

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,
Monarch 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 Colombia Attract Investment for Renewables?



Banco de Comercio Exterior de Colombia, headed by Luis Fernando Castro Vergara, issued a 200 billion Colombian peso green bond to attract investment for projects that mitigate the effects of climate change. // File Photo: @LFCastroVergara on Twitter.

Q Colombia has issued a 200 billion Colombian peso, or approximately \$66.7 million, green bond, which aims to support projects that will help mitigate the effects of climate change. Banco de Comercio Exterior de Colombia, or Bancoldex, issued the five-year bond, with technical support from the Inter-American Development Bank. Does the issuance signal a shift in capital markets toward more support for green energy investment in Colombia? Will the issuance have a great effect on Colombia's renewables sector? What opportunities for investment are most promising for Colombia as it seeks to grow its renewables sector?

A Liliana Diaz, managing director of economic and financial consulting at FTI Consulting: "When it comes to climate change, it seems Colombia is ready to walk the walk. Its pledge to reduce greenhouse gas emissions by 20 percent with respect to the projected business-as-usual scenario by 2030 has catalyzed the use of sophisticated climate finance instruments in support of green-energy investment. As the region's pioneer in developing private funding sources for climate financing through green bonds, Colombia looks to set an example. Getting financial institutions to be part of a climate change strategy is not an easy undertaking. Incentives need to be aligned, and certainty about government commitment is a must. The Bancoldex green bond is the third such issuance in the Colombian financial market. Bancolombia and Davivienda, two large local banks, issued sizable peso denominated green bonds in December 2016 and April 2017 to raise 350 billion pesos (\$119.3 million) and 433 billion pesos (\$147.6

Continued on page 3

TOP NEWS

OIL & GAS

Raízen Nears Deal for Shell's Argentine Gas Station Network

Brazil-based energy company Raízen Energia is close to purchasing parent Royal Dutch Shell's Argentina gas station network for more than \$1 billion.

Page 2

RENEWABLES

China's Trina Solar Seeks to Play Larger Role in Brazil Market

The company opened an office in Brazil this year and is focusing on small-scale projects.

Page 3

OIL & GAS

Venezuela Probing Overpricing in PDVSA Contracts

Venezuela's new chief prosecutor, Tarek Saab, said he is probing overpricing in 12 oil contracts in the Orinoco belt, which he says his predecessor, Luisa Ortega, turned a blind eye to during her tenure.

Page 2



Saab // File Photo: Venezuelan Government.

OIL & GAS SECTOR NEWS

Venezuela Probing Overpricing in PDVSA Oil Contracts

Venezuela's new chief prosecutor, Tarek Saab, said he is probing "spectacular" overpricing in 12 oil contracts in the Orinoco belt, which he says his predecessor, Luisa Ortega, turned a blind eye to during her tenure, Reuters reported Thursday. "She had this case hidden in a drawer for a year," Saab said. He said preliminary investigations revealed that some \$200 million was embezzled in one case involving

« [Ortega] had this case hidden in a drawer for a year.»

— Tarek Saab

10 companies that were awarded contracts without tenders by former executives at PDVSA. He added that more money may have been involved in the scheme. PDVSA has been beset by corruption scandals in recent years, which the company has blamed on a small group of employees and executives. Last year, the National Assembly said \$11 billion was lost at the oil company between 2004 and 2014, when Rafael Ramírez was chief of the firm. He denies the allegations. PDVSA did not immediately respond to Reuters' request for comment. Saab did not accuse specific employees at PDVSA in the case. The companies Saab has accused of overpricing include Tradequip, which is owned by Venezuelan businessman Roberto Rincón. Rincón has pleaded guilty to charges tied to an ongoing investigation of bribery at PDVSA. U.S. authorities have traced more than \$1 billion to the scheme. Saab also named contractor Derwick Associates. Neither company responded to requests for comment. Venezuela's new constituent assembly fired Ortega last month after she broke with Maduro's government and attempted to block the creation of the super-

body, which has declared itself superior to all other institutions of Venezuela's government.

Raízen Nears Deal for Shell's Argentine Gas Station Network

Brazil-based energy company Raízen Energia is close to purchasing parent Royal Dutch Shell's Argentina gas station network for more than \$1 billion, two people familiar with the bidding said, Reuters reported Thursday. Raízen controls Brazil's second-largest chain of gasoline stations, and the company's non-binding bid beat out rival offers for the gas station network, including Argentina's state-run energy company YPF, Chile's Quinenco and China National Petroleum Corp's Petrochina. Shell said in a statement that it would not comment on any potential deals, and Raízen also declined to comment. Interest in Argentine assets has increased since President Mauricio Macri took office in 2015. So far this year, the value of announced mergers in Argentina has totaled \$10.847 billion, 15 times the amount for the same period in 2015. Shell put its network of 630 Argentine gas stations up for sale earlier this year as part of a \$30 billion divestment program as it looks to lower its debt levels following the company's acquisition of BG Group last year. The gas station network Raízen owns in Brazil currently uses Shell gasoline.

Venezuela's Maduro Blasts New Round of U.S. Sanctions

Venezuelan President Nicolás Maduro said the economic sanctions the United States imposed on the South American country showed that oil exports to the United States would grind to a halt, BBC reported Saturday. Maduro called the sanctions imposed on Aug. 25 by the administration of U.S. President Donald Trump an illegal act of aggression, but said "Venezuela will never surrender to any imperial power." The sanctions will, among other things, bar Vene-

NEWS BRIEFS

Petroperú to Sell \$1 Bn in Bonds in 2019

Peruvian state oil company Petroperú is planning to sell \$1 billion in bonds in 2019 in order to secure financing for the expansion of its Talara refinery, the president of the firm said Tuesday, Reuters reported. Luís García said the company is also expecting \$1.3 billion in financing for the \$5.4 billion project to come from a syndicated loan from Spain's Cesce. Petroperú sold \$2 billion in bonds to finance the expansion of the Talara refinery in June. The expansion is now 60 percent complete.

Venezuelan Minister to Visit Russia, Saudi Arabia Ahead of OPEC Meeting

Venezuelan Oil Minister Eulogio del Pino is planning to visit Russia and Saudi Arabia ahead of a meeting with OPEC and non-OPEC member states in Vienna set for Sept. 22, Reuters reported Monday, citing Russian state news agency TASS. Del Pino will meet with his Russian counterpart, Alexander Novak, during the trip, where the two plan to discuss the implementation of the OPEC+ global oil output deal as well as "the introduction of changes, if need be," the state news agency reported.

Chinese Group Agrees to Buy Peru Hydroelectric Plant From Odebrecht

A consortium led by state power company China Three Gorges Corporation has agreed to purchase a hydroelectric plant in Peru from embattled Brazilian construction conglomerate Odebrecht for \$1.39 billion, a person with knowledge of the matter said Thursday, Reuters reported. The deal is China Three Gorges' first venture into Peru. Earlier the same day, Odebrecht said it had signed a deal to sell its 456-megawatt Chaglla hydroelectric plant to the consortium, though it declined to comment on the price.

zuelan state-owned oil company PDVSA's U.S. affiliate, Citgo, from sending profits back to Venezuela's government, The New York Times reported. Maduro said the move will cost the jobs of U.S. citizens and adversely affect the investments made by U.S. companies. "We



Maduro // File Photo: Venezuelan Government.

will have no problem selling our oil to other markets," he said, BBC News reported. The U.S. sanctions restrict the trading of Venezuelan bonds sold by the government, The New York Times reported. The restrictions could make it more likely for Venezuela to default by the end of the year. The sanctions stopped short of prohibiting imports of Venezuelan oil to U.S. refineries, which U.S. refiners have lobbied to prevent. Refiners have argued that prohibiting the importation of Venezuelan oil would raise fuel prices, lower profit margins and potentially cost jobs. The Trump administration previously sanctioned several officials, including Maduro himself, over his government's creation of the country's powerful new constituent assembly and the jailing of opposition leaders.

RENEWABLES NEWS

China's Trina Solar Seeks to Play Larger Role in Brazil Market

China's Trina Solar, the world's largest producer of solar panels, aims to become a major player in Brazil, despite the challenging economic scenario as the country struggles to emerge from its worst recession on record, the Latin American chief for Trina Solar said, Reuters reported Friday. "The market for distributed

generation is enough to make this sector very attractive and it is not subject to the uncertainties we've seen in the official rounds [for licensing large projects]," said the executive, Álvaro García-Maltrás. The company opened an office in Brazil this year and is focusing on small-scale projects, such as placing solar panels on residential and business rooftops. The company has decided against manufacturing solar panels in Brazil, planning instead to import panels from China, said García-Maltrás. He added that he instead sees the market for small-scale solar generation facilities doubling every year in Brazil for the next three or four years, with greater demand for solar equipment from this sector rather than from large solar parks.

FEATURED Q&A / Continued from page 1

million), respectively, in order to underwrite sustainable projects in renewable energy, energy efficiency, biodiversity conservation, clean transport and climate change adaptation, among others. The issuance of green

“Getting financial institutions to be part of a climate change strategy is not an easy undertaking.”

— Liliana Diaz

bonds followed the unveiling by Colombia's National Planning Department of a coherent strategy for green financing at the Climate Finance Colombia conference in November 2016. This forum, already in its third edition, gathers government, business and national and multilateral banking institution representatives to talk about climate financing. It is perhaps this institutional structure that permits a dialogue among state, business, non-profit and multilateral actors, aiming to outline, coordinate and carry out climate-financing initiatives. Besides providing training to 14 local banks in environmental

Enel's Brazil Unit Begins Operations at Bahia Wind Farm

The Brazilian unit of Italian energy company Enel Green Power has initiated commercial operations at the 180 megawatt Delfina wind farm in Bahia State, ReNews reported Thursday. The \$400 million project was financed by Enel and a loan from the Brazilian Development Bank. Enel Green Power Brasil Participações' country manager, Carlo Zorzoli, said Brazil is a "leading contributor to the group's growth in renewables."

financing, Bancoldex already has a sizable green investment portfolio and has established credit lines for energy-efficiency projects in hotels, clinics and hospitals, and for the purchase of hybrid or electric buses for Bogotá's Integrated Transportation System. Thus, the successful Bancoldex bond issuance, oversubscribed by two and a half times, is expected to have a positive impact for green investment in Colombia."

A Joel Ross, Americas analyst at risk analysis firm Verisk Maplecroft: "At \$66.7 million, this bond is a small fry in the context of Colombian capital markets as a whole. It's also the first green bond ever issued by the country, so it would be a stretch to say that this is the beginning of a trend. That said, the bond was heavily oversubscribed (by two and a half times), signaling that there is a healthy appetite for this type of bond. Given the relatively small size of the bond, it will not have a drastic impact on the renewables sector, but it may spark a wave of both domestic and foreign investment in the sector over the next five years. It should be noted that the government's drive toward renewable energy started a few years ago, including a new renewables law in 2014 and a 2015 decree which offered tax incentives.

Continued on page 6

POLITICAL NEWS

Colombia's FARC Announces New Name, Political Goals

The disarmed Revolutionary Armed Forces of Colombia, or FARC, on Thursday announced its new name and its policy priorities as it relaunches as a political party, Reuters reported. The group will keep the acronym FARC, but will now be known as the Revolutionary Alternative Common Force. The former rebels, who signed a peace agreement with Colombia's government last November to end its half-century armed conflict, selected the new name in a vote during a conference at which they discussed the future of their new political party. The group also unveiled its new logo, a

“Transparency and truth will guide the actions of the new party.”

— FARC

red rose with a star in the middle, and its policy goals. The FARC said its political objectives would include the fight against corruption and promoting culture and the arts, Reuters reported. “No more traditional political parties and their corrupt policies. Transparency and truth will guide the actions of the new party,” the FARC said. “Youth, women, indigenous people, rural farmers, Afro-Colombians, artists, the LGBTI population, housewives, students, workers and the unemployed - everyone's opinion matters.” Under its peace accord with the government, the FARC will be allocated 10 seats in Congress through 2026 and can campaign for others. The FARC's disarmament process recently concluded, and last month the final container of weapons collected in that process was handed over to United Nations officials who were overseeing the disarmament. [Editor's note: See [Q&A](#) on the FARC's political future in Colombia in the Aug. 11 issue of the Advisor.]

Guatemala's Morales Barred From Expelling Prosecutor

Guatemala's Constitutional Court on Tuesday ruled that President Jimmy Morales cannot expel the head prosecutor of the U.N.-backed

International Commission against Impunity in Guatemala, or CICIG, from the country, the Associated Press reported. Morales had named Iván Velásquez persona non grata two days after Velásquez and Guatemala's chief prosecutor announced they were seeking to void Morales' immunity from prosecution in order to investigate the president for alleged illegal campaign financing. The country's top

ADVISOR Q&A

How Is the NAFTA Renegotiation Faring?

Q Today in Mexico City, negotiators from the three NAFTA member countries begin their second round of talks to renegotiate the trade accord. The talks kicked off Aug. 16 in Washington with U.S. Trade Representative Robert Lighthizer saying that the 1994 pact has “failed many, many Americans.” What did negotiators achieve in the first round of talks, and what are the biggest issues to be addressed in round two? Which countries or sectors have the upper hand at this point? Is the timeline for negotiations on track to conclude before political campaigns heat up in Mexico and the United States next year?

A Andrés Rozental, president of Rozental & Asociados in Mexico City and senior policy advisor at Chatham House: “The NAFTA ‘renegotiation’ is underway, but there are still many doubts and outstanding issues that surround the substance of the process, as well as the rhetoric by President Trump, who continues to badmouth the agreement and badger Mexico about paying for his ridiculous wall. To some extent, this poisons the atmosphere for serious negotiations and led Mexico's foreign and economy ministers to travel to Washington on Aug. 30 to speak to U.S. cabinet members and White House officials to try to keep Trump's tweets out of the negotiations. The first meeting a few weeks ago in Washington was more of a

get-acquainted round and an initial statement by the three partners of their basic positions and wish lists. The second round begins today in Mexico City and will see 23 sector-specific working groups begin their discussions. There are various issues that appear to be difficult to get agreement on: rules of origin, dispute settlement provisions, intellectual property regulation, labor and environmental provisions, as well as some proposals put on the table by the United States that are, in my opinion, frankly non-starters for both Canada and Mexico, like indigenous rights and minimum-wage provisions. On the Mexican side, Economy Minister Guajardo has been increasingly predicting a hard road ahead and the need for a ‘Plan B,’ which would essentially see NAFTA out of the picture and a trading relationship with the United States based on WTO most-favored-nation tariffs. Even though both Mexico City and Washington would like these negotiations to be agreed and initiated by early next year before electoral events scheduled for 2018, it seems to be difficult, if not impossible, to meet such a timeline, given all the issues that the three governments have put on the table.”

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

NEWS BRIEFS

Mexico and Canada to Remain in NAFTA Even if U.S. Withdraws: Guajardo

Mexican Economy Minister Ildefonso Guajardo said Thursday that Mexico and Canada will remain in the North American Free Trade Agreement, or NAFTA, regardless of whether U.S. President Donald Trump decides to withdraw from the accord, Reuters reported. "NAFTA will continue to regulate the relationship between Mexico and Canada," Guajardo said. Representatives of the three countries begin meeting today in Mexico for their second round of talks on renegotiating the trade accord.

Colombia's Central Bank Cuts Overnight Interest Rate

Colombia's central bank cut its overnight rate by 25 basis points to 5.25 percent on Thursday, marking the seventh month in a row that Colombia has loosened its monetary policy in order to boost economic growth amid low inflation, the Financial Times reported. The bank has cut the key interest rate by 225 basis points since the beginning of this year, though analysts say they expect August's cut to be the last in the easing cycle as the economy strengthens.

Mexico's Red Cross Sends Volunteers to Houston in Wake of Hurricane Harvey

Mexico's Red Cross sent volunteers to Houston on Wednesday to help in the wake of Hurricane Harvey, just hours after Texas Governor Greg Abbott said the state had accepted an offer from the Mexican government to receive disaster aid, including vehicles and boats, Reuters reported Thursday. At least 25 people have died, and tens of thousands of people have been displaced due to the damage caused by Harvey. Aid from Mexico's Red Cross is separate from government-provided aid.

court later on Sunday suspended the order, and on Tuesday it blocked Morales' declaration of Velásquez as persona non grata, saying the order was issued improperly. Morales' decision to expel Velásquez from Guatemala was met with disapproval from many Guatemalans, who are supportive of CICIG and local prosecutors



Velásquez // File Photo: CICIG.

for their efforts at curbing corruption, including helping to push former President Otto Pérez Molina to resign over corruption charges. Earlier Tuesday, U.N. Secretary General António Guterres said he was shocked by Morales' move and said he had full support for Velásquez. Morales originally defended his decision to expel Velásquez, but eventually ceded to the court, writing on his Facebook account that "as president of the republic I have and will respect the decisions of the other branches of government. The rule of law should always prevail."

ECONOMIC NEWS

Brazilian Judge Halts Plan to Open Part of Amazon to Mining

A Brazilian federal judge has temporarily halted a plan by President Michel Temer to allow mining in a large part of the Amazon forest, The New York Times reported. The judge ruled Tuesday that the executive branch had exceeded its authority by revoking the designation of the 17,700-square-mile region as a protected area via a presidential decree, saying that only Congress could rescind the designation. The ruling came after the government earlier this week responded to criticism over the original

decree by retracting the decree and reissuing it with more details about other protections that will stay in place for the area after the government abolishes the National Reserve of Copper and its Associates, or Renca, designation for the area, Reuters reported. Environmental activists had denounced the plan as being potentially disastrous for the region, believing it would quicken the development that has crowded the rain forests and accelerate the deforestation and displacement of native people living on the land. The government has argued that by legalizing regulated mining in the area, the government will be able to curb illegal gold mining and create new jobs. The Temer administration has said it will appeal the federal judge's decision. [Editor's note: See related [Q&A](#) in the Aug. 4 issue of the Advisor.]

Mexico Raises Growth Forecasts For This Year

Mexico's central bank has raised its growth forecasts for this year and next year and said that high inflation may have reached its peak, the Financial Times reported Wednesday. In its second-quarter inflation report, the Bank of Mexico said the "balance of risks for growth has improved due to the perception that the probability of the most extreme downside risks materializing has diminished." The bank raised its growth forecast for this year to between 2 percent and 2.5 percent, up from the previously projected 1.5 percent to 2.5 percent. Next year's forecast is between 2 percent and 3 percent, up from an earlier forecast of between 1.7 percent and 2.7 percent. The bank said that inflation, which remains above 6 percent, is likely to stay at that level in the coming months, but that "this appears to be reaching its ceiling." Factors that may negatively affect Mexico's economy include uncertainty over the renegotiation of the North American Free Trade Agreement, which may lead to delayed investment decisions, as well as a renegotiated agreement that is not favorable to Mexico, or the cancellation of NAFTA. [Editor's note: See [Q&A](#) on Mexico's goals in the NAFTA talks in the Aug. 15 issue of the Advisor.]

FEATURED Q&A / Continued from page 3

However, a number of obstacles, including an overreliance on large-scale hydropower and the fact that less than half the country is connected to the national grid, have deterred

“It would be a stretch to say that this is the beginning of a trend.”

— Joel Ross

investment thus far. However, the peace deal with the FARC may open up previously inaccessible areas of the country to renewable energy investment. Other initiatives, such as the Colombia Clean Energy Program (CCEP) will also help steer the country toward a more efficient and sustainable energy mix in the future. The best opportunities are likely to be found in wind and solar energy, given that Colombia boasts high average solar irradiance and wind speeds.”

A **Álvaro José Rodríguez, partner and leader of the Energy and Natural Resources Practice Group at Posse Herrera Ruiz:**

“The issuance definitely signals a shift in capital markets toward more support for green energy investment in the country. We believe this and other recent issuances, in-

cluding Bancolombia and Davivienda’s green bonds, signal a clear interest by capital markets in supporting green energy and other sustainability projects. One of the limitations of these types of projects has been the lack of financing tailored to their specific needs. The amounts are still relatively modest, but we feel that there is a clear trend that responds to public and business sentiment in favor of sustainable projects, particularly those aimed at achieving greenhouse gas emissions in the context of the Paris Accords. The issuance will contribute to strengthening the interest in the Colombian renewables sector, where Colombia is trying to catch up with other countries in the region. The tax incentives for renewable power generation and energy efficiency created by Law 1715 of 2014 have created a considerable appetite for these projects. Also, specific actions by the government, such as the opening of a tender for a new 500-kilovolt line to transmit power from proposed wind projects in the Guajira region (where the wind resource is world-class) appear to signal that this sector is finally ready to take off in Colombia. The only thing that is needed now is the implementation of proposed changes to the energy markets, intended to facilitate the incorporation of renewable sources, particularly wind and solar.”

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

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
freetrial@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.

LATIN AMERICA ADVISOR

Financial Services Advisor

The answers to questions that informed executives are asking.

SUBSCRIBE