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FEATURED Q&A

How Will Trump Affect the Americas' Natural Gas Sector?



U.S. President Donald Trump in March signed an executive order to roll back regulations on the coal industry put in place by his predecessor, Barack Obama. // File Photo: Trump Campaign.

Q U.S. President Donald Trump on March 28 signed an executive order rolling back Obama-era policies to fight climate change in an effort to boost the U.S. coal industry. The order initiates a review of the Clean Power Plan, which Trump has said is an attack on American workers and the U.S. coal industry by restricting greenhouse gas emissions at coal-fired plants, often by promoting the use of cleaner-burning natural gas. How will Trump's executive order affect the natural gas sector in the Americas? How will investment in clean energy initiatives throughout the region change under Trump? What would a strengthened coal industry in the United States mean for North American energy policy?

A John Price, managing director of Americas Market Intelligence: "Demand for U.S. coal began to decline in 2010 as fracking opened up access to a boundless volume of natural gas. Since then, most new electrical power plants in the United States have switched from coal to gas. Relaxing emissions standards on coal-fired plans may extend the life of a few of them, but no new plants going forward are going to use coal, so long as gas remains a cheaper alternative—which it should do for years to come. The prospects of selling U.S. coal abroad continue to dwindle, as India and China—the largest foreign buyers of coal—develop their own sources while simultaneously weaning themselves off of the stuff. Natural gas is not only found in abundance in the continental United States, but also in Canada, Mexico, Venezuela, Peru, Bolivia and Argentina. The Americas are teeming with gas. By next year, U.S. LNG exports will begin a dramatic growth that will

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TOP NEWS

OIL & GAS

Former Pemex CEO Denies Involvement in Odebrecht Scandal

Court documents suggested Lozoya allegedly requested that \$5 million be paid to Odebrecht in exchange for benefits in Mexico. The documents are part of a plea-bargain deal for a former top executive at Odebrecht.

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RENEWABLES

Enel's 42 MW Panama Solar Project Online

The project is Enel's second in Panama, and the company now has a combined total of 354 MW of installed renewable capacity in the country.

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OIL & GAS

Default Looms in Venezuela Amid PDVSA Troubles

President Nicolás Maduro's government and PDVSA owe a combined \$8.5 billion in payments this year and at least another \$7.9 billion next year.

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Maduro // File Photo: Venezuelan Government..

OIL & GAS SECTOR NEWS

Default Looms in Venezuela Amid PDVSA Troubles

The Venezuelan government said it would make nearly \$3 billion in debt payments that were due Wednesday, staving off a default, The New York Times reported. The payments are mostly related to state oil firm PDVSA's April 5.25 percent note, which requires a combined interest and principal payment of \$2.5 billion. President Nicolás Maduro's government and PDVSA, headed by Eulogio del Pino, owe a



Del Pino // File Photo: Venezuelan Government.

combined \$8.5 billion in payments this year and at least another \$7.9 billion next year. The amount includes roughly \$60 billion in external bond debt, which has been incurred since late President Hugo Chávez took office nearly 20 years ago. Financial experts say the specter of default is looming ever closer for the cash-strapped oil-exporting country. "The probability of default is rising," said Stuart Culverhouse, head of sovereign and credit research at Exotix Partners, a London-based investment bank that trades Venezuelan bonds on behalf of clients.

"So far, their willingness to pay has been pretty firm, surprisingly so given the political situation. But you have to ask how long that can continue when they are probably spending more on debt service than imports." As oil production and international reserves wane at an increasing rate, the government is struggling to make short-term bond payments while still importing badly needed food and medicine. International financial experts say global oil would have to increase by about \$15 per barrel to \$70

per barrel in order to improve the government's financial situation. If Venezuela were to default, there is a possibility that the Russian government could get closer to gaining control of U.S. refineries and pipelines, according to a note by members of the U.S. House of Representatives, The Wall Street Journal reported Tuesday. The letter refers to a \$1.5 billion loan that Russian state oil company Rosneft made in November to PDVSA. The Venezuelan oil company put up 49.9 percent of the equity in Citgo as collateral. Citgo is a subsidiary of PDVSA, and is the largest foreign owner of U.S. domestic refinery capacity, according to the letter. It has three refineries in the United States, as well as terminals and pipelines running across 24 states.

Former Pemex CEO Denies Involvement in Odebrecht Scandal

Former CEO of Mexican state-run oil company Pemex Emilio Lozoya on Wednesday denied participating in the alleged bribery scheme involving the company and Brazilian engineering conglomerate Odebrecht, following a report from Brazilian magazine *Veja* that said Lozoya connected to an ongoing probe into the scandal, Bloomberg News reported. "I haven't requested nor have I received illegal



I haven't requested nor have I received illegal money."

— Emilio Lozoya

money," Lozoya said. "I reiterate my interest in having this matter investigated and penalties issued, but without dishonoring and defaming without proof along the way." *Veja* this week cited court documents that suggested Lozoya allegedly requested that \$5 million be paid to Odebrecht in exchange for benefits in Mexico. *Veja* reported that the documents are part of a plea-bargain agreement between prosecutors and a former top executive at Odebrecht. Lozoya said he does not know the executive

NEWS BRIEFS

Eased Local Content Rules Could Increase Revenue: Petrobras

Changes by the Brazilian government that may ease local content rules on oil extraction equipment for deep sea oil could help earn the government 31 billion reais, or about \$9.9 billion, in royalties and other revenue sources between 2020 and 2025, state-run oil company Petrobras said Wednesday, Reuters reported. The company said a failure to alleviate the strict local content rules could end up costing the government 6 billion reais per year in revenues from the extraction of pre-salt oil in the Libra offshore project.

YPF, Schlumberger Reach \$390 Mn Vaca Muerta Investment Deal

Argentine state-run oil company YPF and Houston-based Schlumberger have reached a deal to invest \$390 million in the Vaca Muerta shale formation, YPF said Wednesday, Reuters reported. A division of Schlumberger will invest the full amount and obtain a 49 percent stake in the 88.2-square mile concession, and the two companies together will develop a two-phase shale oil project.

Brazil to Hold New Round of Oil Auctions in November

Brazil's National Energy Council on Tuesday said a third round of pre-salt auctions in four areas in the Santos and Campos Basins would be held in November, Reuters reported Tuesday. The areas for the auction include the Pau-Brasil, Peroba, Alto de Cabo Frio Oeste and Alto de Cabo Frio Central prospects, according to a document released by the National Energy Council. Mines and Energy Minister Fernando Coelho Filho said the auction is expected to raise approximately 4.5 billion reais, or \$1.4 billion.

that Veja named and did not meet with him. Pemex declined to comment on the report. Lozoya ran Pemex from December 2012 to February 2016. The company said on April 5 that current and former Pemex employees would be called to testify in the investigation into four contracts that were awarded to Odebrecht and its affiliate, petrochemicals company Braskem, between 2010 and 2015.

YPF to Bid on Shell's Argentina Refinery

Argentine state-run oil company YPF is among the bidders for British-Dutch multinational oil company Royal Dutch Shell's refinery and gasoline stations in Argentina, according to two people with knowledge of the matter, Reuters reported Monday. Though other nationally owned oil companies are interested in bidding on the assets, YPF is said to be in a particularly strong position ahead of the other bidders, the sources said. Among other assets, Shell is putting up a 113,000 barrel per day refinery in Buenos Aires for sale as part of the company's plan asset sales plan to help pay down its debt after acquiring rival BG Group last year. According to the sources, the sum of the assets is valued at less than \$1 billion. Shell declined to comment on potential bidders, and YPF declined to comment on whether or not it was planning to bid.

RENEWABLES NEWS

Enel Announces Operation of 42 MW Panama Solar Project

Italian energy company Enel's subsidiary, Enel Green Power Panamá, on Wednesday said its 42 megawatt Sol Real PV project had begun commercial operation, PV-Tech reported. The project is Enel's second in Panama, and the company now has a combined total of 354 MW of installed renewable capacity in the

country. Enel invested \$55 million in the Sol Real installation, which comprises five smaller PV plants. The 5 MW Caldera Solar and the 8 MW Sol de David projects are located in Chiriquí on the west coast of Panama, and the 11 MW Sol Real, 10 MW Milton Solar and 8 MW Vista Alegre sites were built in Coclé in central Panama. The project is expected to produce 70 gigawatt hours of electricity annually, enough power to meet the needs of approximately 33,000 homes and cutting emissions by approximately 60,000 metric tons of carbon dioxide per year. Enel Green Power Panamá's Fortuna hydro power plant will purchase the energy generated by the Sol Real installation.

FEATURED Q&A / Continued from page 1

continue through 2025 as new LNG export facilities are built. Traditionally, suppliers to the United States, like Venezuela and Trinidad and Tobago, are in for a rude awakening as they try to compete with U.S. gas. Low energy prices (and strained government coffers in Latin American fiscal accounts) do not bode well for developing alternative fuels. Even the Caribbean, where electricity prices are three to four times U.S. rates, solar and other alternatives are being dropped for LNG-fired plants. Only government funding and subsidies can save most alternatives when oil is under \$50 per barrel and LNG is at historically low prices."

A Eduardo Canales, associate, and David Quigley, partner, at Akin Gump Strauss Hauer & Feld LLP:

"The executive order seeks to scale back certain restrictions imposed on the coal industry in recent years. However, the decline of the coal industry started long before any environmental regulations were imposed. While federal environmental policy can affect the economic viability of energy sources, it is just one of the many market forces shaping the supply and demand for coal, oil, natural gas and other clean energy solutions at a domestic and global level. For instance, even though coal might be cheap and abundant in certain regions, it is more expensive to transport, generates less power

Brazil's CEMIG, Andrade Gutierrez Abandon Sales Talks For Hydro Dam

Brazilian power utility Cia Energética de Minas Gerais, known as CEMIG, and Brazilian conglomerate Andrade Gutierrez, two of the stakeholders in Brazilian hydroelectric dam Santo Antonio, have abandoned talks with potential Chinese buyer State Power Investment Corp., or SPIC, saying the offered purchase price was

and produces significantly more carbon dioxide than oil and gas. Moreover, the increased availability of cheap oil and gas domestically and internationally, burdensome long-term debt service, environmental activism, outdated

“The decline of the coal industry started long before any environmental regulations were imposed.”

— Eduardo Canales & David Quigley

ed infrastructure and high labor costs have adversely affected the coal industry, and will continue to be major competitive obstacles to a coal recovery. The landscape in which the coal industry will attempt a comeback is markedly different. The production of oil and gas in the United States is reaching historic levels. Additionally, clean energy sources like solar and wind power have been able to drive costs down, increase reliability and become competitive, developing into a major contributor to the energy mix. These energy sources together with supporting infrastructure and technology, ranging from horizontal drilling and pipelines to power plants and smart grids, are creating a synergetic energy industry driven by principles of efficiency,

Continued on page 6

too low and rejecting the terms of the proposal, according to local newspaper Valor Económico, Reuters reported. Last month, SPIC made a binding offer of 8 billion reals, or \$2.6 billion, to take on the hydroelectric dam's 15 billion reals in debt. Odebrecht Energia, the power unit of engineering conglomerate Odebrecht, is still in negotiations with SPIC. Cemig, Andrade Gutierrez and Odebrecht Energia own 10 percent, 12.4 percent and 18.6 percent stakes in the project, respectively. Delays on the sale of the dam could hurt recovery plans for Andrade Gutierrez and Odebrecht, which are looking to shed assets in order to pay down debt as the conglomerates struggle to win new contracts and grapple with a corruption scandal.

POLITICAL NEWS

Venezuela's Capriles Vows to Fight Ban on Seeking Office

Venezuelan opposition leader Henrique Capriles, a two-time presidential candidate and the current governor of Miranda state, on Wednesday vowed to fight the government's prohibition on him running for office, The Wall Street Journal reported. "I don't accept being disqualified," Capriles told the newspaper. In the interview, Capriles also said the opposition would continue and intensify government protests that have occurred this month, following the Venezuelan Supreme Court's ruling to effectively dissolve the country's legislature, a move that it later reversed, following widespread condemnation. Capriles is seen as the top contender to challenge President Nicolás Maduro in next year's scheduled presidential election. But last Friday, the comptroller general's office banned Capriles from running for office for 15 years. The comptroller's office cited alleged contracting irregularities in barring Capriles, and for the minor alleged infractions fined him \$11, a fine that Capriles said he was refusing to pay. He denies the allegations. In a February survey by pollster Datanalysis, Capriles had an approval rating of 49 percent, while Maduro's was just 27 percent.

ADVISOR Q&A

Is Venezuela's Government Irreparably Broken?

Q Venezuela has been roiled by multiple protests this month, with tens of thousands of anti-government demonstrators marching in Caracas. The unrest was sparked after the country's Supreme Court effectively dissolved the country's legislature but then reversed the move following widespread condemnation over fears that the country was lurching toward a dictatorship. Meanwhile, the legislature has begun the process of removing pro-government Supreme Court justices. Is the relationship among Venezuela's branches of government irreparably damaged? How can the country resolve this constitutional deadlock? Is violence in Venezuela likely to spin out of control and lead to regime change before next year's scheduled elections?

A Michael Shifter, president of the Inter-American Dialogue: "Not surprisingly, the Venezuelan Supreme Court's decision to dissolve the National Assembly, albeit partially rescinded, provoked an international outcry as well as the most significant street protests in Venezuela since 2014. The government's arbitrary and unjustified decision to bar opposition leader Henrique Capriles from running for office further aggravated the tension and rancor and fueled the constitutional crisis between the executive and legislative powers. So far, attempts

at dialogue between fractured opposition forces and a largely intransigent government—with factions that seem prepared to close ranks—have failed to yield positive results. In light of the extreme gravity of the country's conditions, there is always the chance that violence could spread and even get out of control. More likely, however, is that violence will be largely contained, the government will hold on, and the country will hold presidential elections late next year. At that time, Chavismo will face its most severe test in two decades, and will probably be voted out of office, given the widespread misery and discontent. In the meantime, the opposition needs to focus on developing effective leadership and a broadly appealing alternative vision and set of policies for Venezuela. To be sure, such a scenario will confront enormous obstacles, as many government officials will resist giving up power. There are many interests, and a lot of money, at stake. In this context, the international community should play a constructive role and apply pressure to ensure that at least minimally acceptable conditions for electoral competition are met."

EDITOR'S NOTE: More commentary on this topic appeared in Wednesday's issue of the daily Latin America Advisor.

A severe economic crisis, shortages of basic goods, including food and medicines, as well as hyperinflation, have dragged down Maduro's popularity. "The government just might permit elections, but it's obvious they want to decide who is the candidate and the opposition they will face," said Capriles, who said he would appeal the decision to the comptroller's office.

Venezuela's government last year blocked an effort to place a referendum on the ballot to recall Maduro, suspended gubernatorial elections and has not set a date for next year's presidential election, which the Constitution says must happen by the end of next year. In one of the latest violent protests in Venezuela, a teenage boy was shot and killed during unrest Tuesday

NEWS BRIEFS

Macri to Meet With Trump April 27 at White House

Argentine President Mauricio Macri and his wife, Juliana Awada, are set to visit U.S. President Donald Trump at the White House on April 27. The two presidents are expected to discuss bilateral regional issues, including trade, security sector collaboration and the political and economic crisis in Venezuela, the White House said in a statement.

Lasso Seeks Recount in Ecuadorean Election

Guillermo Lasso, the conservative former banker who lost Ecuador's April 2 presidential runoff election, on Wednesday filed a complaint to demand a full recount of the vote, the Associated Press reported. Lasso reiterated an accusation of fraud and said that if ruling party candidate Lenin Moreno takes office, his government will be illegitimate. "It's necessary to be in the streets," Lasso told supporters Wednesday. The official results showed that Moreno defeated Lasso by fewer than three percentage points. International observers said they detected no irregularities in the vote.

Mexico Has Stance of 'Strategic Patience' With Trump: Ambassador

Mexican Ambassador to the United States Gerónimo Gutiérrez on Wednesday said Mexico's stance toward U.S. President Donald Trump is one of "strategic patience," The Hill reported. Gutiérrez said he was optimistic about the future of U.S.-Mexico relations, though he said his top concerns were about the future of the North American Free Trade Agreement, or NAFTA. He said that despite "good initial meetings" between the two countries, negotiations are going slowly. On Tuesday, Trump told a group of business executives to expect "pleasant surprises" for them regarding the trade agreement.

night in the western city of Barquisimeto, Agence France-Presse reported. The victim was identified as 13-year-old Brayan Principal, according to opposition lawmaker Alfonso Marquina. A 36-year-old man was also killed in the same city in a separate incident, according



Capriles // File Photo: Democratic Unity Roundtable.

to the state prosecution service, AFP reported. It was unclear who was at fault for the deaths, but Marquina blamed the teenager's death on government supporters. In a video statement released Wednesday, Organization of American States Secretary-General Luis Almagro reiterated his demand that Venezuela hold elections, and he condemned acts of violence by state security forces against demonstrators in recent days. "Day after day, the repression worsens in Venezuela," said Almagro. "It is authoritarian to repress demonstrators who call for democracy." Almagro said government officials have generated instability, adding "We cannot accept the continued imprisonment or banning from running for office of opposition political leaders so that they can remain in power." [Editor's note: See [Q&A](#) on Venezuela in Wednesday's Advisor.]

ECONOMIC NEWS

Argentina Expecting \$14 Billion in Investment This Year

Domestic and foreign companies are expected to invest \$14 billion in Argentina this year, making good on previously announced investments, said Juan Procaccini, the head of the government's Investment and Trade Promotion Agency, Reuters reported Tuesday. Though President

Mauricio Macri's government has struggled to bring in promised investments during his first year in office, the administration is much more optimistic about this year, Procaccini said. "The first year we had so many things to do in terms of ... becoming again a normal economy," he said. "Now, we're enjoying the fruits of that effort." He added that his agency, which Macri created after taking office at the end of 2015, is working with investors to bring in another \$12.5 billion in investments in projects that have not yet been announced. Investors were often wary of Macri's predecessor, President Cristina Fernández de Kirchner, and her populist economic policies, and they had been waiting to see if Macri's market-friendly reforms would remain in place. Foreign direct investment reached only \$5.7 billion last

Investors had been waiting to see whether Macri's reforms would stay in place.

year, down from \$11.8 billion the year before, contributing to an economic contraction of 2.3 percent. Procaccini said the government's goal is to attract annual FDI of between \$20 billion and \$25 billion. The 2016 contraction was also due in part to companies repatriating their profits outside Argentina after Macri lifted capital controls. [Editor's note: See [Q&A](#) on Argentina's economy in the April 3 issue of the Advisor.]

U.S., Canada, Mexico Launch Joint Bid for 2026 World Cup

The United States, Canada and Mexico on Monday launched a joint bid to host the 2026 World Cup. The United States said it would be the senior partner in the bid, hosting 60 of the tournament's 80 games as well as all of the games from the quarterfinals through the final, The New York Times reported. As soon as this week, the three countries are to present to FIFA, world soccer's governing body, a plan for the World Cup that is to involve more cities, teams and players, the newspaper reported.

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productivity and flexibility. It is noteworthy that certain provisions in the executive order, particularly those concerning infrastructure, may help natural gas extend its 'lead' as much as they might try to help coal catch up. If the siting and construction of critical energy infrastructure is expedited—particularly natural gas distribution, electric transmission and renewable generation capacity—the landscape appears unlikely to change for coal in the long run, although it may be able to get a few extra years before that run ends.”

A Carlos Boj, professional energy markets analyst at the National Commission of Electric Power in Guatemala: “In following the political and diplomatic confrontation between the U.S. and Mexican presidents, it’s predicted that natural gas prices will certainly fall, due to the confrontation, which can lead to a trade war. Natural gas exports to Mexico via pipelines can be diminished as a result of the executive order. Among the most affected countries are Mexico and Central American countries, the former due to the deregulation of its energy sector, which has incentivized and promoted a cleaner energy market, and the latter, because they have made strides toward building a terminal in Panama that can distribute natural gas

on shorter routes to Central America and South America. If indeed one of Trump’s goals in strengthening the coal industry is to re-establish job opportunities in the sector, in terms of energy policy, the strategy of boosting U.S. production of coal, oil and gas

“The strategy of boosting U.S. production of coal, oil and gas could incite a new wave of falling prices due to overproduction.”

— Carlos Boj

could incite a new wave of falling prices due to overproduction. Green energy could suffer minor consequences from this new course of action. They wouldn’t be significant, as some experts say renewable energy will be able to sustain profitability without any assistance, given that the sector is competitive in terms of prices.”

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

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Bolivia's Road Ahead

An Inter-American Dialogue Discussion with Raúl Peñaranda, Journalist and political analyst

José Manuel Ormachea,
Member of Bolivian National Network for Youth Political Participation
View the March 30 webcast of the discussion.



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