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## FEATURED Q&A

# What Will Climate Investments Mean for Latin America?



U.S. President Joe Biden last week signed the Inflation Reduction Act, which includes \$369 billion for action on climate goals. // Photo: White House.

**Q U.S. President Joe Biden on Aug. 16 signed into law the Inflation Reduction Act, which includes \$369 billion for climate action, the largest investment in that area in U.S. history. The measure is set to cut the United States' greenhouse gas emissions by 40 percent by 2030, according to the legislation's authors. What are the key climate provisions in the Inflation Reduction Act, and how do they compare to climate-related legislation in Latin America and the Caribbean? How might decarbonization efforts and clean energy incentives affect U.S. trade relations and partnerships in the region?**

**A José Goldemberg, former Brazilian environment minister and minister of science and technology:** "The key climate related provisions of the Inflation Reduction Act are tax credits for 'clean electricity' (\$176.8 billion), 'clean manufacturing' (\$42.7 billion) and 'clean vehicles' (\$38.9 billion), which total \$258.5 billion, roughly 70 percent of the total. The other provisions are scattered over a number of other activities, such as pollution reductions in poor communities. The act is entirely directed to activities in the United States, but it will influence the policies of countries in Latin America and the Caribbean (LAC), which will benefit from the technological advances resulting from heavy investments in clean fuels, vehicles and clean electricity. This will result in an increase in sales for U.S. companies. Of particular interest to LAC countries are 'clean fuels' for which \$8.6 billion in tax credits are in the act. Brazil is well advanced in this area, and partnerships would be welcome. Another area of great interest is 'conservation, rural

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## TODAY'S NEWS

### POLITICAL

## Nicaraguan Police Arrest Bishop in Raid at Diocese

Nicaraguan authorities on Friday arrested Rolando Álvarez, a Roman Catholic bishop who has been a critic of President Daniel Ortega's government. At least seven other priests and seminarians were also arrested.

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### BUSINESS

## Eight Board Members Elected at Petrobras

Shareholders of Brazilian state oil company Petrobras elected eight members to its board of directors in a long-anticipated meeting.

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### POLITICAL

## Former Mexican Attorney General Arrested in Case of Missing Students

Former Mexican Attorney General Jesús Murillo Karam was arrested Friday and accused of crimes related to the case of the 43 students who went missing in 2014 in Guerrero state.

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Murillo Karam // File Photo: Mexican Government.

## POLITICAL NEWS

## Nicaraguan Police Arrest Bishop in Raid at Diocese

Nicaraguan authorities on Friday raided the residence of a Roman Catholic bishop who has been critical of President Daniel Ortega's government, arresting the bishop and at least seven other priests and seminarians, CNN reported. At about 3 a.m., police officers knocked down a door and burst into the residence of Bishop Rolando Álvarez, of the diocese of Matagalpa in northern Nicaragua, The Wall Street Journal reported. The country's National Police said Álvarez and the other clergymen were taken away in separate vehicles. Álvarez was taken to Managua where he was placed on house arrest at another residence, the newspaper reported, adding that he was able to meet with relatives and also speak with the vice president of the Nicaraguan Episcopal Conference. The others who were arrested were being held at a prison in the capital, The Wall Street Journal reported. "With my heart outraged and in pain, I condemn the kidnapping at night of Monsignor Álvarez," Managua Auxiliary Bishop Silvio Baez, who fled the country in 2019 after receiving death threats, said in a posting on Twitter. Álvarez's arrest also drew condemnation from outside Nicaragua. Panamanian Archbishop José Domingo Ulloa demanded Álvarez's release. "The aberrant acts around this detention are cause for alarm and pain throughout the Latin American church," said Ulloa, The Wall Street Journal reported. The National Police did not say why Álvarez was arrested, only saying that it was part of an investigation that authorities launched on Aug. 5 into "destabilizing and provocative" activities, CNN reported. Hours after Nicaraguan First Lady and Vice President Rosario Murillo said police were re-establishing order in Matagalpa, adding that it was "necessary" for the bishop to be arrested. On Sunday, Pope Francis told a crowd of thousands of people in St. Peter's Square in the Vatican that he was closely following the situation in Nicaragua "with worry

and sorrow," the Associated Press reported. "I would like to express my conviction and my hope that through means of open and sincere dialogue, one can still find the bases for respectful and peaceful co-existence," the pope said. Also, the Organization of American States and the Inter-American Commission on Human Rights condemned the arrests and called for the release of the clergymen.

## Ex-Mexican Attorney General Arrested in Iguala Students Case

Former Mexican Attorney General Jesús Murillo Karam was arrested Friday at his home in Mexico City and accused of crimes related to the case of the 43 students who vanished in 2014 from the city of Iguala in Guerrero state and are believed to be dead, Reuters reported. Murillo Karam, who was Mexico's attorney general from 2012 to 2015 under then-President Enrique Peña Nieto, stands accused of forced disappearance, torture and obstruction of justice, Reuters reported. He was taken to an office of Mexico's current attorney general and would be moved to a Mexico City jail, the wire service reported, citing authorities. Within hours of Murillo Karam's arrest, a judge issued arrest orders for 83 others, including soldiers, police officers, Guerrero state officials and gang members related to the case. Current Attorney General Alejandro Gertz Manero accused Murillo Karam of orchestrating a "generalized cover-up," related to the case, the Associated Press reported. Murillo Karam's arrest happened a day after a commission established to determine what happened in the case said Mexico's army was at least partially responsible for the students' presumed deaths, the AP reported. The commission said a soldier had infiltrated the student group but added that while the army knew what was happening, it failed to stop the abductions. Under pressure to conclude the case quickly, Murillo Karam said in 2014 that a drug gang had killed the students and burned their remains at a garbage dump. Mexico's top human rights official, Alejandro Encinas, said last week that

## NEWS BRIEFS

## Colombia's Petro Suspending Arrest Warrants for ELN Rebels

Leftist Colombian President Gustavo Petro on Saturday said he was suspending arrest warrants and extradition requests for members of the National Liberation Army (ELN) guerrilla group in an effort to restart peace talks currently on hold in Cuba, Reuters reported. Petro, a former member of the M-19 rebel group, took office on Aug. 7 with a pledge to bring "total peace" to the Andean country after six decades of civil war and insurgency. The ELN has some 2,400 combatants and is accused of financing itself through drug trafficking, illegal mining and kidnapping, Reuters reported.

## Argentine Economy Minister Names Second in Command

Argentine Economy Minister Sergio Massa on Sunday named Gabriel Rubinstein, a vocal critic of the policies of former President and current Vice President Cristina Fernández de Kirchner, as his second in command, Reuters reported. "With professionalism and passion, I will do my best to address the challenges we have to face," Rubinstein said in a tweet.

## Cuba Sees Sixfold Rise in Tourism, Still Below Pre-pandemic Levels

Cuba's government said Saturday that the number of foreign tourists visiting the island so far this year is up nearly sixfold from the comparable 2021 period but remains far below pre-pandemic levels, Agence France-Presse reported. Cuba's National Statistics Office (ONEI) said 834,891 tourists visited the island from January through July, as compared to 141,293 visits in the first seven months of last year. The total number of foreign visitors has plunged from 4.2 million in 2019, however, crimping the country's top source of foreign currency.

authorities in Peña Nieto's government altered crime scenes and covered up links between officials and members of a criminal group. Eight years after the students' disappearance, the motive for the killings is still unclear, and the remains of only three of the students have been positively identified.

## BUSINESS NEWS

# Eight Members Elected to Board of Brazil's Petrobras

Shareholders in Brazilian state oil company Petrobras elected eight new members to its board of directors in a long-anticipated virtual general meeting last Friday, Agência Brasil reported. Caio Mario Paes de Andrade, who has been the company's chief executive since June, is the only one among the government-affiliated board members to be re-elected. Two others considered affiliated with the administration of President Jair Bolsonaro, Executive Secretary of the Civil House Jônathas Assunção Salvador Nery de Castro and Attorney General of the National Treasury Ricardo Soriano de Alencar, both of whom were previously considered ineligible by the company's rules, were also approved. Shareholders rejected two other candidates nominated by the federal government, however: Márcio Andrade Weber and Ruy Flaks Schneider. As anticipated, attorney Gileno Gurjão Barreto will chair the board of directors. The effects of the long-awaited board shakeup were not immediately clear, Reuters reported. The board that was voted out had insulated Petrobras from political pressure from Bolsonaro's administration, which have increased leading up to Brazil's October presidential election. In May, Bolsonaro fired Petrobras CEO José Mauro Ferreira Coelho after just 40 days in the position. He was the third Petrobras chief executive in a little over a year to be fired by Bolsonaro amid disagreements over fuel prices. [Editor's note: See related [Q&A](#) in the June 3 issue of the Dialogue's weekly Energy Advisor.]

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development and forestry' (including restoration) for which \$34.7 billion is allocated as funding. Deforestation in the Amazon basin (particularly in Brazil) is the most pressing environmental problem that Brazil is facing. Cooperation in this area would be highly desirable. The Inflation Reduction Act will certainly reinvigorate the world's efforts to reduce carbon emissions and will encourage other countries, particularly LAC countries, to adopt legislation formulated along similar lines."

**A** **Leila Salazar-López, executive director of Amazon Watch:** "While the Inflation Reduction Act commits the largest investment of climate action funds in U.S. history—including renewable energy infrastructure, jobs and health care—it also continues to subsidize the fossil fuel industry and promote false solutions, like carbon offsets, putting our climate and frontline communities at risk. Commitments to reduce greenhouse gas emissions by investing in renewables without stopping fossil fuel expansion plans and investments will not stop the climate emergency we are facing. In fact, they may offset and increase emissions in the United States, the rest of the Americas and globally as fossil fuels and mining projects are fast-tracked without the free, prior and informed consent of local communities. We need President Biden to declare a climate emergency and stop subsidizing the fossil fuel industry. For decades, communities from the Arctic to the Amazon, have been defending their rights and territories from the extractive industries and calling on governments, corporations and banks to keep fossil fuels in the ground and support a just transition to renewable energy. Considering the emergencies facing the Amazon and the global climate, we need to support the boldest and most ambitious commitments, including the call by Indigenous and forest peoples to protect 80 percent of the Amazon by 2025 to avert climate chaos.

With new leadership in countries across the Americas, including in Colombia and Chile, there is hope for even stronger climate-related legislation in the region."

**A** **MK Vereen, program assistant, and Nate Graham, former program manager, both of the Energy, Climate Change & Extractive Industries program at the Inter-American Dialogue:** "Using a 'carrot over stick' approach, the bill's main climate provisions are a set of large-scale tax incentives and spending measures for clean energy technology. Other measures include fees for methane flaring and support for climate-smart agriculture. With the IRA, the United States finally establishes credibility for the Biden administration's climate diplomacy efforts and puts itself at the leading edge of a hemisphere with highly uneven climate policies. On the one hand, some Latin American countries are also implementing policies mirrored in the IRA. For instance, Colombia also offers a range of tax incentives for renewable energy and electric vehicles (EVs) and recently regulated methane flaring. Brazil leads in distributed solar generation. Chile is working rapidly to retire coal plants and passed a key energy efficiency law last year. On the other hand, the bill clearly sets the United States apart from Mexico, whose government is doubling down on dirty fuels. Many other countries in the region, despite having emissions reduction goals, lack the fiscal or institutional capacity to implement such a diverse and wide-reaching set of schemes. In terms of trade, the IRA prioritizes U.S. manufacturers, but it could also yield certain benefits for the region. For instance, access to EV tax credits depends on final assembly of vehicles in North America, which could benefit Mexican automakers, and stipulations related to the sources of critical minerals privilege countries with which the United States has a free-trade agreement (such as Chile, which has large lithium reserves). U.S. investments

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in energy and agricultural research and innovation could also benefit the region, enhancing its competitiveness, accelerating its energy transition and bolstering its climate resilience, if steps are taken to transfer this knowledge and facilitate greater trade integration in areas like energy technology and climate-smart agricultural products.”

**A** **Diana Chavez, executive director of the Private Sector Regional Center for the Support of U.N. Sustainable Development Goals:** “The U.S. Inflation Reduction Act (IRA), has been described by Joseph Stiglitz as ‘a landmark legislative achievement.’ The act aims to address rising energy costs and catalyze clean energy transition for the world’s second-largest carbon dioxide emitter. It provides tax incentives for investments in green energy, electric vehicles and nuclear power production. Moreover, the act proposes a roadmap to reduce the country’s carbon dioxide emissions to 60 percent of 2005 levels by 2035. A controversial aspect of the IRA is the provision that allows oil and gas drilling expansion; most Latin American countries also permit this. The IRA and climate-related legislation in Latin America and the Caribbean share the common elements of achieving the Paris Agreement

pledges and promoting energy security. Latin America’s approach to emissions reduction is more heavily weighted to regulation, with less emphasis on incentives. This is in part due to limited public financial resources to implement a timelier transition to decarbonization. The IRA’s \$369 billion investment in climate solutions equals 11.95 percent of the GDP of South America. The United States continues to be the major foreign investor in Latin America. Recalibration of the proposed climate architecture may be required to accommodate trade scenarios and multi-stakeholder commitments. The 2030 agenda and environmental, social and governance strategies need to be part of the climate and finance conversation. Requirements for more detailed disclosure of climate risks are already being studied by the Securities and Exchange Commission. Reliable data is essential for a consistent set of climate disclosure standards and to further improve decision-making. The IRA challenges the United States and Latin America to find the balance between economic competitiveness and environmental sustainability.”

*The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at [gkuleta@thedialogue.org](mailto:gkuleta@thedialogue.org).*

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# Q&A

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