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FEATURED Q&A

Is Peña Nieto Reaching His Renewables Goals?



President Enrique Peña Nieto overhauled Mexico's state-controlled energy sector in 2013. One of the government's goals is to derive 50 percent of the country's energy from renewable sources by 2050. // File Photo: Mexican Government.

Q The Mexican government early this month announced a timeline for its upcoming renewable energy auction, which is set to take place in November. Which energy sources are dominating Mexico's renewables sector? Which sources are struggling, and how can they adapt, looking ahead? How are renewables faring, nearly four years after President Enrique Peña Nieto opened the energy sector to private investment?

A Doris Rodriguez, partner at Andrews Kurth, and Edmond F. Grieger Escudero, partner, at Von Wobeser y Sierra: "Significant growth and financial investments have been made in the renewable power market in the approximately four years since Mexico opened its energy market and established its goals for clean energy. This growth is expected to continue. The prior and current long-term auctions have been calls for electricity, capacity and clean energy certificates, with renewables being the main focus. Solar and wind energy dominated the 2015 and 2016 auctions, with only a small piece being awarded to combined-cycle technology for capacity. Recent changes by SENER to the guidelines for interconnection of small- and medium-scale renewable projects to the national electricity grid will facilitate more integration of renewable generation. These changes signal the Mexican government's progressive approach to increasing renewable energy production. Moreover, SolarCity's acquisition of ILIOSS in August 2015 is representative of the interest in renewable energy and the financial investment being made for large-scale renewable energy generation. That numerous Mexican and international developers, including success-

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TOP NEWS

OIL & GAS

Ecopetrol Seeking to Invest in Light Crude Projects

Colombia's Ecopetrol said it plans to take advantage of its nearly \$6 billion in cash on hand at the end of the first quarter by focusing on purchasing light crude projects.

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POWER SECTOR

Brazil Eyes Reforms for Power Sector

The measures will reverse a 2012 power-sector overhaul by expanding unregulated power markets and simplifying industry taxes. The planned overhaul would allow power companies to sell their output at higher rates, and with fewer restrictions on the lengths of contracts.

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OIL & GAS

Venezuela Experiencing Fuel Shortages

The president of state-run oil company PDVSA, Eulogio Del Pino, blamed the shortages on the nearly two months of protests in the country.

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Del Pino // File Photo: Venezuelan Government.

OIL & GAS SECTOR NEWS

Ecopetrol Seeking to Invest in Light Crude Projects

Colombian state oil company Ecopetrol on Friday said it plans to take advantage of its nearly \$6 billion in cash on hand at the end of the first quarter by focusing on purchasing light crude projects in other Latin American countries over the next 18 months, Reuters



Echeverry // File Photo: Colombian Government.

reported. The company more than doubled its net income for the first quarter year-over-year to 886 billion pesos, or \$300.4 million, due to better crude prices and improved operating efficiencies, Ecopetrol said. "Our idea is to look for reserves of light crude outside Colombia," said CEO Juan Carlos Echeverry. "We're in no rush, but it could be something that happens over the next 18 months." The company has already met with banks regarding available projects in the region. Ecopetrol hopes to create a "better balance" in its crude portfolio, Echeverry said. Approximately 82 percent of Ecopetrol's portfolio is crude, the majority of which is heavy, and only 18 percent is concentrated in gas.

Exxon Mobil to Open its First Gas Station in Mexico

U.S. multinational oil company Exxon Mobil on Wednesday announced it would open its first Mobil-brand gasoline service station in Mexico later this year, The Wall Street Journal reported.

The station will be located in central Mexico, and the company plans to open additional stations later in the year. Exxon Mobil is planning to invest \$300 million in Mexico over the next 10 years in fuels logistics, product inventories and marketing. "Recent energy reforms present a unique opportunity to help meet the growing demand for reliable fuel supplies and quality service in Mexico," the company said in a statement. Exxon Mobil is following in the footsteps of British multinational oil company BP, which opened its first service station in Mexico in March and expects to have 1,500 in operation in five years. Until last year, all of Mexico's gas stations were franchises of state oil company Pemex. The rules changed as a result of a sweeping energy reform enacted by President Enrique Peña Nieto in 2013. The government began to loosen restrictions on gasoline and diesel prices beginning in March of this year. Currently, Mexico has only one service station for every 3,000 vehicles, compared to one for every 1,650 vehicles in the United States and one for every 2,220 in Canada.

Venezuela to Support Plan to Extend Oil Output Limitation

Venezuelan on Tuesday confirmed it would support a plan to extend a deal between the Organization of the Petroleum Exporting Countries, or OPEC, and non-OPEC member states to

Venezuela believes that the agreement between OPEC and non-OPEC countries ... has been successful in helping crude oil prices recover.

— Venezuelan Oil Ministry

limit the production of oil in a bid to "stabilize" the market, Reuters reported. "Venezuela believes that the agreement between OPEC and non-OPEC countries ... has been successful in

NEWS BRIEFS

Venezuela Experiencing Gasoline Shortages Amid Protests, Low Output

Parts of Venezuela were hit by gasoline shortages on Wednesday as the country's refineries face operational problems and anti-government protests blocked some delivery routes, Reuters reported. The president of state-run oil company PDVSA, Eulogio Del Pino, blamed the shortages on the nearly two months of protests in the country. Three of Venezuela's four refineries are producing record-low output due to equipment malfunctioning and a lack of crude and spare parts, according to internal documents from PDVSA seen by Reuters.

Argentina, China Sign Nuclear and Solar Agreements

Argentine Minister of Energy and Mining Juan Jose Aranguren on Wednesday said the country had reached an agreement that China will finance two nuclear plants and three solar plants in Jujuy province, Chinese state-run news agency Xinhua reported. The agreement was one of 19 that were signed in Beijing on Wednesday during a meeting between Argentine President Mauricio Macri and Chinese President Xi Jinping, World Nuclear News reported. "With these agreements, we will produce our own electric energy," Aranguren said, Xinhua reported.

Brazilian Electricity Watchdog Expects Delays to Abengoa's Power Lines

Brazilian electricity watchdog Aneel said it expects another delay in the construction of approximately 3,700 miles of power lines licensed to Spanish solar firm Abengoa, Reuters reported Wednesday. The news is raising concerns over the reliability of Brazil's electricity grid as a new dam comes online. Abengoa previously halted construction on the transmission lines in 2015.

helping crude oil prices recover,” the country’s oil ministry said in a statement. The oil sector accounts for approximately 94 percent of Venezuela’s export revenue. OPEC and non-OPEC member states including Russia agreed to cut output by 1.8 million barrels per day for the first half of this year, in order to boost global oil prices. Saudi Arabia and Russia also agreed on Monday to extend the agreement by another nine months.

POWER SECTOR NEWS

Brazil Eyes Reforms for Power Sector

The Brazilian government is planning to launch free-market reforms for the power sector, Energy Ministry Planning Secretary Eduardo Azevedo said May 11, Reuters reported. The measures will reverse a 2012 power-sector overhaul by expanding unregulated power markets and simplifying industry taxes, Azevedo said. “Freeing up the market is a necessity, but it has to happen gradually,” he said at an industry event in São Paulo. “The market is ready to change, but not next week.” The planned over-



Azevedo // File Photo: ciers.org.br.

haul would allow power companies to sell their output at higher rates, and with fewer restrictions on the lengths of contracts. The reforms would also cut the subsidies for renewable energy sources, Reuters reported, citing newspaper Valor Econômico. The overhaul would be the latest under President Michel Temer’s administration as he works to boost investment in Brazil’s energy sector as the country emerges from its worst-ever recession in history.

Milbank Represents Initial Purchasers of YPF and Celeo Notes

International law firm Milbank, Tweed, Hadley & McCloy advised the initial purchasers in the offering of Argentine peso-denominated senior notes due in 2022 that are worth 4.6 billion pesos, or \$300 million, by Argentine state oil and gas company YPF, the firm said

in a statement on May 11. The purchase was YPF’s first Argentine peso-denominated bond offering as part of its \$10 billion medium-term notes program. The firm also represented the initial purchasers in a \$379 million secured notes offering by Celeo Redes Operación Chile due in 2047, Milbank said in a statement May 11. Celeo is an operator of power transmission systems in Chile. The notes will be guaranteed by Celeo’s subsidiaries, Alto Jahuel Transmisora de Energía and Charrúa Transmisora de Energía.

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ful renewable energy producers in Mexico’s prior auctions, have eagerly awaited the current auction process, again with renewable energy being the focus, also heralds

“While natural gas will continue to play a major role in Mexico’s power-supply calculus, expect to see a continued increase in renewable energy.”

— Doris Rodriguez & Edmond F. Grieger Escudero

the expected growth in Mexico’s renewables sector. While natural gas will continue to play a major role in Mexico’s power-supply calculus, expect to see a continued increase in renewable energy, including its most common components—solar, wind, efficient co-generation and biomass—as Mexico aggressively aims to reach its goals of having 25 percent by 2018, 30 percent by 2021 and 35 percent by 2024 of its power supply generated from clean-energy sources.”

A Dino Barajas, partner at Akin Gump Strauss Hauer & Feld LLP: “Renewable energy, particularly solar projects, is coming into its own in Mexico this year. Despite lower-than-expected pricing in last year’s

energy auction, solar developers continue to flock to Mexico to establish beachhead projects and gain market share as the country’s renewable energy landscape continues to evolve. Mid-size solar projects ranging from 50-150 megawatts have the best opportunity to gain a foothold in the developing renewable energy market because they will have the most predictable project costs while benefiting from economies of scale. Over time, these projects can be scaled up in subsequent phases to take advantage of additional auction opportunities or private sector power-purchase agreements as they present themselves. The decisive factor in determining the success of many projects will be the commercial banking sector’s comfort level with the applicable project’s contracted energy pricing. The ‘financeability’ of projects will ultimately determine where Mexico’s renewable energy market pricing finally settles and which technology dominates the market going forward.”

A José Alberro, co-head of international arbitration and litigation practice at Cornerstone Research: “Four years after President Enrique Peña Nieto opened electricity generation to private investment, his agenda for renewables has started meeting its ambitious goals. Mexico expects to provide 35 percent of the nation’s electricity from renewable sources by 2024, 40 percent by 2035, and 50 percent by 2050. The invest-

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POLITICAL NEWS

Temer Reportedly Taped Encouraging Bribes to Cunha

The chairman of Brazilian meatpacking giant JBS recorded a conversation with President Michel Temer in which Temer was allegedly heard endorsing the businessman's bribing of Eduardo Cunha, the jailed former speaker of the lower house of Congress, in order to buy his silence, Brazilian daily newspaper O Globo reported late Wednesday. The businessman, Joesley Batista, reportedly recorded the



Temer // File Photo: Brazilian Government.

conversation with Temer in March in which he told the president that he was regularly paying Cunha to remain silent. Temer, O Globo reported, was heard in the recording, saying, "You have to maintain that, alright?" The recording was submitted to Brazil's Supreme Court as part of a cooperation deal between Batista and federal prosecutors. Batista made the recording the evening of March 7 at Temer's residence in Brasília, the newspaper reported. Batista told prosecutors that he had paid a total of \$1.6 million to Cunha since Cunha's arrest last October, according O Globo. The plea bargain is connected to the massive graft scheme involving state oil company Petrobras, The New York Times reported. The Supreme Court did not confirm nor deny the existence of the recording, and Temer's office said in a statement that the president met with Batista but "never requested payments to obtain the silence" of Cunha, The Wall Street Journal reported. "He didn't participate in or even authorize any movement [of funds] with the objective of preventing the ex-congressman from plea-bar-

ADVISOR Q&A

Is Colombia's Peace Accord Successfully Being Implemented?

Q In early May, an employee of the United Nations was kidnapped in Colombia by the FARC rebel group during a visit by the U.N. Security Council to support the country's recent peace accord. The captors are part of a unit of the FARC that has refused to disarm as part of last year's peace deal. The following week, eight people were kidnapped by the ELN rebel group, but were later released. How is the implementation of the peace accords between the government and the FARC rebel group going? Does there appear to be any progress in the peace talks between the government and the ELN? Will the United States make good on former President Barack Obama's pledge to give \$450 million to Colombia to aid in the implementation of its peace deal? How can the Colombian government ensure citizen security as the two sides implement the peace accord?

A Marta Lucía Ramírez, former Colombian defense minister and foreign trade minister: "The agreement with the FARC can't reach its objectives if it does not have legitimacy, and this agreement lacks precisely of legitimacy. Instead of bringing citizens together around peace, the government of Juan Manuel Santos divided them. The campaign led by Santos was sold an impossible peace by the concessions that he granted to the terrorists, and stigmatized the Colombians by making them choose between identifying as enemies or friends

gaining or collaborating with [prosecutors], the president's office added in the statement. Batista declined to comment, as did a lawyer for Cunha, who in March was sentenced to more than 15 years in prison on corruption charges.

of peace. Additionally, it is necessary to remember that the agreement of the Colón Theater with the FARC was signed despite being defeated in a popular vote, by a discredited government that does not enjoy popular confidence. All this led to a deep division of Colombian society with respect to the agreement, and under these conditions, the enormous collective effort that is necessary to execute the accord cannot be materialized. Proof of the above is that the timelines are not being met, which is generating complaints, ranging from logistical and security problems in the concentration areas to dark negotiations in Congress to deal with the rules that the government requires to implement the agreement. With this background, the other groups outside the law feel empowered to obtain greater concessions from the Colombian state and society. That is why I am skeptical about the process with the ELN, which has not renounced abduction as a tactic and continues with terrorist actions. For Colombia, it would be very helpful if the United States government reminded President Santos that his main job is to preserve the integrity of the nation of Colombia, not only in its territory, but as a single people struggling to escape poverty, social injustice and violence."

EDITOR'S NOTE: More [commentary](#) on this topic appeared in Thursday's issue of the daily Latin America Advisor.

JBS also declined to comment. The report led to calls for Temer's resignation from the opposition. "This government has to fall now," Senator Lindbergh Farias of the Workers' Party said in a video posted to his Facebook page,

NEWS BRIEFS

Peña Nieto to Meet Next Month With Guatemala's Morales

Mexican President Enrique Peña Nieto will travel to Guatemala to meet with President Jimmy Morales on June 5 and 6, Peña Nieto's office said in a statement Wednesday, Reuters reported. The meeting comes as Mexico is looking to take a larger role in the region's migration issue. The majority of migrants headed from Central America to the United States cross the border between Guatemala and Mexico. A diplomatic source also said the visit is in part to offer support to Morales, whose family has been ensnared in a corruption scandal, and to discuss the extradition of Mexican politician Javier Duarte, who was arrested in Guatemala after fleeing Mexico over graft and organized crime charges.

Honduras Transfers Gang Members to Maximum-Security Prison

The Honduran government said Tuesday it had transferred 773 gang members to a maximum-security prison as part of a plan to relocate approximately 2,000 inmates in order to prevent penitentiaries from becoming headquarters for criminal activities, Reuters reported. Hundreds Mara Salvatrucha, or MS-13, and Barrio 18 gang members were transferred from the overcrowded Marco Aurelio Soto prison to a high-security prison known as El Pozo II.

Authorities Intercept Ship Carrying 5.5 Metric Tons of Cocaine Off Ecuador

Spanish and Ecuadorean authorities in a coordinated drug seizure intercepted a ship off the coast of Ecuador that had more than 5.5 metric tons of cocaine bound for Spain, officials said Monday, the Associated Press reported. The shipment is believed to have been organized by a drug-trafficking ring in Galicia.

calling for Temer's resignation. "We're meeting here with our legal advisors to prepare articles of impeachment."

U.S. Brings Venezuela Concerns to U.N. Security Council

The United States on Wednesday called consultations at the U.N. Security Council to discuss the worsening crisis in Venezuela, saying the Trump administration wants to prevent another conflict like the one in Syria, the Associated Press reported. "We've seen 150 political prisoners, over 1,500 arrests and clearly we're starting to see serious instability in Venezuela," said U.S. Ambassador to the United Nations Nikki Haley, following a more than 90-minute closed-door briefing and discussions. "We've been down this road with Syria, North Korea, South Sudan, Burundi, with Burma." Haley said the meeting was aimed at conflict prevention, not Security Council action. Venezuela's U.N. ambassador, Rafael Ramírez, objected to the discussion, saying Washington was trying "to interfere in our domestic issues."

ECONOMIC NEWS

Mexico Expecting NAFTA Talks by Late August

Mexican Economy Minister Ildefonso Guajardo on Tuesday said he expects U.S. President Donald Trump's administration to inform Congress early next week of its intent to renegotiate the North American Free Trade Agreement, or NAFTA, which would lead to talks being held among the United States, Canada and Mexico by late August, Reuters reported. Guajardo added that he would have more information about the time line for renegotiation after meeting with U.S. Trade Representative Robert Lighthizer in Vietnam on Thursday during the Asia-Pacific Economic Cooperation, or APEC, meetings. "Probably the notification will be

sent to Congress by the U.S. executive at some time early next week," he said the Tuesday after meeting with U.S. Commerce Secretary Wilbur Ross the day before. During his campaign, Trump had vowed to withdraw the United States from NAFTA if he could not renegotiate a better deal for the country. In Washington, Ross and Lighthizer said they would prefer to



Guajardo // File Photo: Mexican Government.

keep the current trilateral format in the NAFTA renegotiation talks. Guajardo also said on Tuesday that a dispute between the U.S. and Mexican sugar industries could be resolved within the next two weeks, before a June 5 deadline. Late last year, the U.S. sugar industry lobbied for the U.S. Commerce Department to renegotiate or withdraw from a 2014 agreement that set prices and quotas for U.S. imports of Mexican sugar. The U.S. sugar lobby wants Mexico to export less sugar. A spokesman from the U.S. Commerce Department said Ross and Guajardo had discussed possible solutions to the dispute and are continuing to work toward a settlement.

Chile, China Agree to New Cooperation on Tech

Chile and China have agreed to strengthen coordination and cooperation efforts in order to bolster their strategic partnership in sectors including connectivity, information communication, high-tech sectors and astronomy, the two countries said in a joint statement Monday, Chinese state news agency Xinhua reported. Chilean President Michelle Bachelet has been on a state visit to China and attended the Belt and Road Forum for International Cooperation in Beijing.

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ments in eolic and photovoltaic generation necessary to reach these objectives require allocating land to that purpose and adapting the grid configuration. Approximately 15,000 miles of new transmission lines need to be built by 2030 to exploit eolic and photovol-



[Peña Nieto's] agenda for renewables has started meeting its ambitious goals."

— José Alberro

taic resources located in the northern and western parts of Mexico, far from population centers and industrial activity. Juggling all components without dropping one is a significant challenge. It is projected that total investment in the sector will have to top \$120 billion over the next 15 years, \$90 billion of which will have to be in generation assets (increasing capacity by 80 percent). Mexico's potential for electricity generation from renewable sources is important: it is estimated to be 50,000 megawatts for eolic

generation with load factors that can top 40 percent; and the National Renewable Energy Laboratory ranks Mexico's solar resources among the world's best and most abundant: 1.5 percent of the territory would be sufficient to generate all electricity consumed. In 2013, 22.7 percent of generating capacity used renewables, prominently 12,500 MW of hydro; 2,050 MW of eolic; 310MW from bagasse and 60 MW of photovoltaic. By 2016, renewables represented 25.2 percent of the total, and most of the increase had come from the expansion of eolic (56 percent), bagasse (140 percent) and photovoltaic (380 percent). By 2019, eolic capacity is expected to triple and photovoltaic capacity is expected to grow 20-fold. Those estimates include the winners of the first and second renewable energy auction carried out over the last couple of years. It is interesting to note that the first renewable energy auction resulted in average purchases prices of \$45.15 per megawatt hour from photovoltaic sources and \$55.39 per MWh from wind sources—some of the lowest in the world. The second auction resulted in prices 15 percent lower."

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

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