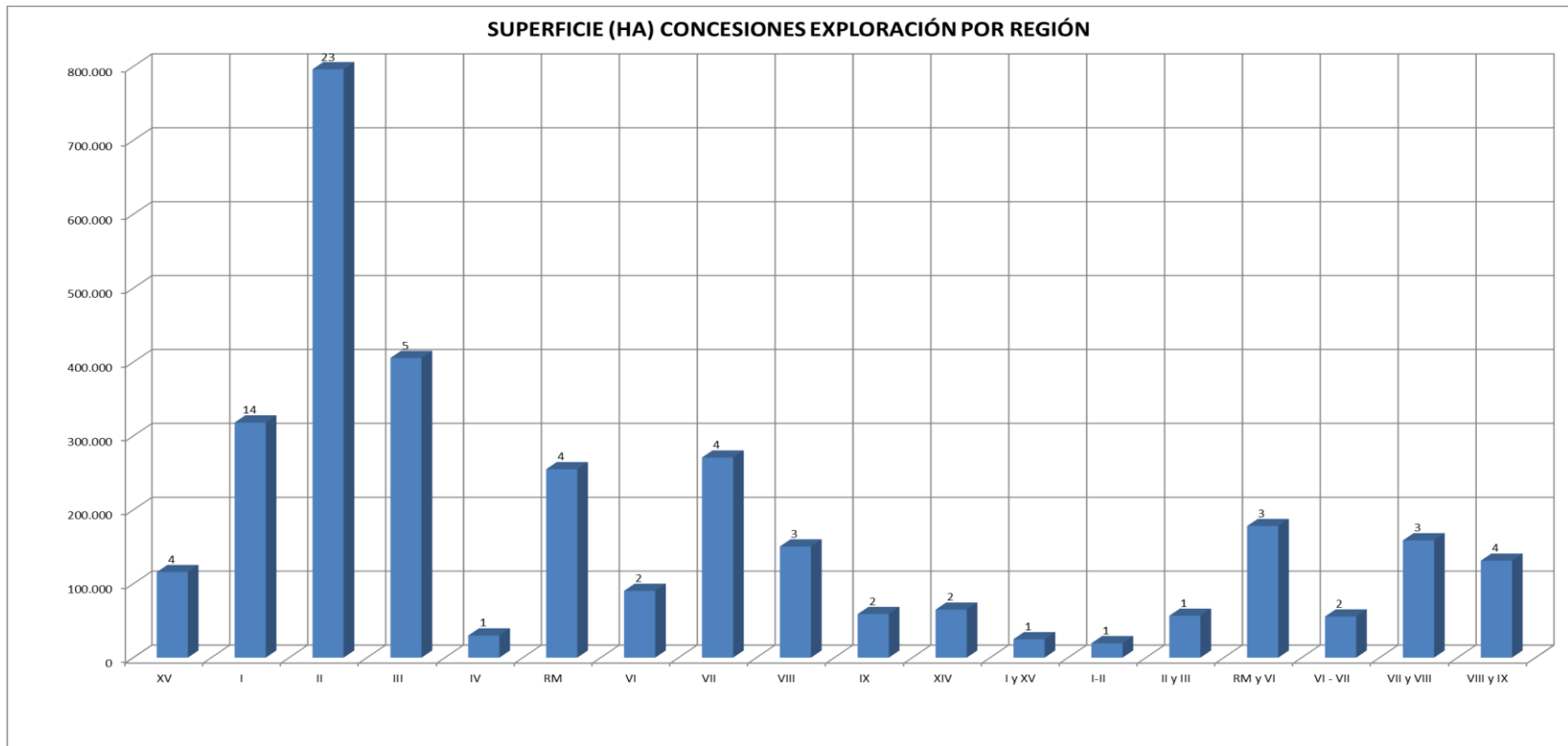




Present situation of Geothermal Energy licences



Present situation of Geothermal Energy licences





Regulatory Framework for Geothermal Energy

- ❖ **2000**: Enactment of the Geothermal Licences Act, Statute No. 19657
- ❖ **2004**: Supreme Decree No. 32 of 2004, adopting the Regulations of the Geothermal Licences Act, Statute No. 19657
- ❖ **2009**: Statute No. 20402, creating the Ministry of Energy
- ❖ **2012**: New Regulation to implement Statute No. 19657. Supreme Decree No. 114 of 2012
- ❖ **2013**: Approval of Statute No. 20698 (20/25)



Regulatory Framework for Geothermal Energy

Statute No. 19657 on Geothermal Energy Licences

The legal system applicable to geothermal energy is based on three fundamental elements:

- ❖ **Public ownership** of geothermal energy (a State resource).
- ❖ Recognition of a **legal title** that allows the holder to use public property (exploration or exploitation licence).
- ❖ Recognition of the legal title (rights) stems from an **administrative procedure**. (Decree granting licence)

Geothermal energy may only be explored for or exploited with an appropriate legal title: **a licence**

A licence is an **administrative act** (declaration of intent by the administrative authority, the Ministry of Energy) that creates rights for the holder

Regulatory Framework for Geothermal Energy

Statute No. 19657, the Geothermal Licences Act: main stages in the administrative process

- ❖ The application must be submitted and must meet **formal and technical requirements**.
- ❖ A summary of the application is **published** in national and regional media. Possible superimposition of applications: **Bidding for the licence area**.
- ❖ The Ministry's power to request **information** from other Public Entities to **avoid or try to avoid possible conflicts of rights or interests** between the geothermal energy licence applicant and the holders of other rights in the requested area and to reach the best decision.
- ❖ Possibility of **claims** by affected third parties.

Regulatory Framework for Geothermal Energy

Statute No. 19657, the Geothermal Licences Act: main stages in the administrative process

- ❖ Once any claims have been settled and information has been gathered on the surface area of the licence, a **Technical Report** is drawn up by the Ministry of Energy's Renewable Energy Division in which it gives its reasoned recommendation to accept or reject the application.
- ❖ The above is without prejudice to the **environmental or social** (indigenous communities) **considerations** addressed in the Environmental Impact Assessment System.

Regulatory Framework for Geothermal Energy

Statute No. 19657, the Geothermal Licences Act: main stages in the administrative process

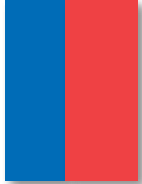
- ❖ An **exploration** licence is awarded for **2 years** and may be extended for **2 more**, subject to evidence showing that **25%** of the promised investment has been made.
- ❖ When the exploration licence expires, the **Exclusive Right** may still be exercised for **2 years**.
- ❖ An **exploitation** licence has an **indefinite** life and an **annual licence fee** is paid in accordance with the size of the area.
- ❖ Obligation to submit an **annual report** to the Ministry on the **progress** made in the licence.

Regulatory Framework for Geothermal Energy

New Regulations Supreme Decree No. 114 of 2012

Main amendments

- **Simplification and standardization** of formal requirements for the submission of the licence application (exclusion of facts that establish financial capacity).
- Change of the **Coordinates System** from PSAD 56 to SIRGAS (WGS84).
- **Elimination of evidence of the geothermal resource** in order to apply for an exploitation licence – Elimination of administrative uncertainty.
- Elimination of the Geothermal Energy Analysis Committee – the **technical issues** of the application are analyzed internally by the Ministry of Energy.
- Requirement **to report drilling campaigns** and their location with georeferenced coordinates.

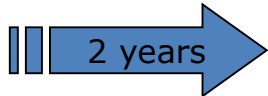
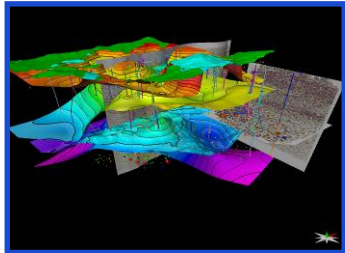


Regulatory Framework for Geothermal Energy

Statute No. 19657 on Geothermal Energy licences

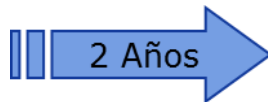
EXPLORATION

SURFACE EXPLORATION

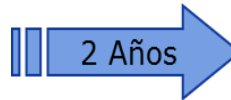


Term of licence

DEEP EXPLORATION



Period for exercising the exclusive right under Article 14



EXPLOITATION

ENGINEERING AND CONSTRUCTION



OPERATION AND MAINTENANCE



Flat licence

Need to request extension after it has been in effect for 18 months, subject to evidence demonstrating that 25% of the investment in works has been made as promised in the licence order.



Regulatory Framework for Geothermal Energy

Statute No. 20698, which favours expanding the energy matrix with non-conventional renewable sources.

- ❖ Enacted on 14 October 2013 and requires **20% NCRE by 2025**. (Article 2 modifies the NCRE percentages laid down in Statute No. 20257, the Act for the promotion of Renewables).
- ❖ Introduces a system of **annual Public Bidding** for NCRE blocks **to begin in 2015** (up to two bidding events per year if all the block on offer is not taken up).
 - ❖ Participating projects must have an approved **Environmental Qualification Resolution**, where applicable.
 - ❖ They must have a **legal title for the use of the land** (owner, licensee, lessee, etc.)
 - ❖ The successful bid is chosen on the basis of the **energy volumes offered and associated unit prices**.
- ❖ The **Regulations** that will govern the Bidding terms and conditions in detail are being **drafted**.



Thank you for your attention

Rodrigo Godoy Ibañez

Lawyer

Ministry of Energy

rgodoy@minenergia.cl

