

The Energy Market in Chile

June, 2006

EXECUTIVE SUMMARY

The Chilean electricity industry is wholly in private hands, with the government present only in a regulatory, monitoring and indicative planning capacity. The market is divided into four grids; dominated by the Sistema Interconectado Central (Central Grid, or more commonly known as the "SIC"), and including the Sistema Interconectado del Norte Grande (Northern Grid, or "SING"), and the southern systems Aysén and Magallanes.

Chile has limited indigenous energy resources, with the exception of hydropower. As a result, the country must import the bulk of its energy needs. Chile's growing reliance on energy imports, particularly on natural gas, has not been without consequences. In April 2004, Argentina began restricting natural gas exports to Chile, with cuts reaching nearly 50% of contracted volumes on some days. Chile, in turn, began to reconsider its energy policy, which, prior to the import restrictions, had assumed an increased use of natural gas and power imports from Argentina. Most importantly, Chile has begun to pursue other sources of natural gas, such as liquefied natural gas (LNG). At the time of preparing this report (May 2006) at least 23 new electricity generation projects are planned for construction over the next 10 years. 30% of these projects are concentrated over the next 4 years. The value of investment for these projects amounts to US\$4 billion and will provide a further 5,640 MW, mainly intended for the Sistema Interconectado Central (SIC). As a further indication of the market expansion, several companies traditionally related to mining activities (Falconbridge, CODELCO) have announced plans to enter into the energy market, with generation projects linked to their mining operations and connected to the grid.

To provide further motivation in the search for alternative energy sources, the Chilean Government has initiated a funding scheme that provides grants for renewable energy project feasibility studies. The flow on effect from the development of this market should create an opportunity for Ontario machinery and equipment in renewable energy projects. Other governmental incentives include substantial amendments to legislation; water rights and energy pricing, which have created a more flexible market place, motivating investment to match energy requirements.

The projected growth for the energy market will provide established Ontario companies with chances to expand their current operations. The same growth will also create new opportunities for Ontario machinery and parts related to hydro electric, gas installations, exploration and drilling. Professional expertise will also be in high demand over the next 5 -10 years, creating opportunities for Canadian professionals in the service sector. Ontario companies benefit from the Canada Chile Free Trade Agreement (CCFTA) that came into effect in 1997 and which continues to give import-duty advantages of up to 6%. The Chilean power and energy market has been identified by the Canadian Trade Commissioner Service as a priority sector for opportunity in 2006.

The Chilean Government has led the way with plans for natural gas exploitation and liquefied natural gas (LNG) conversion plants to increase the energy alternatives and add to the size and shape of the market. British Gas has already been defined as the company that will construct the first plant in Quinteros, on the coast of Chile's 5th region, and Manlio Alessi, General Manger of Suez Energy Andino announced to the press on 25 April 2006 that the company is studying a small scale LNG project (US\$80 to US\$150 million investment; 18 months) in the North of Chile to act as a backup to their current generating facilities.

A quick look:

- Mineral fuels (C\$34.4 million) and Electrical Machinery (C\$32.7 million) are Canada's main exports to the Chilean energy market. (2004 figures)
- In 2004 Canadian coal represented 10% of all Chilean coal imports.
- Coal usage as an energy source is expected to increase from 11.4% to 22% by 2014.
- Projected long term demand for electricity is expected to increase at 5-6% per year.

TABLE OF CONTENTS

EXECUTIVE SUMMARY	2
MARKET OVERVIEW	5
KEY FACTORS SHAPING MARKET GROWTH	11
Opportunities.....	13
Actual and Planned Projects	17
COMPETITIVE ENVIRONMENT.....	20
Local Capabilities.....	20
Canadian Position.....	26
Competitive Advantages through Canadian Government Policies and Initiatives.	30
ACCESS TO OPPORTUNITIES	31
Electronic Marketplaces.....	31
MARKET LOGISTICS.....	34
Channels of Distribution.....	34
Import Regulations.....	37
Local Standards, Certificates & Regulations.....	38
SUMMARY	40
PROMOTIONAL EVENTS.....	41
BIBLIOGRAPHY	43
OTHER REFERENCE MATERIAL.....	44
Useful Internet Sites.....	44
Annex 1	47

MARKET OVERVIEW

Chile	
Location	Southern South America, bordering the South Pacific Ocean, between Argentina and Peru
Population	(2005E) 15,980,912
Languages	Spanish
Religion	Roman Catholic 89%, Protestant 11%
Currency	Chilean peso (CLP)

Economy 2005	
GDP	US\$112.0 billion
Annual real growth	6.3%
Per capita GDP	US\$6,000
Inflation Rate	(2006E) 2%

Forestry, agriculture, and fisheries	6% of GDP
Products: wheat, potatoes, corn, sugar beets, onions, beans, fruits, livestock, fish	
Commerce	8% of GDP
Sales, restaurants, hotels	
Manufacturing	17% of GDP
Types: mineral refining, metal manufacturing, food processing, fish processing, paper and wood products, finished textiles	
Electricity, gas, and water	3% of GDP
Transportation and communication	7% of GDP
Construction	8% of GDP
Financial services	12% of GDP
Insurance, leasing, consulting	
Mining	13% of GDP
Copper, iron ore, nitrates, precious metals, and molybdenum	

Trade	
Exports	US\$39.5 billion
Copper, fishmeal, fruits, wood products, paper products, fish, wine.	
Major markets: U.S. 17.3%, EU 23.9%, Japan 11.7%, China 10%, Korea 5.5%, Mexico 4%, Brazil 4.2%	
Imports	US\$31.7 billion
Consumer goods, chemicals, motor vehicles, fuels, electrical machinery, heavy industrial machinery, food.	
Major suppliers: EU 16.3%, Argentina 16%, U.S. 14.6%, Brazil 10.9%, China 7.6%, Korea 3.8%, Japan 3.1%	

Relations between Chile and Canada	
Visitors from Canada:	14,800 (Jan-Sep04)*
Visitors to Canada:	8,583 (2004) *
Immigration to Canada:	375 (2004e)**
Canadian Aid:	C\$4.11 million (2003-2004)
Resident in Canada:	34,115 (2001 Canada Census)
*visitors - one or more nights	
**according to country of last permanent residence	

- General Country information

Chile has one of South America's most robust and open economies. The country is an associate member of the Common Market of the Southern Cone (MERCOSUR) and full member of the Asia-Pacific Economic Cooperation (APEC) organization. Chile has formed a number of free trade agreements (FTAs) with various countries, such as Canada, Mexico, South Korea, the United States, and the European Union. The FTA with Canada entered into force in July 1997 and continues to give import-duty advantages of up to 6% over products and services sold to Chile from countries with which Chile does not have an FTA or whose FTA's are more recent. Currently 99% of goods from Canada enter duty free. Presently, Chile is one of the countries in the world with the highest number of free-trade agreements and/or bilateral agreements for tariff reduction or investment protection.

In 2005, Chile's real gross domestic product (GDP) grew by 6.3%, an increase from the 5.8% growth experienced in 2004. Chile's economy is highly dependent on international trade. In 2005, exports accounted for about 39% of GDP. That figure was somewhat distorted by current world-record copper prices. Chile's overall trade profile has traditionally been dependent upon copper exports, and the rise in copper prices has reinforced it further. The state-owned firm CODELCO is the world's largest copper-producing company with recorded copper reserves of 200 years. Chile has made an effort to expand nontraditional exports. In 1975, non-mineral exports made up just over 30% of total exports, whereas now they account for approximately 60%. The most important non-mineral exports are forestry and wood products, fresh fruit and processed food, fishmeal and seafood, and wine. The trade balance for 2005 showed a surplus of US\$8 billion. Total exports in 2005 were US\$38 billion, up nearly 20% from 2004. Chile's export markets are fairly balanced among Asia (33.1%), Europe (25.1%), North America (19%) and Latin America (15.7%).

Chilean imports increased 32% in 2005, to US\$30 billion (est.), reflecting a positive change in consumer demand and overall economic recovery. Capital goods made up about 66% of total imports. With regards to investment, The March 2006 economic ranking published by The Economist confirmed Chile as Latin America's best country for investing for the period 2006 - 2010. The same study placed Chile 22nd in the overall world ranking. Asia has been the fastest-growing export market in recent years. For example, Chile's number two, three, and four trading partners are China, Japan, and South Korea, respectively. Chile's recent FTAs with Asian trading partners and plans to sign more in 2006 underscore the growing importance of Asia to Chile's trade portfolio.

Presidential and congressional elections were held December 2005 and January 2006. The new President and members of Congress took office on March 11, 2006 for a four year term. Chileans voted in the first round of presidential elections on December 11, 2005. None of the four presidential candidates won more than 50% of the vote. As a result, the top two vote-getters--center-left Concertacion coalition's Michelle Bachelet and center-right Alianza coalition's Sebastian Piñera--competed in a run-off election on January 15, 2006, which Michelle Bachelet won - becoming Chile's first female president.

- Basic Description of the Market

Historically, at least in terms of electricity, Chile has been self-reliant thanks to the hydroelectric potential available. This was due in part to an effort led by Endesa in the 1980s, when several dams were constructed in the central and southern zones of the country. This self-reliance was seen to be tested only once during an extended drought towards the end of the 1990's that resulted in electricity cuts, and the first moves towards energy diversification.

The level of openness and international integration that exists in Chile is best exemplified by agreements that have been made by the country's power sector; in particular the natural gas supply agreements made with Argentina. Chile imports 100% of its natural gas (20 million cubic meters per day) from Argentina, paying around US\$2 per million BTU. Investments in gas pipelines and contracts were backed by the governments of both countries, and this created a boom in the electricity sector. Private companies invested in new power plants, and the regulating authority oversaw the price-fixing process for power-generating companies and proposed non-binding investment plans. However, Chile's energy industry – and as a result, its economy – took a hard hit at the end of 2004 when natural gas dispatches from Argentina were suddenly restricted. The natural gas industry was, of course, seriously affected, but there was also a serious impact on electricity-generating companies that used gas on a daily basis. It was clear the power-grid system was getting dangerously close to a point where rationing would have to be considered, so back-up diesel systems have been implemented. As the situation had the potential to evolve into something with dramatic social and political ramifications, the Chilean Government promoted two important measures:

- 1) the Chilean Government commissioned ENAP (the state-owned oil company) to enter into joint-venture agreements with parties from the private sector. In particular, the government wanted ENAP to focus on developing the technology of converting liquefied natural gas (LNG) back into gas. Through such a plan, imported LNG could still be used to fill the country's need for gas.

- 2) it promoted a set of rapid regulatory changes that allowed energy prices to be increased and, above all, forced electricity-distribution companies to have firm, long-term supply contracts. During the past 16 months, average household electricity accounts have seen a 20% increase.

The Government's long term plans are built around energy diversification and independence. However, the immediate focus is on managing energy requirements between the years 2006 and 2009 where the market will be seen to progressively narrow in terms of the supply and demand. Electricity demand growth in the SIC – the largest and most important grid was 7.7% in 2004 expected to be 6%- 7.5% in 2005-2006¹. All predictions point to long-term growth in demand of at least 5-6% per year, which means that between 2006 and 2009 at least 1,300MW of capacity must be added to the SIC.

The long lead time needed to develop hydropower projects and strong environmental opposition means that large hydro plants in the far south of Chile cannot be relied upon to solve the short-term supply problems. Small alternative energy projects, such as run of river hydro, geothermal and wind do not have long lead times, and could help to meet short term objectives. The Government-led plans for liquefied natural gas (LNG) conversion plants will provide relief to the market in the longer term and will provide fuel for existing and proposed Combined Cycle Gas Turbine (CCGT) plants, but is not expected to be available before 2009 or 2010.

- General Sectoral Information

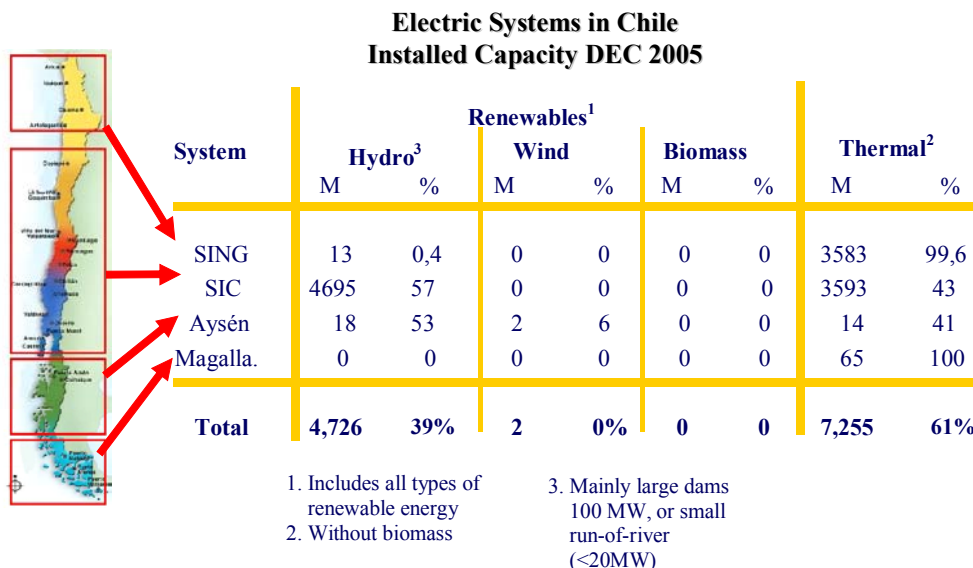
Chile has exploited a limited amount of indigenous energy resources and relies on imports to meet its rapidly growing energy demands. With small oil and gas reserves, and a modest output of hydrocarbons, Chile is a substantial importer of energy resources. Imports of fuels and lubricants totaled US\$4.4bn in 2004, out of a total import bill of US\$24.9bn (CIF). According to the CNE (National Energy Commission), Chile had an installed power-generating capacity of 11,626 MW at the end of 2004. Hydroelectricity accounts for 75% of domestic energy production, and 38% of total primary energy consumption. Chile's hydroelectric potential, sites for the exploitation of which are mostly in the south, is approximately 24,000 MW, according to the CNE. Only 20% of this potential is being exploited at present.

As previously mentioned the market has undergone major regulatory reforms and the market is now reacting to these initiatives. In turn, this has stimulated investment in new generation capacity needed to supply the growing electricity demand. A measure of the activity in this market could be indicated by the amount of new energy projects proposed, rumored or under analysis reported in local media during the preparation of this report.

¹ "The Chilean Electricity Sector: Overview and development possibilities", Soza V., March 2005

The Chilean electricity market was the world's first to become completely de-regulated (1990) and has served as a model for market reform across the Latin American region. The market is separated between generation, transmission and distribution, and is 100% privatized. The primary area for competition amongst generators is for PPA's (Power Purchase Agreements) with large distribution companies and industrial customers. A spot market between generators exists for the sale and purchase of power to balance supply and demand in the market. The price of energy is partially regulated and partially free. Consumers with a connected capacity of up to 500 kw are subject to the regulated node price and this is set by the government. Those with an electricity demand above that figure, or with other non-standard requirements, are free to negotiate their own contracts. The latter accounts for about 55% of total electricity sales.

To elaborate on the Chilean electricity market, it's four autonomous grids are as follows; the desert mining regions in the extreme north are served by the Sistema Interconectado del Norte Grande (SING), which had a capacity of 3,634 MW, or 31.3% of the country's total, at the end of 2004. Over 90% of the population depends on the Sistema Interconectado Central (SIC) for their electricity services, which has a capacity of 7,880 MW, or 67.8% of the total, and covers the centre-south regions between the city of Taltal and the island of Chiloé. There are also two small grids serving the extreme southern regions, the Sistema de Aysén serving Region XI with a capacity of 34 MW, and the Sistema de Magallanes serving Region XII with 78 MW. Both are served by single companies that manage generation, transmission and distribution to 20,000 and 46,000 clients respectively.



Source: CNE (National Energy Commission)

There are marked differences in market conditions between the SING and the SIC. Unregulated customers account for over 90% of electricity sales in the SING, a result of the presence in the area of some of the largest mining operations in the world. There are six generating companies competing in this market, with one transmission company and three distribution firms serving a total of about 230,000 clients.

The SIC supplies mostly regulated clients, which account for about 60% of its sales, and include 20 generating companies, one transmission company, and 31 distribution companies that serve on aggregate 3.9 million clients. The SIC's generating capacity is mostly hydroelectric (60% of the total), with the rest being provided by gas-fired combined-cycle generating plants served by the Transandino gas pipeline from Argentina, and a reserve of coal and diesel fuelled plants. Electricity demand growth in the SIC – the largest and most important grid was 7.7% in 2004 expected to be 6%-7.5% in 2005-2006. All predictions point to long-term growth in demand of at least 5-6% per year, which means that between 2006 and 2009 at least 1,300MW of capacity must be added to the SIC.

KEY FACTORS SHAPING MARKET GROWTH

In sharp contrast with the SING's abundant electricity generating capacity, the SIC has been experiencing serious problems in recent years owing to a non-incentive policy by the generating industry between 1999 and 2004 intended to press the authorities to review populist changes to the electricity law introduced in 1999.

The 1999 reform eliminated force majeure limits on contractual obligations for electricity supply without a compensating revision in the electricity tariffs formula to offset the increased contractual risk. Despite the market dislocation and investment paralysis it had generated, jeopardizing energy security in the SIC, it took the government four years and the first blackouts in the centre-south to make a policy U-turn. In October 2003 the government sent a goodwill signal to the industry through a new set of regulations reinterpreting compensation rules under the controversial article 99 of the Electricity Law of 1999. It limited statutory compensations to final users, rather than to electricity-distribution companies and final users as appeared in the law. More importantly, in January 2004 Congress approved an electricity law setting new rules on transmission charges, changed the formula to calculate payments to generating companies roughly in line with their demands, and liberalized the system further by cutting the minimum electricity demand requirement for unregulated contracts from 2,000 kw to 500 kw. This new law satisfied the industry and has brought their investment strike to an end.

Governmental investment plans initially focused on further increasing the supply of natural gas. According to its electricity plan for 2005-15, announced on March 17th 2004, 86% of the 4,500 MW in new electricity-generating capacity proposed for the SIC would come from Argentina; 59% to be provided by seven additional combined-cycle plants using natural gas; 14% to be imported directly from Argentina through two transmission lines linking Chile's central grid with the Argentinean one; and 13% to come from a transmission line linking the SIC with the SING in order to channel excess capacity from the far northern grid to the central one, also to be fuelled by Argentinean natural gas. However, this plan was rendered obsolete after only a week when Argentina's government suddenly announced restrictions to natural gas exports to Chile, despite guarantees contained in the 1995 gas integration treaty signed by the two countries in addition to those clauses ensuring continuity of supply contained in most contracts. Ongoing cuts in gas imports since then have varied between 20% and 50% of the 23.5m cu metres/day stipulated in the contract. In response to the Argentinean supply crisis, the government announced the construction of a liquefied natural gas (LNG) port terminal at Quinteros, near the capital, Santiago, for completion in 2009-10. The project will include an LNG re-gasification plant with an initial capacity of around 3.5m cu metres/day, to be expanded to 10m cu metres/day.

The government also sent a bill to Congress in March 2005 to change the country's electricity regulations encouraging diversifications of energy sources away from natural gas and towards LNG and coal. In line with these new directives, the CNE has published a sharply revised schedule of investments in new generation and transmission capacity for the 2005-15 periods that includes 2,000 MW of additional coal-based generating capacity, 1,905 MW in new LNG-fired plants, 798 MW in additional hydroelectric capacity, and 300 MW in geothermal plants. The plan includes one 260-MW plant fired by natural gas, but it will be able to function also on the basis of diesel fuel.

- Regulation reform

The passing of the Short Law I in March 2004 and the improved macroeconomic environment were projected to spur investment, mainly in power generation and transmission in Chile. However, the uncertainties regarding natural gas supply in Chile since the first quarter of 2004 due to the Argentine government's restrictions on natural gas exports delayed investments in power generation.

In this context, the passage of the Short Law II in May 2005 resulted in a significant increase in node prices and defined a legal framework favorable to promoting new investments in power generation. In addition, the Short Law II defined a transition period from 2005 to 2008, after which the current node pricing mechanism will be replaced by a system in which power generators will freely participate in public bids to sell power to distribution companies under long-term contracts (of up to 15 years) at a fixed price. Distribution companies will be allowed to pass that price on to end-users.

Opportunities

- Coal

As a short-to mid-term solution Chile will burn more coal to sustain its energy requirements. Coal is widely available, has a growing international market and costs less than LNG; and technological developments in the last 15 years have improved the environmental impact associated with the resource. The CNE predicts that coal use as an energy source will double from 11.4% in 2005 to 22% by 2014.

Approximately 10% of Chile's coal imports - C\$34.4 million in 2004, originate from Canada, making it an established provider and well placed to take advantage of this opportunity. Canadian manufacturers of clean coal technologies such as circulating fluidized bed (CFB) boilers, have an opportunity to enter the market allowing companies to burn cheap coal and still comply with the Chilean environmental standards.

- Small Hydro Power

There are very few small hydro plants existing in the country, and none are connected to either of the two main energy grids – the SIC (central system) and the SING (northern system). It should be noted that as a result of the rural electrification project initiated in 1994, several micro independent hydro generators (5-50 KW) were built in the 5th region of the country. Although the advantage of developing small hydro projects is recognized, the lack of Chilean expertise is recognized as well, creating opportunities for Canadian experts in this field. Opportunities in the area of small hydro projects exist for the short to medium term for Ontario consulting engineers and manufacturers of equipment.

Ontario companies may also choose to purchase water rights and invest in their own small hydro projects in Chile, where untapped potentials are vast.

- Natural gas

On the 5th of April 2006 the General Manager of ENAP Enrique Dávila, announced the probable discovery of natural gas some 4,300 meters below Lake Mercedes situated in the southern XII region of Chile. This declaration was confirmed by President Michelle Bachelet on the 18th of April by giving ENAP the go ahead to analyze the project for commercial purposes through a second stage of exploration. According to the prospecting and analysis work already carried out by ENAP, the exploitable reserves amount to approximately 15 million cubic meters per day. If all the factors are to result in a positive manner, production stages could be reached within 3 years, making this resource available by 2009.

Opportunities exist within this project for Ontario companies and professionals with expertise in natural gas exploration, exploitation, installations and drilling. Added to this area is an additional opportunity in the transport of the gas from Lake Mercedes, situated in the island of Tierra de Fuego, to the plant located in Cabo Negro near Punta Arenas, requiring some 400 kilometers of gas ducts, and a possible further 200 kilometers of ducts to reach the city of Puerto Natales.

- Professional Services

Professional services have been identified by the The Canadian Trade Commissioner Service as a key sector of opportunities. As proof of this, Rodrigo Alcaíno, General Manager of Ingendesa stated in the April 2006 edition of the magazine 'Electro Industria' that, "in Chile we have a deficit of professionals specializing in projects of power capacity, generation & transmission."

- CDM

The Clean Development Mechanism (CDM) is established in The Kyoto Protocol. The CDM is a facility designed to enable industrialized countries to conduct projects in the developing countries in order to reduce emissions of greenhouse gases. Carbon credits are given based on the reduction in the volume of emissions. That is, the CDM provides a direct incentive for developing countries to undertake emissions reduction projects, as it promotes sustainable development through the transfer of cleaner technology from industrialized nations.

For Chile, a country uniquely placed to take advantage of this market, the CDM presents various business opportunities. Overall Chile has a 7.5-million TPY (Tons Per Year) greenhouse gas emissions portfolio available. These reductions are worth some US\$40 million a year. As noted by the State and Trends of the Carbon Market 2005 report, Chile is one of the four largest suppliers of emission reductions projects. Moreover, the independent Point Carbon review rates Chile the world's No. 2 host country for CDM projects. To date, Chile has managed to sell 5 projects in the emissions trading market. The most promising projects for the CDM in Chile can be seen in the areas of hydro and geothermal power.

Chile's Designated National Authority under the CDM is the CONAMA (National Commission on the Environment). The Commission issues the Letter of Approval authorizing the project, confirming that it assists Chile in achieving sustainable development, and approving the voluntary participation of the project in the CDM. Chile has a standing portfolio of some 50 CDM projects, mainly in renewable energy. About 42% involve carbon emission cuts based on hydroelectric power use. Other promising initiatives include landfill gas capture, a segment currently accounting for 15% of Chile's overall portfolio of CDM projects. An additional 11% are biomass energy projects that leverage Chile's standing as a major forestry and farming country. Yet another 11% concern other forestry-related projects and 21% involve cogeneration, chemical and transportation projects. Please note that a substantial number of the projects in the standing portfolio are small in volume. That is, they do not yield sufficient carbon credits to be economically appealing.

Sectors exhibiting great potential for new carbon emission reduction projects include mining, through energy efficiency; transportation, through reduced social and environmental impacts; landfill gas capture, and renewable energy, especially through hydroelectric, geothermal and wind energy production, creating opportunities for Ontario companies or professionals related to these areas.

- Other Non-Conventional Renewable Energy

With some of Chile's Northern regions boasting one of the world's highest rates of sunlight exposure, Chile also holds much potential for solar energy projects. Although prospecting and preliminary costs remain high, Chile offers outstanding conditions for prospective wind and geothermal generation projects.

- Government Funding for Renewable Energy

The Chilean State Economic Development Agency, CORFO, together with the CNE has created an annual pre-feasibility and feasibility study fund of US\$1.5M available to foster renewable energy projects. The program was launched in July 2005, and by the time the first program ended, 46 projects had been analyzed and approved to receive funding of up to US\$50,000 per project on a matching funds basis. Amongst these projects, 12 studies correspond to investigations by small and large wind farm companies such as GasAtacama who are planning a wind farm in the II region; Pacific Hydro with a similar plan for the Xth region; Electrica Magallanes in the XII region; and the German company Lahmeyer with interest in the VII region.

The government of President Bachelet has made a commitment that 15% of the new energy capacity of the country to be of non-conventional renewable energy. This means 330-400MW of energy generation to come from non-conventional renewable energy. The deadline for achieving this is 2010. To this end a new round of applications has been opened for 2006, with applications being received from April 27 to June 27, 2006. The fund this year has been increased to total US\$2 million.

Ontario companies with products and services for solar, wind and other renewable energy sources can use this funding for pre-investment studies and market evaluations carried out in Chile.

More information and applications forms can be found on the following website: <http://www3.corfo.cl/ProyectosEnergiaRenovable/loginempresa2.asp?Origen=Fontec> or by calling Corfo at (+56) 2 631 8216.

Ontario companies may also choose to purchase water rights and invest in their own small hydro projects in Chile, where untapped potentials are vast.

Actual and Planned Projects

There are at least 23 new electricity generation projects planned for construction over the next 10 years. 30% of these projects are concentrated over the next 4 years. The value of investment for these projects amounts to US\$4 billion and will provide a further 5,640 MW to the Sistema Interconectado Central (SIC).

Refer to annex 1 for specific details of planned projects.

Depending on its type of business, Ontario companies wanting to participate in these projects should be willing to invest in the marketplace by means of partnerships with local companies, or by establishing a position in the market and participating in tenders. Contact should be made with the Canadian Embassy in Santiago where orientation for specific products and services may be obtained.

In line with the rapidly evolving Chilean energy market, on 30 March 2006 Falconbridge announced a proposed hydro project comprising of three separate hydroelectrical facilities: the Rio Cuervo, Lago Condor and Rio Blanco. Falconbridge is the world's eighth largest copper producer, 3rd largest zinc producer and 4th in nickel with assets valued at US\$12,500 million, 14,000 employees, and has operations in 18 countries. In Chile it has a 44% stake in minera Doña Inés de Collahuasi, and ownership of Lomas Bayas and Altonorte smelter. The idea to construct this hydro center falls outside the normal corporate businesses of the company, but it is thought that the company plans to use this as a source of energy for its future mining projects in Chile and Argentina. Note that these projects will be connected to the grid.

The 3 Falconbridge facilities have the potential for installed capacity of 740, 54 and 360 megawatts, respectively. The total investment is estimated between US\$600 and US\$700 million. At the date of writing this report it is unclear when the company will present its Environmental Impact Study to the CONAMA (National Environment Body), but it is estimated that the hydro plants will be in operation by 2010 or 2011.

Falconbridge's involvement in the energy sector demonstrates that the opportunities in Chile are so large and important, that traditionally non-energy companies such as Falconbridge and CODELCO are entering the market. CODELCO is constructing their own energy-generating plants for their mining projects and therefore not relying on the national grid to develop them.

- Wind Energy

The Spanish group Acciona has presented its environmental plans seeking approval for three wind parks in the North of Chile. The 30 wind generators in the 3 parks have an estimated investment of US\$372 million, and a potential capacity of 266MW.

- Geothermal exploration

On April 6, 2005, the Chilean National Petroleum Company (ENAP) signed an agreement with the Italian company Ente Nazionale per l'Energia Elettrica (ENEL)² for the carrying out of exploration and production of geo-thermal resources in Chile. The operation was formalized by the signing of a share transfer agreement by which ENEL acquired 51% of Empresa Nacional de Geotermia (ENAG), a company in which ENAP has a 49% sharehold.

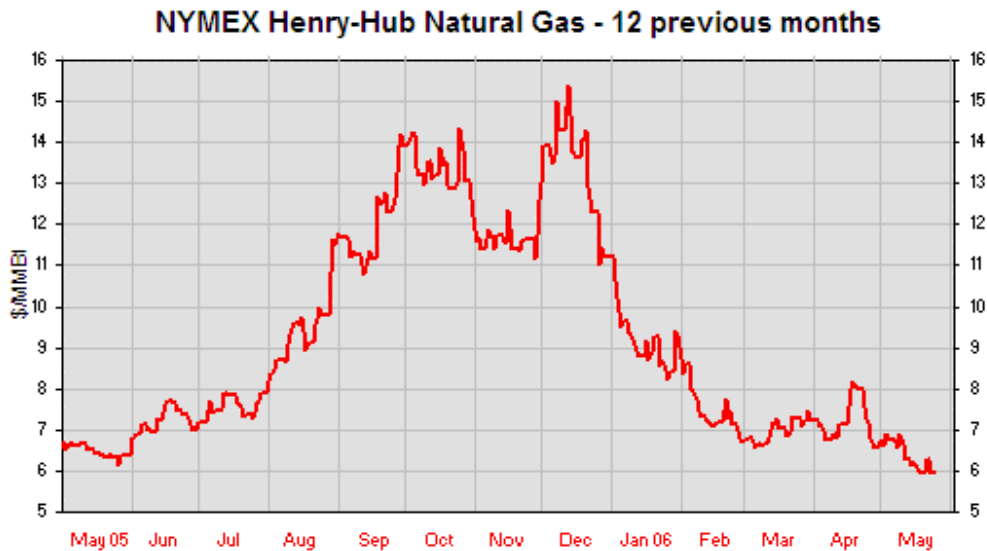
For the immediate future, the agreement involves the exploration of and production of geo-thermal resources in the Calabozo (7th Region) and Chillán (8th Region) concessions, both located in the Andean foothills at altitudes of over 1,200 meters. The Geo-Thermal Energy Concessions Law (No.19,657) promulgated on January 7, 2000, allows ENAP to participate in this industry, forming part of companies dedicated to the development of this business and with a participation of up to 49%.

- Liquefied Natural Gas

In August 2005, the Government of the moment, led by Ricardo Lagos, reacted to the gas supply crisis by opting to create a project to import, store and regasify LNG. The plant is projected to enter into action in 2009 -10. In February 2006, British Gas was awarded the contract to build the plant with participation from ENAP, MetroGas and Endesa. The other two main generators, AES Gener and Colbún have decided not to participate in the project, mainly due to the volatile world price for LNG since the announcement of the project. The price Chile will pay for LNG is tied to the Henry Hub index, much higher than the average regional price of natural gas, and potentially a higher generation cost per KW higher than coal.

The following table shows the fluctuations in NYMEX Natural Gas price over the past 12 months, May 2005 - 2006.

² ENEL is a world leader in the development of geo-thermal resources for electricity generation and is the largest electricity generating company in Italy and one of the largest in Europe, with more than 46,000 megawatts of installed capacity. It has a leading place in the global production of renewable source energy: hydroelectric, geo-thermal, wind, biomass and solar, totaling 17,000 megawatts around the world.



Source: Oilnergy.com

However, for gas distributors the project remains interesting, and for MetroGas it will provide a solution for its industrial clients who have been the first to feel the effects of the Argentinean gas cuts. Endesa is interested in a regular supply for the San Isidro plant that is currently under construction. Some industry sources also say that Endesa is offering the Government a helping hand with the LNG project in return for help with the approval of the hydro projects they have planned in the South of Chile.

COMPETITIVE ENVIRONMENT

Local Capabilities

In Chile, private enterprise is responsible for electric power generation, transmission and distribution, in keeping with the country's free-market economic policy, while the State plays a subsidiary role as regulator and supervisor. Following are descriptions of the major companies involved in generation, transmission and distribution throughout Chile. A list of Chilean energy companies is provided in the section, "Other Reference Material - useful internet sites".

Endesa Chile

Endesa Chile is an electricity generating company subsidiary of Enersis which has a presence in five countries in Latin America: Argentina, Brazil, Colombia, Chile and Peru. It has 46 electricity plants and an installed capacity of 12,332.8 MW. Endesa is Chile's principal generating company and one of the largest companies in the country, with a total capacity of 4,476.7 MW representing close to 38% of the country's installed capacity. It has total of 20 installations, most of them on the Central Grid (SIC) and others on the Northern Grid (SING), the main electricity systems in Chile.

It inaugurated the Ralco hydroelectric plant in September 2004, located on the upper reaches of the River Biobío (8th Region), in which US\$ 570 million were invested. With an installed capacity of 570 MW and an average annual generation of 3,100 GWh, it contributes 9% of the energy required on the SIC and enabled Chile to meet large increase in electricity demand through a clean, safe and efficient energy source. In December 2004, the National Environmental Commission (Conama) authorized the Ralco plant to operate with a capacity of 690 MW, implying an additional contribution to the system of 120 MW and an improvement in the water distribution, in order to cover demand at peak hours while marginally increasing average annual generation.

Recently, Chile's electricity regulator approved Endesa to carry out feasibility studies for its \$4 billion Aysen hydroelectric project. Endesa will conclude the studies and engineering of the project in June 2008, when it will launch the construction tender. The company plans to begin constructing the first of the project's four plants, 680MW Baker I, the following December. Endesa will have a 51% stake in the project and local generator Colbún 49%.

ENERSIS

Enersis is one of the principal private electric multinationals in Latin America and it has a direct or indirect participation in the business of generating, transmitting and distributing electric power and related activities in five countries: Argentina, Brazil, Colombia, Chile (Chilectra) and Peru.

Its controlling shareholder is Endesa, a Spanish multinational that holds 60.62% of the Company's shares.

AES Gener SA

AES is one of the world's largest global power companies, with 2004 revenues of \$9.5 billion. With operations in 26 countries on five continents, AES provides power to people in more countries around the world than any other company. Through 123 generation facilities and 14 regulated utilities, AES has the capacity to generate 44,000 megawatts of electricity and provide power to 100 million people worldwide.

Through its subsidiary AES Gener S.A., AES is constructing a new thermal generation plant in Llay Llay, Chile. The \$37 million investment will increase AES Gener's power generation capacity to 2,557 MW, or 21% of the country's total anticipated generation capacity in 2006. AES Gener is currently the second largest electricity generator in the country. AES has been in Chile since 2000 and is one of the largest foreign investors in the Chilean electricity sector. The 120 MW facility, called San Pedro, will provide an additional source of power to help meet Chile's growing energy needs. The plant will be able to burn either diesel or natural gas as fuel, which will help diversify and stabilize the country's power sector. The plant will begin supplying electricity to Chile's central grid in May 2006.

Colbún

Colbún is the third largest electricity generation company in Chile, concentrating its operations in the Sistema Interconectado Central (SIC). Its installed capacity is approximately 15% of Chile total, some 1,480 MW, with 75% coming to Hydroelectric plants, including the Colbún-Machicura plant with 490 MW.

With the fusion with Cenelec in November 2005, the company incorporated several more Hydro assets, including: Canutillar 172 MW, Antihue 45 MW, Los Quilos 39.3 MW, Blanco 47 MW, Juncal 27 MW, Juncalito 1.5 MW, Chacabuquito 26 MW, and Hornitos 55 MW.

Colbún is now controlled by the Matte Group (49.032%), and in May 2006 entered into ownership of Antarchile (Angelini Group) by purchasing 9.5% of this generator.

The company is studying a small scale LNG project (US\$80 to US\$150 million investment; 18 months) in the North of Chile to act as a backup their current generating facilities. Current market rumors (June 2006) are that this conglomerate will be put up for sale in the near future.

Endelnor

Endelnor generates, distributes and supplies electrical energy for Chile's first and second regions, together with the purchase, sale and transportation of all types of fuel, liquid, solid and gaseous. The company also offers services in engineering and management as well as maintenance and repair.

Transelec

The Transelec Company owns all 500kV lines and 70.5% of 220kV lines in the central grid (SIC). Read more about Transelec in the section "Canadian Presence in Chilean Market."

Empresa Electrica de Aysen SA (Edelaysen)

Edelaysen forms part of the SAESA (Sociedad Austral de Electricidad S.A.) group (PSEG global network of companies). The company operates generates, transmits and distributes in the X and XI regions, known for their difficult terrain, climate and demographics.

Edelaysen has 5 generation centers, including Chile's first and until now, only wind powered plant situated near Coyhaique. This 2MVA plant was put into operation in 2001.

Empresa Eléctrica de Magallanes (Edelmag)

The southern-most energy company in Chile, servicing the XII region and Antarctica, uses a mix of 22 diesel and gas fired generators to generate and transmit electricity to some 50,000 clients.

Chilectra

For the last 82 years, Chilectra has been delivering electricity to the 33 boroughs in the metropolitan region of Santiago, Chile's capital. The company serves more than 1.3 million customers that make up approximately 45% of the Chilean energy market.

Chilquinta Energía

In June 1999, PSEG Global together with its partner, Sempra Energy International (Sempra), jointly acquired Chilquinta Energía S.A (Chilquinta). Chilquinta is an electric distribution company with numerous energy holdings, based in Valparaíso, Chile. Chilquinta is the third-largest distributor of electricity in Chile, and is one of the leading energy companies in Latin America.

Chilquinta serves more than 500,000 customers primarily in Chile's V Region, an area of more than 11,400 square kilometers located just north and west of Santiago. This region is home to two of the country's most active ports, Valparaíso and San Antonio, and is an important center for industry, agriculture and fishing.

- Marketing approach – How have leading companies entered the market.

Canadian companies should be looking to invest in their own local offices, to form strategic partnerships and alliances, participate in tenders and manage marketing activities. Local distributors and representatives are also options, and this is explored in detail in the “Market Logistics” section of this report. A case study with practical advice follows.

CASE STUDY: SN Power investment in Chile: An example for Canadian companies to follow.

SN Power (Statkraft Norfund Power Invest AS) was established in 2002 and is a Norwegian limited company owned by Statkraft and Norfund. The company’s business objective is to invest in, own and operate hydroelectric power projects in emerging markets on commercial terms.

Latin America, Asia and Africa are three core markets for SN Power, with a major hydropower potential and energy requirement. SN Power’s focus is to develop a solid and sustainable hydropower platform in these markets through active ownership and a balanced portfolio, divided between profitable development of greenfield projects and the acquisition/upgrading of existing assets.

Due to the increased demand for energy SN Power has been active in Chile since the beginning of 2003 and a number of potentially attractive hydro development opportunities have been evaluated. The La Higuera project represents an excellent opportunity, not only because of the size of the project, but also because of the possibility to participate in a second stage development of the 145 MW La Confluencia project, as well as further projects upstream in the same river system. The project has also been approved by local authorities to qualify for CDM certificates. SN Power has now established a local holding company in Chile to increase the focus, follow up the current projects and develop new opportunities.

SN Power’s 50/50 joint venture partner in this project is Pacific Hydro Limited, a company with a total generation portfolio of 227 MW, of which 71 MW is Australian wind-power, 42 MW is Australian hydropower and 114 MW is hydropower in Chile, Fiji and the Philippines. Pacific Hydro is an excellent partner for SN Power in terms of size, corporate philosophy and profile. The company focuses on renewable energy, and its business decision-making is guided by economic, social and environmental considerations.

The Project

Hidroeléctrica La Higuera S.A. is a 50:50 joint venture formed in June 2004 by Pacific and SN Power to build, own and operate a run-of-the-river hydro power plant located in the Tinguiririca Valley east of the city of San Fernando in Region VI of Chile. The project diverts water from the Tinguiririca River and its major tributary Azufre just upstream of their confluence. A 38 km long transmission line will be built to connect with Chile's central grid at San Fernando. In addition, a 145 MW upstream project called La Confluencia is under consideration for development at a later stage.

Construction

La Higuera will enter into an EPC contract with Constructora Queiroz Galvão Sucursal Chile S.A., which is part of the Queiroz Galvão Group, one of the major Brazilian engineering, construction and project management companies in Brazil. The contract completion period is 30 months.

Production

The project will provide 155-MW of renewable energy to the grid in Chile, operating as a peaking plant in the winter and a base load plant in the summer. Because its water source is mainly snowmelt, La Higuera will operate when other hydroelectric plants that utilise storage reservoirs or rely on rainfall runoff produce less.

Sustainable development

La Higuera has received unanimous approval by the Chilean environmental authorities and is strongly supported by the local Governor and Municipality, as well as local businesses. The project works are largely underground in moderately arid and non productive landscape, with no indigenous communities being affected. Land for the project is privately owned and is used in the summer for vacation homes and for livestock grazing. The closest established settlement is Puente Negro (population of 600), about 30 km downstream of the powerhouse. With relatively poor local infrastructure and employment opportunities, La Higuera will provide employment, economic stimulus and improved infrastructure.

Canadian Position

Canada-Chile Free Trade Agreement (CCFTA)

Canadian firms benefit from the FTA that came into effect in 1997, which continues to give import-duty advantages of up to 6% over products and services sold to Chile from countries with whom Chile does not have an FTA or is less advanced in its role-out phase (Canada was the first G-8 country to sign an FTA with Chile).

In addition and more importantly in the services industry, Canada has signed a Double Taxation Agreement which provides a series of tax incentives to Canadian investors and professional service providers by limiting their tax load on capital gain and income, hence making them more competitive in the Chilean market.

Trade figures between Chile and Canada shown in the following tables show an imbalance - the same imbalance prevailing in the Ontario - Chile figures.

Canadian direct investment of C\$6.5 billion – concentrated mostly in the mining sector in Chile is however relatively high, making Canada Chile's third largest direct investor.

With a familiar market place developed over the last decade, the CCFTA, and a double taxation agreement to use as additional motivation, it would seem a perfect time for Canadian companies to take advantage of the current high activity and demand in the energy sector to generate higher exports in areas such as machinery, electrical machinery and mineral fuels.

Canadian Merchandise Trade Statistics with Chile (C\$ Million) from the last 5 years can be appreciated in table 1.

Table 1.

	2000	2001	2002	2003	2004
Exports	\$444.4	\$369.0	\$282.6	\$323.9	\$359.1
Imports	\$555.3	\$640.6	\$670.5	\$885.9	\$1,307.9
Bilateral Trade	\$999.8	\$1,010	\$953.1	\$1,209	\$1,667.0
Balance	-110.9	-271.6	-387.9	-562	-948.8

The Canadian Export Trade Statistics from Table 1. are detailed in the following table 2.

Table 2.

Major Canadian Exports 2004(\$M)	
1. Machinery	\$77.9
2. Wheat (durum)	\$42.3
3. Mineral fuels	\$34.4
4. Elec. Machinery	\$32.7
5. Paper	\$24.2

The Canadian Export Trade Statistics from Table 1. are detailed in the following table 3.

Table 3.

Major Canadian Imports 2004 (\$M)	
1. Copper articles	\$616
2. Fruit	\$238.4
3. Ores (copper)	\$128.5
4. Wood	\$91.5
5. Fish and seafood	\$67

The Canadian Trade Commissioner Service continually evaluates opportunities for Canadian Businesses. Table 4 shows the area priority sector of opportunity in 2006.

Table 4.

Main Sector of Opportunity for Canadian Business: (Source: The Canadian Trade Commissioner Service May 2006)
1. Agriculture, Food & Beverage
2. Electric Power Equipment & Services
3. Metals, Minerals & related Equipment, Services & Technology
4. Education Marketing
5. Forest Industries

Of particular interest to the readers of this report will be the figures presented in tables 5 and 6, showing the development of exports from Ontario to Chile over the past 5 years, and an analysis of the 2005 export figure.

Table 5.

Ontario Goods Exports to Chile - Value in Thousands of Canadian Dollars

2001	2002	2003	2004	2005
\$114,866	\$81,587	\$130,067	\$116,531	\$137,182

Table 6.

Top 10 Goods Exports 2005 (HS4 Code)	C\$ (000's)
Iron & steel tubes, pipes, etc.	\$7,638
Machinery parts	\$7,262
Self-propelled bulldozers, graders, etc.	\$4,594
Electric transformers, static converters, etc.	\$4,286
Helicopters, aircraft, & spacecraft	\$4,283
Telephone equipment (Includes modems)	\$3,906
Boards/panels for fuses & circuit breakers	\$3,633
Machinery for working rubber & plastic	\$3,449
Paper/paperboard, uncoated	\$3,239
Special purpose motor vehicles	\$3,035

Tables 7 and 8 present the goods imported from Chile to Ontario from the past 5 years, and an analysis of the 2005 export figure. Table 9 graphs the last 10 years of trade relations between Chile and the Province of Ontario.

Table 7.

Ontario Goods Imports from Chile - Value in Thousands of Canadian Dollars

2001	2002	2003	2004	2005
\$166,678	\$187,792	\$203,987	\$241,767	\$416,238

Table 8.

Top 10 Goods Imports 2005 (HS4 Code)	C\$ (000's)
Gold – unwrought	\$168,966
Grapes - fresh/dried	\$52,939
Wine	\$24,851
Fish fillets - fresh/frozen/chilled	\$22,176
Apricots, cherries, peaches, etc.	\$17,710
Fruit – fresh	\$16,009
Apples, pears & quinces	\$12,481
Corn (maize)	\$10,806
Wood - shaped (tongued, grooved, etc.)	\$9,926
Fruit and vegetable juices	\$8,031

Table 9.



Canadian Presence in Chilean Market:

- Transelec

Transelec is the largest electricity transmission company in Chile. The Transelec transmission system extends from the north to the south of Chile, over a distance of 2,900 kilometers between the city of Arica, where the Atacama Desert begins, and the island of Chiloé at the northern edge of Patagonia, X Region.

Please note that, at the time of writing this report, Hydro-Quebec sold 89% of the company to Brookfield, who also plans on purchasing the remaining 11% from the IFC (World Bank).

- EECOL

EECOL Electric Inc. (www.eecol.com) operates with ISO 9001 Management Systems in Canada and Chile servicing the electrical material supply requirements of industry, contractors, E.P.C.'s and institutional customers with large and complete inventories, technically qualified personnel from over sixty stocking locations in Canada and South America.

History of Eecol in Chile:

1996: EECOL Electric forms a joint venture company in Chile, South America.

Sales office opened in Santiago, Chile.

Opened warehouse in Iquique, Chile. - Duty Free Zone.

1998: Purchased Santiago warehouse.

2000: Opened branch in Antofagasta.

2001: Opened branch in Concepción.

2003: Opened sales office in Copiapo and Puerto Montt.

Competitive Advantages through Canadian Government Policies and Initiatives.

Sources of Project Financing for Ontario companies present or wanting to execute projects in Chile.

Canada-Based Finance Sources:

- Export Development Canada
Financial Products: Project financing, Political Risk Insurance, Credit Insurance, Contract Bonding
Contact: Claudio Escobar, Regional Director, Brazil & Southern Cone
Email: cescobar@edc.ca
Tel: (011-55-11) 5509-4320/4322
Website: <http://www.edc.ca>
- CIDA Industrial Cooperation Program (CIDA-INC)
Financial Products: Investment-related project development and/or training support
Contact: André Leroux, Program Manager
Email: andre_leroux@acdi-cida.gc.ca
Tel: (819) 997-2064
Website: <http://www.acdi-cida.gc.ca/inc>
- NorthStar Trade Finance Inc.
Created to support Canadian exporters by offering financing to credit worthy buyers of eligible Canadian goods and services.
Toll Free (800) 663 9288
General Contact: vancouver@northstar.ca

Resident Canadian Banks:

- Bank of Nova Scotia (Scotiabank Sud Americano) in Santiago
Tel: 600 6 700 500
Website: www.scotiabank.cl

ACCESS TO OPPORTUNITIES

Identification and access to potential customers can be achieved by attending industry related trade shows, seminars and magazines. The Electrical Industry Association is an association that serves and promotes international and national companies in the Electrical Industry and can provide key contacts and access to opportunities for Canadian companies entering the market.

Preferences are for proven technologies, and often Chile customers will solicit samples or testing to be carried out before a final purchase decision is made. Marketing and technical papers should be of good quality and translated to Spanish. Employing and training of local sales representatives or product managers is a recommended method for gaining quick access to local market knowledge and know-how.

Being a price sensitive market, companies are advised to research and investigate well before initiating operations in Chile. Companies are invited to contact the Canadian Embassy in Santiago as their first step towards investing.

Electronic Marketplaces

Opportunities for products and services, and project tenders are published on the web in various electronic marketplaces. Companies can enroll in these sites, listing the products and services that they have to offer. When a particular service or product is demanded, the enrolled company will automatically receive an email with the information and an invitation to send in a quote. The following sites are some examples that will provide opportunities for Canadian companies.

- CBC: www.cbc.cl

Since 1966 La Corporación de Desarrollo Tecnológico de Bienes de Capital (Corporation of Technological Development of Capital Assets), has been helping to increase technological development and Chile's industrial growth via a systematic search for industrial demands derived from large investment projects and the knowledge of the existing local offer, managing the tasks of industrial broker and market intelligence.

The Corporation, via its web site publishes national technological and economic studies, business opportunities, and projects over US\$5 million by business sector. Currently the Corporation has over 700 investment projects in its database. It also has a section for suppliers – including Ontario suppliers - to register their offers. The most important energy related projects will be published on this site. In order to have access to this information, the Ontario company can subscribe to this web site.

- ENAP

The National Petroleum Company ENAP uses their own website (www.enap.cl) to issue tenders and to register suppliers.

- CODELCO

The Chilean state owned copper producer CODELCO uses the electronic marketplace Quadrem (www.quadrem.cl) that it helped found, and of which is a shareholder. The site includes sections for mining, minerals, oil and gas.

In Canada, enrolment procedures and enquiries can be directed to:

201 City Centre Drive, Suite 606
Mississauga, Ontario (Canada) L5B 2T4
Tel: +905.306.2779
namerica@quadrem.com

- ChileCompra

ChileCompra (www.chilecompra.cl) is the Chilean system for government procurement. The main objective of this electronic platform is to guarantee high levels of transparency, efficiency and the use of technology in the government's purchases, benefiting private enterprise, the State and the general public. The public purchases correspond to all the contracts that the Government subscribes for the acquisition of goods, services and public works, from the most complex (such as those for the road construction) to simple contracts (purchase of pencils and other office items.) The public procurement market is equal to 10% of the NGP (National Gross Product).

The market value of public purchases in Chile is close to US\$ 7 billion annual, distributed between the different entities that conform the State. Particularly, the value of contracts of the Central Government to year 2001, without adding the municipalities nor public companies, quotes US\$ 4 billion and in terms of public cost to US\$ 2 billion. In this regard, it is important to distinguish that the amount involved in contracts of goods and services is greater to the amount of the public cost. US\$1.2 billion in purchases were reported through the platform in 2003.

The Government effects approximately 1,000,000 annual transactions, 80% of which correspond to public companies and 20% to the central government. Nearly 30,000 of these transactions are registered in ChileCompra. As of December 2002, all transactions involving more than US\$ 170 have to be published on the website.

The buying organisms of the State equal 600 organizations, 200 correspond to Public Services of the Central Government, 340 to municipalities and 60 are companies and other institutions assigned to the State. The main users of ChileCompra correspond to the organs of the Central Government. With the incorporation of the Municipalities in 2004 and the Armed Forces in 2005, business opportunities now reach 300,000.

Ontario companies can register in ChileCompra for free. Even though English manuals are available on-line to download, some knowledge in Spanish facilitates the registration procedure. In reference to the language issue, Ontario companies should keep in mind that all tender specifications will be in Spanish. Furthermore, if the Ontario company decides to submit a proposal, this, as well as all the necessary documentation, should also be in Spanish. In light of the aforementioned information we estimate that bidding is best done through a local agent or representative who is registered, well connected and familiar with Chilean government bidding procedures.

MARKET LOGISTICS

Channels of Distribution

Establishing a local subsidiary or branch office in Chile offers would-be exporters the best guarantee of efficient service and appropriate product promotion. Any corporation legally constituted abroad may form, under its own name, an authorized branch in Chile. This method of market penetration involves a considerable investment, but is justified if sales are large in volume or when local service support and/or inventory are keys to success.

Another practical and more common market entry strategy, especially for new-to-market exporters, is appointing an agent or representative with good access to relevant buyers and with solid technical expertise. Most manufacturing, trade and service activities in Chile are managed from Santiago, the capital. However, Chile's distances are great, so larger representatives often have branch offices in different regions as well.

Use of Agent and Distributor: Finding a Partner

About 3,000 importers currently operate in Chile; some of them also act as export agents. Most are small-to-medium size firms. Several large firms handle different lines of products and are large wholesalers. Almost all the firms have their main offices in Santiago. The larger ones have branch offices throughout the country, including in the free-trade zones of Iquique and Punta Arenas. Other firms employ specialized traveling salespeople.

In general, foreign suppliers enter the Chilean market by appointing an agent, distributor or wholesaler. Agent/representative commissions normally range from 5 to 10%, depending on the product.

The selection of a Chilean agent or representation is an extremely important decision for Canadian exporters that merits a thorough review of possible candidates, their qualifications and capabilities.

Direct Marketing

Direct marketing is well established in the services sector, especially in banking/finance and telecommunications services, etc. Catalog sales are not common. Chilean consumers generally prefer to browse in shops rather than to purchase through catalogs. Customers want to know there is a store that can provide after sales service or address any problem that might arise. Exchange of products in Chile is made more complicated due to value added tax (VAT) considerations. Credit card penetration is lower in Chile than in the Canada, but growing rapidly.

Electronic Commerce

Chileans recognize the importance of the Internet and are making efforts to employ it in e-commerce, e-learning and e-government. Local businesses are incorporating information technology in their business processes and communicating with other businesses and with clients through the Internet. The Government of Chile supports the development of the Internet and is fostering a public-private alliance to: 1) increase access to the Internet; 2) create secure and trusted methods of payment and certification; and 3) enhance product distribution throughout Chile. The Government also intends to make public services available on-line and already allows on-line filing of income tax returns.

In February 2000, Chile became the first country in Latin America to sign a Joint Statement on Electronic Commerce with the United States, highlighting the countries' agreement that the private sector should take the lead on the establishment of business practices related to electronic commerce. In addition, on January 15, 2002 the Chilean Congress passed a law authorizing the use of digital signatures, another important step in developing e-commerce.

Joint Ventures/Licensing

In Chile, joint ventures and licensing arrangements require the participation of a legally established local partner who can be responsible for Chilean legal and tax obligations. The various administrative, commercial, profit distribution and other issues involved in the association are established in contracts drawn up between the partners in accordance with Chilean law and tax regulations.

Selling Factors/Techniques

Depending on the product or service, price can be the key sales factor in Chile. Price-competitive products from places such as Taiwan or South Korea often outsell more expensive European or North American products, especially in consumer product categories such as electronics, appliances and automobiles.

Where dependability becomes more important, such as in advanced electronics and heavy machinery, Chilean customers often prefer more expensive North American or European products. While price remains a factor in purchasing decisions, considerations of quality, durability, technology, customer support and availability of service will also influence the purchase decision, with the order of importance depending on the industry, the customer and the application.

Many of the larger distributors and representatives have regional offices in addition to their Santiago headquarters, or work with a commissioned sales force to cover all of Chile. More technical product categories are generally sold by traveling salespeople who can demonstrate products to clients in their offices. Technical support personnel often assist the salesperson during such client visits.

Pricing Products

Pricing in Chile starts with a fairly straightforward formula based on CIF costs plus generally constant ship-to-warehouse expenses. Gross margins for consumer goods are generally 30-50% or more for direct sales to consumers, or 20-30% each for the importer/distributor and the retailer when a distribution chain is in place. Higher-priced items must identify niche market segments to prosper. More specialized products are sold by stocking distributors or by commissioned agents who generally earn margins of 5-10% on their sales.

Chile's value added tax (called IVA) was raised to 19% as of October 1, 2003. Any tariff and value added tax is usually paid by the importer and not by the supplier. There are some exceptions: government entities do not pay these fees, and some luxury goods have higher tariffs.

Sales Service/Customer Support

Customer service and support are fundamental to successfully penetrating and retaining market segments for most products and services. Any product that requires operator training or needs after sales technical service must have, in effect, a qualified local company ready and able to assist the customer. Due to Chile's relatively close-knit market, company reputations can be made or lost in a fairly short period of time.

Import Regulations

The Canada-Chile Free Trade Agreement (CCFTA) includes provisions to expedite customs clearance of Canadian goods entering Chile, and to ensure that preferential treatment applies to qualified goods. Since the CCFTA is largely modeled on the North American Free Trade Agreement (NAFTA), customs procedures are treated in a very similar way.

The following points should also be noted:

- An importer, who obtains a Certificate of Origin after the goods have entered either country, without receiving preferential treatment, can obtain a refund for up to one year afterwards.
- The requirement for a Certificate of Origin is waived for shipments with a value of US\$ 1,000 or less. Invoices accompanying commercial shipments must state that the shipment consists of originating goods.
- Exporters or producers who inadvertently prepare an incorrect Certificate of Origin have an obligation to provide written notification to all parties who have received a copy of the certificate. Once they do so, they are not liable for charges under the customs laws of either country.
- Records must be maintained to back up the Certificate of Origin subject to verification. Officials are required to provide advance notice of verification visits.

For complete information on The Customs Procedures, See Chapter E of The CCFTA. A copy of the agreement can be found at:

<http://www.dfait-maeci.gc.ca/tna-nac/bilateral-e.asp>

Importation:

In Canada Certificates of origin can be obtained from:

"CCFTA Certificate of Origin" Canada Border Services Agency

Forms # B240E y B240F

http://www.cbsa-asfc.gc.ca/general/trade_agreements/canada_chile-e.html

"Certificado de Origen TLC C-C"

In Chile Certificates of origin can be obtained from::

Departamento de Comercio Exterior Sociedad de Fomento Fabril (SOFOFA)

Av. Andres Bello 2770

Las Condes, Santiago, Chile

Ph:(56-2) 391-3100,

Fax: (56-2) 391-3200

Contact: Mrs. Marcela Rubio

<http://www.sofofa.cl/comex/Origen/Formularios/CANADA/FormularioCanada.pdf>

Local Standards, Certificates & Regulations

Standards Organizations

In Chile, there are no standards associations like those found in North America. The only organization charged with developing standards in Chile is the INN (www.inn.cl). A loose translation of the INN's name would be National Standardization Institute. Their long-term plan for the development of standards is closely linked to Chile's chief export sectors, which are copper, salmon, forestry, agro-products and wine.

See <http://www.inn.cl/pags/normalizacion/index.html> for the INN's current standards development plan.

Conformity Assessment and Accreditation

The main national testing organizations are grouped under the following categories.

- Quality Management Systems (QMS)
- Environmental Management Systems (EMS)
- Product certification
- Testing laboratories
- Calibration laboratories
- System Quality Auditors
- Inspection organizations

A few of the locally accredited organizations are:

Name	Address in Chile	Telephone
SGS ICS (Chile) / ISO9000	Ignacio Valdivieso 2409, San Joaquín, Santiago	(56 2) 555-8478
Underwriters Laboratories UL (U.S.)	Av. Ricardo Lyon, 222 - Piso 13° - Providencia - Santiago - Chile	(56 2) 378-0053
ICONTEC (Colombia) / ISO9000	Av. Apoquindo 4499 Piso 11, Las Condes, Santiago	(56 2) 228-2400
IRAM (Argentina), Certificación de Sistemas / ISO9000	Av. 11 de Septiembre 1881, Of. 1213, Santiago	(56 2) 233-5409
AENOR (España) División de Certificación de Sistemas / ISO9000	Andrés Bello 2711, Of. 2402, Las Condes, Santiago	(56 2) 231-1859
CESMEC Ltda. (Chile), División Certificación / ISO9000	Av. Marathon 2595, Macul, Santiago	(56 2) 350-2100
DICTUC S.A.,(Chile)	Av. Vicuña Mackenna 4860, Santiago	(56 2) 686-4250
Fundación Chile (Chile)	Av. Parque Antonio Rabat Sur 6165, Vitacura, Santiago	(56 2) 240-0300
Bureau Veritas S. A.(France)	Av. Isidora Goyenechea 3250, Piso 7, Santiago	(56 2) 335-4100

A complete list of accredited testing organizations under each category can be found at <http://www.inn.cl/pags/acreditacion/index.html> under the title “Directorio de empresas”.

Quality:

ISO 9001 & ISO 9002 certifications are well recognized in Chile.

SUMMARY

This is a rapidly evolving market - currently multiple factors are affecting supply and demand, creating an energetic reaction from the market. Chile on one hand has its own untapped resources, and is surrounded by countries that also possess resources, but are unable to manage them.

Government drawn wish lists point Chile towards energy diversification and independence, and motivated by regulation reforms, large companies are announcing large projects and strategic plans practically every day, creating opportunities in areas such as professional services, machinery and equipment.

Ontario companies are well placed to benefit from these opportunities, but will need to move quickly and be competitive in a price sensitive market.

Professionals (especially those with Spanish language skills) specializing in projects of power capacity, generation & transmission are in highest demand.

Renewable energy companies have their biggest window of opportunity ever in this market with Chilean Government providing grants for renewable energy project feasibility studies. According to PointCarbon, Chile is presently the worlds 2nd highest ranked country for the potential to host CDM projects.

Companies are invited to contact the Canadian Embassy in Santiago as their first step towards investing in this market.

PROMOTIONAL EVENTS

Event / Description	Organizer
<p>Expomin 2006 23 - 27 May 2006 Centro de Eventos Espacio Riesco. Santiago, Chile. Latin America's largest mining exhibition featuring the latest machinery, equipment, technology, supplies and services from around the world.</p>	<p>FISA SA Santiago, Chile. Tel.: (56-2) 530-7000 Fax: (56-2) 530-7272 E-mail: expomin@fisa.cl Internet: http://www.expomin.cl Carlos Parada, Expomin manager, jconejeros@fisa.cl</p>
<p>Expo Automatización, Santiago 2006 August 24, 2006 Hotel Neruda Santiago, Chile.</p>	<p>Publicaciones EMB Santiago, Chile. Internet: www.electroindustria.cl</p>
<p>Expo Automatización, Concepción 2006 August 31, 2006 Hotel Araucano Concepción, Chile.</p>	
<p>Expo Automatización, Antofagasta 2006 September 28, 2006 Hotel Antofagasta Concepción, Chile. Automatic, energy saving and quality systems for the energy, industrial and mining sectors.</p>	
<p>Expo Iluminación, Santiago 2006 November 23, 2006 Hotel Neruda Santiago, Chile. Solutions and services for industrial lighting, and energy saving.</p>	
<p>ELECGAS 2006 June 20-21, 2006 Hotel Crowne Plaza Santiago, Chile Electricity, Natural Gas, Liquid Gas, Renewable energies and Energy efficiency.</p>	<p>EDITEC Carolina Ibañez T. Tel: 562 - 7574241 Email: cibanez@editec.cl</p>

KEY CONTACTS

<p>The Canadian Embassy in Chile Ambassador: Bernard Giroux Counsellor (Commercial) Senior Trade Commissioner: Mr. Sylvain Fabi Street address: Nueva Tajamar 481 - Piso 12, Torre Norte (Edificio World Trade Center) Santiago, Chile.</p> <p>Telephone: (56-2) 652 3800 Fax: (56-2) 652 3915 Website: http://www.santiago.gc.ca/ Email: General: santiago.commerce@international.gc.ca</p> <p>The Canada-Chile Chamber of Commerce Los Estanques 9482 Vitacura, Santiago Tel/fax: (56-2) 201-1571 E-mail: info@chile-canada-chamber.cl Website: www.chile-canada.chamber.cl</p> <p>National Standards Institute (Instituto Nacional de Normalizacion) Matias Cousino 64, Piso 6 Santiago, Chile Tel.: (56-2) 441-0330 Fax: (56-2) 441-0427 Web page: www.inn.cl Description: The main mission of the INN is to contribute to the productive development of the country encouraging the use of the standards, accreditation and metrology.</p> <p>National Customs Service (Servicio Nacional de Aduanas) Plaza Sotomayor 60 Valparaiso, Chile Tel.: (56-3) 220-0500 Fax: (56-3) 223-0591 Web page: www.aduana.cl Description: National Customs Service is a public agency, independently managed, responsible to the Ministry of Finance. The National Customs Service has an enforcement role as well as an administrative role, registering all imports and exports to and from Chile.</p>	<p>Santiago Chamber of Commerce (Cámara de Comercio de Santiago) Address: Monjitas 392, Santiago Tel.: (56-2) 360-7000 Fax: (56-2) 633-2879 Contact: Esteban Albano, President Claudio Ortiz, Manager Carmen Gloria Fuentealba, International Relations Manager Web page: www.ccs.cl E-mail: gerencia@ccs.cl Description: The Chamber of Commerce was created in 1919 and now has more than 1,400 members including large, medium and small companies from the most important economic sectors. The chamber has developed various products and services that help to businessmen in management, and improve the performance of Chilean companies.</p> <p>Ministry of the Economy Teatinos 120, Piso 10 Santiago, Chile Tel.: (56-2) 672-5522 Fax: (56-2) 635-2268 Web page: www.economia.cl Description: The Ministry of the Economy is the federal body in charge of The Superintendent of Electricity & Combustibles. The Superintendent of Electricity & Combustibles is Patricia Chotzen. Web Page: http://www.sec.cl Offices: Amunátegui N°58, Santiago, Chile Tel.: (56 2) 549-6000</p> <p>National Mining Society (Sociedad Nacional de Minería Sonami) Address: Av. Apoquindo 3000, piso 5 Santiago, Chile Tel.: (56-2) 335-9300 Fax: (56-2) 334-9700 Contact: Alfredo Ovalle, President Web page: www.sonami.cl E-mail: sonami@sonami.cl Description: The National Mining Society was founded in 1883 and represents private mining producers of Chile, as well as mining industrialists, regional mining associations, individuals and companies.</p>
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<p>Chilean Construction Chamber (Camara Chilena Construcción) Address: Marchant Perira 10, Piso 3, Providencia Santiago, Chile Tel.: (56-2) 376 3300 Fax: (56-2) 371-3430 Contact: Fernando Echeverría Vial, President Web page: www.cchc.cl E-mail: crojas@cchc.cl Description: Labour union association of industrialists in the construction sector, whose main purpose is to increase the development of this economic activity throughout all its sectors.</p> <p>Ministry of Mining & Energy Address: Teatinos 120, Piso 9 Santiago, Chile Tel: (56-2) 671-2481 Fax: (56-2) 698-9262 Contact: Karen Poniachik, Minister of Mining & Energy Marisol Aravena, Undersecretary Mining & Energy Web page: www.minmineria.cl E-mail: informacion@minmineria.cl Description: The Ministry of Mining & Energy is promoting investment, production, innovation and technological development.</p> <p>Chilean Association of Alternative Renewable Energies (ACERA) Address: O'Connell 171 Santiago, Chile Tel.: (56-2) 220 4042 Fax: (56-2) 212 8260 Contact: Rolf Fiebig, President Web page: www.acera.cl E-mail: info@acera.tie.cl Description: The Assostiation was founded in 2003 to promote renewable energies.</p>	<p>Association of Companies and Professionals for Environmental Protection (Asociación de Empresas y Profesionales para el Medio Ambiente, AEPA) Address: Av. Providencia 1998, Of. 201 Santiago, Chile Tel.: (56-2) 231 53 33 Fax: (56-2) 231 53 33 Contact: Cecilia López, President Web page: www.aepa.cl E-mail: aepa@aepa.cl Description: AEPA represents a large group of well-known companies that offers professional services and environmental equipment. The AEPA's mission is promote partnerships with institutions and organizations, foster the transfer of technologies in order to: enhance the protection of the environment; promote Chilean delegations abroad in order to acquire new and environmental friendly technologies to be implemented in Chile; and to organize specialized workshops and seminars for the environmental sector.</p> <p>Electrical Industry Association (Asociación de Industrias Eléctricas AIE) Address: Av. Providencia 2315, Of. 605 Santiago, Chile Tel.: (56-2) 335 1886 Fax: (56-2) 232 5647 Contact: Talil Haviv, General Manager Web page: www.aie.cl E-mail: tali@aie.cl Description: The Association was founded in 1996 to promote electronic and electrical products and services at both the national and international levels.</p>
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BIBLIOGRAPHY

Electronic

- www.emol.com
- www.economist.com
- www.snpowerinvest.com
- www.economiaynegocios.cl
- www.eldiario.cl
- www.economist.com
- www.cdec-sic.cl
- www.cdec-sing.cl

Print.

- Estrategia
- El Mercurio
- Diario Financiero

OTHER REFERENCE MATERIAL

Useful Internet Sites

Ministry of Economy & Energy
www.minecon.cl

National Energy Commission
www.cne.cl

Secretary of Energy & Combustibles
www.sec.cl

Ministry of Mining
www.minmineria.cl

Ministry of National Defence
www.defensa.cl

Ministry of Internal Affairs
www.hacienda.gov.cl

Ministry of Planning y Cooperation
www.mideplan.cl

Nacional Environment Commission
www.conama.cl

Ministry of External Relations
www.minrel.cl

National Environment Commission
www.conama.cl

Foreign Investment Committee
www.foreigninvestment.cl

United Nations Development Program
www.pnud.cl

Chilean Companies

<p>AES Gener S.A. Mariano Sánchez Fontecilla 310, piso 3, Las Condes, Santiago de Chile Tel. (56-2) 686 8900 Fax. (56-2) 686 8991 www.aesgener.cl</p>	<p>Arauco Generacion Av. Presidente Frei Montalva 21100, Lampa, Santiago, Chile Tel. (56-2) 425-8000 Fax (56-2) 425-8109 www.arauco.cl</p>
<p>Chilectra S.A. Santa Rosa 76 Santiago, Chile Tel. (56-2) 675 2000 Fax (56-2) 675 2999 www.chilectra.cl</p>	<p>Chilquinta Energia SA Av. Liberador B.O'Higgins 949 Santiago, Chile Tel. (56-2) 699 4919 Fax (56-2) 699 5334 www.chilquinta.cl</p>
<p>Compania General de Electricidad SA (CGE) Teatinos 280 Santiago, Chile. Tel. (56-2) 680 7000 Fax: (56-2) 680 7104 www.cge.cl</p>	<p>Cooperativa Rural Electrica Llanquihue Ltda (Crell) Decher Cnr Estación Puerto Varas. Chile Tel. (56-65) 338 000 Fax: (56-65) 338 100 www.crell.cl</p>
<p>Colbun S.A. Av. Apoquindo 4775, 11 floor. Las Condes Santiago, Chile. Tel. (56-2) 460 4000 Fax: (56-2) 460 4005 www.colbun.cl</p>	<p>Compañía de Petróleos de Chile (COPEC) Agustinas 1382 Santiago, Chile. Tel. (56 2) 690 7000 E-mail: contact@copec.cl www.copec.cl</p>
<p>Electroandina SA El Bosque Norte 500, Piso 9, Vitacura Santiago, Chile Tel: (56-2) 353 3201 Fax: (56-2) 353 3210 www.electroandina.cl</p>	<p>Empresa Electric EMEC SA Av. Libertador Bernardo O'Higgins 886, Santiago de Chile Tel. (56-2) 600 600 6700 Fax. (56-2) 633 3849 www.emec.cl</p>
<p>Empresa Electrica de Aysen SA (Edelaysen) Bulnes 441 Osorno, Chile. Tel. (56-64) 206 350 Fax. (56-64) 206 370</p>	<p>Empresa Electrica Guacolda SA Miraflores 222 Piso 16, Santiago, Chile. Tel. (56-2) 362 4000 Fax. (56-2) 360 1675 www.guacolda.cl</p>
<p>Endesa Chile Santa Rosa 76 Santiago, Chile Tel. (56-2) 630 9551 Fax. (56-2) 634 7322 www.endesa.cl</p>	<p>Enersis Santa Rosa 76 Santiago, Chile Tel. (56-2) 353 4400 Fax. (56-2) 675 2999 www.enersis.cl</p>

<p>Empresa Nacional de Petróleo (ENAP) Av. Vitacura 2736 10 floor Las Condes, Santiago, Chile. Tel. (56-2) 280 3000 Fax. (56-2) 280 3199 www.enap.cl</p>	<p>Iberoamericana de Energia SA (IBENER) Avenida Vitacura 2771 office 503 Las Condes Santiago, Chile. Tel. (56-2) 236 5717 Fax. (56-2) 236 5558 www.ibener.cl</p>
<p>Pacific Hydro Av. Andres Bello No 2687, 18th Floor, Las Condes Santiago, Chile Te. (56-2) 754 1000 Fax. (56-2) 946 1626 www.pacifichydro.cl</p>	<p>Sociedad Agricola y de Servicios Isla de Pascua Ltda (Sasipa) Hanga-Roa Easter Island, Chile</p>
<p>Sociedad Austral de Electricidad SA (SAESA) Bulnes 441, Osorno Chile Tel. (56-64) 600 401 2020 Fax. (56-64) 206 309 www.saesa.cl</p>	<p>Transelec S.A Avenida Apoquindo 3721, piso 6, Las Condes, Santiago Chile Tel. (56-2) 467 7000 www.transelec.cl</p>

- *Worldwide industry sites.*

<http://www.eia.doe.gov/emeu/cabs/>

Annex 1. Energy Projects

N°	Company	Project Name	Investment US\$ MM	Region	Construction		Type of Production	Capacity
					Start	End		
Hydroelectric Projects								
1	AES GENER	CENTRAL HIDROELECTRICA ALFALFAL II (ALTO MAIPO)	250	R.M.	Jan-08	Dic-13	Hydroelectric Central	250 MW
2	AES GENER	CENTRAL HIDROELECTRICA LAS LAJAS	250	R.M.	Jan-08	Dec-13	Hydroelectric Central	250 MW
3	ALBERTO MATTHEI E HIJOS LTDA	CENTRAL HIDROELECTRICA LAJA	25	VIII	Jun-07	Jun-09	Hydroelectric Central	25 MW
4	CGE CHILGENER	CENTRAL ÑUBLE	130	VIII	Jan-07	Jul-09	Hydroelectric Central	130 MW
5	COLBUN S.A.	CENTRAL CHIBURGO	20	VII	Jun-06	Abr-07	Hydroelectric Central	20 MW
6	COLBUN S.A.	CENTRAL QUILLECO (EX TUCAPEL)	80	VIII	Jan-05	Jun-07	Hydroelectric Central	70 MW
7	COLBUN S.A.	CENTRAL SAN PEDRO	120	X	Jun-07	Jun-10	Hydroelectric Central	120 MW
8	CONSORCIO INTERNACIONAL	CENTRAL MOLINA	22	R.M	Sep-06	Abr-08	Hydroelectric Central	25 MW
9	ELECTRICA PILMAIQUEN	CENTRAL RUCATAYO	60	X	Jun-06	Dec-08	Hydroelectric Central	60 MW
10	EMP. ELECTRICA CAPULLO S.A.	CENTRAL PULELFU (EX LA LEONERA)	11	X	Dec-06	Jun-08	Hydroelectric Central	10 MW
11	ENDESA ECO	MINICENTRAL HIDROELEC. OJOS DE AGUAS	15,4	VII	Oct-06	Mar-08	Hydroelectric Central	9 MW
12	ENDESA S.A.	CENTRAL HIDROELECTRICA PALMUCHO	37,5	VIII	Oct-05	Dec-07	Hydroelectric Central	32 MW
13	ENDESA S.A.	CENTRAL RIO BAKER I	680	XI	Jan-08	Dec-12	Hydroelectric Central	680 MW
14	ENDESA S.A.	CENTRAL RIO BAKER I	360	XI	Jan-13	Dec-18	Hydroelectric Central	360 MW
15	ENDESA S.A.	CENTRAL RIO PASCUA I	450	XI	Jan-12	Dec-16	Hydroelectric Central	450 MW
16	ENDESA S.A.	CENTRAL RIO PASCUA II	940	XI	Jan-10	Dec-14	Hydroelectric Central	940 MW
17	ENDESA S.A.	CENTRAL RIO PUELO	1243	X	Jan-08	Dec-15	Hydroelectric Central	1.250 MW
18	HIDROELEC. GUARDIA VIEJA (COLBUN)	CENTRAL HORNITOS	63	V	Jan-05	Jun-07	Hydroelectric Central	55 MW
19	HIDROELECTRICA LA HIGUERA	CENTRAL LAS DAMAS	40	VI	May-09	Dec-10	Hydroelectric Central	40 MW
20	HIDROELECTRICA LA HIGUERA	CENTRAL PORTILLO	30	VI	May-09	Dec-10	Hydroelectric Central	30 MW
21	HIDROELECTRICA LA HIGUERA S.A.	CENTRAL HIDROELEC. LA CONFLUENCIA	180	VI	Dec-06	Abr-09	Hydroelectric Central	145 MW
22	HIDROELECTRICA LA HIGUERA S.A.	CENTRAL HIDROELECTRICA LA HIGUERA	250	VI	Oct-05	Oct-08	Hydroelectric Central	155 MW
23	PACIFIC HYDRO LIMITED	CENTRAL CHACALES	200	VI	May-08	Jan-11	Hydroelectric Central	200 MW
24	PACIFIC HYDRO LIMITED	CENTRAL CHILOE	30	X	Abr-07	Jan-08	Hydroelectric Central	30 MW
25	PACIFIC HYDRO LIMITED	CENTRAL NIDO DE AGUILA	180	VI	Dec-10	Jan-13	Hydroelectric Central	180 MW
26	PACIFIC HYDRO LIMITED	CENTRAL RIO BLANCO	100	VI	Dec-09	Jan-11	Hydroelectric Central	100 MW
27	PACIFIC HYDRO LIMITED	MEJORAS EN COYA	110	VI	Oct-06	Oct-08	Major Improvements	100 MW
28	PACIFIC HYDRO LIMITED	OTRAS CENTRALES EN RIO CACHAPOAL	110	VI	Abr-10	Dec-14	Hydroelectric Central	110 MW

N°	Company	Project Name	Investment US\$ MM	Region	Construction		Type of Production	Capacity
					Start	End		
Carbon Projects								
1	AES GENER	CENTRAL A CARBON EN VENTANAS	317	V	Aug-06	Jun-09	Carbon Central	250 MW
2	ELECTROANDINA	CENTRAL A CARBON	250	II	Jan-07	Mar-08	Carbon Central	200 MW
3	EMPRESA ELECTRICA GUACOLDA	GUACOLDA III	250	III	Jun-06	Dec-08	Combined Cycle Central	200 MW
4	PLAN DE OBRAS CNE	CENTRAL A CARBON EL CORONEL 1	377	VIII	Oct-07	Oct-10	Carbon Central	250 MW
5	PLAN DE OBRAS CNE	CENTRAL A CARBON EL CORONEL 2	377	VIII	Jun-11	Jun-14	Carbon Central	250 MW
6	PLAN DE OBRAS CNE	CENTRAL A CARBON EN PTO. MONTT 1	377	X	Jun-10	Jun-13	Carbon Central	250 MW
7	PLAN DE OBRAS CNE	CENTRAL A CARBON EN V REGION	377	V	Jun-12	Jun-15	Carbon Central	250 MW
8	PLAN DE OBRAS CNE	CENTRAL A CARBON PAN DE AZUCAR 1	377	III	Jun-08	Jun-11	Carbon Central	250 MW
9	PLAN DE OBRAS CNE	CENTRAL A CARBON PAN DE AZUCAR 2	377	III	Oct-09	Oct-12	Carbon Central	250 MW
Combined Cycle Projects								
1	AES GENER	CENTRAL MONTE LORENZO	210	VI	Dec-06	Dec-09	Combined Cycle Central	380 MW
2	ENDESA S.A.	AMPLIACIÓN CENT. TERMICA SAN ISIDRO	206	V	Oct-05	Mar-08	Combined Cycle Central	377 MW natural gas and 320 MW diesel
3	INNERGY SOLUC. ENERGETICAS S.A.	CENTRAL CAMPANARIO	60	VIII	Aug-06	Mar-07	Dual Combined Cycle	120 MW
4	PLAN DE OBRAS CNE	CICLO COMBINADO GNL QUINTEROS 1	250	V	Jun-07	Jun-10	Central	385 MW
5	PLAN DE OBRAS CNE	CICLO COMBINADO GNL QUINTEROS 1	250	V	Oct-08	Oct-11	Combined Cycle Central	385 MW
6	PLAN DE OBRAS CNE	CICLO COMBINADO GNL VI REGION 1	250	VI	Jun-09	Jun-12	Combined Cycle Central	385 MW
7	PLAN DE OBRAS CNE	CICLO COMBINADO GNL VI REGION 2	250	VI	Jan-11	Jan-14	Combined Cycle Central	385 MW
8	PLAN DE OBRAS CNE	CICLO COMBINADO GNL VI REGION 3	250	VI	Oct-12	Oct-15	Combined Cycle Central	385 MW
Non-conventional Energy Projects								
1	ENDESA ECO	PROYECTO EOLICO CANELA	16	Interreg.	Oct-07	Dec-10	Wind and thermoelectric	10 MW aprox.
2	PLAN DE OBRAS CNE	CENTRAL EOLICA CONCEPCIÓN MOD. 1	25	VIII	Jan-07	Oct-08	Wind	25 MW
3	PLAN DE OBRAS CNE	CENTRAL EOLICA CONCEPCIÓN MOD. 2	25	VIII	Jan-08	Oct-09	Wind	25 MW
4	PLAN DE OBRAS CNE	CENTRAL GEOTERMICA CALABOZO 1	140	VIII	Sep-09	Abr-11	Geothermal	40 MW
5	PLAN DE OBRAS CNE	CENTRAL GEOTERMICA CALABOZO 2	140	VIII	Sep-11	Abr-13	Geothermal	40 MW
6	PLAN DE OBRAS CNE	CENTRAL GEOTERMICA CALABOZO 3	140	VIII	Sep-13	Abr-15	Geothermal	40 MW
7	PLAN DE OBRAS CNE	CENTRAL GEOTERMICA CHILLAN 1	40	VIII	Sep-09	Abr-11	Geothermal	25 MW
8	PLAN DE OBRAS CNE	CENTRAL GEOTERMICA CHILLAN 2	40	VIII	Sep-11	Abr-13	Geothermal	25 MW
9	PLAN DE OBRAS CNE	CENTRAL GEOTERMICA CHILLAN 3	40	VIII	Sep-13	Abr-15	Geothermal	25 MW
Other Projects								
5	AES GENER	CENTRAL LAS VEGAS	25	V	Dec-05	Jul-06	Back-up turbines	136 MW
5	HIDROELECTRICA GUARDIA VIEJA	CENTRAL ESPERANZA (COLBUN)	35	V	Oct-06	Abr-07	Two dual turbines	50 MW per unit
5	HIDROELECTRICA LA HIGUERA S.A.	TURBINAS DE RESPALDO	30	V	Oct-06	Dec-07	Back-up turbines	30 MW per unit
6	PLAN DE OBRAS CNE	TURBINAS GNL POLPAICO 1	68	R.M.	Jan-09	May-10	Gas turbine	125 MW
5	PLAN DE OBRAS CNE	TURBINAS GNL POLPAICO 2	68	R.M.	Aug-12	Jan-14	Gas turbine	125 MW
7	PLAN DE OBRAS CNE	TURBINAS GNL QUINTEROS 1	68	V	Aug-09	Jan-11	Gas turbine	125 MW

N°	Company	Project	Investment US\$ MM	Region	Construction		Type of Production	Capacity
					Inicio	Fin		
Transmission and Distribution Projects								
1	ELECTROANDINA S.A.	REUBICACION LINEAS ELECTRICA DE CHUQUICAMATA	8,6	II	Jul-05	May-06	Line changes	220 to 110 Kw
2	HIDROELECTRICA LA HIGUERA S.A.	LINEA DE TRANSM-LA HIGUERA TINGUIRIRICA	8	VI	Oct-06	Nov-07	Transform 154 Kv lines to 200Kv	34,6 Km
3	PLAN TRANSELEC	AMPLIACIÓN BARRA D. DE ALMAGRE Y C. PINTO	4,7	III	Abr-07	Jun-08	Amplification	220 Kv
4	PLAN TRANSELEC	AMPLIACIÓN LINEA EL RODEO – CHENA	5,9	R.M.	Abr-07	Abr-11	Line amplification	220 Kv
5	PLAN TRANSELEC	AMPLIACIÓN LINEA MAITENCILLO – CARDONES	12,2	III	Abr-07	Jun-09	Line amplification	220 Kv
6	PLAN TRANSELEC	AMPLIACIONES POR CONFIABILIDAD SNT DE SYC	39,5	Interreg.	Abr-07	Jun-09	Amplification	To be defined
7	PLAN TRANSELEC	CER DIEGO DE ALMAGRO 220 KV	11,2	III	Abr-07	Dec-08	S/E	220 Kv
8	PLAN TRANSELEC	ENERGIZACION P. CORTES-A. JAHUEL	66,5	R.M.	Abr-07	Abr-12	S/E	154 to 220 Kv
9	PLAN TRANSELEC	NUEVA LINEA C. PINTO – D. DE ALMAGRE	18,3	III	Abr-07	Jun-10	Transmission lines	220 Kv
10	PLAN TRANSELEC	NUEVA LINEA CARDONES – C. PINTO	19,1	III	Abr-07	Jun-10	Transmission lines	220 Kv
11	PLAN TRANSELEC	NUEVA LINEA CAUTIN – VALDIVIA	39,1	Interreg.	Abr-07	Jun-10	Transmission lines	220 Kv
12	PLAN TRANSELEC	NUEVA LINEA CERRO NAVIA – POLPAICO	55	R.M.	Abr-07	Jun-10	Transmission lines	220 Kv
13	PLAN TRANSELEC	NUEVA LINEA LOS VILOS-PAN DE AZUCAR	52,5	Interreg.	Abr-07	Jun-10	Transmission lines	220 Kv
14	PLAN TRANSELEC	NUEVA LINEA PAN DE AZUCAR – MAITENCILLO	43,5	III	Abr-07	Jun-10	Transmission lines	220 Kv
15	PLAN TRANSELEC	NUEVA LINEA POLPAICO – QUILLOTA	38,4	Interreg.	Abr-07	Jun-10	Transmission lines	220 Kv
16	PLAN TRANSELEC	NUEVA LINEA QUILLOTA – LOS VILOS	38,9	Interreg.	Abr-07	Jun-10	Transmission lines	220 Kv
17	PLAN TRANSELEC	NUEVA LINEA TINGUIRIRICA – TUNICHE	15,3	Interreg.	Abr-07	Jun-10	Transmission lines	220 Kv
18	PLAN TRANSELEC	SECCIONAMIENTO DE LINEAS EN BARRO BLANCO	10,2	X	Abr-07	Jun-09	Line sections	220 Kv
19	PLAN TRANSELEC	SECCIONAMIENTO SIST. ITAHUE – A. JAHUEL	13,3	Interreg.	Abr-07	Jun-09	Line sections	154 Kv
20	SAESA	MEJORAS EN ESTANDARES DE CALIDAD	20	Interreg.	Jan-06	Dec-06	Quality improvements	-
21	TANSCHILE CHARRUA TRANSMISIONES	LINEA DE TRANSMISIÓN CHARRUA –TEMUCO	59	Interreg.	Jul-06	Jun-08	Transmission lines	220 Kv
22	TRANSELEC	AMPLIACION BARRA S/E CHARRUA	15,6	VIII	Aug-06	Abr-08	Amplification of 220 Kv	220 km aprox.
23	TRANSELEC	AMPLIACION CAPACIDAD TRAMO	40	R.M	Mar-06	Jun-08	Substation Amplification	220 Kv
24	TRANSELEC	ALTO JAHUEL-POLPAICO						to 500 kv
25	TRANSELEC	AUMENTO CAP. SISTEMA ITAHUE-SAN FERNANDO	10,4	Interreg.	Sep-06	Sep-07	Transmission lines	
26	TRANSELEC	COMPENSACION ESTATICA DE REACTIVOS EN PTO. MONTT	7,8	X	Jan-06	Jul-07	Static Equipment	154 Kv
27	TRANSELEC	LINEAS DE TRANSMISIÓN DE LA XI A ZONA CENTRAL	1500	Interreg.	Jan-09	Mar-15	Transmission lines	220 Kva 2.000 Km
28	TRANSELEC	NUEVA LINEA EL RODEO –CHENA	10,5	R.M.	Dec-06	Dec-08	Transmission lines	220 Kv
29	TRANSELEC	SUBESTACION CAUTIN	11	IX	Jan-06	Sep-06	Substation	Energy conversion
		SUBESTACION VALDIVIA	4,5	X	Dec-05	Sep-06	Substation	Energy conversion