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## FEATURED Q&amp;A

# Is Latin America Ready for the Paris Climate Summit?



U.N. Framework Convention on Climate Change executive secretary Christiana Figueres was among the speakers at last year's annual meeting in Lima, a step toward the goal of achieving a global climate agreement at this year's gathering in Paris. // Photo: Peruvian Government.

**Q** During a recent visit by Brazilian President Dilma Rousseff to the United States, both countries pledged to work together to reduce the impact of climate change by increasing the share of renewable energy other than hydropower in their matrices to 20 percent by 2030 and creating a new U.S.-Brazil climate-change working group, moves U.S. officials hailed as a step forward ahead of a December meeting in Paris where U.S. President Barack Obama is hoping a global climate-change accord will be reached. What is the outlook for reaching a deal at the December meeting? How much have Latin American countries committed to fight climate change, and how much should they be doing relative to more developed and more polluting countries, such as the United States and China? What role should the private sector play in a the climate debate, and would an agreement change the way that companies do business in Latin America and the Caribbean?

**A** Guy Edwards, research fellow and co-director of the Climate and Development Lab, Institute for Environment and Society, Brown University: "A new global climate deal to be wrapped up this December, which will come into force from 2020, will likely have major implications for Latin America. It could include a long-term goal to reduce global emissions and promote building resilience to climate impacts, and how rich countries will support developing countries. A strong deal is critical for Latin America's future as uncontrolled emissions will accelerate impacts that could sabotage the economy. The region plays very important roles at the U.N. climate talks and

Continued on page 3

## TODAY'S NEWS

## ECONOMIC

## Mexico Falls Short in First Oil Auction

Mexico's government held the first of five public tenders, but only two of 14 available areas were auctioned off. Several blocks received no offers.

Page 2

## THE DIALOGUE CONTINUES

## Is Bolivia's Oil Sector on a Path to Success?

Energy economist and lawyer Carlos Echazu analyzes recent developments in Bolivia's hydrocarbons sector, including the opening of a number of national parks to oil exploration.

Page 4

## POWER SECTOR

## Cuba Plans to Build 13 Wind Farms

Cuba is planning to build thirteen wind farms, including seven financed by foreign investors, Energy and Mines Minister Alfredo López said this week. Cuba currently has four wind farms in operation.

Page 4



A Cuban wind farm // File Photo: Cubahora.cu.

## OIL &amp; GAS NEWS

## Mexico Falls Short in First Oil Auction

Mexico held the first of five public tenders as part of its Round One oil auction on Wednesday, and only two of 14 areas available were auctioned off, falling short of the 30 percent rate the government had said would make the auction a success, The Wall Street Journal reported. Nine companies participated in the auction, seven of which submitted bids for one or more of the shallow-water blocks available in the southern Gulf of Mexico. A number of blocks received no offers, and others received bids that fell short of the minimum requirement

**A number of blocks received no offers, and other bids fell short of government requirements.**

for profit-sharing with the government. A consortium comprised of Mexican company Sierra Oil & Gas, Houston-based Talos Energy and Britain's Premier Oil won both blocks that were awarded, offering to invest 10 percent above the minimum requirement in the two blocks and offering the government 55.99 percent of operating profit from one and 68.99 percent from the other. Winning bidders had to pledge a level of investment above the government-mandated minimum and were those that offered to share the largest amount of operating profit with the government. Other bidders in the auction were Norway's Statoil, India's ONGC Videsh, Hunt Overseas Oil, Murphy Worldwide and Petronas Carigali International. Oil majors ExxonMobil, Chevron and Total passed on the auction. "The first lesson is that the government minimums were high by industry standards, and the second is there could be doubts about the subsurface attractiveness," Pablo

Medina, an upstream analyst at consulting firm Wood Mackenzie, told The Wall Street Journal. "This is only the first of five auctions, so I would expect the government to incorporate what it's learned in the next tenders."

## Argentina Cancels Oil Incentive Program

Argentina's government announced Monday that it is cutting a number of financial incentives it had offered to oil companies under a plan to boost energy investment and output from its huge shale oil and gas reserves, Reuters reported. The Petr leo Plus program, which was launched in 2008 and which the government stopped paying in 2012, gives tax credits for investments aimed at boosting reserves and increasing oil production from shale and conventional deposits. To cancel out the incentives and pay off its debt to oil producers, the government will issue as much as \$784.3 million of dollar-denominated bonds due in 2018 and 2024, according to a notice in the official gazette. Companies owed money under the program include Pan American Energy and Pluspetrol. The initiative was initially implemented in an effort to bolster declining production, but lower oil international oil prices have made the program irrelevant as Argentine producers receive \$77 per barrel, compared to Brent crude, which was trading at \$57.70 per barrel on Monday. The government is looking to decrease a \$6 billion energy trade deficit. Other incentives, such as a maximum \$3 per barrel subsidy paid to producers when quarterly output exceeds a government-set base, remain in place. The government's decree said oil companies have 30 days to agree to the terms.

## Brazilian Authorities Raid Collor's Home in Petrobras Probe

The investigation into a corruption scandal at Brazilian state oil company Petrobras intensified on Tuesday as Brazilian authorities raided the homes of former president and current

## NEWS BRIEFS

## Construction Begins on First Geothermal Plant in South America

Italian renewables company Enel Green Power and Chilean state oil company ENAP announced Tuesday that they have begun construction on the first geothermal plant in South America. The Cerro Pabell n plant, which requires investment of \$320 million, has two 24-megawatt units and is located in the northern Antofagasta region. The plant is expected to begin operating in the first half of 2017 and will supply energy to Chile's northern SING grid under a long-term agreement.

## YPFB Andina Invests \$40 Million in Bolivian Oil Exploration Project

YPFB Andina, in which the Bolivian government has a 51 percent stake and Spain's Repsol a 48.92 percent stake, will invest \$40 million in oil exploration in the Sararenda mountain range in eastern Bolivia, state oil company YPFB said Monday, EFE reported. The exploration effort, which is one of the largest undertaken in Bolivia's hydrocarbons sector, began Sunday with 2D seismic field studies. YPFB hopes to confirm estimates that the area has 0.80 trillion cubic feet of natural gas at a depth of 6,000 meters.

## U.S. Judge Rejects Petrobras' Effort to Dismiss \$98 Bn Lawsuit

U.S. District Judge Jed Rakoff on July 10 rejected efforts by Brazilian state owned oil company Petrobras to get a \$98 billion lawsuit dismissed, The Guardian reported. Investors are bringing a class action lawsuit against the company, alleging that executives and senior politicians were involved in a massive money-laundering and corruption scheme. The judge told Petrobras, which has argued that it was also a victim of the scheme, to prepare for a trial that could begin as soon as February.

Senator Fernando Collor and two other sitting congressmen, the Financial Times reported. Luxury cars were confiscated at the home of Collor, sparking an angry response from the politician. "If I have never had a chance to give testimony, if the operation is still at the investigation phase, without any formal charges being laid, isn't this a pre-judgment, a pre-condemnation," Collor, who was president of Brazil from 1990 until his impeachment in 1992, said in a statement on the Senate Web site. "The measure was invasive, arbitrary and flagrantly unnecessary, considering that the facts of the case have been investigated for at least two years... and I have never even been called to give any clarification," he added on social media, according to BBC News. Earlier this year, Brazil's Supreme Court authorized police and public prosecutors to continue investigating dozens of politicians in connection with the scandal, in which former company executives are believed to have collaborated with contractors and politicians to inflate contracts and extract billions in kickbacks and bribes from the company.

## Peru Delays Bidding on Largest Oil Block

Peru's government announced Monday that it will delay bidding for the rights to develop Block 1-AB, the nation's largest oil block, Reuters reported. State hydrocarbons licensing agency Perupetro said the auction was delayed at the request of the three participating companies and that the bid round could resume within two weeks. Argentine energy company Pluspetrol has operated the block, located in northern Peru in the Amazon forest, since 2001, but its contract expires at the end of August. The block currently produces about 12,000 barrels per day, about one fifth of Peru's total output. "The presentation of the bids has been delayed at the request of the bidders because they need a few more days to conclude their economic evaluation," said Perupetro head Luis Ortigas. "I calculate that in a couple of weeks we'll be ready to continue with the process," he added. Perenco Ltd, Pluspetrol

### FEATURED Q&A / Continued from page 1

offers potential solutions. Brazil has made impressive reductions in deforestation and associated emissions, while Mexico and others are advancing policies to stem emissions and promote renewable energy. But in the face of competing priorities, these policies are sometimes undermined or ignored. The region accounts for 9.5 percent of global emissions, but its average per capita emissions are higher than most developing countries and some in Europe. An ambitious climate deal would signal the end of business as usual. Emissions from energy and agriculture represent an expanding share of the region's portfolio so these sectors need cleaning up. Big opportunities exist in the areas of clean energy, sustainable transportation, protecting biodiversity and energy efficiency, which are good for the economy and citizens. Developed countries must support the region, but the latter needs to attract more low-carbon investment. Latin America requires private sector champions to back a sustainable development agenda to help diversify the region's economies away from fossil fuels and engage on how a climate deal will affect the region."

**A** Steve Schwartzman, senior director of tropical forest policy at the Environmental Defense Fund:

"Presidents Obama and Rousseff deserve credit for putting climate change at the top of their bilateral agenda in late June. Public commitment to a strong Paris outcome from two major emitters that are already taking significant action on climate is more than welcome. Restoring 12 million hectares of degraded forest, as President Rousseff has pledged, is positive—albeit no more than Brazil's current law mandates. It's promising that the two major economies are creating a high-level working group to move the climate agenda forward. Particularly interesting is the pledge to develop public-private finance mechanisms both for clean energy and the forestry sector. It is, however, disappointing that President Rousseff's goal on deforestation—to 'pursue policies aimed at eliminating illegal deforestation'—goes no further than compliance with existing law. Brazil has already reduced Amazon deforestation by 70 percent below the historical average since 2005 while increasing soy and beef production and has

Continued on page 6

and Pacific Rubiales Energy have all expressed interest in bidding for the block. The winner was originally expected to be announced July 15 and be the bidder that combined the best financial incentives and plans for the most exploratory and development wells. The oil block, also known as Block 192, in recent years has been the site of many protests by indigenous communities over pollution and oil proceeds, and the government has declared an environmental emergency in various areas of the lot due to oil spills and contamination. Ortigas said in June that legally-required consultation with local communities should be done around mid-July, just as the winning bid was set to be announced. [Editor's note: See related [Q&A](#) on conflict over extractive industries projects in Peru in the February 27 issue of the Energy Advisor.]

### POWER SECTOR NEWS

## Iberdrola Planning to Invest \$4 Bn in Brazil

Spain's Iberdrola is planning to invest \$4 billion in power sector projects in Brazil through 2017, the multinational electric utility company's CEO said Wednesday, according to daily newspaper Valor Económico. "We're going to keep investing in this country," Ignacio Galán told the newspaper. Earlier this week, Galán met in Brasília with Brazilian President Dilma Rousseff as well as other officials including the country's finance and energy ministers, EFE reported. Galán said the meetings were an effort on the company's part to express confidence in Bra-

## THE DIALOGUE CONTINUES

### Is Bolivia's Hydrocarbons Sector on a Path to Success?

**Q** Bolivia, which recently made an oil discovery in the south-eastern part of the country that will triple the country's liquid hydrocarbon reserves, in May moved to open a number of national parks to oil exploration. Meanwhile, Peru has announced that it would consider allowing Bolivia to export natural gas via its Pacific coast. How significant are the recent developments for Bolivia's energy sector? Will oil exploration move forward in national parks, or will environmental and social opposition derail the plans? How much would Bolivia benefit from being able to export natural gas through Peru?

**A** Carlos Echazu, energy economist and lawyer: "Bolivia is a natural gas producer with very few oil fields, which have been declining in production, and consequently, more than a half of the domestic consumption of diesel is imported. Moreover, prices of crude oil and fuels have been frozen below international ones since 2004. Therefore, one of the main concerns in Bolivia is that fuel products are highly subsidized. An increase in liquid reserves (crude oil and condensate) would reduce the amount of

subsidy expenditures derived from buying imported fuels, but it would not completely reduce the country's dependency on imported fuels. Bolivia's natural gas reserves and production capacity are enough to honor its export agreements with Brazil and Argentina and also meet the growing domestic demand. Nevertheless, exporting to other markets would require new reserves and an expansion in production capacity. Bolivia is currently exploring different options such as developing the LNG through a Peruvian port; new reserves should be certified before signing any new gas export agreement. Bolivia is obviously interested in increasing exploration, and it is planning to launch exploration projects in some protected areas. The country has well-developed environmental regulations for the petroleum sector that seek to preserve the 'free, prior and informed consent' principle. In this context, the most important challenge is ensuring that the national oil company obtains a social license before it starts its exploration activities."

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**EDITORS NOTE:** The above is a continuation of a Q&A published in the July 10 issue of the Energy Advisor.

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zil's economy, which is beset by inflation that is running higher than the central bank's target range and which is expected to contract more than 1.2 percent this year.

### Cuba Plans to Build 13 Wind Farms

Cuba is planning to build 13 wind farms, including seven financed by foreign investors, Energy and Mines Minister Alfredo López said July 11,

EFE reported. Foreign investors will finance the seven wind projects under a program aimed at developing renewable energy in the medium term, and the island nation also plans to build another six wind farms using various sources of funding, the minister said. The projects are a move toward the country's goal of producing 24 percent of its power from renewable sources by 2030, which would require \$600 million in foreign investment, López said. Cuba presently generates just 4 percent of its energy with renewables, according to government

figures. There are four wind farms on the island with a total combined generating capacity of 12 megawatts. Increased use of wind, solar and hydroelectric power will help the country reduce its reliance on imported fossil fuels and save the country an estimated \$780 million annually, the energy minister said. The government did not say where the foreign investment was coming from, but Italian Deputy Foreign Minister Mario Giro said last week that some Italian companies are looking at projects on the island, and Spain has also expressed interest in Cuba's power sector. Cuba's renewable energy goal "would require an increase in capacity of over 3,000 MW, an ambitious but reachable target," Washington-based energy consultant Juan Belt told the Energy Advisor in May. "The target could be met with a combination of increases of solar, wind and co-generation at sugar mills," he added.

#### POLITICAL NEWS

### Talks With U.S. Don't Include Prisoner Release: Venezuela

The agenda for talks between Venezuela and the United States does not include discussion of the release of Venezuelan opposition leaders imprisoned after last year's deadly

“These are citizens who are in jail for committing crimes that are punishable under Venezuelan law.”

— Delcy Rodríguez

anti-government protests, the South American country's foreign minister told Reuters late Tuesday. The opposition leaders are imprisoned for engaging in illegal and violent behavior, Delcy Rodríguez told the wire service. Freeing them would create a precedent of making apologies for "terrorism," she said. "These are citizens who are in jail for committing crimes

## NEWS BRIEFS

## Mexico Intensifies Search for Escaped Drug Lord

Mexico's government said Wednesday that it has intensified its search for drug lord Joaquín "El Chapo" Guzmán who escaped last Saturday from a maximum-security prison west of Mexico City, BBC News reported. Nearly 10,000 police officers and 48 dogs have been deployed to track down Guzmán, who escaped through a nearly mile-long tunnel leading out of the prison. The government has also set up more than 100 roadblocks.

## Venezuela's Machado Planning to Defy Ban on Holding Office

Venezuelan opposition leader María Corina Machado on Wednesday said she will ignore a one-year ban on holding public office and run for a seat in the National Assembly anyway, Reuters reported. The government's comptroller's office earlier this week barred Machado from holding office saying she failed to disclose some social benefits in her wealth declaration, but Machado, a high-profile opponent of the government of President Nicolás Maduro, has said the move was an effort by the government to avoid defeat in the nation's December legislative election.

## Argentina on a 'Sad Path': Elliott's Paul Singer

Paul Singer, the head of \$25 billion hedge fund Elliott Management whose affiliate NML Capital has been leading a group of investors seeking full repayment of Argentine bonds they own, on Wednesday said Argentina's failure to pay is hurting the country's economy and putting it on a "sad path" compared to its former self, Reuters reported. "Argentina was the seventh largest economy in the world coming out of World War II, so it's kind of a sad path of a once very impactful country economically," Singer said.

that are punishable under Venezuelan law, and who also subjected Venezuela's population to terrorism," Rodríguez told Reuters. "No, that's not on the agenda of the talks." Washington has pressed Venezuelan President Nicolás Maduro's government to release opposition leaders and has communicated to Venezuela that the issue is important to strengthening ties between the two nations, a top U.S. official told Reuters. The United States also wants to ensure a free and fair legislative election on Dec. 6, which polls show Maduro's party is likely to lose. Human rights groups have pressed Maduro's government to free opposition figures Leopoldo López, Daniel Ceballos and Antonio Ledezma. According to human rights group Penal Forum, authorities arrested 3,785 people during the anti-government protests last year, and 75 are still in prison for political reasons. On Tuesday, the U.S. State Department named Penal Forum as a recipient of its 2014 "Human Rights Defender Award." Relations between the United States and Venezuela have been rocky for years, but Rodríguez said they took a turn toward improving after Maduro and U.S. President Barack Obama met in April during the Summit of the Americas in Panama. "We are in the process of seeking the regularization of relations," Rodríguez told Reuters, adding that talks between U.S. and Venezuelan officials are going "very well." Maduro and Rodríguez were among the top Venezuelan officials who recently met with State Department official Tom Shannon when he traveled to Caracas to discuss cooperation between the two nations. [Editor's note: See [Q&A](#) about U.S.-Venezuela relations in Monday's issue of the daily Advisor.]

## Pope Offers Help to Colombia Peace Talks

Pope Francis said Monday that he is willing to help the more than two-year-old peace talks between Colombia's government and the FARC rebels, the Associated Press reported. "We are always disposed to help, we have so many ways to help," the pontiff told reporters aboard his plane as he returned to Rome following a three-nation tour of South America. Colombia's

government and the rebels announced Sunday that they had agreed to accelerate the pace of the talks.

## ECONOMIC NEWS

## El Salvador Assembly Approves \$25 Mn Tourism Plan

El Salvador's legislature on Sunday gave the go-ahead to a \$25-million, five-year plan to develop the country's marine coastal area for tourism, Travel Pulse reported. The Legislative Assembly approved the plan with 56 votes in favor. The funds, which come from an Inter-American Development Bank loan, will be invested by the Ministry of Tourism. Tourism Minister José Napoleón Duarte Durán said the marine coastal strip program seeks to increase



Duarte // File Photo: Salvadoran Government.

awareness of the Central American nation's tourist destinations, such as El Puerto de La Libertad and Jiquilisco Bay in Usulután, and that the government will now begin to sign agreements with the 11 involved municipalities, which will take about six months. The next step will be a bidding process for large projects, which the minister estimated would take three months. "Last year, we updated two projects: The construction of the marine plaza in La Libertad, and the transformation of spaces to ease tourist access to Jiquilisco Bay, these are already advanced projects and would be among the first to be executed," Duarte said. This is the first time El Salvador's legislature has approved a multimillion-dollar loan for the tourism industry, which has grown steadily since 2009.

## FEATURED Q&amp;A / Continued from page 3

an ambitious but achievable goal of an 80 percent reduction by 2020. Amazon states are leading on reducing emissions from deforestation and putting in place policy frameworks needed to consolidate these gains. President Rousseff sells Brazil's achievements and abilities short in stating that all Brazil will do is follow its own law. President Rousseff has an enormous opportunity for international leadership on climate change, building on Brazil's impressive success to date and leveraging the progress and commitments by Brazilian states. She should seize that opportunity—and adopt a more aggressive and ambitious national target in advance of Paris.”

**A** **Walter Vergara, senior fellow at the World Resources Institute:** “The outlook for reaching a deal is improving. Credit should go to the government of France for pulling out all the stops in creating an atmosphere for substantial commitments to be announced at the COP and for organizing a series of preliminary meetings, where progress is already being achieved. Latin America's contribution to global emissions is relatively minor in absolute terms (about 11 percent) and much lower on a per-capita basis than the United States. For example, the power

sector in LAC is already over 55 percent renewable; China and the United States will have to make major efforts to reach this level. In the transportation sector, cities in LAC continue to surpass cities in northern Europe and also in the United States in terms of share of public transport. On the other

“The power sector in LAC is already over 55 percent renewable.”

— Walter Vergara

hand, there is much to be done to eliminate deforestation and reduce land degradation. Still, there is an opportunity for LAC to lead the way and strive for even lower carbon intensity in their economies. LAC could be the first region to reach 2 tons per capita this century and eventually move toward carbon neutrality. The private sector will play a primary role. What we are seeing is that private sector is taking a commanding lead in terms of specific on-the-ground initiatives globally, and there is no reason why it should not also be the case in LAC.”

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