FEATURED Q&A

How Can Biden & Caricom Strengthen Energy Cooperation?

A recent meeting between U.S. Secretary of State Antony Blinken and foreign ministers of Caribbean regional trade group Caricom resulted in renewed cooperation in several key areas including energy, Caribbean officials told Argus Media. There had been a rift among the 15 members of the bloc over the Trump administration’s efforts to isolate the government of Venezuelan President Nicolás Maduro, the officials added. What is the current state of U.S.-Caricom cooperation on energy-related issues, and to what extent did collaboration decrease or stagnate during former U.S. President Donald Trump’s term in office? In what ways can energy cooperation between the United States and the Caribbean expand under the Biden administration, and which countries and areas would benefit the most from it? What are the political dynamics at play within Caricom, and what needs to happen for Caribbean nations to develop a more unified regional energy agenda?

Riyad Insanally, ambassador of Guyana to the United States and the Organization of American States: “Energy security is crucial to Caricom’s plans to achieve resilience, competitiveness and prosperity. A Caricom Energy Policy and the Caribbean Sustainable Energy Roadmap and Strategy already exist. Attaining energy security has, however, been impeded by, among others: 1.) lack of access to financing for infrastructure and institutional capacity-building; 2.) exogenous systemic and structural shocks, including natural disasters; and 3.) the high costs associated with replacing fossil

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OIL & GAS

Pemex Raises Cost Estimate for Dos Bocas Refinery

Mexican state oil firm Pemex has increased its estimate for the cost of the government’s flagship Dos Bocas refinery. The expected cost is now $12.4 billion.

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BHP Begins Production at Trinidad Project

BHP has begun oil production at the Ruby oil and gas project offshore Trinidad and Tobago, which will have the capacity to produce as many as 16,000 barrels per day of oil.

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Peru Output Hits High in April. Still Lower Than 2020

Peru’s oil output hit a monthly record for the year in April, but it was still down 20 percent from a year ago due to the Covid-19 pandemic and uncertainty regarding the presidential runoff. Far-left candidate Pedro Castillo is leading in the polls.

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**Pemex Again Raises Projected Costs for Dos Bocas Refinery**

The cost for Mexican President Andrés Manuel López Obrador’s flagship refinery at Dos Bocas, in Tabasco state, could rise by 40 percent, state oil company Pemex told its board of directors, Argus Media reported last week. Construction of the planned refinery, which would have the capacity to process 340,000 barrels per day, could cost as much as $12.4 billion, up from the previous budget of $8.9 billion, according to Pemex’s 2020 annual report. That figure was already higher than the original estimate of $8 billion. Analysts and credit rating agencies from the beginning had warned that the refinery would cost at least $12 billion, based on similar projects abroad, Argus Media reported. Moreover, Pemex delayed the start of the refinery’s projected commercial production. The government had announced July of next year as the refinery’s start date, but the company said that, in the best-case scenario, the facility would only be ready to begin trial runs and mock starts by then. “Trial runs must be done by mid-2022, but it will be necessary to reformulate the project, in particular the internal rate of return and the net present value,” Pemex said. López Obrador has made the Dos Bocas refinery one of his flagship projects as he seeks to strengthen the country’s oil and gas production and lessen its dependence on gasoline imports. The project’s high costs, and López Obrador’s focus on fossil fuels for self-sufficiency, have drawn strong criticism from private investors, energy experts and environmental activists, Reuters reported.

Pemex now says the refinery could cost $12.4 billion, up from the initial estimate of $8 billion.

**Peru’s Oil Output Hits High in April, Yet Lower Than 2020**

Oil production in Peru last month averaged 36,452 barrels per day (bpd), a monthly record for this year but still 20 percent lower than a year ago, BN Americas reported last week. The sector’s recovery continues to lag amid the unrelenting spread of Covid-19 in the Andean nation and uncertainty surrounding the presidential runoff scheduled for June 6. This year’s average output through April is 35,426 bpd, down from 39,677 bpd registered for all of last year, according to information from hydrocarbons licensing authority Perupetro, the news service reported. The increase in production in April was partially driven by the restart of the Perenco block 67 in the Amazon region of Loreto, even amid the suspension of operations at several blocks due to force majeure related to the pandemic, according to the report. Natural gas liquids output in April was up 2 percent, at 68,463 bpd. At the same time, the presidential election has cast a shadow on the future of Peru’s oil and gas sector. Far-left candidate Pedro Castillo, who won in the first round in April and is currently leading in the polls, has vowed to nationalize natural gas and mining assets if he wins. He is facing Keiko Fujimori, a right-wing former legislator whose policies are more pro-market but whose populist tendencies also worry investors, Argus Media reported. Castillo has refrained from giving interviews, but at an event on April 13, shortly after his first-round victory, he told supporters that “strategic resources would be recovered for Peru” if he is to win the election, Argus Media reported.

**BHP Begins Production at Oil and Gas Project in Trinidad & Tobago**

BHP, a resources firm listed in Australia and the United Kingdom, last week began oil production at the Ruby oil and gas project offshore Trinidad and Tobago, Argus Media reported. The project will have the capacity to produce as many as 16,000 barrels per day of oil and 80 million cubic feet per day of gas. Drilling and completion activities are still underway, with more wells expected to start operations between April and September.

**Pemex Stops Publicly Posting Fuel Prices**

Mexican state oil firm Pemex has stopped publicly posting wholesale fuel prices after Mexico’s Congress passed a reform to eliminate laws that had intended to increase data transparency and constrain the company’s dominance in the oil and gas sector, Argus Media reported last week. The government of President Andrés Manuel López Obrador argues that, now that there are enough new competitors in the market, the transparency requirement can be lifted. The legislation can still face legal challenges from private sector companies and the Federal Economic Competition Commission.

**GeoPark Reports First-Quarter Results**

GeoPark, an oil and gas company that operates in Colombia, Ecuador, Chile, Brazil and Argentina, last week reported its first-quarter financial results. GeoPark said it produced an average of 38,131 barrels of oil equivalent per day, a decrease of 17 percent from the first quarter of 2020, due to limited drilling and maintenance issues. The company’s consolidated revenue was up 10 percent to $146.6 million, reflecting higher oil prices. Production and operating costs were up 8 percent to $44.3 million.
prices have risen over the last few months, two unnamed sources told Reuters last week. Golfinho is one of dozens of legacy production assets that Petrobras plans to sell as part of a divestment strategy aimed at reducing company debt and refocusing attention on a deepwater formation known as the “pre-salt,” Reuters reported. In this year’s bidding rounds, Petrobras is disclosing previously unavailable production information, and the company anticipates offers from DBO Energy, private equity firm Seacrest Capital and Norway’s BW Energy, the sources said.

**U.S. Oil Lobby Pushes for Talks With AMLO Over Recent Laws**

The American Petroleum Institute, or API, is urging the U.S. government to further engage with Mexico on energy policies after the group said recent changes by President Andrés Manuel López Obrador threaten to undermine investor confidence in the market and violate the United States-Mexico-Canada Agreement, Reuters reported last week. In a letter dated May 5 and addressed to senior U.S. officials including Secretary of State Antony Blinken and Secretary of Energy Jennifer Granholm, API slammed the López Obrador government’s latest attempts to amend the country’s electricity and hydrocarbon laws to favor state energy companies, specifically oil firm Pemex and power utility CFE. “The common denominator of both laws is to hinder new private investment in the energy sector as well as destroy the value of already operating private assets in violation of Mexico’s commitments,” API wrote, Reuters reported. In the letter, which was signed by API President Michael Sommers, the group also asked that officials include “these violations” as a key discussion item in a free trade commission meeting between U.S. Trade Representative Katherine Tai and Mexican Economy Minister Tatiana Clouthier scheduled for mid-May. A judge on Monday ordered the suspension of parts of the hydrocarbons law. Judge Juan Pablo Gómez Fierro suspended the entry into force of the Hydrocarbons Law

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fuel infrastructure with structures suited for renewable energy. The recent massive fossil fuel discoveries offshore Guyana and Suriname position those countries, together with the more mature oil and gas producer Trinidad and Tobago, to anchor regional energy security. But they and the rest of Caricom will need U.S. support to build institutional capacity and for investment in infrastructural development. A revitalization of the Caribbean Energy Security Initiative (CESI), launched by then-Vice President Joe Biden in 2014, would be mutually beneficial. In the meeting with Secretary Blinken, Guyana’s foreign minister, Hugh Todd, made the following call: “The time is opportune for a new U.S.-Caribbean Energy Partnership, building on the aims of CESI and actions already undertaken.” Caricom can benefit from engagement by the Department of Energy and the International Development Finance Corporation, as well as through the involvement of the U.S. private sector, in the development of the region’s energy sector and in pursuit of a sustainable energy mix. The forthcoming High-Level Meeting on Energy Finance for the Caribbean to be convened by the OAS secretary general will also provide an early opportunity to explore a new, inclusive model of cooperation in energy, involving the United States along with the international financial institutions and other partners.”

**“It is good to see that [energy cooperation] is being resuscitated under the Biden presidency.”**

— Kevin Rammarine

administration had started this cooperation initiative in January 2015 when then-Vice President Biden met with the Caricom heads in Washington. It went cold in the Trump years. It is good to see that it is being resuscitated under the Biden presidency. In recent times, too, the United States has been lending support to Guyana and Suriname as they develop their oil and natural gas industries. During the Obama era, the Inter-American Development Bank had plans to support the conversion of fuel oil-based power plants in the Caribbean to natural gas and to support renewable energy projects. We need this initiative to be back on track, fast, because such support is needed if Caricom is to be part of the energy transition.”

**A**

Kevin Rammarine, former minister of energy of Trinidad and Tobago: At the level of energy policy, there is consensus among Caricom members. In 2013, all member states adopted a regional energy policy. During the Trump administration, there were differences of opinion among members on the United States’ and the OAS’ position toward the Maduro regime. While I don’t believe these differences affected the day-to-day work of Caricom, they have been a source of tension among some members. It has also affected how the United States views those Caricom countries that support the Maduro regime. As an extension to that, the new Biden administration has not changed the course of U.S. foreign policy as it relates to Maduro, and I don’t expect it will change. As it relates to energy cooperation with the U.S. government, the Obama

**A**

Johanna Mendelson Forman, distinguished fellow at the Stimson Center: “After four years of limited engagement on Caribbean energy needs, the Trump administration’s most notable legacy was the absence of any geopolitical vision. Caricom members were especially troubled by the U.S. withdrawal from the Paris climate accord and the damage it did to the region’s strong commitment to address climate change. In March, Trinidad and Tobago’s prime minister, Keith Rowley, did not mince

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Brazil’s worst drought in two decades has left water reservoirs that supply energy operating well below typical output and forcing the nation’s power producers to turn to more expensive thermal production, Folha de S.Paulo reported Wednesday. In the country’s southeast and midwest regions, reservoirs are operating at a third of their energy storage capacity. Consumers should expect more expensive bills until the end of the year, which is ultimately likely to affect inflation figures nationally, according to the report. Meanwhile, industry executives have warned that a quarter of the Brazilian thermal capacity is currently unavailable, due to maintenance works or transmission bottlenecks, and state oil company Petrobras has scheduled maintenance work in August on...
**News Briefs**

**Thousands Take to Streets in Colombia as Protests Enter Third Week**

Thousands of demonstrators marched in cities across Colombia and also participated in a national strike on Wednesday as protests sparked by a now-canceled tax reform entered their third week, Reuters reported. More than 40 people have been killed during the protests, which revolve around discontent over unemployment, poverty and police brutality.

**U.S. Special Envoy Meets With El Salvador’s Bukele**

U.S. Special Envoy to the Northern Triangle Ricardo Zúñiga spoke with Salvadoran President Nayib Bukele on Tuesday in an in-person meeting that Zúñiga described as “cordial,” Reuters reported. Zúñiga said he raised Washington's concerns about the Salvadoran National Assembly's recent removal of constitutional magistrates and the attorney general, calling the moves unconstitutional. Bukele’s Nuevas Ideas party controls the legislature. The president had reportedly declined to meet with Zúñiga during a previous visit to El Salvador.

**Argentina’s Fernández Meets With Pope Francis During Visit to Vatican**

Pope Francis met with Argentine President Alberto Fernández on Thursday during the president’s trip to Europe, Reuters reported. The meeting came months after Argentina legalized abortion with Fernández’s support, despite a personal plea from Pope Francis, who is an Argentine, and opposition from the Catholic Church. In a break from usual protocol, the Vatican did not say what issues the two leaders discussed during their meeting, which took place in a side study off the Vatican's auditorium. Official state visits are usually held in the Apostolic Palace, according to the report.

One of its main gas producers, the Mexilhão field. President Jair Bolsonaro said this week that Brazil is experiencing the worst water crisis in its history, warning that it poses major problems for electricity generation, Reuters reported.

**Renewables News**

**EDF Brazil Begins Operations at Wind Power Complex**

EDF Renewables, a subsidiary of French utility company EDF, has begun operations at a 344-megawatt wind power complex in Campo Formoso in Brazil’s Bahia state, the company announced last week, Renewables Now reported. The power complex, which includes 82 wind turbines, required an investment of more than 1.5 billion reais ($284.3 million). It is capable of generating enough electricity to meet the annual demands of 850,000 Brazilian homes, according to the company. The project also has several power purchase agreements, including a 20-year contract with Brazilian petrochemical firm Braskem. This is EDF Renewables’ third energy project in Brazil after the company began operating in the South American nation in 2015.

**Political News**

**Venezuela’s Guaidó Proposes Gradual End to Sanctions**

Venezuelan opposition leader Juan Guaidó, whom dozens of countries including the United States recognize as the nation’s legitimate interim president, on Tuesday proposed a gradual lifting of U.S. sanctions on the South American country in a bid to get Nicolás Maduro’s government to reach an agreement with opposition parties. “Our objective is to get out of this tragedy and recover democracy. That is what we must focus on,” Guaidó said in a video posted on Twitter. In the video, Guaidó said it was necessary to seek solutions that are both “realistic and viable” and proposed a “national agreement” that would be comprised, in part, of general elections with the participation of all opposition political parties, in addition to the ruling Socialist Party. The announcement follows several moves by the Maduro government that analysts have described as conciliatory signals to the United States, such as the appointment of two opposition leaders as election officials. Other actions included granting house arrest to six U.S. citizens who were former employees of Venezuelan state oil company PDVSA’s U.S.-based refiner, Citgo, as well as allowing the U.N. World Food Program back into the country. An official from the administration of U.S. President Joe Biden a week ago suggested the White House needed to see “concrete actions” by Maduro before modifying its policy toward the Andean nation, including lifting any sanctions. However, the administration’s policy toward Venezuela is reportedly under review, Bloomberg News reported Tuesday, citing an unnamed U.S. official, who also told the news service that the Maduro government should be talking with the country’s opposition to schedule free and fair elections. The official said the White House is reviewing its policy toward Venezuela and evaluating sanctions. [Editor’s note: See related Q&A in Thursday’s issue of the daily Advisor.]

**Economic News**

**U.S. Labor Unions File First Complaint Under USMCA Pact**

U.S. labor unions on Monday filed the first labor complaint against Mexico under the United States-Mexico-Canada Agreement, or USMCA, trade deal, said the AFL-CIO, the largest federation of unions in the United States, The New York Times reported. U.S. labor groups claim that the Tridonex auto parts factories in Tamaulipas state violate labor conditions. Other actions included granting house arrest to six U.S. citizens who were former employees of Venezuelan state oil company PDVSA’s U.S.-based refiner, Citgo, as well as allowing the U.N. World Food Program back into the country. An official from the administration of U.S. President Joe Biden a week ago suggested the White House needed to see “concrete actions” by Maduro before modifying its policy toward the Andean nation, including lifting any sanctions. However, the administration’s policy toward Venezuela is reportedly under review, Bloomberg News reported Tuesday, citing an unnamed U.S. official, who also told the news service that the Maduro government should be talking with the country’s opposition to schedule free and fair elections. The official said the White House is reviewing its policy toward Venezuela and evaluating sanctions. [Editor’s note: See related Q&A in Thursday’s issue of the daily Advisor.]
words when he said, ‘we would like to see a dispassionate, early review of the U.S. scorched-earth policy.’ The Biden presidency seeks to reset the relationship. An April meeting between Caricom leaders and U.S. Secretary of State Antony Blinken emphasized a ‘commitment to a strong partnership,’ but it was short on details. There are opportunities to work together, especially in the energy sector, where the United States will find broad areas of consensus. First, reducing the region’s 90 percent dependence on fossil fuels is urgent. Working with Caricom, the United States should help get member states to reduce this dependency by half. Second, the Biden administration should focus on infrastructure development in the Caribbean. This includes more investments in ports, broadband and support for the jobs it creates. It should also build on greater public-private initiatives for all Caricom members to grow new jobs around renewable energy development. This could involve some Caricom members such as Jamaica with wind energy investments, or Barbados with solar energy expansion. Both countries could mentor other states on how to start the greening of the Caribbean. The Guyana Green State Development Strategy, which committed to 100 percent renewables by 2025, is another model. A Caricom green energy alliance would be an excellent partnership that the United States could help realize. The U.S. dialogue surrounding the Caribbean’s economy must move beyond tourism. Successful engagement with the region should include investment in diversification to build resiliency. This, after a year of a global pandemic and natural disasters, should be our development priority with Caricom nations.”

Alan Zamayoa, associate analyst at Control Risks: “During the Trump administration, some mechanisms were implemented in attempt to boost energy-related cooperation such as USAID’s Caribbean Energy Initiative (CEI), launched in 2019. However, it had very limited resources and the implementation proved to be slow. Also in 2019, Trump held a meeting with counterparts of Caribbean countries such as Haiti, Jamaica and St. Lucia to discuss potential energy investment opportunities. This was perceived to be a summit to hinder the influx of China in the region and to limit cooperation with the Venezuelan regime, and no major agreements were achieved during the summit. The Biden administration can expand energy cooperation in two ways. First, the United States can help Caribbean countries to improve the resilience of their public infrastructure and the implementation of mitigation plans to reduce potential power disruptions after natural disasters. Second, the implementation of renewable energies programs in the region. During his campaign, Biden had an aggressive plan that included increasing renewable energy usage in the Americas. This is likely to be used also as part of recovery programs. Caricom countries are trying to diversify their economies to reduce the reliance on tourism, which has been severely affected because of the Covid-19 pandemic. The energy sector in general, and the renewables sector in particular, are some of the potential areas in which Caribbean countries will try to attract foreign investment to achieve the economy’s diversification.”

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