FEATURED Q&A
Will Social Unrest Upend Bolivia’s Oil and Gas Sector?

Jeanine Áñez, a member of Bolivia’s Democratic Union party, declared herself the country’s interim president after former President Evo Morales resigned and fled to Mexico, which offered him asylum. // File Photo: @JeanineAnez via Twitter.

International oil companies have reportedly halted natural gas exploration in Bolivia after President Evo Morales’ resignation this month, which came after weeks of protests following the country’s contested Oct. 20 election. Meanwhile, state oil company YPFB reportedly informed Argentine authorities that the political crisis may affect normal supplies of natural gas from Bolivia. To what extent will the uncertain politics and social unrest in Bolivia affect the country’s oil and gas production and exports, and how disruptive could this become? What is the state of the country’s oil and gas sector in general? What are the most important challenges the sector will face in the coming year?

Francesco Zaratti, energy analyst, columnist and former advisor to ex-Bolivian President Carlos Mesa: “The current political and social upheaval is concentrated in two cities, so oil field activity, in general, has not suffered from the emergency. At the moment, two incidents have been recorded: seizure of a gas processing plant and a possible sabotage of a section of a gas pipeline, both in the troubled ‘coca’ region of Chapare. The distribution of fuel in the domestic market is usually affected by the roadblocks, as is the export of liquefied petroleum gas through tanks. However, a prolonged conflict also causes a shortage of supplies and equipment for fields in production or exploration, not to mention the supply of liquid fuels (diesel and gasoline), which are mostly imported. Although gas extraction capacity currently exceeds 50 million cubic meters per day, Brazil and Argentina’s low demand forces a reduction of that amount to about 40 million cubic meters per day. The sudden halt in natural gas exploration has consequences for the national and international market. ...”

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Colombia Facing ‘Decisive’ Year for Oil Sector: ACP Head

Next year will be “decisive” for Colombia’s oil and gas industry, as efforts to boost exploration and production move ahead, said the head of the private Colombian Petroleum Association, or ACP, Reuters reported last Friday. “I think it will be a better year. I think many of the decisions that the government has taken, especially to reactivate oil and gas activity, will start to bear fruit,” Francisco Lloreda said on the sidelines of an annual oil and gas conference in Bogotá. “It is a decisive year for the industry in many ways,” he added. Colombia’s government is currently holding its second oil auction of the year, in a bid to attract new oil investment. The industry faces several problems, however, including fraught community relations and security issues, such as the continuous bombing of pipelines by leftist rebels and local protests to shut down production facilities, Reuters reported. The ACP has previously warned that $700 million in oil company spending is frozen because of contract delays due to protests and prior consultation processes, as well as slow environmental licensing and court orders. These are the industry’s main challenges next year, Luis Miguel Morelli, who heads Colombia’s national hydrocarbons agency, told Reuters. Additionally, the government will continue to promote the country to international investors next year. “We have been to Canada and the United States, but we need to go to Asia and Oceania, also to other European countries, to bring in investors,” Morelli said. The Energy Ministry’s key focus is to boost Colombia’s reserves, which stand at approximately 1.8 billion barrels of oil and 3.9 trillion cubic feet of gas, or about six and 11 years, respectively, Deputy Energy Minister Diego Mesa said at an event at the Inter-American Dialogue earlier this year. To increase reserves, the government has been focused on four angles, Mesa said, which include promoting onshore exploration, establishing incentives for enhanced production of mature fields, aggressively promoting Colombia’s offshore areas and developing unconventional resources. [Editor’s note: See the Advisor’s coverage of the event.]

Áñez Fills Top Energy Positions in Bolivia Amid Fuel Problems

Self-declared interim Bolivian President Jeanine Áñez on Tuesday appointed José Luis Rivero as the new president of state oil and gas company YPFB, days after she named a new hydrocarbons minister and an acting head of the National Hydrocarbons Agency, or ANH, El Deber reported. Áñez had announced last Friday that former Senator Víctor Hugo Zamora will replace Luis Alberto Sánchez, former President Evo Morales’ hydrocarbons minister, and Gen. Luis Valverde Ferrufino will lead ANH. The two are part of what she called a “technical” cabinet meant to take over while new elections are organized and held. Rivero’s first task as YPFB president is to “recover gas reserves, because the gas business could deeply diminish and affect the country’s economy,” according to a statement issued by the hydrocarbons ministry, which also said social unrest has not affected pipeline gas exports from Bolivia to Brazil and Argentina. However, among the first challenges that the new energy team is facing is restoring fuel supply to the region surrounding the capital city of La Paz, where Morales supporters have been blocking roads and a key fuel terminal, Argus Media reported. The blockade has caused food shortages and forced the military to deliver supplies through airlifts. On Tuesday, the military escorted tanker truck convoys of liquefied petroleum gas, or LPG, and motor fuel into the city.

Brazil Allows 7 Solar, Wind Plants to Start Operations

Brazilian power regulator Aneel has allowed seven renewable power plants to start test or commercial operations, Renewables Now reported Monday. In total, the projects have a combined capacity of nearly 84 megawatts. The regulator has allowed the 24-megawatt (MW) Sobrado 1 photovoltaic plant and the 16-MW Tamandua Mirim and 6-MW Acauã wind farms to begin commercial operations, while the remaining wind power facilities are entering test operations. If these plants prove successful during the test period, their commercial operations will be approved, according to Aneel.

Gas Shortage in Trinidad & Tobago Will Hurt More Industries: Regulator

A natural gas shortage in Trinidad and Tobago might continue hurting the country’s industrial base, said James Lee, the executive director of the regulated industries commission, Argus Media reported Monday. Lee said the expected closure of Norwegian chemical company Yara’s 270,000 trillion a year ammonia plant “is not the first plant to shut down and will not be the last.” The plant is among several companies shuttering operations in the Caribbean country for failing to secure gas supply contracts as Trinidad’s gas reserves become depleted, Lee said. The shutdowns have had wide effects on the country’s economy, he added.

Perú’s Renewables Output Up 11 Percent in October

Non-conventional renewables generated 292 gigawatt-hours of Peru’s electricity in October, an 11 percent increase year-on-year, according to a preliminary energy ministry report, Renewables Now reported last Friday. Output from window, solar, bagasse and biogas sources last month accounted to 6 percent of the country’s total power, up from 5.8 percent in September.
Opposition Reaches Deal With Holders of PDVSA Bond: Report

Venezuela’s opposition has reached a deal with holders of a bond issued by state oil company PDVSA to prevent them from seizing U.S.-based refiner Citgo, the bond’s collateral, until May, Reuters reported Tuesday, citing court filings and an unnamed source. The opposition-appointed PDVSA board, which the United States recognizes as the firm’s legitimate representation, last month filed suit in New York to annul PDVSA’s 2020 bonds. A deal to delay litigation in the case between PDVSA and the defendants—bond trustee MUFG Union Bank and collateral agent Glas Americas—outlined a schedule in which fact discovery would extend until Feb. 10, followed by a period of expert depositions before a hearing on May 5, Reuters reported. Judge Katherine Polka Failla, of the District Court for the Southern District of New York, agreed to the deal, known as a forbearance agreement, according to court filings. Without the arrangement, PDVSA would have been at risk of losing Citgo after Jan. 22, when a U.S. Treasury measure blocking the transfer of shares in the refiner expires. The Venezuelan opposition has been fighting to retain control of Citgo, the South American country’s most valuable foreign asset. At an event at the Inter-American Dialogue last month, Citgo Chairwoman Luisa Palacios said the U.S. administration’s continued support has been crucial for the opposition to keep Citgo. [Editor’s note: See related Q&A in the Oct. 11 issue of the Energy Advisor.]

Brazil to Boost LNG Imports if Supply From Bolivia Affected

Brazil will increase liquefied natural gas, or LNG, imports if supply from Bolivia is interrupted because of political unrest, Brazilian hydrocarbons agency ANP said last week, Argus Media reported. State oil company Petrobras confirmed that Bolivia state-owned oil firm YPFB on Nov. 11 notified it of possible disruptions to its gas supply. The ANP said that, while supplies from Bolivia are currently at normal levels, Brazil’s back-up plan includes raising LNG imports and using alternative fuels, such as liquefied petroleum gas, fuel oil and diesel, to guarantee domestic supply. Under a contract that is set to expire next month, Bolivia supplied Brazil with an average of approximately 15 million cubic meters per day of gas from January through August of this year, according to the mines and energy ministry’s monthly gas bulletin. Over the same period, Brazil consumed nearly 9 million cubic meters per day of LNG. Meanwhile, Peruvian President Martin Vizcarra said last Friday that he hopes the political situation in Bolivia will soon be normalized in order to allow the restarting of a plan to interconnect the two country’s pipelines, a major project that his and Morales’ governments had agreed on. “We believe this project will continue, but we have to wait with a little bit of patience for the situation in Bolivia to go back to normal in order to once again resume, with the new authorities, our government’s hopes,” Vizcarra told reporters.

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million cubic meters per day. In any case, the current political situation does not help the recovery and development of a sector that for several years has been suffering the consequences of erratic policies, without effective responses to the depletion of old fields and the decrease in external demand. Next year presents several challenges for the sector, the main ones being: the renewal of the gas sale contract with Petrobras, whose negotiation is quite advanced; the renegotiation of the contract with Argentina, scheduled for February; and the revitalization of the industry, after 14 years of stagnation.”

Mauricio Becerra de la Roca Donoso, managing partner at Becerra de la Roca Donoso & Asociados SRL (BDA Abogados): “The current transitional government has named new authorities for the oil and gas sector starting with the new minister of hydrocarbons, the director of the national hydrocarbons regulatory authority (ANH) and more recently the new interim president of state oil and gas company YPFB, with the main objective of ensuring domestic supply and continuity of export commitments of hydrocarbons. The main threats have been the attempts to take YPFB facilities by groups related to Evo Morales’ political party, MAS. The government has protected those facilities with the aid of the military. The probability of a breach on gas export contracts due to the social unrest is not very likely, as the situation is being controlled and a dialogue has started between the transitional government, political parties and social sectors with the aid of international organizations to agree on the terms of the new general elections. The main challenge of this government is to call a new general election as soon as possible, so that the new government can implement a plan to institutionalize YPFB and its subsidiaries, as the oil and gas sector has been facing undue political influence. Many matters require attention in the oil and gas sector in Bolivia, such as negotiate with Brazil for new contracts (the current contract with Petrobras ends this year); negotiate terms of gas export contract with Argentina; structure a plan to decrease gasoline and diesel subsidies; develop and implement a plan to attract foreign investment in exploration; and industrialize oil and gas. These measures, however, should be implemented by the new democratically elected government, because...”

— Mauricio Becerra de la Roca Donoso

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in the Puno region near the Bolivian border, adding that Peru respects Bolivia's decisions to "normalize the situation." Protests in Bolivia continue as supporters of former President Evo Morales, who resigned Nov. 10 and fled to Mexico under asylum, refuse to recognize the government of interim President Jeanine Áñez.

Moreno Names Agusto as Ecuador’s New Energy Minister

Ecuadorean President Lenín Moreno on Tuesday appointed civil engineer and close ally José Agusto to replace Carlos Pérez as the country’s new energy minister, Reuters reported. Pérez resigned last week for personal reasons. Agusto previously served as an advisor to the president and the energy ministry and has also been on the board of state-owned oil companies Petroecuador and Petroamazonas. Agusto will continue to follow the government’s “road map” to promote public-private partnerships as well as the responsible use of Ecuador’s natural resources, the ministry said in a statement.

RENEWABLES NEWS

Chile to Hold New Renewable Energy Auction in June

Chile is planning to hold another auction for new energy generation capacity next June, PV Magazine reported Tuesday. The tender is expected to allocate extensive solar and wind facilities. According to the Chilean National Energy Commission’s auction document, bidders will have until June 11 to submit project proposals, and the results are set to be announced on June 19. Winners’ projects are expected to begin delivering power to two of the country’s electricity networks on Jan. 1, 2026, and they will supply electricity under 15-year power purchase agreements for the 2026-2040 period.

ADVISOR Q&A

How Much Will Guyana’s Growth Benefit its Citizens?

Guyana will see economic growth soar to 86 percent next year, up from 4.4 percent this year, the International Monetary Fund predicted this month. Annualized real GDP is expected to dramatically increase due to the country’s oil production, which is set to begin next month. How accurate is the IMF’s projected economic growth for Guyana? How may political instability, as the country prepares for early elections in March, and other factors related to oil production affect the forecast? To what extent will Guyana’s citizens receive the benefits of economic growth, and will the government be able to adequately manage their expectations?

Riyad Insanally, ambassador of Guyana to the United States: “Given the relatively small size of Guyana’s economy, the impact of the large petroleum finds is certain to be dramatic in mathematical terms and, with the date for first oil having been brought forward, estimates of GDP growth are being continuously revised. At 120,000 barrels per day and $50 per barrel, production in 2020 will be worth roughly $2.2 billion, or 56 percent of current GDP. This does not necessarily translate into an immediate and proportional rise in income levels, but there will be consequential growth in the non-oil sector. The IMF estimates that non-oil real GDP growth will be 4.8 percent in 2020, 4.6 percent in 2021, 4.7 percent in 2022, 4.9 percent in 2023 and 5.0 percent in 2024, reflecting significant spill-over onto the non-oil economy. An increase in government revenues by 25.9 percent is also projected, and this will obviously have an effect on growth. How these revenues are spent, particularly regarding public sector emoluments, education, health, security and infrastructure, will determine how citizens benefit. Employment is a key determinant of income distribution, and labor’s share of GDP will influence migration, skills availability and security. The government recently released a Green State Development Strategy: Vision 2040, as its road map for future development and growth, based on investment, jobs and environmental sustainability, with a key objective being the transition of the energy matrix from reliance on oil to renewable energy by 2040. Also, in August 2018, a Green Paper on Managing Petroleum Revenues and Establishment of a Fiscal Rule and a Sovereign Wealth Fund was released, and in January 2019, Parliament passed the Natural Resource Fund Bill, with a view to strengthening revenue management, mitigating the risk of ‘Dutch disease,’ securing and building ‘the financial wealth of future generations, even as current generations benefit from scaled up budgetary investments.’ Political uncertainty this year has, however, delayed the implementation of institutional arrangements to manage the new sector, the granting of contracts and the pursuit of development programs by the government. The March 2020 elections will therefore be critical for social and political stability and for ensuring that Guyana remains on the trajectory for accelerated and inclusive economic growth.”

EDITOR’S NOTE: More commentary on this topic appears in the Nov. 15 issue of the Latin America Advisor.
NEWS BRIEFS

Mexico, Uruguay, Caricom Members Reject Use of Force in Venezuela

Mexico, Uruguay and representatives of the Caribbean Community on Monday issued a statement rejecting the use of force and human rights violations in Venezuela and calling for a peaceful and democratic solution, Reuters reported. The statement followed nationwide protests by the Venezuelan opposition against President Nicolás Maduro’s government on Saturday and a call for more demonstrations in a bid to force Maduro out of power. “We call on all actors to take the path of a broad, credible and inclusive dialogue,” the statement said, according to the report.

Venezuela to Use 30 Mn Barrels of Oil to Back Cryptocurrency: Maduro

Venezuelan President Nicolás Maduro said Wednesday that nearly 30 million barrels of oil that are sitting in storage tanks will be used to back the country’s state-run cryptocurrency, the petro, Reuters reported. “I will deliver these 30 million barrels as a liquid, physical, material backing for the petro,” Maduro said in a televised address. It’s the government’s latest effort to promote the use of the petro, which remains sanctioned by the United States, as inflation continues to rise in the South American country.

Chile’s SQM Reports Plunge in Profits for Q3

Amid low prices for lithium, Chile-based SQM said late Wednesday that its profits for the third quarter fell 27.5 percent to $60.5 million, as compared to $83.5 million for the same quarter last year, Reuters reported. SQM is the world’s second-largest producer of lithium, which is used in batteries for electric vehicles. SQM’s CEO, Ricardo Ramos, said demand from China was lower than expected.

according to the report. The auction is expected to bring at least 5.6 terawatt-hours (TWh) of new electricity per year, more than double the 2.2 TWh that the government awarded in the last such tender, which it held in November 2017.

POLITICAL NEWS

Morales Offers to Sit Out Bolivia Election to Finish Term

Former Bolivian President Evo Morales offered to sit out the country’s next election as long as he can finish his term and also work with the opposition to name a new electoral authority to oversee it, The Wall Street Journal reported. “My great wish is to return quickly to Bolivia,” he told the newspaper in an interview. “The mobilized people’s resounding demand is that the dictatorship should step down,” he added, referring to the interim government of President Jeanine Áñez. “That means we finish our term, and in exchange we won’t be a candidate … If it’s a matter of peace, so no more lives are lost, no problem, I renounce” the candidacy, Morales said he wanted the compromise in order to end the country’s political crisis, which erupted following its Oct. 20 election, in which Morales was named the winner, edging out rival Carlos Mesa by just enough votes to win in the first round. An Organization of American States team consisting of 36 election experts of 18 nationalities found “serious irregularities” and said a new vote should be held. Amid violent protests in the country and after then-armed forces head Gen. Williams Kaliman publicly suggested that Morales resign, Morales stepped down Nov. 10 and left for Mexico, which granted him asylum. Morales has called the episode a “coup” and has denied fraud, saying he won the election fairly, The Wall Street Journal reported. He called for a “truth commission” comprised of representatives from the United Nations, the Vatican and the U.S.-based Carter Center. Morales told the newspaper that an alliance between the United States and his right-wing opponents in Bolivia is preventing his return. “I have been told from people in a position to know that the Americans don’t want me back in Bolivia,” he told the newspaper. “Why do the gringos fear an Indian?” he added, laughing. Analysts said Bolivia’s interim government and the country’s military are unlikely to allow Morales to return because they don’t trust that he won’t try to stay in power indefinitely. “It’s interesting that he would say that [he won’t be a candidate], but I don’t think anyone in Bolivia will take it too seriously because they simply don’t trust him,” Bolivia expert Eduardo Gamarra of Florida International University told The Wall Street Journal. [Editor’s note: See related Q&A in Thursday’s issue of the daily Advisor.]

Brazil to Ask Rich Nations to Help Fight Deforestation

Brazil will ask developed countries to help finance efforts to protect the Amazon rain forest and promote sustainable economic activities at a U.N. climate conference in December. Environment Minister Ricardo Salles said on Wednesday, The Wall Street Journal reported. Salles said his country would ask rich nations at the U.N. COP25 conference in Madrid to provide $100 billion a year to help Brazil and other developing countries preserve their natural resources, as pledged under the 2016 Paris Agreement. “It’s necessary that funds compatible with the challenge of preserving the Amazon start to flow towards developing countries,” Salles told reporters. “The people who take care of the forest must be compensated,” he added. His statement came just days after new government data was made public, showing that the rate of deforestation in Brazil’s Amazon rain forest has sharply accelerated during the past year and is at its highest level in a decade.
they will require adequate assessment and implementation. There are a lot of interesting prospects in the oil and gas, lithium, electricity and natural resources sectors with much interest from international companies that are expectant of the situation in Bolivia. Once the new government is elected, the main challenge will be the institutionalization of regulatory authorities and state companies and implementing meritocracy in order to ensure a proper environment with legal certainty for national and foreign investments."

Álvaro Ríos, former hydrocarbons minister of Bolivia and managing director of Gas Energy Latin America: “After Evo Morales and his party held fraudulent elections, the population reacted peacefully in the streets for 21 days, stopping traffic, and international exploration companies had to halt exploration activities. However, as a new president has called for new, transparent elections, the country is almost back to normal, and exploration activities are returning in about eight exploratory wells. Natural gas exports to Argentina and Brazil were dispatched normally, though an attack on a small gas line is causing some shortage to industries in western Bolivia. We are returning to normal, and now we are just waiting for Evo Morales’ followers to cease vandalism activities that began after he fled the country.”

Claudia Cronenbold, president of the Bolivian Chamber of Hydrocarbons and Energy (CBHE): “Oil fields’ production capacity has not been affected, so far. However, a pipeline that carries gas from the center of the country to the high plateau has been interrupted due to a rupture, the causes of which are still under investigation. This affects 2 million cubic meters of gas per day to that market, equivalent to 3 percent of production. Likewise, a new hydrocarbons minister and a new president of state oil company YPFB have been appointed. With this, the sector already has the highest executive authority in place, and we hope that the solutions to these problems can be resolved as soon as possible. We are following the events that are still taking place in the country.”

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org.

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