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The energy market

We are part of a highly dynamic industry and market. Chile is a country that offers a regulatory environment propitious to developing business that contributes to the country's 2050 goal of becoming carbon-neutral. In this setting, we have proposed leading the solar energy market by our characteristic professionalism in providing a safe solar energy service available 24 hours a day, 7 days a week.

A dynamic setting

GRI 201-2

The energy industry in Chile and the world

Globally, the energy industry is urgently addressing the effects of climate change. This has resulted in a dynamic scientific, technological and business ecosystem focused on becoming carbon-neutral by 2050.

One example of these efforts was reported by the International Energy Agency (IEA), which predicts that renewable energy capacity will increase by close to 60% around 2026, totaling 4,800 GW, equal to the combined capacity of fossil fuel and nuclear energy.

In this setting, Chile wants to fulfill international commitments through the Bill on the Climate Change Framework Law. Both the competent authorities and actors in the industry are aware of the diverse opportunities available in Chile for a quick deployment of Unconventional Renewable Energy (URE) generated by solar, hydraulic, wind and geothermal sources, accompanied by a robust and favorable regulatory setting and a market interested in transforming the energy matrix.

As a result, in 2021 more than 40% of direct foreign investment in the country was allocated to renewable energy and Chile was rated the most attractive investment in this respect.

This is added to the fact that in 2020, Chile set a goal of producing 25% of its energy from clean sources by 2025, an achievement strongly aided by solar and wind plant production. Given this movement, experts are predicting that all energy that Chile needs could come from green sources by 2040, one decade before the world goal deadline.

But not everything has worked in our favor. We have also had to face challenges. The results of the tender to guarantee power supply to regulated customers for the next 15 years were revealed in September.

Initially, we understood from the situation that we would obtain good prices, but the question arose about guaranteeing supply 24 hours a day given the great penetration of renewable energy. **So, in the tender, we felt there were no concrete signals to attract the participation of technologies that would make the electric system more resilient, especially considering the narrow scenario in the last few months.** If the drought becomes very severe and there is no access to fuels like gas, we are risking meeting the needs of the energy system using fossil fuels, which is not a sustainable alternative.

[2] Goal set at the COP25.
[3] Climatescope 2021 report by Bloomberg New Energy Finance https://global.climatescope.org/

Renovation of the legal framework

The results that we discussed are part of the national energy plan designed in 2014 and updated by the administration of Sebastián Piñera to project a new horizon of 30 years. The National Energy Policy is currently in a consultation process. That policy stipulates that power demand could triple by 2050, going from an energy usage of 24% to 73% due to the electrification of cities, transportation and industrial processes. It also identifies poles of development in the provinces of Tocopilla and Antofagasta and for the first time incorporates storage alternatives, including, concentrated solar power (CSP).



The initiatives under way to modernize the regulation of the electric sector are:

Climate Change Framework Law: The goal is for Chile to become GHG-neutral by orienting climate governance towards the decarbonization of society. The bill of law has been under debate by Congress since 2021 and is appreciated by all sectors. Members of the Concentrated Solar Power Association have asked that this technology be included because of the benefits it will create by being a part of the National Grid.

Energy transition law: Among other aspects, this initiative promotes the storage of electricity by encouraging the development of technologies that make that possible. It also aims to legally recognize projects that combine electricity consumption with injection so that they are charged only for the net electricity that they effectively withdraw from the system. Measures are also included to encourage electromobility. The project was sent by the Administration to the House of Representatives in November 2021.

Power connection portability bill of law: This initiative establishes the right to electricity portability through a reform to the distribution system and creates the figure of an electricity merchandiser who will be responsible for buying and selling energy on the price-regulated market. This will give homes and small industries the possibility of choosing their power supplier at lower prices with better service and the choice of renewable energy. This project was submitted to the House of Representatives in September 2020.

General electricity law: This initiative aims to make changes to the law to allow storage systems to participate in the energy and capacity transfer market. This means that stand-alone batteries may be installed, without having to be coupled to a solar or wind project. The law has technical impacts (a limited storage capacity) and economic impacts (the cost of making up for the storage limitation).

TYPES OF CUSTOMERS ON THE CHILEAN MARKET

Our regulations identify two types of main customers, differentiated by their energy needs.



PRICE-REGULATED CUSTOMERS

These are the end users whose connected capacity is less than or equal to 5,000 kW (homes, businesses, different types of facilities). They receive service from distribution companies that are by nature monopolies, so the law stipulates that these users are price-regulated to protect them both in terms of price and quality of service.



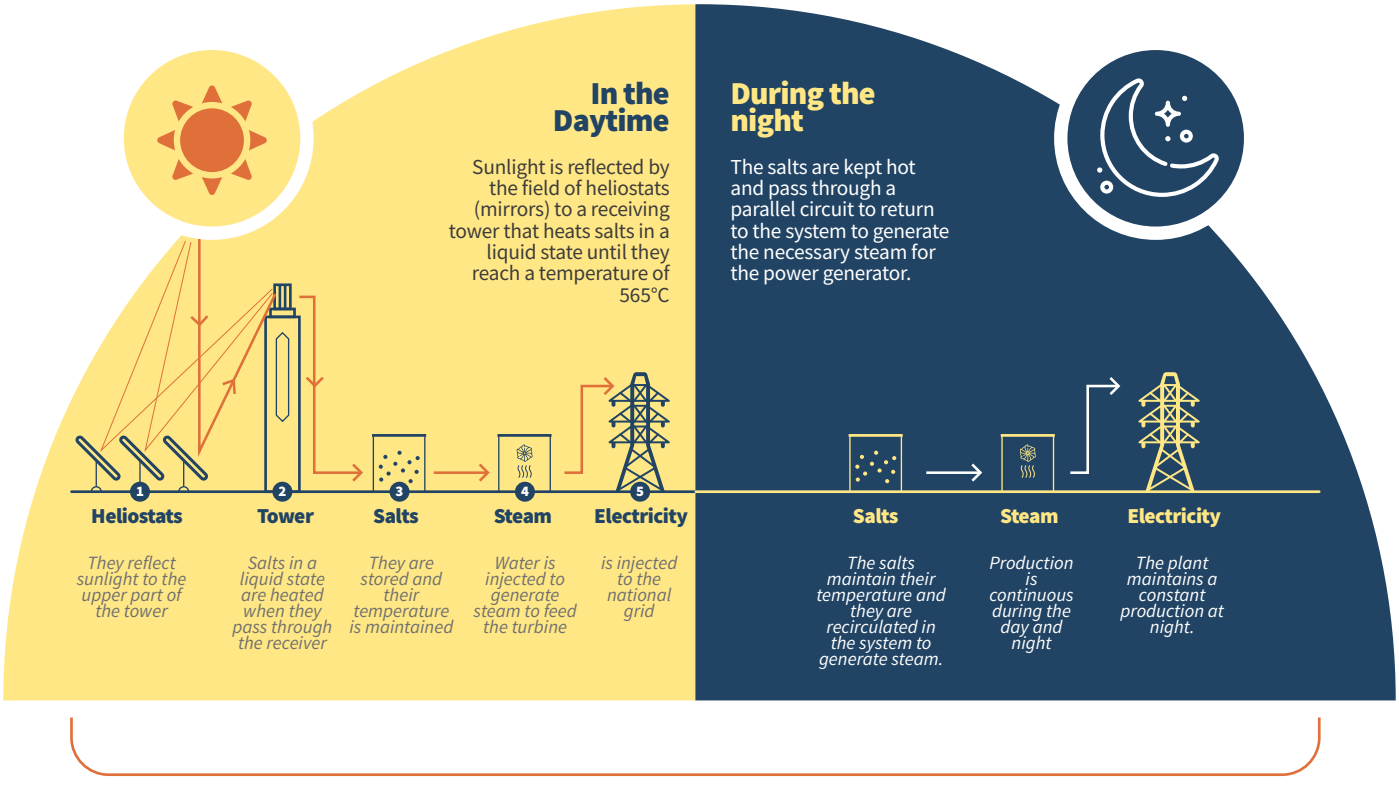
UNREGULATED CUSTOMERS

These are end users whose connected capacity is greater than 5,000 kW (large companies and facilities, municipalities) for which the law allows pricing freedom, assuming that they have a bargaining capacity and the possibility of being supplied electricity in other ways, such as self-generation or supply directly from generators. For these reasons, they are called PPA (Power Purchase Agreement) customers.

Our role in the industry

Our business opportunities relate directly to the dynamism of the local industry and the international urgency with which we are called upon to address the effects of climate change.

How does Cerro Dominador produce energy?



The heliostats are mirrors that reflect the sun's radiation to a receiver that is on the top of the tower. All the rays are directed there so the energy is concentrated as if it were a magnifying glass.

Once the receiver is pre-heated, a pump sends the molten salts upwards, which circulate through panels and are heated to 565°C. The salts are then discharged to water exchangers where steam is produced that causes the turbines to move and produce electricity.

Creating economic and financial value

Material topic

GRI 101-1 101-2 101-3

Why is it important?

According to a study by the Ministry of the Environment, prepared by the Inter-American Development Bank (IDB), the economic and industrial movement to attain carbon-neutrality could increase Chile's GDP to 5.2% by 2050.4 In parallel, many are the impacts on the creation of economic and financial value caused by the energy industry as it relates to diverse actors locally, nationally and/or internationally who also play different roles, such as supplier, collaborator, ally and even competitor.

What does Cerro Dominador do?

Because it has the best solar radiation on the planet, the north of Chile has recently become a pole of solar energy development and our company is an active participant in this challenge. In 2021, we successfully completed the construction of the Cerro Dominador Concentrated Solar Power Plant and put it into operation. Added to that is the photovoltaic plant in operation since 2017. We are also continuing forward with new projects like Likana Solar and Pampa Union that will add 1,200 MW of installed capacity.

[4] Research entitled "Options to Achieve Carbon Neutrality in Chile," by the IDB and the University of Chile, Catholic University of Chile and the RAND Corporation for the Ministry of the Environment.

Likana Solar

Likana Solar requires an investment of US$1.8 billion and it will use the same technology as Cerro Dominador. It will consist of three towers. This will make it one of the renewable energy power plants with the greatest capacity in the world. It will be located on the Quimal Flats, 41 kms to the southwest of Calama.

Each of the towers will reach a height of close to 205 meters. The receiver will rise another 45 meters above that.

The Environmental Assessment Service granted this project authorization in October 2021 to expand its capacity from 450 MW to 690 MW.

The project also plans to optimize the site facilities and camps for a better organization of activities and the least impact possible at the site, both on the environment and the zonal inhabitants. This included a change in the route of the power line (PL) that meant extending it 1.17 kms beyond the initial proposed route.

Cerro Dominador's Customers

We are a young company that has tried to pave its way in this growing industry under a business vision that includes the values of sustainability in each stage of the development of our projects.

As a result, we have cultivated commercial relationships based on transparency and trust: we give our customers truthful, clear and relevant information and demonstrate to them by results that we are a team that has the ability to develop clean energy under high standards of governance, occupational safety and respect for the environment.

We currently supply electricity to

Copec: In 2019 we signed a five-year agreement under which we will supply 50% of their power consumption, which includes 72 service stations in the Copec network and 8 plants in different regions of Chile. We will also supply electricity to the Copec Voltex charging network.

Saesa Group: In 2020 we signed an agreement to supply 600 GWh of clean energy per year, to be distributed to its unregulated customers in the south of Chile.

PF Alimentos: We supply electricity to six plants and two distribution centers located in Santiago and Talca. Power supply started to two facilities in August 2021 and the rest will be added in the first half of 2022.

Municipality of Las Condes: In 2021 we signed an agreement for clean energy supply to the Consistorial Building, the Civic Center (including the Municipal Theater and the El Alba Tennis Park). We also provide power to 44,569 light posts.

Municipality of Lo Barnechea: In 2021 we signed a PPA to supply the Civic Center offices and the Community Development Office (Dideco). In addition to reducing their carbon footprint, the PPA will help them save close to 90 million pesos in a year that can be allocated to other social projects.

These unregulated customers were incorporated under our contract resulting from the public tender with distribution companies.

Direct economic value generated and distributed

GRI 201-1

Cerro Dominador invests in building world-class power plants under the pillars of innovation, competitiveness and integrity.

We have a team committed to performing work of excellence so that we can generate and distribute value to our stakeholders. Our commitment to the creation of value is based on having adopted the principles of sustainability and good governance, as we know that working according to those parameters is what helps us grow, position ourselves and contribute to the national energy industry.

US$ 166,500,479
Economic value generator

US$ 212,428,666
Economic value distributed

US$ 4,004,819
Employees

US$ 126,710,537
Operating costs

US$ 12,419,131
Taxes[5]

US$ 46,829
Donations

US$ 69,247,348
Financiers

Includes all companies in the Cerro Dominador Group

The dividend policy is aligned to the commitments assumed by the company under its bank loans contracted in 2018.

[5] Includes payment of business licenses, signage, garbage collection, etc.

Progress toward goals and objectives

FOCUS	OBJECTIVES	2030 GOAL	2021 PROGRESS
4. PROPEL a solar economy in Chile	Develop means to promote investment in entrepreneurships and innovation of products and services based on 24/7 solar energy.	2 projects a year developed in conjunction with 24/7 solar energy entrepreneurships.	Antofa Innova. How can we reduce osmotized water consumption in cleaning heliostats? Participation in the Antofa Innova Contest sponsored by the Innovation Club and Corfo.
	Transfer know-how on 24/7 solar energy and new technologies.	Explaining concentrated solar power to students in at least 10 schools in the Region of Antofagasta each year.	No specific actions were taken with schools in 2021 but educational visits have been arranged to the extent possible. The Lookout was also handed over to the community, which is a scientific information and observation center.
		Annual project with university innovation centers	CD participated in the CTCI Node Project with 5 universities and provided support to a dust analysis project of the University of Chile Geophysics Department.
	Promote alliances with other technologies.	An alliance with another technology.	In 2021, CD was awarded funding in a contest to conduct a study on green hydrogen products.
5. RENOVATE the energy market in Chile.	Electrify industries, trade and the housing sector to eliminate the use of fossil fuels.	One project annually on electrification of the operations of a large customer.	Supply to Copec's electric charging stations and a PPA with PF Alimentos.
	Engagement in public debate on a sustainable energy transition.	Promotion of the Power Connection Portability Law and incentives for the penetration of CSP technology in the national matrix.	An initiative addressed through the ASCP and our business associations after becoming a 24/7 energy actor in 2020.