

BOARD OF ADVISORS

Nigel Blackaby

Global Head,
International Arbitration Group,
Freshfields Bruckhaus Deringer

Mary Rose Brusewitz

Partner,
Strasburger & Price

Jeffrey Davidow

Senior Counselor,
The Cohen Group

Ramón Espinasa

Consultant,
Inter-American Development Bank

Luis Giusti

Senior Advisor,
Center for Strategic &
International Studies

Jonathan C. Hamilton

Partner,
White & Case

Raul Herrera

Partner,
Corporate & Securities Practice,
Arnold & Porter

James R. Jones

Chairman,
ManattJones Global Strategies

Jorge Kamine

Counsel,
Skadden Arps

Craig A. Kelly

Director,
Americas Int'l Gov't Relations,
Exxon Mobil

Jeremy Martin

Vice President, Energy & Sustainability,
Institute of the Americas

Larry Pascal

Chairman,
Americas Practice Group,
Haynes & Boone

Charles Shapiro

President,
World Affairs Council of Atlanta

R. Kirk Sherr

President,
Clearview Strategy Group

Mark Thurber

Partner,
Andrews Kurth

Alexandra Valderrama

Manager,
International Government Affairs,
Chevron

Lisa Viscidi

Program Director,
Inter-American Dialogue

Max Yzaguirre

President and CEO,
The Yzaguirre Group

FEATURED Q&A

Will the U.S. Split From the Paris Deal Affect the Region?



U.S. President Donald Trump fulfilled a campaign promise to withdraw from the Paris Agreement on climate change, saying he wanted to make U.S. workers his first priority. // File Photo: White House.

Q President Donald Trump announced June 1 that he was withdrawing the United States from the Paris Agreement on climate change. Trump said his decision is based on his campaign promise to make U.S. workers his first priority.

Was this the right move for the United States? How will the decision affect signatories from the Western Hemisphere—which include all but Nicaragua—as they work to cut carbon emissions? How will Trump's decision affect renewable energy initiatives in the region?

A Remi Piet, senior director at Americas Market Intelligence: "Trump's decision to withdraw from the Paris Agreement will prove to be a major blunder that benefits a short list of mature industries with little future growth potential against the interests of U.S. consumers, high-growth tech industries and the global leadership status of the United States. While Nicaragua did not sign the text because it was not constraining enough, the United States rejects the deal, refuting overwhelming scientific consensus and becomes the only other member, along with Syria, that is outside of the agreement. Though this decision favors the short-term interests of the coal and oil industries, two powerful campaign donors, it also limits future job creation. The solar and wind industries both create jobs at a rate 12 times faster than the rest of the U.S. economy. Leading companies from Shell to IBM and Nike to Disney criticized the decision as a setback that inhibits the ability of U.S. companies to lead tomorrow's carbon-neutral economy. The decision will have little impact on other Western Hemisphere countries. Several of them, among the most affected by climate change in the world, reaffirmed

Continued on page 3

TOP NEWS

OIL & GAS

Venezuela Names Martínez as Head of PDVSA

The Venezuelan government has tapped Oil Minister Nelson Martínez to be the head of state oil company PDVSA.

Page 2

RENEWABLES

Trump Proposes Using Solar Panels to Help Pay for Border Wall

The U.S. president envisioned using the energy generated by the panels to pay for the cost of constructing and monitoring the wall.

Page 2

OIL & GAS

Mexico Closes Gas Stations for Allegedly Selling Stolen Fuel

Treasury Secretary José Antonio Meade in late May said some 6,000 illegal pipeline taps were discovered last year, and that officials are uncovering an average of 20 taps a day this year.

Page 2



Meade // File Photo: Mexican Government.

OIL & GAS SECTOR NEWS

Venezuela Names Martínez as Head of PDVSA

The Venezuelan government has tapped Oil Minister Nelson Martínez to be the head of state oil company PDVSA, Reuters reported



Martínez // File Photo: Venezuelan Government.

late Tuesday. Martínez will replace the current president of PDVSA, Eulogio Del Pino, according to two PDVSA sources. Martínez formerly ran U.S.-based oil refining company Citgo and was named oil minister in January, taking over the position from Del Pino.

United Ending Flights to Venezuela Once Popular w/ Oil Execs

U.S.-based United Airlines said it will stop service from Houston to Caracas by July 1, citing low demand, CNN reported Monday. The decision comes amid rising violence and political, economic and humanitarian crises that have engulfed Venezuela. The route had previously been a popular one for oil executives, but Venezuelan state-run oil company PDVSA is deep in debt, has not been able to extract oil at its normal rate and is behind on payments to service providers such as Baker Hughes, contributing to the trend of a declining demand for flights from Houston to Venezuela's capital. U.S.-based American Airlines and Delta Airlines have cut back on their flights to Venezuela since 2014, while Lufthansa, Air

Canada, LATAM and AeroMéxico have stopped providing service to the country entirely. Other companies, including General Motors, PepsiCo and Mondelez have also shuttered their operations in Venezuela amid the country's political and economic turmoil.

Mexico Closes Gas Stations for Allegedly Selling Stolen Fuel

The Mexican government on June 1 closed seven gasoline stations for allegedly selling gasoline and diesel fuel that was stolen from state-run pipelines, confirming for the first time that fuel illegally stolen from pipelines is being sold through official service stations, the Associated Press reported. An official from state-run oil company Pemex said 14 stations had been caught selling illegally siphoned fuel—seven in Puebla state and seven throughout the rest of the country. The official did not say why only seven gas stations had been shut

The closure confirms for the first time that stolen fuel is being sold at official gas stations.

down. Pemex runs the country's pipelines and provides gasoline to approximately 12,000 gas stations, including the 14 that allegedly sold stolen fuel from the state-operated pipelines. At the 14 stations in question, "they stopped buying [gasoline from Pemex] and they continued selling it," the official said. Officials say the amount of fuel siphoned from pipelines is too much to only be sold in containers on the side of the highway, which led many experts to suspect that officially sanctioned gas stations must be selling the fuel. Officials say the trend has become so widespread that entire towns may be protecting fuel thieves or otherwise benefiting from the phenomenon. Treasury Secretary José Antonio Meade in late May said some 6,000 illegal pipeline taps were discovered last year, and that officials are uncovering

NEWS BRIEFS

Trump Proposes Using Solar Panels to Help Pay for Border Wall

U.S. President Donald Trump on Tuesday proposed installing solar panels on top of his proposed border wall between the United States and Mexico, with the goal of using the energy generated by the panels to pay for the cost of constructing and monitoring the wall, The Wall Street Journal reported. Trump had campaigned on the promise that Mexico would pay for the wall, which he has said would prevent illegal immigration and drug smuggling.

Repsol, BP Announce Major Gas Field Find in Trinidad and Tobago

Spanish energy company Repsol and London-based BP announced they found a gas field in Trinidad and Tobago estimated to contain two trillion cubic feet of natural gas, the Associated Press reported Monday. The discovery is Repsol's largest by volume in five years and the most significant find for Trinidad and Tobago in 10 years. Repsol has a 30 percent stake in the consortium, with the rest help by BP. Drilling at the discovery is expected to begin in the second half of this year, Repsol said in a statement.

Enel's Brazil Subsidiary Begins Operations at Bahia State Solar Project

Enel Green Power Brasil Participações, the Brazil-based subsidiary of Italian energy firm Enel, has initiated operations at its 158 megawatt Lapa solar project in Bahia state, ReNews reported Monday. The Lapa project, in which Enel Green Power invested \$175 million, includes the 80 MW Bom Jesus da Lapa plant and the 78 MW Lapa schemes, which are supported by 20-year supply contracts tendered by the Brazilian Chamber of Commercialization of Electric Energy.

an average of 20 taps a day this year, which he estimates has cost the government approximately \$1 billion a year.

U.S. Considering Sanctioning PDVSA

The United States is considering ordering sanctions against Venezuela's energy sector, including state-run oil company PDVSA, in an effort to pressure the government of President Nicolás Maduro amid a political and economic crisis, Reuters reported Sunday. Venezuela's economy relies on the oil sector for approximately 95 percent of its export revenues. The possibility of going after what is virtually the country's sole source of income is still being debated by U.S. President Donald Trump's administration, and action on the issue does not appear to be imminent. Senior White House officials told the wire service that the United States may sanction PDVSA as part of a "sectoral" sanctions package for Venezuela's energy sector, which would be the first time the United States has taken such a measure against the country. Venezuelan oil accounted for more than 8 percent of U.S. oil imports in March. Since his inauguration, Trump has taken a strong stance against the Maduro administration, sanctioning the vice president, the chief judge and seven other Supreme Court justices, among other individuals. More than 60 people have died in the last two months of anti-government protests throughout the South American country.

RENEWABLES NEWS

Vestas to Supply 50 MW Worth of Wind Turbines to Argentina

Dutch wind turbine company Vestas Wind Systems will supply 50 megawatts worth of wind turbines to aluminum smelter Aluar Aluminio Argentino's El Llano wind farm, located in

FEATURED Q&A / Continued from page 1

their commitment to the Paris Agreement. Chinese and Indian investments in alternative energy technology will race ahead of the United States—China intends to spend more than \$360 billion through 2020—and will gladly service Latin American market needs at the expense of American companies, whose reputations are once again sullied by a leader who is well on his way to destroying the enviable position of authority and leadership that the United States has enjoyed for more than a century."

A **Nick Loris, research fellow in energy and environmental policy at The Heritage Foundation:** "Sometimes the road less traveled is less traveled for a reason. Other times, it is important to blaze a new trail. President Trump chose the latter when he announced the United States would withdraw from the Paris climate agreement, and for good reason. The accord is a bad deal, economically and environmentally. Though foreign leaders and U.S. businesses condemned the decision, withdrawal protects all of the people who didn't have a seat at the negotiating table, such as Americans who pay taxes and depend on affordable, reliable energy sources. If the United States fulfilled its nationally determined contribution by over-regulating energy, higher prices would harm families multiple times over, particularly affecting low-income families that spend a higher percentage of their budget on energy bills. In total, the regulations would have destroyed hundreds of thousands of jobs and would have caused a typical family of four to lose \$20,000 in income by the year 2035. All of that economic pain would translate to a change in the Earth's temperature that's almost undetectable. Even if all of the countries followed through with their commitments, an unlikely scenario given that the commitments are nonbinding and many are tied to receiving billions of dollars, Paris would moderate the Earth's tempera-

ture by a few tenths of a degree Celsius by the year 2100. There is nothing about leaving the agreement that prevents Americans from continuing to invest in new energy technologies. The United States will remain an important player in climate change discussions. But it signals they will not be contributors to a costly non-solution."

A **Amanda Maxwell, Latin America project director at the Natural Resources Defense Council:**

"President Trump's decision to pull out of the Paris Agreement was reckless and goes against the best interests of the United States. As it stands, 70 percent of Americans want the United States to stay in the Paris Agreement, and hundreds of businesses and mayors across the country also support it. The decision to withdraw will not help protect the U.S. economy and workers. In fact, it dampens investments in the United States. Clean energy jobs are the fastest-growing in the energy sector, employing three million Americans and potentially many more if we stick to the Paris Agreement's goals for low-carbon growth. The good news is that the rest of the world is showing leadership in taking on the challenge of climate change. Latin America in particular is moving ahead with urgency and finding innovative, proactive ways to make progress toward this global crisis. Every country in the region is participating in the Paris Agreement, except for Nicaragua. It is worth mentioning that Nicaragua didn't join because it thinks the agreement is not ambitious enough. Latin American countries have proposed robust targets which they are already on the road to achieving. Renewables in the region are competing head-on with any other fuel source. Countries are launching emission mitigation plans, boosting regional collaboration on climate change policy and employing innovative finance tools to fund sustainable projects. President Trump's decision will set the United States on the

Continued on page 6

Chubut province, ReNews reported Wednesday. Aluar ordered 14 wind turbines, which will be delivered in the fourth quarter of this year. The deal with Vestas includes the installation of the turbines, as well as a 15-year active output management service agreement. Vestas has signed more than 500 MW worth of deals in Argentina in the last six months.

POLITICAL NEWS

U.S. Envoy to U.N. Denounces Gov't of Venezuela's Maduro

The U.S. ambassador to the United Nations, Nikki Haley, on Tuesday denounced the government of Venezuelan President Nicolás Maduro, saying that it is turning into a dictatorship and should not be allowed to follow a path similar to that of Syria's Bashar al-Assad, Reuters reported. "This is an economic, political and



Haley // File Photo: U.S. State Department.

humanitarian crisis that demands the world's attention," Haley told a group of Venezuelan activists and experts at a U.S.-hosted panel on the sidelines of the U.N. Human Rights Council in Geneva. "The Venezuelan government is in the midst of destroying human rights and democracy in Venezuela. It is conducting a campaign of violence and intimidation against unarmed demonstrators, businesses, civil society and freely elected political opposition." Later at the Graduate Institute in Geneva, Haley said governments should work to prevent human rights crises from becoming armed conflicts. "It's the reason why I am so concerned about Venezuela. Because in Venezuela, [one is] hard-pressed to see that Maduro

ADVISOR Q&A

What Would U.S. Budget Cuts Mean for Latin America?

Q U.S. President Donald Trump's 2018 budget proposal contains major cuts to foreign aid, including \$140 million in cuts to aid for Colombia, as well as the complete elimination of more than 60 federal programs, including the Overseas Private Investment Corporation, the Inter-American Foundation, and the U.S. Trade and Development Agency. What would Trump's cuts mean for the United States' role and relations in Latin America? How likely are these cuts to become law? What does the budget proposal say about the Trump administration's priorities for Latin America and the Caribbean?

A Fernando Cepeda Ulloa, professor of political science at Universidad de los Andes in Bogotá and former Colombian interior minister: "It's possible that the question is simply speculation, notwithstanding the importance of the proposals. I've read that the proposal arrived at Congress with a low likelihood of approval—dead on arrival. But the intention alone is very telling. It's yet another manifestation of the distinct foreign policy approach of the Trump administration. Perhaps as Moisés Naim said, 'the United States is unilaterally ceding spaces of power where until now the country had enjoyed a clear leadership.' It's a line of thought that

is not following in the same steps as Assad. We have to make sure we stop it before it gets to that point," she said. "It's supposed to be [a] democracy; it's turning into a dictatorship and that's a problem." However, Venezuelan envoy Jorge Valero told the Human Rights Council that Venezuelans have fundamental freedoms. "This [U.S.] government has no moral authority to set itself up as a universal judge of human

rights," said Valero, Reuters reported. At least 65 people have been killed and hundreds have been injured in more than two months of unrest in Venezuela. Some 3,000 have been arrested. Haley also called for Venezuela to hold elections. "There are many things that could be done to help the people of Venezuela. But they really only need one thing: a free election," she said. Maduro has called for the creation of a

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

NEWS BRIEFS

Colombia's FARC Has Handed Over 30% of its Weapons to U.N.

Colombia's Revolutionary Armed Forces of Colombia, or FARC, rebel group on Wednesday said 30 percent of its weapons had been handed over to United Nations officials, as part of the terms of the rebels' peace agreement with the Colombian government, Agence France-Presse reported. "This is the beginning of the end of our demobilizing," FARC leader Rodrigo Londoño, known as Timochenko, said in a speech. The next 30 percent are expected to have been handed over and stored by June 14, with the last 40 percent stored by June 20.

Peru Relaxes Air Quality Standards to Aid Mining

Peru on Wednesday agreed to adopt more flexible air quality standards after facing criticism from the mining sector and President Pedro Pablo Kuczynski that the standards were too strict, Reuters reported. The maximum amount of sulfur dioxide, a byproduct of smelting copper and other base metals, was raised to 250 micrograms per cubic meter per 24 hours, up from a previous 20 micrograms per cubic meter. Peru is the world's second-largest copper producer, and mining companies had previously complained that air quality standards were too strict, and that the technology required to meet the standards did not exist.

Flooding in Uruguay Displaces Nearly 3,500

Nearly 3,500 people in Uruguay have been displaced due to massive flooding, BBC News reported Tuesday. The northwest province of Salto was the worst affected, with nearly 2,000 people forced to evacuate. The Paysandú and Artigas provinces were also badly affected by the heavy rains and flooding. More heavy rains have been forecast for the coming days, which authorities worry could put more towns at risk.

"constituent assembly" to rewrite the country's 1999 Constitution, which was put in place early in the government of Maduro's late predecessor and mentor, Hugo Chávez. Maduro has said a new charter is needed to restore peace to the country, but his opponents have called the move an attempt to skirt national elections.

Brazilian Court Split on New Evidence in Temer Case

Brazil's Supreme Electoral Tribunal, or TSE, was split on Wednesday over whether to allow new evidence from plea-bargain testimony from construction conglomerate Odebrecht into a case concerning alleged illegal campaign funding for President Michel Temer that could lead to his ouster, Reuters reported. The debate

A ruling from the TSE could take weeks or even months to come to pass.

delayed proceedings in the court, which extended the trial until Friday or over the weekend, as justices held off from voting Wednesday on whether to annul Temer's election as vice president in 2014 over his alleged receiving of illicit campaign donations, The Wall Street Journal reported. A TSE vote on the matter could take weeks or even months, and Temer could appeal the ruling. The judge leading the case, Herman Benjamin, said he was in favor of accepting the plea-bargain testimony from Odebrecht as evidence in the case, saying the testimony is vital to understanding whether or not former President Dilma Rousseff and Temer received illicit funding when running for president and vice president, respectively. Judge Napoleão Nunes Maia said he would oppose the inclusion of the plea statements, saying the campaign funding case would never end if the court continued to accept new evidence from testimonies related to the corruption scandal at Odebrecht. The head of the TSE, Gilmar Mendes, also rejected Benjamin's argument, The Wall Street Journal reported. Temer has denied wrongdoing.

ECONOMIC NEWS

German Chancellor Begins Trip to Argentina, Mexico

German Chancellor Angela Merkel today begins a three-day trip to Argentina and Mexico where she has trade and climate change at the top of her agenda for discussion, Politico reported. The two issues are ones on which world leaders have repeatedly been at odds with U.S. President Donald Trump. Accompanied by a 10-person business delegation, Merkel begins her visit today in Buenos Aires and during the trip is expected to call for the completion of ongoing trade negotiations between South American trade bloc Mercosur and the European Union. She is also expected to attempt to gain support for a joint position on climate change among G-20 countries. Merkel chairs the G-20 this year and Argentine President Mauricio Macri will chair the group next year, while Mexico is also a member. "She's essentially trying to arrive at a 19-to-1 outcome on these issues," Jacob Kirkegaard, a senior fellow with the Peterson Institute for International Economics in Washington, told Bloomberg News in a telephone interview. "She's trying to isolate the Trump administration as much as possible." Merkel has called Trump's decision to withdraw the United States from the Paris Agreement on climate change "extremely regrettable."

Mexico, U.S. Announce Deal on Sugar Trade

Mexico and the United States on Tuesday announced an agreement on a contentious trade dispute, with Mexico agreeing to U.S. demands to reduce exports of refined sugar. The U.S. sugar industry has pushed for more restrictions on the Mexican sugar and opposed the deal, The New York Times reported. The U.S. sugar industry has pushed for more restrictions on the Mexican sugar and opposed the deal, The New York Times reported.

FEATURED Q&A / Continued from page 3

wrong path. Fortunately, cities, companies and other countries—especially in Latin America—are stepping up to the challenge.”

A **Arturo Sarukhan, former ambassador of Mexico to the United States:** “As has been the case now with so many other policy issues that profoundly affect the Americas—whether migration flows, border security or trade—President Trump’s argument for withdrawing from the Paris Agreement is fact-free and not supported by evidence. The narrative underpinning the decision is the strengthening of U.S. sovereignty and protecting U.S. jobs, but the likely outcome will threaten U.S. jobs and impair U.S. clout and influence. Trillions of dollars will be invested in new energy systems in the coming years, and the United States may have just ceded to other countries both economic leadership and new job opportunities in these budding industries. It’s therefore unsurprising that U.S. corporations—and governors and mayors—overwhelmingly support the United States remaining a party to the agreement. The president’s deplorable decision to denounce the agreement is an own-goal for U.S. soft power (and smart power for that), public diplomacy and nation-brand footprints abroad. It’s also a self-inflicted wound that could have far-reaching consequences for U.S. geostrategic interests and international leadership on many issues, not just on efforts to reduce greenhouse gas emissions and mitigate the national security effects of global warming and climate change, particularly if the world recommit itself, under European and Chinese leadership, to the Paris Agreement. I have always believed that nations usually face two options in a fully globalized world: you either sit at the table or you’re on the menu. That’s the conundrum Washington faces today. And for nations across the Americas—many of them biologically megadiverse countries and directly affected by climate change—that believe in the importance of this agenda,

bypassing Washington and working directly with governors and mayors in the United States, just like Mexico did in 2008 by signing agreements directly with California, will be a strategy of paramount importance.”

A **Ethan G. Shenkman, partner at Arnold & Porter Kaye Scholer in Washington and former deputy general counsel at the EPA, and Erika Norman, associate at Arnold & Porter Kaye Scholer in Los Angeles:** “First, withdrawal from Paris won’t be effective until November 2020 at the earliest because of the terms of the agreement, and it is reversible by a subsequent administration. Second, Trump’s decision is unlikely to change the fact that Latin America is a leader in renewable energy: Latin America produced 53 percent of its electricity from renewable sources (including hydropower) in 2014, while the global average was 22 percent. Chile, Mexico and Argentina have all set goals of producing approximately 20 percent of their electricity from non-hydro renewable sources by 2025. Other Latin American countries have already exceeded that goal. Nicaragua, which refused to sign the Paris Agreement because it didn’t go far enough, already gets more than half of its energy from renewable resources and plans to grow that number to 90 percent by 2020. Third, with countries such as Mexico reaffirming their ‘unconditional support for the Paris accord,’ Trump’s decision is unlikely to weaken efforts across the region to fight climate change. Although the United States is unlikely to meet its nationally determined contribution goals in the face of a continuing roll-back of Obama-era environmental policies, the fall off may not be as significant as would be expected given the efforts of states, localities and businesses to combat climate change. The impact of terminating contributions to the Green Climate Fund—which is currently funding 43 climate-related projects in developing countries including in Latin America—remains to be seen.”

LATIN AMERICA ENERGY ADVISOR is published weekly by the Inter-American Dialogue
Copyright © 2017

Erik Brand
Publisher
ebrand@thedialogue.org

Gene Kuleta
Editor
gkuleta@thedialogue.org

Nicole Wasson
Reporter, Assistant Editor
nwasson@thedialogue.org

 **THE DIALOGUE**

Michael Shifter, President
Genaro Arriagada, Nonresident Senior Fellow
Sergio Bitar, Nonresident Senior Fellow
Joan Caivano, Director, Special Projects
Michael Camilleri, Director, Peter D. Bell Rule of Law Program
Kevin Casas-Zamora, Nonresident Senior Fellow
Ariel Fiszbain, Director, Education Program
Alejandro Ganimian, Nonresident Fellow
Peter Hakim, President Emeritus
Claudio Loser, Senior Fellow
Nora Lustig, Nonresident Senior Fellow
Margaret Myers, Director, China and Latin America Program
Manuel Orozco, Director, Migration Remittances & Development
Jeffrey Puryear, Senior Fellow
Tamar Solnik, Director, Finance & Administration
Lisa Viscidi, Director, Energy Program
Denisse Yanovich, Director, Development and External Relations

Latin America Energy Advisor is published weekly, with the exception of some major U.S. holidays, by the Inter-American Dialogue
1155 15th Street NW, Suite 800
Washington, DC 20005 **Phone:** 202-822-9002
www.thedialogue.org
ISSN 2163-7962

Subscription Inquiries are welcomed at
fretrial@thedialogue.org

The opinions expressed by the members of the Board of Advisors and by guest commentators do not necessarily represent those of the publisher. The analysis is the sole view of each commentator and does not necessarily represent the views of their respective employers or firms. The information in this report has been obtained from reliable sources, but neither its accuracy and completeness, nor the opinions based thereon, are guaranteed. If you have any questions relating to the contents of this publication, contact the editorial offices of the Inter-American Dialogue. Contents of this report may not be reproduced, stored in a retrieval system, or transmitted without prior written permission from the publisher.