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## FEATURED Q&amp;A

# Will the Caribbean Continue to Push Clean Energy?



Maura Barry, the mission director of the United States Agency for International Development in Jamaica, in late January said that it is "vitaly important" to support the adoption of renewable energy in the Caribbean's tourism sector. // Photo: Jamaica Information Service.

**Q** Maura Barry, the mission director of the United States Agency for International Development in Jamaica, confirmed in January that the United States will continue to provide support to Jamaica and other Caribbean countries as they work to become energy-independent. She added that adopting renewable energy and energy-efficient measures in the region's tourism sector is "vitaly important." How important is the United States to helping the Caribbean achieve energy independence? Amid continued low prices for oil, does it make sense for the Caribbean to invest in more sources of clean energy? What new trends are on the horizon for renewables in the Caribbean, and what kind of support would be most useful from the United States?

**A** Johanna Mendelson Forman, senior advisor with the Managing Across Boundaries Initiative at the Stimson Center and adjunct professor at the American University School of International Service: "Support for renewable energy in the Caribbean has undergone a paradigm shift in recent years. U.S. leadership has been an essential part of this process. The question going forward is whether policies adopted during the Obama administration to promote clean energy will remain a priority for President Trump's team. Greater access to technical assistance, investment insurance and private-public partnerships may be at risk. The importance of addressing climate change for small island states is urgent, as rising sea levels imperil the region, and reducing carbon emissions through a transition to renewable energy is a high priority. Since 2009, the Energy Partnership

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Chilean environmental regulator SMA said it found a "series of environmental breaches" at the refinery, related to emissions and noise.

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## Generación Solar to Build 145 MW Solar Plant in Argentina

The installation will require a \$180 million investment.

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## OIL &amp; GAS

## Tax Could Hurt U.S.-Mexico Oil Trade: Minister

A 20 percent border tax on Mexican imports to the United States, which the Trump administration has floated as a way to force Mexico to pay for a border wall between the two countries, is "not a good idea," said Mexico's deputy energy minister for hydrocarbons, Aldo Flores.

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Flores // File Photo: Mexican Government.

## OIL &amp; GAS SECTOR NEWS

## Siemens to Invest \$200 Million in Mexico Over 10 Years

The CEO of German industrial conglomerate Siemens, Joe Kaeser, on Tuesday following a discussion with Mexican Economy Minister Ildefonso Guajardo announced that his company would invest \$200 million in Mexico over the next 10 years and would create about 1,000 jobs in the country, Deutsche Welle reported



Kaeser // File Photo: Siemens.

Wednesday. The Siemens executive and the Mexican minister signed a memorandum of understanding that Siemens will sell oil sector equipment to Mexican state-run oil company Pemex. “[With the investment] we underscore our commitment to Mexico,” Kaeser said. In addition to working with Mexico’s oil sector, Siemens is also considering contracts in the country’s renewables sector as the government pushes to generate half of its energy from wind and solar by 2050. The move comes amid barbs between U.S. President Donald Trump and the Mexican government over trade policy. Trump has blamed the country for deindustrializing the United States by attracting U.S. companies to build factories in Mexico, where they can pay workers lower wages than they would in the United States. The Trump administration has suggested slapping a border tax on imports from Mexico as a way to curb companies thinking of expanding in Mexico to build products for the U.S. market. Kaeser has condemned the Trump administration’s proposals, saying “trade brings freedom and well-being for all.”

## Chile’s Enap to Fix Environmental Breaches at Refinery

Chilean state-run energy company Enap on Tuesday said it would present a plan for investments and improvements at its Aconcagua oil refinery in order to meet the country’s environmental requirements, Kallanish Energy reported. Chilean environmental regulator SMA said it found a “series of environmental breaches” at the refinery, related to emissions and noise. SMA gave Enap 10 days to present a plan that would address the 17 infractions, before further measures would be taken against the refinery. “Various projects and investments have been developed that seek to improve operational and environmental standards at the refinery,” Aconcagua manager Patricio Farfán said, pointing out that the inspection took place in 2013, and since then the company has carried out a number of measures to address the infractions. Enap is now planning to invest another \$60 million in reducing particle emissions, as well as \$45 million by 2020, also targeting emissions. The company will allocate \$2.5 billion to noise reduction and another \$2 billion to \$4 billion to improve the traffic flow around the site.

## Border Tax Could Hurt U.S.–Mexico Oil Trade: Minister

A 20 percent border tax on Mexican imports to the United States, which the Trump administration has floated as a way to force Mexico to pay for a border wall between the two countries, is “not a good idea,” Mexico’s deputy energy minister for hydrocarbons, Aldo Flores, said Wednesday. “Our position continues to be that free trade and the free flow of these goods have benefited both countries, strengthening the energy security of both,” he said. The Trump administration and its Republican allies have also suggested a border-adjustment tax that in theory would tax imports but not exports.

## NEWS BRIEFS

## Mexico’s Alfa Planning to Sell Some Energy Assets

Mexican conglomerate Alfa plans to sell some of its energy assets, including its share in the Eagle Ford Shale project in Texas, as part of a decision to put the company’s energy sector expansion on hold, Chief Financial Officer Ramón Leal said Tuesday. “At Alfa, we’re focusing on our core businesses, and putting on hold our investments in energy,” he said. The company also plans to sell an exploration and production project in Peru, as well as to divest two oil service contracts in Mexico. The decision comes amid a less attractive outlook for the oil industry and global economic uncertainty and should improve the company’s financial position, Leal said.

## Brazilian, Mexican Energy Agencies Sign Cooperation Deal

Brazil’s energy agency, EPE, has signed a cooperation agreement with Mexico’s National Energy Control Center, or Cenece, to learn from the agency about renewable energy integration and other power sector issues, PV-Tech reported Monday. EPE said it decided to enter into the agreement with Mexico because of its recent major energy reform, which the Brazilian agency believes has the best practice in market design. The two agencies will collaborate on the integration of renewables and transmission planning, among other topics.

## Argentina’s Enarsa Launches LNG Tender

Argentine state-run energy company Enarsa has launched a tender, open through Feb. 21, for nine cargoes of liquefied natural gas to be delivered between April and May, two sources with knowledge of the matter said Tuesday, Reuters reported. The four cargoes would discharge at Bahia Blanca port, and the rest at Escobar.

Both proposals were met with pushback from U.S. oil refiners and automakers, who have warned that among the negative consequences of such taxes would be an increase in costs for consumers. Last year, U.S. energy exports to Mexico reached \$20.2 billion, and Mexico exported about \$8.7 billion worth of mostly crude oil to the United States, according to data from the U.S. Energy Information Administration. The data shows a reversal in the historic balance of energy trade between the two countries. Mexico's energy sector could also be pressured if the U.S. government approves the Trump-backed Keystone XL pipeline, which would transport Canadian heavy crude to U.S. refineries. "Supposing that [the pipeline] is completed, that changes the competitive playing field for Mexican crude," said Flores. He said the Mexican oil sector would subsequently have to get more creative in marketing its crude. Mexico's oil regulator is planning three new oil auctions for later this year. Flores said the country's first-ever shale oil and gas blocks auction would "probably" be scheduled, and that necessary regulations would be published before year-end.

## RENEWABLES NEWS

## Generación Solar to Build 145 MW Solar Plant in Argentina

Spanish solar energy company Generación Solar plans to build a 145 megawatt photovoltaic project in Argentina's Catamarca

**The project will require a \$180 million investment.**

province, pending approval, PV-Tech reported Wednesday. The installation will require a \$180 million investment, and the plant would require a staff of about 500 to 600 people, according

to firm's spokesman, Alejandro Oliver. "When we saw that there was legislation to penalize the large consumers who do not obtain energy through alternative energies with 8 percent, we decided to go forward with the project," Oliver said. Generación Solar has already secured environmental permits and has been involved in connection studies for the project. The plant is to be located in the Santa María department. Argentina had two successful large-scale renewables auctions under its RenovAr initiative last year, and President Mauricio Macri has declared 2017 the "year of renewable energy" for the country.

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of the Americas Caribbean Initiative has promoted sustainable energy policies and renewable energy technologies. By 2015, USAID's Caribbean Clean Energy Program (CARCEP) focused on assistance to establish effective policy, legislative and regula-

**Jamaica has led the transition to sustainable energy."**

— Johanna Mendelson Forman

tory environments, as well as incentives for energy efficiency and low-emission growth in the energy sector. All government programs emphasize coordination with the private sector to drive clean energy development, which is especially important since the hospitality sector is the largest economic driver, and hotels are the largest consumers of energy. Yet most of the region's island states derive between 80 and 90 percent of their energy from fossil-fuel based generation. Jamaica has led the transition to sustainable energy. Its 2009 National Energy Policy created a model for other lawmakers in the region, promoting a positive climate for private investment. Jamaica set targets of 30 percent total renewable energy share, and a 50 percent reduction of energy intensity by

## POLITICAL NEWS

## Venezuela Pulls Plug on CNN En Español

Venezuela's government on Wednesday blocked CNN's Spanish-language service from cable systems, a move that came a week after the network broadcast a report alleging that Vice President Tareck El Aissami and other officials were involved in passport fraud, The New York Times reported. CNN's English-language service remained on the air, and CNN En Es-

2030. Today's fall in oil prices, coupled with the uncertainty of Petrocaribe, Venezuela's concessional oil sales, should provide an even better incentive for Caribbean states to focus on the opportunities for investments in wind, solar and biomass. With regulatory frameworks in place to implement new energy investments, there are fewer barriers to making the transition to a non-fossil fuel future in the Caribbean."

**A** Andrew Holland, senior fellow for energy and climate at the American Security Project: "The United States has a key role to play in helping our neighbors to the south become more energy-secure. Caribbean and Central American energy security would be good for these countries, and good for the United States. Energy prices on some Caribbean islands can be as much as three times as expensive as they are in Florida—and Caribbean governments have effectively mortgaged their politics to import fuel. As the U.S. energy revolution progresses, the new Trump administration should utilize our newfound energy abundance as a tool of geopolitical influence in the Caribbean. An 'America First' foreign policy should prioritize energy security for our southern neighbors, because it will draw them closer politically, it will provide important new markets for U.S. exports and it will help address

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pañol could still be viewed in Venezuela via live streaming over the Internet. The CNN report that led the government to remove it from cable systems described a passport-for-cash scheme that the network reported was being run out of Venezuela's embassy in Baghdad. The network did not say where the intelligence document that the report was based on originated. CNN did, however, attribute some of the reporting to a whistle-blower, a former legal advisor in the Venezuelan embassy in Baghdad and a former official in Miami. The network also reported that some of the Venezuelan passports and visas were provided to people with ties to Hezbollah, the Lebanese Shiite militia group. The report was broadcast several days before the U.S. Treasury slapped sanctions against El Aissami and labeled him an international drug kingpin. El Aissami has vigorously denied wrongdoing. Also on Wednesday, U.S. President Donald Trump appeared via Twitter in a photo with Lilian Tintori, the wife of imprisoned Venezuelan opposition leader Leopoldo López, calling for López's release.

## Cabinet Chief Seeks Audit Following Claims Against Macri

Argentine Cabinet Chief Marcos Peña on Tuesday called for an independent audit of a deal to resolve debt that was struck between the country's postal service and the government when the service was owned by current President Mauricio Macri's father, Reuters reported. The deal, which was reached last year, has led some opposition politicians to allege that the deal represented a conflict of interest, after a federal prosecutor last week asked a court to block the agreement. The prosecutor characterized the deal as a "forgiveness of debt" meant to benefit the president's family. Following a cabinet meeting, Peña said nothing improper had occurred, but added that the government had decided to ask the independent National Auditor General to look into the details of the deal and make a judgment on the allegations levied by some opposition politicians. "We believe this is an extra assurance, because we are absolutely committed to transparent gov-

## IN FOCUS

# Possible U.S. Tax on Remittances May Drive Money Transfers Underground: Executive

By Nicole Wasson

WASHINGTON—A top executive at money-transfer company MoneyGram last week said the money-transfer industry is concerned that a tax on outgoing remittances from the United States, such as the one that U.S. President Donald Trump has in the past proposed as a means of financing the building of a border wall between the United States and Mexico, would undo the progress the industry has made in increasing transparency in the money-transfer sector.



Bances // Photo: Inter-American Dialogue.

"The industry has worked very hard over the last 15 years to really change the perception of money transfers and to build and implement policies and procedures for anti-money laundering, for anti-terrorist financing and that activity as a whole," Paul Bances, head of Latin America and the Caribbean at MoneyGram International, said Friday at the Inter-American Dialogue. Bances spoke at an [event](#) in which the Dialogue's Migration, Remittances and Development Program director, Manuel Orozco, discussed the findings of a new report on remittance flows to the region.

Bances argued that implementing a tax on remittances would only serve to dissuade people from using official channels to send money back home. "To drive money back underground kills that transparency we've been trying to build," he said. During the event, Orozco said several Latin American econo-

mies, particularly Mexico and Central American countries, are increasingly entwined with the U.S. economy via remittances, making those countries remittance-dependent.

Trump's signature campaign promise was that he would build a wall along the United States' southern border and force Mexico to pay for it. In early January, Trump said Mexico would reimburse the United States for the wall "whether it's a tax

or a payment," CNN reported. The Mexican government, which has repeatedly refused to pay for such a wall, blasted the suggestion of imposing a remittance tax, and Mexican President Enrique Peña Nieto canceled a planned trip to the United States.

Trump has not publicly discussed the possibility of implementing a remittance tax since early January, however. White House Press Secretary Sean Spicer on Jan. 26 suggested that imposing a 20 percent tax on imports from Mexico is an option Trump is considering to pay for the wall. The Trump administration has not yet made a formal policy announcement as to how the wall would be financed.

On Tuesday, Republican congressmen on the House Freedom Caucus and Republican Study Committee said that if Trump wants to build a border wall using U.S. funds, then he must be willing to make spending cuts elsewhere, CNN reported.

## NEWS BRIEFS

## Ruling Party Candidate Leads Polls Ahead of Ecuador Election

Ruling party candidate and former Vice President Lenín Moreno is leading polls ahead of Ecuador's presidential election on Sunday, Reuters reported. Pollster Cedatos said this month that Moreno, with 32.3 percent support, was leading his closest rival, former banker Guillermo Lasso, who had 21.5 percent backing. A candidate must win more than 40 percent of the vote with a 10 percentage point margin of victory to avoid a runoff.

## Tillerson, Kelly to Visit Mexico Next Week

The Mexican Foreign Ministry said in a statement that U.S. Secretary of State Rex Tillerson and U.S. Homeland Security Secretary John Kelly will travel to Mexico City on Feb. 23 to meet with Mexican officials, the Associated Press reported Wednesday. The U.S. State Department confirmed the trip as well. The Mexican Foreign Ministry said the talks are meant to help promote respectful and close relations between the neighboring countries. The announcement comes after Mexican President Enrique Peña Nieto canceled a planned trip to the United States last month.

## Prosecutors From 15 Countries Meeting to Discuss Odebrecht Case

Prosecutors from 15 countries are convening in Brasília Thursday and Friday to discuss the massive corruption probe into Brazilian construction conglomerate Odebrecht, which has spread throughout the region to other countries where the company has done business and allegedly given bribes to public officials in exchange for contracts, Agence France-Presse reported. Brazilian Prosecutor General Rodrigo Janot is heading the meeting.

ernment," Peña said. He added that the federal judiciary should name an independent panel of experts to the investigation to recommend a solution. Control of the postal service went to Grupo Macri in 1997 when then-President Carlos Menem decided to privatize the service.



Peña // File Photo: Argentine Government.

Grupo Macri was a conglomerate owned by real estate magnate Franco Macri, the father of the current president. Former President Néstor Kirchner re-nationalized the postal service in 2003, following the company's declaration of bankruptcy in 2001.

## ECONOMIC NEWS

## Mexico's FDI Grows in Fourth Quarter

Mexico's foreign direct investment grew in the fourth quarter from the third quarter, as well as year-over-year, despite fears that FDI would be negatively affected by the election of U.S. President Donald Trump, who opposes having

“Much of the investment may have been commitments that they couldn't back out of.”

— Alberto Ramos

companies who sell goods to the U.S. market build their factories in Mexico, The Wall Street Journal reported Wednesday. Mexico received \$5.73 billion in FDI between October and December, the Economy Ministry said, jumping 17 percent from the \$4.89 billion in FDI reported

during the same period a year earlier, and about a third more than the \$4.3 billion reported during the previous quarter the same year. Mexico's total FDI for 2016 was \$26.74 billion, down 5.8 percent as compared with the \$32.9 billion reported the year before. The election of Trump, who has floated the idea of a border tax on companies who move their factories to Mexico, has caused some in the industry to worry that investment to Mexico will drop, but Goldman Sachs Latin America economist Alberto Ramos said it's too soon to tell whether those concerns were overblown. “Much of the investment may have been commitments that they couldn't back out of,” he said. He said the sector in Mexico most likely to be affected would be manufacturing, but that any negative effect on the economy would be offset by the increasing FDI in Mexico's oil and gas sectors.

## Brazil's Retail Sales See Sharp Decline

Retail sales in Brazil dropped dramatically in December, amid the country's struggle with its severe recession, The Wall Street Journal reported Tuesday. Retail sales fell by 2 percent in December from the month before, and 4.9 percent from the same month year-over-year, according to the Brazilian Institute of Geography and Statistics, or IBGE. Retail sales dropped a total of 6.2 percent for the year, following a 4.3 percent decline in retail sales in 2015. Last year saw the worst annual performance since 2001, the year that IBGE began to compile retail performance figures under the currently used methodology. Though all retail categories saw a contraction last year, the main decline in sales came from durable goods like furniture and household appliances, which fell by 12.6 percent during that period. Brazil's retail sector had seen rapid growth over the past decade, as the government provided easy credit as a means of spurring economic growth. The country's crippling recession since 2015, however, has caused the retail sector to falter. In 2015, the economy contracted by 3.8 percent, and the following year it shrank by another 3.5 percent, according to the finance ministry. The economy is expected to grow by 0.5 percent this year.

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the economic challenges that could push migrants toward the U.S. border. This is not about direct U.S. government aid, but rather about U.S. government leadership and coordination. In a series of public-private partnerships, the U.S. government can act more as a coordinator than a funder. The unique

“This is not about direct U.S. government aid, but rather about U.S. government leadership and coordination.”

— Andrew Holland

convening power of the U.S. government can bring the right people to the table, who can then move projects from the planning stage to completion. The energy revolution will also allow the U.S. market to provide the support for building energy security. First, the Caribbean may be the world's best natural environment for renewable energy, but finding the start-up capital to replace existing power plants is a challenge. In the long term, with sustained investment in renewable energy production, a more reliable grid and regulatory reforms, countries could approach a point where they are independent of imported fuels. Second, the United States can and should dramatically increase exports of shale gas to the Caribbean.”

**Jonathan Benjamin-Alvarado, professor of political science at the University of Nebraska at Omaha:** “We cannot count on global oil prices remaining low forever, and it is imperative that the energy resource-constrained countries of the region assiduously pursue the development of a diverse portfolio of energy sources. The United States can play an integral role in the

development of these resources through the facilitation of first-generation technology transfers, finance and investment in renewable energy development, and training and education of specialized cadres of technicians and consultants all leading to energy independence in the region. The Caribbean is a rich resource base for the development of solar and wind energy capabilities, and the year-round growing potential lends itself well to development of energy generation around the sugar cane industries, when supplemented with feed stock such as sweet sorghum. This is where collaboration with the Inter-American Development Bank and other international financial institutions will be essential, but if, and only if, they are a part of a larger strategic initiative to develop a long-term, sustainable plan. Eventually, the Caribbean will have to invest in more sources of clean energy, so it becomes a question of priority. You can both pursue the benefits of lower energy costs and make use of the savings to invest in clean energy development.”

**A Thackwray “Dax” Driver, president and CEO of the Energy Chamber of Trinidad & Tobago in Point Lisas, Trinidad:** “As a major hydrocarbon exporter, Trinidad & Tobago obviously has a different perspective on these issues compared to the rest of the Caribbean region. Our challenge is about maximizing the value that we receive from our resources, especially in the context of low international prices and falling domestic oil and gas production. In addition to efforts to increase investment in gas production, we now also need to pay much closer attention to energy efficiency. There are very major opportunities for Trinidad & Tobago to increase energy efficiency, especially in the area of electricity generation and in some of our downstream petrochemical and refining activities. Actions in this area will go a long way to helping Trinidad & Tobago meet its international commitments to reduce greenhouse gas emissions.”

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