FEATURED Q&A

How Realistic Are Mexico’s Climate Commitments?

The Mexican government on June 17 announced a list of 10 points to outline how the country will combat global warming. Just days earlier, Mexican President Andrés Manuel López Obrador met with U.S. Climate Envoy John Kerry to discuss the Latin American country’s energy efforts to address the issue, and Kerry urged López Obrador to accelerate his actions. What are the most important parts of Mexico’s plan to fight global warming, and how effective an effort will it be? What energy sources will be prioritized in the plan? What does Mexico’s new energy plan mean for energy companies in Mexico, as well as for domestic and international investors?

Daniela Stevens, member of the Energy Advisor board and director of the Inter-American Dialogue’s Energy, Climate Change & Extractive Industries Program: “During the announcement, López Obrador took the opportunity to reaffirm his commitment to fossil fuels, which was telling in terms of the plan’s overall level of ambition. Three of the 10 points support the aim of self-sufficiency in gasoline, diesel and jet fuel. The only emissions reduction commitment is Pemex’s pledge to cut methane emissions by up to 98 percent. In 2021, Pemex’s methane emissions reached their highest levels in at least a decade, compromising Mexico’s commitments under the Paris Agreement and outpacing the company’s modest increase in oil production. However, Pemex’s commitment simply represents a vow to abide by existing gas flaring regulations, and aging infrastructure and a decades-long lack of maintenance pose challenges that the promised

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OIL & GAS NEWS

Political Unrest Upsets Ecuador’s Oil Industry

Exports of Ecuador’s Oriente crude are suspended under a force majeure declaration, state oil company Petroecuador said Wednesday, Reuters reported. The decision came amid more than two weeks of unrest in the Andean country led by the Confederation of Indigenous Nationalities of Ecuador, or Conaie, an organization led by Leonidas Iza. Ecuadorean President Guillermo Lasso on Tuesday survived an attempt by opposition leaders to oust him from office following his announcement that the government will not be negotiating further

“has become the cornerstone that maintains the conflict,” Ecuadorean President Guillermo Lasso said on national television Sunday.

López Obrador to Inaugurate Mexico’s Dos Bocas Refinery

Mexican President Andrés Manuel López Obrador plans to inaugurate the new Dos Bocas oil refinery on Friday, despite its unfinished status, Reuters reported. While López Obrador and Energy Minister Rocío Nahle had said in 2019 that the refinery would be ready by this year, it will only be running near full capacity in 2025, two sources familiar with the matter told the wire service. The refinery project, which initially had an $8 billion budget at its start, may have costs reaching as much as $18 billion, Bloomberg News reported June 15. Earlier this month, Nahle told a Mexican radio station that she is unsure about when the Dos Bocas, also known as the Olmeca, refinery will produce its first barrel of oil, Reuters reported. “I don’t want to give a date because it would be irresponsible,” she said. “A year is a reasonable amount of time, I’d like to do it sooner,” she added. “It is a huge, monumental thing … everything must be harmonized to obtain the fuel. It will take time,”

with Iza, Reuters reported. Iza has spearheaded the protests, which have resulted in at least eight deaths and numerous injuries, the wire service reported. Lasso said Iza only defends his own political interests rather than those of his supporters. On Monday, Conaie rejected the Lasso administration’s 10-cent reduction in fuel prices—a decision he made in response to opposition leaders to oust him from office following his announcement that the government will not be negotiating further

News Briefs

Peruvian Truckers End Strike, Prepare for Another Work Stoppage

A truckers’ strike in Peru concluded on Monday without major instances of violence, France 24 reported. Union leaders planned the strike following their failure to reach agreements with the Peruvian government over high costs of fuel and fertilizer, Reuters reported. The union has 400,000 cargo transport units in 14 of the 25 regions of the country. The truckers have planned another strike on July 4 unless President Pedro Castillo responds to their demands, France 24 reported.

Cuba, France Sign Deal to Work Together on Renewable Energy

Liván Arronte, Cuba’s minister of energy and mining, and Patrice Paoli, France’s ambassador to Cuba, signed a letter of intent at the International Renewable Energy Fair in Havana on June 22 with the objective of accelerating renewable energy development in the Caribbean nation, Renewables Now reported. The key point of cooperation between the countries is an effort to install nine solar PV parks, said Arronte. “We reaffirm the excellent state of relations with the French Development Agency and Cuba in the energy sector,” he added.

Former Chávez Ally Pleads Guilty in Venezuela Oil Corruption Case

A former Venezuelan mayor, who had been an ally of late President Hugo Chávez, on June 24 pleaded guilty in connection with a graft scheme at state oil company PDVSA, the Associated Press reported. Jhonathan Marín was mayor of the port city of Guanta until he resigned and fled Venezuela in 2017. He pleaded guilty to accepting $3.8 million in bribes for steering oil contracts to associates.
Trinidad & Tobago Doubles Sales of LNG to Europe

Trinidad and Tobago has doubled its sales of liquefied natural gas (LNG) to European countries to 40 percent of the total, given heightening demands in response to diminishing Russian gas supplies, Stuart Young, the country’s energy minister, said Tuesday, Reuters reported. In 2021, Trinidad and Tobago’s LNG exports were cut down to 7.9 million metric tons (8.7 million U.S. tons), given the closure of one of the country’s liquefaction trains. The country’s government is requesting that gas producers such as BP, Woodside Energy and Shell bring new offshore production online, the wire service reported. “[LNG] exports are expected to increase this year. There are important conversations taking place on how to assist the rest of the world, including Europe, by increasing LNG output,” Young told Reuters.

Fernández Meets with Chinese EV Battery Manufacturer

Argentine President Alberto Fernández hosted a meeting with Li Zhen, the chairman of Chinese electric vehicle (EV) battery maker Gotion High-tech, on June 24, during which they discussed a joint venture between Gotion High-tech and auto parts manufacturer Corven in order to develop electric bus batteries, the Chinese company said Tuesday in a statement. They reportedly discussed the ways that Gotion High-tech’s investments in Argentina can aid in the country’s efforts for new energy. Fernández pointed out that Argentina has the second largest lithium reserves in the world, calling the country “privileged,” Argentine state news agency Télam reported. “The world is already shifting to renewable energy. Argentina has made incentives for lithium, wind power, photovoltaic and other industries,” Fernández said, according to the statement from Gotion High-tech. “We welcome Chinese investment in Argentina. Gotion High-tech’s industrial investment activities in Argentina, [covers] the development, processing and battery products of lithium resources, which accelerates the development of local lithium resources and it will help the development and progress of Argentina’s new energy industry,” Fernández added. “[The Belt and Road Initiative] provides strategic guidance, points out the direction and lays the foundation for enterprise cooperation,” Li Zhen said.

The vast majority of AMLO’s global warming commitments are not new, and many are of questionable benefit, including his controversial reforestation program. — John Padilla
Puerto Rico Hikes Electricity Rate for Seventh Time in 2022

Puerto Rican officials on Wednesday announced the U.S. territory’s seventh electricity rate increase this year, which will go into effect on Friday, the Associated Press reported. The new rate for a client who consumes 800 kilowatt hours (kWh) will go up to 33 cents per kWh, four cents more than the previous 29 cents per kWh. In the United States, the average electric rate is 14 cents per kWh, according to data from the U.S. Energy Information Administration, the wire service reported. The new rate will be reviewed by the beginning of October by the U.S. territory’s energy regulator, the NEPR, according to Cuban state news agency Prensa Latina. The electricity rate hikes are related to Luma Energy’s takeover of Puerto Rico’s Electric Power Authority’s transmission and distribution, the AP reported. Puerto Rico has in recent months witnessed the electricity sector’s deteriorating infrastructure and lack of maintenance. In April, a fire at a power plant caused a blackout across the island.

What Can a U.S.-Caribbean Energy Alliance Achieve?

Q U.S. Vice President Kamala Harris on June 9 launched the “U.S.-Caribbean Partnership to Address the Climate Crisis 2030,” or “PACC 2030,” in an effort to increase cooperation and collaboration between the United States and Caribbean countries on climate adaptation and the strengthening of energy security. PACC 2030 also aims to build resilience for local economies and critical infrastructure at risk due to the climate crisis in the region. What mechanisms will PACC 2030 use to achieve its primary objectives of climate adaptation and energy security, and what role will the United States play in the partnership? How are Caribbean countries responding to the framework, and how could the partnership play out them? What energy and climate change frameworks exist in the Caribbean already, and what makes the new initiative different? What opportunities does the new initiative open for private-sector companies?

A Cletus I. Springer, chairman of the Caribbean Natural Resources Institute (CANARI) and former director of the OAS Department of Sustainable Development: “The early response of actors within the Caribbean to the U.S.-Caribbean Partnership to Address the Climate Crisis (PACC) has been positive. In terms of focus, detail and ambition, the PACC improves on the Energy and Climate Partnership of the Americas (ECPA), which President Obama launched at the 5th Summit of the Americas in Trinidad and Tobago in 2009. Importantly, the PACC recognizes the value of working with Caribbean energy and climate change agencies. This is a sensible approach, as in addition to being intensely familiar with the challenges and opportunities associated with resilience building, these entities have well-designed plans in many of the thematic areas. Another heartwarming feature of the PACC is the intention to establish teams to build a pipeline of projects and to identify funding gaps in renewable energy and energy efficiency sectors. Stimulating investment in clean energy in the Caribbean has stymied past cooperation initiatives because of scale issues. Overcoming this perennial challenge will require innovative thinking if the goals of the PACC are to be achieved. The Caribbean will have to organize itself to realize the benefits promised in the PACC. An effective regional coordinating mechanism will be needed with high-level political oversight. Options here include the creation of a prime ministerial subcommittee headed by the prime minister of Saint Lucia, who is the lead prime minister responsible for sustainable development and climate change. Additionally, the PACC should be converted into a strategy with clear and measurable objectives, outcomes and indicators of success.”

An effective regional coordinating mechanism will be needed with high-level political oversight.”

— Cletus I. Springer

EDITOR’S NOTE: More commentary on this topic appears in the Q&A of the June 24 issue of the Energy Advisor.
**At Least 51 Killed in Fire Amid Apparent Riot in Colombian Prison**

At least 51 people have been killed in a fire at a Colombian prison that apparently started amid a riot, authorities said Tuesday, the Associated Press reported. The fire happened at a medium-security prison in the city of Tulua. It is unclear whether all of the dead were prisoners, said Tito Castellanos, the director of the national prison system. Twenty inmates were hospitalized with injuries, said Justice Minister Wilson Ruiz.

**Court Finds France Negligent in Use of Banned Pesticide in Caribbean**

A Paris court ruled that the French government is guilty of wrongful negligence regarding its former use of chlordecone, a banned pesticide, in the French Caribbean islands of Martinique and Guadeloupe, officials announced Monday, the Associated Press reported. The court, however, denied compensation to those affected on the islands. “West Indians have been exposed and are still exposed to this dangerous product,” said Christophe Leguevaques, one of the attorneys in the case.

**Nicaragua Closes 101 More Civic, Charity Organizations**

Nicaragua’s government on Wednesday closed an additional 101 charity and civic organizations, including the local office of the Missionaries of Charity, which Mother Teresa established, the Associated Press reported. The latest round of closures, which Nicaragua’s National Assembly approved, brought to 758 the number of nongovernmental organizations that President Daniel Ortega’s government has shuttered in recent years, the AP reported. The government said the groups failed to register as “foreign agents” under a 2020 law. The Missionaries of Charity, which Mother Teresa operated in Nicaragua for 34 years and ran a children’s center, a home for girls and also a facility for elderly people. Missionaries from the group offered music and theater classes to children, in addition to vocational training for children who had been the victims of violence, the AP reported. “It makes me very sad that the dictatorship has forced the Missionaries of Charity of Teresa of Calcutta to leave the country,” Auxiliary Bishop Silvio José Báez of Managua, who is currently based in Miami due to concerns over his safety, said in a tweet. “Nothing justifies depriving the poor of charitable care,” he added. Nicaragua’s government has targeted a wide variety of nongovernmental groups for closure. Among them are the Society of Pediatrics, the Nicaraguan Development Institute, the Confederation of Nicaraguan Professional Associations and the Nicaragua Internet Association, the AP reported. In addition to closing nongovernmental organizations, Ortega’s government has also arrested dozens of opposition leaders.

**Mexico’s President Plans to Discuss Inflation With Biden**

Mexican President Andrés Manuel López Obrador said on June 24 that on his scheduled visit to Washington in July he would propose a joint anti-inflationary plan with the United States, Reuters reported. López Obrador described how his government had raised subsidies for gasoline and diesel and urged companies not to pass on increases to consumers. “It’s working well for us,” he told reporters at his daily news conference. State statistics agency INEGI said last week that inflation in the first half of June rose to its highest rate in more than 20 years, with core inflation at 7.47 percent, year over year. Mexico’s economy has expanded this year, although real GDP remains below pre-pandemic levels. “The economy still has room to grow, and we expect it to expand in coming quarters supported by firm terms of trade and further normalization of activity among a number of still-lagging sectors, particularly services,” Goldman Sachs economist Alberto Ramos told clients in a research note last week. López Obrador declined Biden’s invitation to attend the Summit of the Americas in Los Angeles in early June after news emerged that the United States would not invite Cuban, Venezuelan and Nicaraguan leaders to the meeting. Republicans last week called on Biden to press López Obrador for help in combating the flow of fentanyl into the United States, suggesting the issue be at the top of the agenda for their meeting, Fox News reported.
likely require more debt than AMLO vowed not to take on. Funding would take a back seat to covering growing fuel subsidies and refinancing its massive short-term debt. And markets have been rattled following Pemex’s recent $1.5 billion bond debacle to repay service suppliers. A separate, recently signed ASEA-Environmental Development Fund memorandum of understanding is worth watching. Overall, there is little reason to hope that a major energy policy shift is occurring in Mexico. Following Kerry’s fourth visit to Mexico, the question is whether there will be consequences if Mexico’s announcements ultimately amount to little more than platitudes.”

Veronica Irastorza, principal at The Brattle Group: “The plan announced does not have the details needed to understand priorities or how effective it could be to combat global warming. On the Pemex investments, I see a good area of investment opportunity to reduce gas flaring. Natural gas is a potent greenhouse gas, and according to recent studies, it has grown over 50 percent since President López Obrador’s administration began in 2018. On electricity, I like the proposal to build solar energy on Mexico’s border and export it to the United States. Electricity trade between both nations has been tiny (less than 1 percent of Mexico’s consumption), and there seems to be a good opportunity to have cheaper and more reliable energy, taking advantage of the resources on both sides of the border.

Although many of the border projects are not new, it would be more viable to get them built with support from the president. Nonetheless, I am not too optimistic about reaching the famous goal of generating 35 percent of electricity with clean sources by 2024. Even in the official plan released this month, Prodesen 2022-2036, the 35 percent is not achieved until the year 2031.”

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

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**Advisor Video**

**Low-Carbon Hydrogen in Latin America and Caribbean – Prospects and Pathways**

With a keynote remarks and Q&A with Claudio Huepe Minolletti, Chile’s Minister of Energy
Hans Kulenkampff, Director for Latin America, Hinicio
Luis Sarrás, Green Hydrogen Managing Director, AES Corp.
Mansur Zhakupov, vice president of hydrogen, TotalEnergies

View a webcast of the June 28 discussion.