

Debating the Course of Chile's Rivers

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Sheep and cattle ranching supports much of the Patagonian economy.



Graphic: The Aysén area of Patagonia

COYHAIQUE, [Chile](#) — With Chile trying to manage both Latin America's most dynamic economy and a looming energy squeeze, the government has embraced a plan to build a series of dams here in the rugged, pristine heart of Patagonia that would flood thousands of acres.

The plan, proposed by a Spanish-owned electricity company, would harness the rushing rivers of the sparsely populated region known as Aysén, which is dotted with national parks and nature reserves. But environmental groups have condemned the proposal, which they say will damage ranching and tourism. They have mounted an international campaign to block construction.

“There are so few places on earth with the qualities of the Patagonia region of Chile that it’s really criminal to try to foist this kind of project on the Chilean people in the name of avoiding impending blackouts and all that sort of thing,” said Glenn Switkes, Latin American coordinator for the International Rivers Network. “This is going to be a long battle, in the trenches, using every legal and political tactic possible.”

For the last 20 years, Chile has enjoyed Latin America’s highest sustained level of growth. But its weak spot is a lack of domestic energy sources. Chile imports more than 90 percent of the petroleum, gas and coal it uses, and the needs are rising.

Neighboring Bolivia and Argentina are rich in gas. But Bolivia refuses to sell any to Chile until a century-old border dispute is resolved, and Argentina has just raised its price as much as 50 percent. As a result, the pressure to harness Patagonia’s vast energy potential is increasing.

“It is a crime against Chile not to use Aysén’s hydroelectric resources,” Jorge Rodríguez Grossi, minister of economy in the government that left office in March, has argued. In an interview in January, he called opponents of the project antipatriotic because they were blocking efforts to “seek greater sovereignty in the electricity supply.”

The project has provoked intense opposition in this area of Patagonia. The electricity generated would be consumed in the country’s heartland, not here, civic and environmental groups complain, and would bring few benefits and a host of problems.

“This is not the kind of development we want here at the end of the world,” said Patricio Segura, a leader of the Citizens’ Coalition for Aisén here in the region’s capital.

“There is no need to transform Patagonia into another Santiago,” he said. “We want our resources to be used, but in a responsible manner.”

Endesa, the Spanish company that wants to build the dams, declined interview requests. But its Web site describes the project as consisting of six dams, four on

the Baker River and two on the Pascua River, that would generate 2,430 megawatts, come into operation between 2012 and 2018, and require a total investment of \$4 billion, including \$1.5 billion to build power lines.

If the project is not built or is postponed, “Chile will increase its dependence on external energy sources in an unsustainable form,” Rafael López Rueda, managing director of Chilectra, part of the Endesa group, said in an interview with the Chilean newspaper Tercera this year. “Natural resources like coal, diesel or gas would have to be imported from other countries to be transformed into electricity” at a high cost.

Project opponents agree that Chile needs a reliable supply of energy. But they argue that other renewable sources are available that are cheaper, less intrusive, more efficient and not subject to foreign control, in forms as diverse as geothermal energy and ethanol made from wood chips generated by tree plantations.

“Because of the malign energy model we have, there has been zero development of alternative energy sources,” said Juan Pablo Orrego, the director of Eco-Sistemas, an environmental group. “It would not be hard, and would be much to our benefit as a nation, to diversify both the sources and the suppliers of energy.”

Endesa won government approval for the first stage of the project this year and has already begun geologic and hydrological soundings. It talks of starting construction in 2008. But Endesa has not yet submitted a formal feasibility study or an environmental impact assessment, which environmentalists see as likely battlegrounds in efforts to halt the plan.

Initially, the power generated here, if the project is approved, would be transmitted more than 1,000 miles north to the industrial and mining heartland of Chile. That would require building power lines, most likely through nature reserves, which environmentalists fear will devalue the region’s tourism potential.

Traditionally, the main source of income and employment in the region have been cattle and sheep. The project would flood grazing land by the dams. But tourism

has grown rapidly in recent years as Patagonia's mystique spreads. A 2004 regional development plan singled out tourism as a key to Aysén's growth.

The government's National Energy Commission declined requests for an interview, as did the minister of mines and energy, Karen Poniachik. But in a letter sent in July to environmental and religious groups in Patagonia, she maintained that "investment decisions in the electricity area reside exclusively in the private sector," not with the state.

Independent analysts argue that such a laissez-faire policy, characteristic of Chile's embrace of free-market economics, has contributed to the deepening energy problem. If there were a national strategy, they argue, there would be a greater effort to conserve energy and invest in alternative sources, practices that would probably end soaring corporate profits.

"Chile lacks a serious and responsible energy policy," said Miguel Márquez, an energy consultant and director of the Center for Energy Studies at the Austral University. "Endesa responds to its board in Madrid, not to this country, so it is a rather strange kind of autonomy they are offering us."

The project here has also stirred Patagonia's traditional resentment of what it sees as its stepchild status in relation to the rest of the country. The Aysén region, settled early in the 20th century, accounts for 15 percent of Chile's territory but has fewer than 100,000 residents and has traditionally complained that Santiago ignores its voice and interests.

"We make sacrifices to live here, including the highest cost of living and putting up with few paved roads or schools, and how does the country respond?" the mayor here, David Sandoval, asked in an interview. "They tell us we have to hand over the energy potential we have and not expect anything in return."

In addition, Endesa controls more than 80 percent of the water rights in the Aysén region, a source of resentment in a region that has some of the largest reserves of fresh water in the world.

When the state-owned power company was privatized at the end of the dictatorship of Gen. [Augusto Pinochet](#), in the late 1980's, on terms that have been criticized as a giveaway to military cronies, those rights were transferred from the government to private stockholders.

The project has also created an unusual alliance between the salmon industry and environmentalists, including the Americans Douglas Tompkins and his wife, Kristine McDivitt, owner of a 171,000-acre parcel of land she wants to donate as a national park. The two groups are normally bitter enemies, with the environmentalists accusing salmon farmers of polluting Patagonia's waters, but they have united in their opposition to the dam project.

"As a businessman, I am convinced we have something valuable in Patagonia in our flora, fauna and people," said Victor Hugo Puchi, a native of Aysén who is the chairman of Aquachile, the country's largest salmon farming company. "After years of isolation, it would be terribly unjust for the region to be threatened by an act of aggression against the very activities the region has chosen for its development."