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FEATURED Q&A

Can Argentina Keep Pace With Its Renewables Sector?



Argentine Energy Minister Juan José Aranguren said recently that the country does not have sufficient transmission infrastructure to transport renewable energy. // File Photo: Argentine Government.

Q Argentina's next renewable energy auction in November will be for half the capacity of last year's auction, due to insufficient transmission infrastructure limiting the ability to reach areas most suited for wind and solar power generation, Energy Minister Juan José Aranguren said recently. What should Argentina do to keep pace with its growing renewables sector? Is the government paying adequate attention to its renewables sector, or is it too focused on other energy-sector projects, such as developing the Vaca Muerta shale play? Which projects should the government prioritize as it looks to increase its transmission infrastructure?

A Marcos Patrón Costas, partner at Allende & Brea Energy and co-head of the firm's Energy & Natural Resources practice in Argentina: "The development of Argentina's renewables sector is a policy that has spanned different administrations.

It was originally launched under the Fernández administration, and it has been completely revamped by President Macri's administration. Argentina is on the right path and is doing almost everything at hand to keep the pace of its growing renewables sector, trying to provide as much certainty as possible and clear rules to all the players involved. The main challenge the whole power sector faces, including the renewable industry, is the availability of transmission capacity in the transmission grid, which needs to be incremented in order for all the different types of projects that are currently under construction or being planned to be able to deliver the power produced once they reach commercial operation date. The government is fully aware of this issue and it is putting in place the right

Continued on page 3

TOP NEWS

OIL & GAS

Brazil's Rousseff, Lula Charged in Petrobras Scandal

Chief prosecutor Rodrigo Janot alleged that eight members of the Workers' Party, including former Presidents Luiz Inácio Lula da Silva and Dilma Rousseff, had committed crimes involving state-run oil company Petrobras.

Page 2

POWER SECTOR

Banco do Brasil Plans to Sell Stake in Neoenergia

Banco do Brasil plans to sell its 9 percent stake in Brazilian power utility Neoenergia, which is working on an IPO soon.

Page 2

OIL & GAS

Mexico's AMLO Vows to Review Oil Contracts if Elected

Mexican presidential hopeful Andrés Manuel López Obrador said in a speech in Washington that he would review the oil contracts that were signed after the country's historic oil-sector reforms.

Page 2



López Obrador // Photo: Wilson Center.

OIL & GAS SECTOR NEWS

Mexico's AMLO Vows to Review Oil Contracts if Elected

Mexican presidential hopeful Andrés Manuel López Obrador said Tuesday in a speech in Washington that he would review the oil contracts that were signed after the country's historic oil-sector reforms, Reuters reported. López Obrador, widely known as AMLO, did not specify how he might intervene in the contracts if elected, but he said he did not trust those who had agreed to the deals on the country's

“Everything related to Pemex must be public business—their profits are for the Mexican people, and we must look after them.”

— Andrés Manuel López Obrador

behalf. “We are not going to act in an arbitrary way, we are going to be respectful of the law, but we will review the contracts,” López Obrador said at an event co-sponsored by the Inter-American Dialogue and the Wilson Center. “Everything related to Pemex must be public business—their profits are for the Mexican people, and we must look after them. It is not an ideological matter, it is not a political matter.” Mexico's crude oil production amounts to about two million barrels per day, down from a high of 3.4 million in 2004. The oil sector reforms of 2013 and 2014 gave private investors the opportunity to participate in oil exploration and extraction, and officials said oil output would gradually increase following the reforms. The overhaul has not lived up to its promise, said López Obrador. The presidential candidate said his plan for Mexico's oil industry included a stimulus for refining through modernizing six Pemex refineries. He added that Mexico should build two more refineries to reduce dependence on imported gasoline. AMLO's comment

comes after Mexico's top NAFTA negotiator, Kenneth Smith, said Saturday that U.S., Canadian and Mexican negotiators are looking for ways to make sure Mexico's reforms to its energy sector, which were enacted in 2014, are preserved in the updated North America Free Trade Agreement, Reuters reported. Negotiators are hoping to preserve the changes made through the reforms by incorporating them into the agreement, protecting the reforms from any reversals by future administrations. “We're working in this sense, analyzing all of the elements that need to be included in the energy discussion to reflect the reform Mexico established,” Smith said, following a bargaining session during the second round of renegotiation talks. When NAFTA was first enacted in 1994, Mexico's energy sector was closed to outside investors. Both Mexican and U.S. trade experts have said that an increase in energy trade and investment through NAFTA would help to reduce the \$64 billion U.S. trade deficit with Mexico, in part through an increase in U.S. gas and oilfield equipment sales to Mexico.

Brazil's Rousseff, Lula Charged in Petrobras Scandal

Former Brazilian Presidents Luiz Inácio Lula da Silva and Dilma Rousseff, as well as other members of their Workers' Party, were charged Tuesday with forming a criminal organization, corruption and money laundering in connection



Rousseff // File Photo: Brazilian Government.

to the “Operation Carwash” corruption probe, Reuters reported. Chief prosecutor Rodrigo Janot alleged that eight members of the Workers' Party, or PT, including Lula and Rousseff,

NEWS BRIEFS

Banco do Brasil Plans to Sell Stake in Neoenergia

State-controlled Banco do Brasil plans to sell its 9 percent stake in Brazilian power utility Neoenergia, which is working on an initial public offering in the coming months, Reuters reported Sept. 1. In a securities filing on Sept. 1, Banco do Brasil said both management and board members have authorized Neoenergia to begin the procedures for the IPO. The IPO could value the company at approximately 35 billion reais, Reuters reported in July.

Sale of Peru Hydro Plant Hinges on Debt Deal: Minister

Chinese state-owned power company China Three Gorges said it will only buy a Peruvian hydroelectric plant from scandal-plagued Brazilian construction conglomerate Odebrecht if Odebrecht uses the revenue from the sale to pay the project's debts, Peru's justice minister said Tuesday, Reuters reported.

Enel Green Power Begins Construction at Its First Wind Park in Peru

Italy-based energy company Enel has announced the start of construction at the Wayra I wind farm in Peru, the company's first in the South American country, CNBC reported Tuesday. The wind farm will be built by Enel subsidiary Enel Green Power Peru. The first wind turbines are being installed at the project, which will have 132 megawatts of capacity through a total of 42 wind turbines upon completion. It is expected to produce 600 gigawatt hours annually, equivalent to the energy demands of more than 480,000 Peruvian homes, and to offset 288,000 metric tons of carbon emissions annually. The project will require an estimated \$165 million in investment from Enel Group. The wind farm is expected to begin operation in the first half of next year.

had committed crimes involving state-run oil company Petrobras. They are also charged with embezzling some \$500 million between 2002 and 2016 and with using state-run companies to pocket taxpayer money, The Wall Street Journal reported. The charges are the first criminal charges made against Rousseff, who was impeached in 2016 on accusations of breaking budgetary laws, Reuters reported. Lula stands accused of leading the scheme. Lula's attorney said the law was being misused to persecute the former president, and Lula wrote on his Facebook page that the charges are a groundless political action, The Wall Street Journal reported. The PT said in a statement that the charges were unfounded and were being used to distract from other investigations, including one targeting a former federal prosecutor, Reuters reported. A representative of Rousseff said Janot's office had provided no evidence. Lula is currently appealing a corruption conviction that would bar him from running for president in 2018. He is also facing four other corruption trials.

Venezuela Arrests Nine PDVSA Executives

Venezuelan officials arrested the head of state oil company PDVSA's western region, as well as eight other executives at the firm, according to an internal company memo and sources in



Saab // File Photo: Venezuelan Government.

Venezuela's oil industry, Reuters reported Tuesday. The motive for arresting Gustavo Malavé and the eight other employees is not immediately clear, though a number of corruption probes are currently underway at PDVSA and

have already ensnared other employees. The arrest comes less than a week after Venezuela's new chief prosecutor, Tarek Saab, said he would be investigating "spectacular" overpricing in a dozen contracts at the company. Last year, the opposition-led national assembly said some \$11 billion was lost at PDVSA between 2004 and 2014, when Rafael Ramírez headed the company, though he has denied the allegations. The company's reputation has been tarnished in recent years by corruption scandals that have involved high-level staff. The company blames the corruption on a small group of employees and executives.

FEATURED Q&A / Continued from page 1

incentives to make the expansion of the transmission grid a reality. With respect to the Argentine energy matrix and the debate regarding the focus of the government on the Vaca Muerta shale play versus the renewable industry, I think the government is developing a good balance between the two, and it cannot be said that it is favoring one sector over the other. However, I think that we will be able to see the results in the renewables sector sooner than in Vaca Muerta, due to the natural differences in how investment in the two sectors develops, matures and shows results."

A **Pablo Ferrara, of counsel at Estudio O'Farrell in Argentina and Wöss & Partners Mexico, and consultant to the Frente**

Renovador Party in Argentina: "Contrary to the minister's statement, some European engineers have asserted that Argentina's transmission infrastructure is fine. What could have led authorities to cut by half the government's power capacity auction? Could it be that they are clueless of the number of wind and solar farms that are set to be operative in due time? Could it be that bidders were not truly financially capable, and the state does not want to provide warranties? For, in the end, who received the famous 'sovereign warranty'? Well, as Francis Urquhart would say: 'You might very

RENEWABLES NEWS

Spain's Soltec to Provide Trackers to Brazil Solar Project

Spain-based Soltec on Wednesday said it would be supplying 38 megawatts of solar trackers to Brazil's Assuruá solar power plant in Bahia State, PV-Tech reported. The trackers are set to be delivered in two months, and approximately 60 percent of the equipment will be supplied by Brazilian sources. The

well think that. I couldn't possibly comment.' Now, regarding renewables policy dos and don'ts, transparency and professionalism are always top-rated qualities for European funding partners, who are not keen on high-risk investments. In this sense, Vaca

“**Transparency and professionalism are always top-rated qualities for European funding partners, who are not keen on high-risk investments.**”

— Pablo Ferrara

Muerta remains a noncomparable option to renewables in Argentina, being that shale/tight costs-benefits are still awkward in relation to power (high investment due to lack of local technology, high labor cost, low international barrel price, decreasing price of 'barril criollo,' rearrangement of power tariffs). Last, specialists say there is no need to obsessively turn into a renewables energy matrix. Of course, it is a policy choice and an international obligation in order to meet COP21 goals. Nevertheless, conventional sources—not necessarily so polluting (e.g., hydro or gas) should always be part of an

Continued on page 6

project is being developed by Soltec's partner, Quebec Energy. Once completed, the project is expected to produce 78 gigawatt-hours of energy per year, which is equivalent to the energy consumption needs of approximately 38,200 Brazilian households.

POLITICAL NEWS

At Least 10 Dead as Hurricane Irma Tears Through Caribbean

At least 10 people have been killed as Hurricane Irma, a powerful Category 5 storm with sustained wind speeds of 180 miles an hour, tore through the Caribbean, leaving widespread destruction in its wake, BBC News reported Thursday morning. The prime minister of

“It's absolute devastation.”

— Gaston Browne

Antigua and Barbuda, Gaston Browne, said 95 percent of the buildings on Barbuda had sustained damage. “It's absolute devastation,” Browne said after surveying damage by air. “The island is literally under water. In fact, I'm of the view that, as it stands now, Barbuda is barely habitable.” The hurricane rendered half of the island's population homeless, and it will cost some \$100 million to rebuild, said Browne. At least one person, a child, was killed during the storm in Barbuda, which is home to approximately 1,600 people. The country's larger island, Antigua, has a population of about 80,000 and escaped major damage with no reported deaths, Browne added. Officials on the islands of St. Martin and Saint Barthélemy, commonly known as St. Barts, reported eight deaths. “It's an enormous catastrophe,” said Daniel Gibbs, a top local official in St. Martin. “Ninety-five percent of the island is destroyed.” The airport in the island's Dutch section, Sint-Maarten, sustained heavy damage, officials said. The airport is the Caribbean's third-largest. “The picture is of many uprooted trees, houses without roofs

ADVISOR Q&A

Has Guatemalan President Jimmy Morales Undermined His Own Agenda ?

Q Guatemala's constitutional court ruled last week that President Jimmy Morales cannot expel Iván Velásquez, the head of the U.N.-backed anticorruption commission in the Central American country. Morales had ordered Velásquez's expulsion after he backed an investigation into alleged funding irregularities in Morales' presidential campaign. What does the episode reveal about Morales' government and the work of the anticorruption commission, CICIG? What do the resignations of top cabinet officials, including the foreign minister, mean for Morales' administration and the president's ability to make progress on his agenda? Will the episode affect the extent to which CICIG can carry out future investigations without government interference?

A Salvador Paiz, president of Funsepa and vice president of Fundesa in Guatemala City: “CICIG is a unique experiment that has proven to be a valuable tool in our fight against corruption and impunity. However, as the African saying goes, ‘when the elephants fight, it's the grass that gets trampled.’ The current conflict between President Morales and the commissioner, broadcast on the international media stage, is not positive for our country. The undeniable theatrics of presenting impeachments the day before President Morales' March visit with U.S. Vice

President Pence, which was subsequently declared without merit, and at the exact moment that he is presenting his observations on CICIG's work to Secretary General Guterres, cannot be ignored. If CICIG is to be replicated in other Latin American countries, all stakeholders would do well to listen to recommendations on how to improve upon the initial experiment. At this point, it is not about who is right, but rather about how we find a solution to alleviate the current conflict. The Constitutional Court resolution itself points to Article 12 of the United Nations accord as the established mechanism to resolve controversies that might arise among the parties. Systemically entrenched corruption also requires a systemic approach to its removal. Fundesa's criminal justice process flow analysis represents a valuable tool for informed decision-making. Among other strategies, our focus must shift from the accusatorial to the judicial, which is where the procedural bottlenecks lie. The fight against corruption and impunity must continue stronger than ever as it represents a necessary, albeit insufficient, condition to our development as a country.”

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

and pleasure boats on land,” the Dutch defense ministry said of the damage on the island. The Netherlands' navy dispatched two ships from Aruba and Curaçao in order to help locals on the island, but they were unable to dock, according to Dutch media reports. “The island is not reachable at this point because of the huge damage to the airport and the harbor,” said

Dutch Prime Minister Mark Rutte. One death was also reported on the island of Anguilla, according to a local official. Heavy rains and winds also lashed Puerto Rico, cutting off power to more than half of the island's residents. Officials on the U.S. territory said they could be without electricity for several days. As of 8 a.m. Eastern Time on Thursday, Hurricane Ir-

NEWS BRIEFS

Venezuelan Opposition Leaders Meet With Germany's Merkel

German Chancellor Angela Merkel expressed her support for Venezuela's National Assembly and for the Venezuelan people, said Julio Borges, the leader of the opposition-led National Assembly, in a post on Twitter following a meeting with Merkel on Wednesday, Deutsche Welle reported. During the meeting, Merkel spoke with Borges and National Assembly Vice President Freddy Guevara about the future of Venezuela's democracy as the country struggles through its political and economic crises. The Venezuelan opposition leaders have been traveling to several European countries in recent days.

Trump Orders End of Protections for Some Undocumented Migrants

U.S. President Donald Trump on Tuesday ordered the termination of the Deferred Action for Childhood Arrivals, or DACA, program, which shields young undocumented immigrants from deportation, and he urged Congress to pass a replacement for the program before the government starts phasing out DACA's protections in six months, The New York Times reported. The policy allows undocumented immigrants who arrived in the United States as children to apply to work legally without fear of deportation.

Brazil's Central Bank Cuts Key Interest Rate Full Percentage Point

Brazil's central bank cut its benchmark interest rate by one full percentage point from 9.25 percent to 8.25 percent as prices rose by their slowest rate in 20 years, The Wall Street Journal reported Wednesday. The bank signaled a smaller cut to the Selic rate would be likely during its next monetary policy meeting.

ma's eye was located 110 miles north of Punta Cana in the Dominican Republic and moving west-northwest at 17 miles an hour. The storm could hit the U.S. mainland on Sunday, making landfall in Florida. Another strong storm, Hurricane José, gained strength on Wednesday in the Atlantic. As of 8 a.m. Eastern Time on Thursday, José was located 815 miles east of the Lesser Antilles and was moving west-northwest, with maximum sustained winds of 90 miles an hour.

Pope Francis Arrives in Colombia for Five-Day Visit

Pope Francis arrived Wednesday in Colombia to begin a five-day visit to show his support for the country's peace process following the government's signing of its peace accord with the FARC rebels last November, The Wall Street Journal reported. The pope was greeted by President Juan Manuel Santos, First Lady María Rodríguez and the apostolic nuncio to Colombia, Ettore Balestrero, at the air base



Colombian President Juan Manuel Santos and First Lady María Rodríguez greeted the pope on his arrival in Bogotá. // Photo: Colombian Government.

next to Bogotá's international airport. Francis was handed a porcelain white dove, a symbol of the country's peace process, after descending from the plane. The pope said during his flight that he considered the visit to the South American country "a little special because it's a trip to also help Colombia to get ahead in its path of peace." Francis is scheduled to pray for victims of violence in Bogotá today, and on Friday he will have a prayer meeting in Villavicencio, a town that was once overrun with guerrilla groups. He also plans to visit Medellín and Cartagena, two cities that have

been deeply affected by violence committed by members of drug cartels. Many in the cities the pontiff plans to visit oppose Santos' handling of the peace agreement, believing it was too lenient on the guerrillas. The most prominent opponent of the peace agreement, former President and current Senator Álvaro Uribe, wrote a letter to the pope saying the rebels enjoyed "total impunity," which he said would lead to more crimes. There was no immediate public response from the Vatican.

ECONOMIC NEWS

Chilean Finance, Economy Ministers Step Down

Chile's finance minister and economy minister, as well as the undersecretary of finance, resigned Aug. 31, delivering a blow to President Michelle Bachelet's center-left coalition less than three months ahead of the country's presidential election, Agence France-Presse reported. Finance Minister Rodrigo Valdés broke with Bachelet over a falling out with her over pension reforms and a controversial mining project. Economy Minister Luis Felipe Céspedes and the undersecretary of finance, Alejandro Micco, also announced their resignations on Thursday. The departures came 10 days after a committee of cabinet members rejected a proposal for the controversial \$2.5 billion Dominga copper mining project, which was led by private Chilean conglomerate Andes Iron. The project had split Bachelet's coalition. Valdés said some members of Bachelet's administration did not share his sense of urgency in spurring growth and attracting investment to the country, Reuters reported. "Sustained movement toward higher growth levels requires discipline and government commitment, and room so the private sector can launch initiatives with clear and stable rules," he said after resigning, AFP reported. "I didn't manage to get everyone to share that belief." Céspedes did not respond to questions as to why he stepped down, and Micco's office declined to comment on the reasons for his departure.

FEATURED Q&A / Continued from page 3

energy matrix in order to ensure energy security. If environmental concern is among the terms of discussion, then I think efficient use of energy should become a stronger variable to consider.”

A **Tomás Lanardonne, partner at Buenos Aires-based law firm PAGBAM:** “Rather than incentivizing public auctions in which the state is the off-taker, the Argentine government should instead focus on normalizing the power sector as a whole, which would indirectly foster investments in renewable energy projects for corporate power-purchase agreements (PPAs). By ‘normalizing’ I mean setting out a ‘route’ and a ‘destination’ of the wholesale electricity market (WEM). Today, the renewable energy market is in a regulatory vacuum, isolated from the general WEM. But now we should start focusing in the mid or long term. For instance, the spot price does not reflect the marginal cost of electricity. Will Argentina return to a marginal cost system? The government through Undersecretary Sebastián Kind is doing a fine job. In particular, it has been able to balance the requests of the renewable energy players and the oil and gas players. In fact, I think this is one of the greatest successes of the Ministry of Energy. They see shale gas from Vaca Muerta as a ‘bridge’ to an era in which renewable energy leads the energy mix, particularly in a country such as Argentina, in which more than a 50 percent of our mix is fueled by natural gas. As for the renewable energy sector, it called

three very important public auctions with a quite bankable PPA, it finally established the rules for developing a corporate PPA market, it created tax benefits and, as I said before, it isolated the renewable energy business from the pitfalls and crisis of the general WEM. In the case of Vaca Muerta, the government

“**Today, the renewable energy market is in a regulatory vacuum...**”
— Tomás Lanardonne

introduced a ‘contract-for-differences’ scheme that guarantees a minimum price for shale or tight gas; it pushed for an amendment to the collective bargaining agreement between oil companies and oil workers that slashes labor costs; it eliminated export taxes on hydrocarbons; it is overhauling the import regime for equipment and consumables required to develop oil fields; and it is investing heavily to improve the roads and railways connecting Vaca Muerta’s fields with the supply chain and domestic market. The government should prioritize the more efficient projects from an ‘energy return on investment’ perspective.”

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

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