

ENERGY ADVISOR

A WEEKLY PUBLICATION OF THE DIALOGUE

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March 25, 2016

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FEATURED Q&A

Will Trudeau and Obama Fulfill Their Energy Promises?



Canadian Prime Minister Justin Trudeau visited the White House on March 10 and discussed energy policy cooperation, among other topics, with President Barack Obama. // Photo: White House.

Q U.S. President Barack Obama on March 10 hosted Canadian Prime Minister Justin Trudeau for his first state visit to Washington where the two leaders announced new joint efforts to fight climate change, cut methane emissions and help foster environmentally friendly technologies. How important was Trudeau's visit from an energy perspective? What do the joint announcements mean for businesses in the two countries, both of which have been innovators in environmentally controversial practices such as fracking and exploiting the oil sands? Have Trudeau and Obama set forth ambitious enough energy policy goals, and what stands in the way of achieving them?

A Anthony Swift, director of the Natural Resources Defense Council's Canada Program: "The warm, productive dialogue between President Obama and Prime Minister Trudeau signals a significant shift in the relationship between the two countries. But the real test of that shift will be the extent to which the United States and Canada can translate their aspirational commitments into concrete action in the course of this year. The focus on significant methane controls in oil and gas facilities, and on strong, science-based standards for Arctic economic development, stand in marked contrast to a bilateral dialogue that was previously dominated by a single pipeline and fuel. And underpinning the specifics in the leaders' joint statement, both countries have made progress toward adopting a climate test for future fossil fuel projects. But the stark reality remains: More action is needed from both the United States and Canada in order to fulfill their

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THE DIALOGUE

TOP NEWS

OIL & GAS

Petrobras Posts \$10.19 Billion Loss for Fourth Quarter

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OIL & GAS

Canada's Pacific Exploration Puts Off Debt Payment

Canadian petroleum company Pacific Exploration & Production on Monday chose not to make an interest payment due March 28, making it the first Toronto-based oil and gas company in the last year to delay a payment.

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RENEWABLES

Valhalla Energía Seeks Partners for Chile Solar Project

Chilean energy company Valhalla Energía, led by CEO Juan Andrés Camus, is seeking partners to build a 600 megawatt solar project in Chile to deliver energy 24 hours a day.

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Camus // File Photo: Valhalla Energía.

OIL & GAS SECTOR NEWS

Petrobras Posts \$10.19 Billion Loss for Fourth Quarter

Brazilian state-owned oil company Petrobras on Monday said it had posted a \$10.19 billion loss in the fourth quarter of last year due to low oil prices, a 39 percent bigger loss than the year before, when its earnings had been affected by write-downs related to the massive corruption scheme, The Wall Street Journal reported. Revenue only increased by 0.1



Bendine // File Photo: Brazilian Government.

percent from the fourth quarter a year earlier. The massive losses for two consecutive years call into question the company's ability to pay off its massive debt burden. Petrobras' debt rose to about \$219.4 billion by the end of 2015, or 10 percent more than a year earlier, despite the company's attempts to cut its debt by slashing investment spending and trying to sell off assets. The company said earlier this year that it plans to divest \$15.1 billion in assets. Most of the spending came from Petrobras' exploration and production division, reflecting the low value of oil and gas relative to the cost of exploration and production. The company also spent about \$14 billion over the past few years on a refinery on the outskirts of Rio de Janeiro on which it had to halt work because it ran out of funding for its construction. The company is now looking for a partner to help finish building the refinery. On Monday, Petrobras said the refinery would not be completed until 2023. On Monday, Petrobras CEO Aldemir Bendine said the company's poor performance "could

cause some apprehension" among investors, but that Petrobras "showed strong resilience" in the face of low oil prices. He added that negotiations for asset sales are continuing at "an intense pace," though he gave no further details on the matter.

Canada's Pacific Exploration Puts Off Debt Payment

Canadian petroleum company Pacific Exploration & Production on Monday chose not to make an interest payment due March 28, making it the first Toronto-based oil and gas company in the last year to delay a payment, Reuters reported. The company was due to make a \$25.6 million interest payment next week, but said it is now working with debtholders to restructure its debt. The company has a 30-day grace period to pay its interest. The company suffered a setback in March of last year when Colombian state-run oil company Ecopetrol decided to not extend its contract with Pacific Exploration to operate Colombia's highest-producing Rubiales oil field. The decision followed a Wall Street Journal report last week that Pacific Exploration is evaluating six buyout offers in order to fend off filing for bankruptcy. As of December of last year, the company had a long-term debt of \$5.38 billion and cash-equivalents of \$342.7 million.

PDVSA Buys U.S. Crude From PetroChina

Venezuelan state-owned oil company PDVSA has bought a 500,000-barrel cargo of U.S. crude from trading company PetroChina for delivery from April 1-10 at its terminal in Curaçao, traders told Reuters Monday. The purchase is separate from a large tender from PDVSA to buy approximately eight million barrels of U.S. and Nigerian crude that had been awarded to British oil firm BP and to China Oil last week. Both PetroChina and China Oil are sub-divi-

NEWS BRIEFS

Three Former PDVSA Officials Plead Guilty in U.S. to Graft Charges

Three former officials from Venezuelan state-run oil company PDVSA have pleaded guilty to U.S. charges resulting from a corruption probe, Reuters reported Wednesday. The defendants entered the guilty pleas to charges related to conspiracy to commit money laundering in December. The pleas were unsealed by a federal judge in Houston on Tuesday. The ex-officials are José Luis Ramos Castillo, Christián Javier Maldonado Barillas and Alfonzo Eliezer Gravina Muñoz. The case is related to charges against two Venezuelan businessmen, Roberto Rincón and Abraham José Sheira Bastidas, who were charged with violating the Foreign Corrupt Practices Act. Shiera admitted Tuesday to bribing foreign officials and committing wire fraud.

France to Finance Bolivia Solar Project

The French Agency for Development has agreed to finance a 50 megawatt solar project in Bolivia, according to a March 17 statement on a Bolivian government Web site. The French agency will lend \$67.6 million to Bolivian state-owned energy company Empresa Nacional de Electricidad. The project, called the Planta Solar Fotovoltaica, will be built in Bolivia's Oruro department.

Joint Venture Fails to Find Viable Oil, Gas in Bolivia Well

A joint venture of Bolivian state-owned energy firm YPFB and Venezuelan state-run oil company PDVSA has been unsuccessful in its search for crude and natural gas by drilling at the Lliquimuni block, EFE reported Wednesday. YPFB CEO Guillermo Acha said Tuesday that the Lliquimuni C X-1 well at the Lliquimuni block had not yielded commercially viable quantities of hydrocarbons.

sions of state-run oil company China National Petroleum Corporation (CNPC). The cargo to be delivered to Curaçao next month will contain West Texas Intermediate (WTI) or a blend made from its crude, according to sources. PDVSA began buying WTI in January, as it needs lighter crude to use as a dilutent for its extra heavy oil and to process at its Caribbean refineries. Since January, it has received two 500,000-barrel cargoes, and another one is due to arrive in Curaçao next week. PDVSA had previously postponed a tender to buy between 2.1 million and 3 million barrels of Russian Urals crude, but bids are now accepted until next week. If PDVSA awards all tenders, it will more than double its crude imports in the second quarter to approximately 120,000 barrels per day.

RENEWABLES NEWS

Valhalla Energía Seeking Partners for Chile Solar Project

Chilean energy company Valhalla Energía is seeking partners to build a 600 megawatt solar project in Chile that will incorporate hydropower to deliver energy 24 hours a day, Bloomberg News reported Tuesday. The company is currently in "advanced negotiations" with investors and hopes to raise 40 percent of the estimated \$1.3 billion that will be needed to complete the project, according to Juan Andrés Camus, Valhalla's co-founder and CEO. The rest of the funding will come from bank loans, he said. The project, known as the Cielos de Tarapaca solar project, is expected to produce electricity 24 hours a day by using an integrated solar and hydropower system that will pump sea water uphill into a reservoir during the day and let it flow through the turbines at night. The project will be built in Chile's northern Atacama Desert. Valhalla received the necessary environmental approval in January, and expects to start construction in the second half of 2016. "It is an expensive and risky project as the technology is rare in the region," said Ana Verena Lima, an analyst with of Bloomberg New Energy Finance

in São Paulo. Valhalla's project will compete with a 616 megawatt solar plant owned by Empresa de Desarrollo de Energías Renovables, which is now under construction in Chile and will be the largest of its kind in Latin America.

Chile Sets Deadline for Proposals for Power Auction

After a several-month delay for a power-supply auction in Chile, the National Energy Commis-

sion (CNE) has set a deadline of July 27 for power project proposals, SeeNews reported Wednesday. The deadline had been initially planned for April for proposals for 20-year contracts. The auction is for bidding on contracts for annual power supplies of 13,750 gigawatt-hours for regulated customers, starting in 2021. In Chile's last power auction in October, renewables projects won 100 percent of the tendered contracts for the supply of 1,200 gigawatt-hours to unregulated customers. The average price for winning contracts was \$79.30 per megawatt-hour. Fossil fuel power plants bid higher than renewables, but did not win any contracts.

FEATURED Q & A / Continued from page 1

commitments in the United Nations climate summit in Paris. The two countries must translate their leaders' commitment to 'strengthen North American energy security, phase out fossil fuel subsidies, accelerate clean energy development to address climate change and foster sustainable energy development and economic growth' into action. With renewable energy prices plummeting, solar and wind development surging around the world, electric vehicle and smart grid technologies entering the mainstream and energy efficiency ever-available as a tool for reducing emissions and creating jobs, there's never been a better time for countries to position themselves as clean energy champions. The next step for Trudeau and Obama is to seize the moment."

A Julie M. Carey, energy economist with Navigant Consulting: "Mr. Trudeau's visit was important for two reasons: First, we operate in a highly integrated North American energy industry that requires joint coordination. Second, the visit marked the first public gathering of our countries' leaders following Mr. Obama's rejection of the Canadian Keystone pipeline project in late 2015, which I believe negatively affected both the United States and Canada, and should have been approved. I see limited

business impact and new development from the United States/Canada joint statement, because the agreements largely flow from previous commitments. The countries' commitment to the Paris climate agreement merely reaffirms previous commitments. Regarding the methane emission reductions commitments, while the EPA began this regulatory process in 2015, Canada's newfound commitment could affect Canadian energy businesses. However, Canada's pursuit of these commitments is intertwined with its climate change goals, suggesting the regulation was likely to occur anyway. The joint action provided modest positive steps to a cleaner energy regime. However, important energy issues were not addressed or announced. The leaders shied away from the Keystone pipeline rejection, and energy infrastructure development needs to get abundant, low-cost and economic oil and gas resources to the market. They missed an opportunity to discuss the benefits of a diversified energy resource portfolio and how to balance our economic oil and gas resources with more expensive renewable energy to maximize climate change and economic prosperity goals. No discussion emerged about the substantial energy security benefits from our oil and gas resources or how to use these resources as bargaining tools to better negotiate for global diplo-

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POLITICAL NEWS

Colombian Gov't, FARC Miss Deadline for Peace Accords

Colombian peace negotiators on Wednesday officially missed the deadline to sign a final accord, but peace talks will continue in Havana between the Colombian government and the FARC rebel group, representatives from both sides said, Reuters reported. Six months ago, the government and the leftist rebels had set a March 23 deadline to reach a peace agreement. Latin America's longest war has resulted in the deaths of some 220,000 people and the displacement of millions of others since 1964. A news conference on Wednesday was held hours behind schedule as the two groups grappled with agreeing upon a joint statement, ultimately issuing their own separately. "We are going to make every effort to reach a final agreement. But this requires quick decisions," Humberto de la Calle, the government's lead negotiator, told reporters, adding that there would still be some fundamental differences between the two groups that likely would never be fully resolved. The FARC's lead negotiator Iván Marquéz said, "We are acting with the idea of building a good agreement, to make 2016 the year of peace, the year of the end of war in Colombia." Talks are set to resume on April 4. Any final deal struck between the two groups would be put to a vote for all of Colombia.

Obama Declares New Era of Partnership With Argentina

U.S. President Barack Obama on Wednesday in Buenos Aires said the United States and Argentina had entered a new era in bilateral ties, The New York Times reported. "Under President Macri, Argentina is reassuming its traditional leadership role in the region and around the world," Obama said in a joint news conference with President Mauricio Macri, who took

ADVISOR Q&A

Was Obama's Trip to Cuba a Success?

QThis week, Barack Obama became the first sitting U.S. president in 88 years to visit Cuba. Obama had a one-on-one meeting with President Raúl Castro, and the two held a historic joint news conference. Obama also delivered a televised speech from Havana's Gran Teatro on the importance of democracy and human rights, and later met with dissidents in the U.S. Embassy. Was Obama's trip to Cuba a success? Did Cuban officials display a willingness to improve relations and advance reforms? What did Obama and Castro accomplish during the visit? Will businesses that want to work with Cuba find it easier moving ahead? Will Obama's visit win over more congressional support for ending the embargo?

AJorge Domínguez, professor of government at Harvard University: "President Obama's visit to Cuba had several effects. At the broadest level, his address to the people of Cuba sketched his vision for U.S. policy toward Cuba and for relations between the two countries. He lifted the 'embargo' on the exchange of ideas, citizens, businesses, religious communities and more. Hitherto U.S. policy had cooperated with Cuban State Security, albeit inadvertently, in blockading access to such sources of information. A politically more open Cuba needs such access. At the more tactical level, Obama modeled, subtly but clearly, a way to be the president of a country. He handled himself nimbly and skillfully at a press conference that his Cuban host bungled. Obama had edged Raúl Castro to a press conference stage, to which he is most unaccustomed. Obama reminded

office in December. "On a range of areas, we discussed the way in which the United States and Argentina can be strong global partners to promote the universal values and interests that

Cubans, by his looks and words, that the United States has an African-American president, while Cuba does not, and that two Cuban-Americans have even been leading U.S. presidential candidates. And he showed that it is fine for a president to display a sense of humor, through his interview with Cuba's leading television comedian, contrasting a humorless Cuban leadership. The president's visit shed light on human rights abuses in Cuba. The Cuban government every Sunday has arrested members of the Ladies in White, who march out of Santa Rita Church. Thanks to the president's visit, that routine arrest this past Sunday could be filmed by international television cameras. An opening between the United States and Cuba opens the prospect for international public shaming of such abuses. There were also new agreements provoked by the visit. These ranged from Starwood Hotels' agreement on a joint venture for hotel management to the accord between the two agriculture ministries on health inspections for traded products. Ultimately, the success of the trip will be visible only in the future, most likely after Raúl Castro steps down as president in 2018. But, during this Holy Week visit to Havana, the president of the United States seems to have become Saint Obama, even in the words of Cubans whose words were printed by Granma, the communist party newspaper."

EDITOR'S NOTE: More commentary on this topic appeared in Thursday's issue of the Latin America Advisor.

we share." Obama and Macri addressed reporters after they met for about an hour at the Casa Rosada presidential palace. The meeting came on Obama's first full day in Argentina, where he

NEWS BRIEFS

U.S., Argentina to Resume Financial Information Sharing

Argentina and the United States will resume sharing intelligence over money flows in order to support the fight against drug trafficking and organized crime, the head of Argentina's Financial Information Unit, Mariano Federici, said Monday, Reuters reported. Information sharing between the two countries was suspended last year during the final months of former President Cristina Fernández de Kirchner's term, after the U.S. Treasury's Financial Crimes Enforcement Network said its Argentine counterpart had leaked confidential data.

Brazil's Rousseff Vows Not to Resign

Embattled Brazilian President Dilma Rousseff on Tuesday vowed not to resign and called her opponents' efforts to remove her from office an attempted "coup," Reuters reported. "I will never resign under any circumstances," Rousseff said in a speech to legal experts. Rousseff is facing impeachment over allegations that her government improperly manipulated government accounts. She has denied wrongdoing.

Carnival to Begin Cruises to Cuba May 1

U.S.-based cruise line Carnival announced Monday it will offer cruises to Cuba starting May 1 after the island nation authorized the company to begin traveling there, marking the first time in more than 50 years that a cruise ship has been able to sail from the United States to Cuba, The New York Times reported. Carnival CEO Arnold Donald said in an interview with the newspaper that the company is launching the cruises because of high interest to travel to Cuba among U.S. travelers. Carnival will assist in securing the visa that U.S. travelers will need to enter Cuba.

traveled after visiting Cuba, becoming the first sitting U.S. president in 88 years to do so. In their meeting, Obama and Macri discussed a range of issues including defense, security, energy and climate change. Macri also expressed a willingness for cooperation. "This is the



Obama and Macri met Wednesday at the Casa Rosada. // Photo: Argentine Government.

beginning of a new phase of mature, intelligent, constructive relations in which the only concern for us both is to improve the quality of life of our people," said Macri, The New York Times reported. The Argentine president also called Obama an "inspiring" leader who demonstrated that challenging the status quo can lead to major change. During the news conference, Obama said the United States will declassify U.S. military and intelligence documents relating to Argentina's Dirty War. Obama's visit coincides with Thursday's 40th anniversary of the coup in Argentina that intensified the period of state terrorism and repression. Macri declined to speculate on what the documents would show, but he said Argentines have a right to see them. "We all need and we are entitled to know what the truth is," said Macri.

ECONOMIC NEWS

Venezuela Exports \$456 Mn in Gold Amid Cash Shortage

Venezuela exported about \$456 million worth of gold to Switzerland in February, according to data published Tuesday by the Swiss customs bureau, as the South American country's central bank grapples with a cash shortage amid a crippling economic crisis, Reuters reported. Details of the data were not immediately clear, though Venezuelan central bank President

Nelson Merentes confirmed to Reuters that gold swaps had taken place. The country has been experiencing a severe recession, runaway inflation and product shortages. The Venezuelan government's currency control system has slashed approval of dollars for product imports, leading to empty store shelves. The bank has consequently begun negotiations with Deutsche Bank to carry out gold swaps in order to improve the liquidity of its foreign reserves as it faces high debt payments, two sources familiar with the situation told Reuters last month. A separate source said that last month Venezuela's central bank had taken an unspecified amount of gold out of the country to be certified, which is a necessary step before completing a gold swap. The gold had lost its "certificate of good delivery" in 2011 after former President Hugo Chávez transferred it from foreign banks to central bank coffers. Calls by the wire service to the central bank went unanswered.

BUSINESS NEWS

Odebrecht to Work With Prosecutors in Petrobras Case

Jailed former construction CEO Marcelo Odebrecht has agreed to cooperate with prosecutors in connection with the massive corruption scandal at Brazilian state-run oil company Petrobras, The Wall Street Journal reported. The former chief executive's namesake company, Odebrecht, confirmed Wednesday that its former leader and other company employees are prepared to reveal to prosecutors what they know about the scandal. According to prosecutors, the construction company was so deeply and systematically involved in the scandal that it had a separate department set up for tracking bribes. On Wednesday, local media in Brazil published a list of some 200 politicians alleged to have accepted bribes from Odebrecht in connection with the scandal. The former chief executive officer earlier this month was sentenced to 19 years in prison for his role in the case.

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macy. My hope is this initial discussion will foster more substantive discussion in future meetings about energy economic issues that affect our North American energy industry and economy."

A **Murray Smith, consultant and former minister of energy for Alberta:** "Any visit that ends with a smile and a warm embrace is generally positive between large trading partners. From an energy perspective, Canada is under siege from U.S. energy activists, low prices and regulatory entanglement. U.S. producers are hungrily eyeing access to the markets of Eastern Canada, which today is served by Western Canadian gas and expensive foreign oil imports. A recent U.S. ruling to permit oil exports and existing natural gas pipeline access to this lucrative market will reduce the pressure facing beleaguered U.S. producers as they work to siphon off the glut of U.S. energy supply, particularly natural gas. Canadian producers and pipelines have the best and most transparent environmental records in the world. It would be helpful if the United States were on the same regulatory and environmental footing, otherwise there will be unequal competition and all of Canada will be the losers in this significant trade relationship. Given that only Canada is adding carbon tax levies to its resources and that its resources are a significant distance from these large markets, the business case is very appealing to accessing closer, cheaper sources of natural gas and oil. Canada has no global access to energy markets, and recent efforts to gain access via pipelines for oil and LNG facilities for natural gas is tied up in endless hearings and interprovincial squabbling. The energy industry has provided jobs and wealth to all Canadians. Prime Minister Justin Trudeau will need to be very wise in managing this relationship with Canada's major trading partner if Canada is to prosper."

Dale Marshall, National Program Manager at Environmental Defence Canada: "Prime Minister Trudeau's visit with President Obama was an important first step for cooperation on tackling climate change and developing clean energy. In particular, the agreement to cooperate on regulating methane emissions showed that progress can be made, especially if Mexico can be included in the initiative to make it a truly continental one. However, it is only a first step. There are significant contradictions in both countries on climate change and energy development, highlighted by the expansion of production

“ **There are significant contradictions in both countries on climate change and energy development.”**

— Dale Marshall

of fossil fuels such as shale gas, shale oil and tar sands, and their effects on carbon emissions and the local environment. The Canadian and U.S. governments will have to resolve these contradictions and overcome opposition to climate action from some in the business community and in sub-national governments in order to take meaningful, sustained action on environmental protection. In short, the two countries must take bold steps, both separately and jointly, in order to meet the ambitious commitments on climate change made in the U.N. Paris agreement. The recent agreement struck between Prime Minister Trudeau and President Obama must be acted upon and added to in order for those global commitments to be met."

LATIN AMERICA ENERGY ADVISOR
is published weekly by the Inter-American Dialogue
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Latin America Energy Advisor is published weekly, with the exception of some major U.S. holidays, by the Inter-American Dialogue 1211 Connecticut Avenue NW, Suite 510 Washington, DC 20036

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www.thedialogue.org

ISSN 2163-7962

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