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FEATURED Q&A

How Resilient Is the Caribbean Basin's Energy Sector?



The U.S. military is pictured performing a rescue mission on St. Thomas in the U.S. Virgin Islands amid the damage caused by Hurricane Irma. // File Photo: U.S. Army National Guard.

Q Natural disasters have ripped through the Caribbean and Central America in recent weeks, from Hurricane Irma in the Caribbean to an earthquake off the coast of Mexico that extended into Guatemala. In Puerto Rico alone, Irma is expected to leave areas of the island without electricity for months. Is the Caribbean Basin's energy infrastructure adequately prepared for natural disasters? What would it take to make power infrastructure in such a disaster-prone region more resilient to natural disasters?

A Wilfredo C. Flores, full researcher and professor in the department of energy engineering at the Universidad Tecnológica Centroamericana (UNITEC) in Tegucigalpa: "The current infrastructure of the energy power sector in Central America and the Caribbean is not prepared to deal with natural disasters, such as hurricanes and earthquakes. In Central America, Costa Rica has the most reliable electrical power grid, but the rest of the countries still need to make huge investments to increase resilience to natural events. In the region, despite being interconnected electrically, there are problems with regional outages, small signal oscillations and a lack of investment in transmission and reactive power support to increase energy transfers between countries. It is also necessary to implement regional protections in order to avoid regional blackouts. From the point of view of oil and gas supply, the region is also very vulnerable. For example, the Central American region does not have the necessary fossil fuel storage facilities in case of contingencies, which could cause a lack of supply for a long period. Governments need to act together to address short- and medi-

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TOP NEWS

OIL & GAS

Venezuela to Use Currencies Other Than USD for Oil

Venezuelan President Nicolás Maduro announced that his government will sell oil and other commodities in currencies other than the dollar.

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POWER SECTOR

Enel, ENAP Inaugurate First Geothermal Plant in South America

Italy-based Enel and Chilean state power company ENAP on Tuesday inaugurated the first large-scale geothermal power plant in South America.

Page 2

OIL & GAS

University of West Indies to Build Own LNG Plant

The University of the West Indies, Mona is planning to lower energy costs by about \$2.73 million annually by building and operating its own liquefied natural gas plant, university official Paul Aiken said.

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Aiken // File Photo: University of West Indies.

OIL & GAS SECTOR NEWS

Brazil Says 17 Firms Registered for Pre-Salt Oil Auction

A total of 17 companies have registered to take part in the two rounds of bidding set for Oct. 27 to explore pre-salt oil areas in Brazil, Oil and Gas Secretary Márcio Félix said Thursday, Reuters reported. The government is looking to award new exploration licenses as part of a push to attract private investment and spur economic growth. Next month's bidding rounds will include some of the world's most promising oil blocks, located in Brazil's pre-salt area, which is said to contain blocks of high-quality and high-commercial value oil. The firms will be able to bid on eight blocks in the Santos and Campos basins through production-sharing contracts. Brazil also is planning to auction off licenses to explore oil reserves in the "Transfer of Rights" area, which is currently being operated by state oil company Petrobras, in the first half of next year. The company has the rights to more than five billion barrels of oil in the Transfer of Rights area, which is also located in pre-salt areas. Félix estimates there are another 10 billion barrels in the region.

Venezuela Plans to Sell Oil in Currencies Other Than Dollar

Facing tough new sanctions from Washington, Venezuelan President Nicolás Maduro announced on Sept. 8 that his government will sell oil and other commodities in currencies other than the dollar, Agence France-Presse reported. Maduro cited the Chinese yuan, Japanese yen, Russian ruble and Indian rupee among the currencies to be used. "An economy free from the U.S. imperialist system is possible," he said. Washington has barred U.S. banks from trading in new bonds issued by the government or state oil company PDVSA. In related news, Maduro said there

was a "good atmosphere" during energy talks on Monday with representatives from fellow OPEC member state Algeria on how to restore global crude prices, though he gave no further details of the conversation, Reuters reported. Maduro traveled to Algiers to discuss bilateral



Maduro // File Photo: Venezuelan Government.

cooperation and the 15-month production pact between OPEC and non-OPEC member states aimed at lowering oil output in order to boost global prices. "We are progressing in agreements on recovering the governance of the oil markets and...restoring oil prices," Maduro said. OPEC is considering extending the deal that was agreed to late last year to reduce oil output by 1.8 million barrels per day through March of next year in order to support prices. Last weekend, Saudi Arabian Energy Minister Khalid al-Falih met with his Venezuelan and Kazakh counterparts to discuss extending the deal by at least three months, the Saudi energy ministry said, Reuters reported. [Editor's note: See related [Q&A](#) in the July 21 edition of the Energy Advisor.]

University of the West Indies to Build Own LNG Plant

The University of the West Indies, Mona will set up and operate a seven-megawatt liquefied natural gas facility that will run independently of Jamaica Public Service Company, the national power provider, the Gleaner reported Wednesday. The plant is projected to save 350 million Jamaican dollars (\$2.73 million) annually in energy bills. "Energy costs are the second-highest costs to the UWI, followed by salaries, and

NEWS BRIEFS

Pemex Expects Largest Refinery to Reopen Within a Month After Damage

Mexico's national energy company, Pemex, said Tuesday its Salina Cruz refinery, the country's largest, will be operational within three or four weeks, Reuters reported. A massive earthquake last week damaged the facility's electrical system and led to nearly 100 deaths. The refinery processes up to 330,000 barrels per day. The country's needs will be met for two months because Pemex bought extra fuel shipments after Hurricane Harvey interrupted fuel exports from the United States, according to the report.

Enel, ENAP Inaugurate First Geothermal Plant in South America

Italy-based Enel and Chilean state power company ENAP on Tuesday inaugurated the first large-scale geothermal power plant in South America. Cerro Pabellón, located in the Atacama Desert, has two units with a gross installed capacity totaling 48 megawatts. It will be able to produce around 340 gigawatt hours per year, equivalent to the consumption needs of more than 165,000 Chilean households while avoiding the annual emission of more than 166,000 tons of CO₂ into the atmosphere.

Chile, Argentina Eye Energy Swap Deal

The Chilean government expects to close on an energy swap deal with Argentina in the next few days, Chilean Energy Minister Andrés Rebolledo said Sept. 7, Reuters reported. "I think we can have an agreement in the next couple of days or if not, over the next few weeks," he said. The two countries are also negotiating the locations of five additional transmission line interconnection points, and they expect to reach an agreement as early as January, Rebolledo added.

we can't do anything about salaries but we can add LNG," university official Paul Aiken said.

POWER SECTOR NEWS

Details of Eletrobras Privatization Plan Delayed: Sources

The Brazilian government may take until December to develop a privatization model for state-run power company Eletrobras, three government sources said, Reuters reported Wednesday. Brazilian Energy Minister Fernando Coelho Filho said earlier this week that the



Coelho Filho // File Photo: Brazilian Government.

government would be able to finalize privatization plans as early as this month. One of the sources said the government has not yet decided who will conduct a study of the company's assets, market value, debt and other indicators, including what the government's stake in the company will be after the privatization.

Argentina Renews Exports of Biodiesel to Europe After Spat

Argentina has again started shipping biodiesel to the European Union, returning to what was once its biggest market after a four-year legal battle over import tariffs, Platts reported Wednesday. "We have begun exporting biodiesel to Europe very gradually," Claudio Molina, head of the Argentina Association of Biofuels and Hydrogen, told the publication. Exports

to Europe likely will "reach a volume like the one that existed in 2013," or more than one million metric tons, he said, without specifying how long this could take. The European Union imposed duties of more than 20 percent on Argentine biodiesel amid allegations the South American country was selling its product below-cost. Argentina took the case to the World Trade Organization, which ruled in its favor last October. Meanwhile, the United States has opened its own investigation into alleged dumping and last month imposed a 57 percent duty on Argentine biodiesel. The United States is also at odds with Brazil over biofuels.

Last month, Brazil's Chamber of Foreign Trade imposed an immediate two-year tariff-rate quota system for ethanol imports, slapping a 20 percent tariff on purchases from the United States after a 600 million-liter quota is met. This year fuel ethanol exports to Brazil were nearly twice that figure as of July, according to Census Bureau data. Brazil, the largest ethanol export market for U.S. producers, has been considering the establishment of new biofuel mandates for fuel distributors, which would require distributors to acquire a set amount of 'certificates of emissions reductions' annually through the purchase of ethanol and biodiesel.

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um-term solutions. The region must also have diverse investments in the energy pool and not only bet on a single technology, such

“The current infrastructure of the energy power sector in Central America and the Caribbean is not prepared to deal with natural disasters.”

— Wilfredo C. Flores

as renewables. Thus, thermal power plants should remain an option in the energy matrix of the region, in order to either maintain or increase the reliability of the electric power grid in a vulnerable zone exposed to effects of climate change.”

A Efraín O'Neill-Carrillo, professor in the Electrical & Computer Engineering Department and director of the Power Quality & Energy Studies Laboratory at the University of Puerto Rico-Mayaguez: “Renewable-based microgrids would increase the resiliency of the power infrastructure in islanded or isolated locations. The dominant power model (centralized and fossil-burning) could be replaced by distributed, non-central-

ized, local energy resources (conservation, efficiency and renewable energy). Centralized power would be minimized and focused on supporting the usage of local resources. Within each microgrid, a constant energy source would provide base load or continued operation at night. During emergencies (e.g., downed power lines), centralized power would not be available, but microgrids could still provide basic electricity needs and help re-establish normal operation of the power infrastructure. A cautionary word for governments and vulnerable communities: technological solutions abound during critical times; projects that yield economic benefit but do not fully address a social need will not increase local capacities and do not increase the resiliency of the local infrastructure. Good ideas or intentions may go wrong when the technology proposed is incompatible with the context or the social goal being pursued. For example, renewable energy and microgrids seem a logical choice for Caribbean islands such as Puerto Rico or Pacific islands such as Hawaii. But the devil is in the details. Establishing effective and consistent energy policies is challenging, even more difficult than the technological and economic challenges. Renewable-based microgrids entail going from passive users to engaged energy actors. This new energy vision requires capacity-building actions, and new responsibilities for the government,

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POLITICAL NEWS

Venezuela Sets Oct. 13 as Date for Long-Delayed Elections

Venezuelan election authorities on Monday set Oct. 15 as the date for long-delayed gubernatorial elections in 23 states, the Associated Press reported. The crisis-racked country's

Concerns over fraud could cast doubt on the legitimacy of the results.

main opposition forces are favored to win in numerous races, although concerns over election fraud could cast doubt on the legitimacy of the results. The gubernatorial elections were supposed to have taken place last year but were scrapped as the country's economic problems mounted and polls indicated Venezuelans heavily favored removing President Nicolás Maduro before the end of his term. The names of the candidates will be announced Sept. 23, and campaigns will run for 20 days, until Oct. 12, El Universal reported.

Democrats, White House in Talks to 'Enshrine' DACA

Democratic leaders in the U.S. Congress announced Wednesday they have agreed to work together with U.S. President Donald Trump on legislation to protect illegal immigrants who were children when they entered the United States and have for years been allowed to stay under an Obama administration measure, Reuters reported. However, soon after announcing the plans publicly, disagreement erupted over exactly what had been decided. In a statement following a dinner with Trump Wednesday,

ADVISOR Q&A

Why Are Chilean Gov't Officials Resigning?

Q Chile's finance, deputy finance and economy ministers resigned on Aug. 31, dealing a blow to President Michelle Bachelet's government. What was behind the resignations? What do the high-level departures mean for Bachelet, her political coalition and for her ability to carry out the remainder of her agenda before she leaves office in March? What can be expected of the country's new finance minister, Nicolás Eyzaguirre, and the new economy minister, Jorge Rodríguez?

A Patricio Navia, clinical professor of Liberal Studies at New York University and professor of Political Science at Universidad Diego Portales: "In their last months, presidents who are term-limited inevitably become lame ducks. With 10 weeks to go before the first round vote in the presidential election on Nov. 19, Chilean President Michelle Bachelet is already a lame duck. After having gone through tough two years with very low approval ratings, Bachelet is now moving up in the polls as people perceive her as an outgoing president and begin to assess her entire two-term legacy (both during 2006-2010 and 2014-2018). But her improving numbers do not mean that she has more power to push forward her legislative agenda or advance her pet projects. Since former President Sebastián Piñera is comfortably leading the polls, economic actors are now paying more attention to what

he has to say about economic policy than to Bachelet's positions. It is true that Bachelet does not want a repeat of 2010, when she handed power over to a right-wing opposition leader. That explains why Bachelet is sending legislation to Congress that seeks to increase social spending, polarize the electorate and force Piñera to take unpopular but fiscally responsible positions. Those bills—like the pension reform bill—have no chance of passing, but they might make it more difficult for Piñera to win the election at the end of the year. In that context, Rodrigo Valdés' departure does not have a meaningful effect. His resignation—the first by a finance minister since democracy was restored in 1990—reflects the deep divisions within the center-left coalition on what the roadmap for development should be in the future. But those divisions are evident in the fact that the center-left ruling coalition has two presidential candidates and two different legislative slates of candidates for the November election. Thus, Valdés' resignation is big news—something like that has never happened before—but we cannot say that his departure is surprising or that it will change the lame-duck condition of the Bachelet administration."

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

Senate Democratic leader Chuck Schumer (N.Y.) and House of Representatives Democratic leader Nancy Pelosi (Calif.) said Trump had "agreed to enshrine the protections of DACA (Deferred Action for Childhood Arrivals) into law quickly, and to work out a package of border security, excluding the wall, that's acceptable to both sides." A top Trump campaign

promise had been to build a controversial wall spanning the U.S.-Mexico border to stop unauthorized migration. White House spokeswoman Sarah Sanders quickly denied a deal had been reached to leave the wall out of the legislation. "While DACA and border security were both discussed, excluding the wall was certainly not agreed to," she said on Twitter. Earlier in the

NEWS BRIEFS

Topolansky Becomes Uruguay's Vice President

Uruguayan Senator Lucía Topolansky, the wife of former President José Mujica, assumed the office of vice president on Wednesday, *El País* reported. Topolansky fills the role vacated by Raúl Sendic, who resigned on Saturday over allegations of inappropriate credit card purchases and lying to cover them up. A former guerrilla fighter who was imprisoned for more than a decade, Topolansky was named to the post because she had won the most votes in the latest election, second to her husband, who was not eligible for the job.

Mexico Rescinds Offer to Help U.S. Victims of Harvey Flooding

Mexico's government on Monday withdrew its offer of aid to the United States to help victims of Hurricane Harvey, saying the resources are needed at home as Mexico recovers from a separate hurricane and earthquake last week, the *Los Angeles Times* reported. Amid criticism that U.S. President Donald Trump had not offered customary condolences to Mexico, Secretary of State Rex Tillerson called Mexico's foreign minister to offer assistance.

Guatemala Congress Votes to Keep Presidential Immunity Despite Probe

Legislators in Guatemala on Monday overwhelmingly voted to keep President Jimmy Morales' immunity from prosecution, *The New York Times* reported. Although the measure protects Morales from a high-profile campaign finance investigation, that investigation in general can continue. With so many legislators themselves embroiled in questions over campaign finance, the congressional vote to preserve the president's immunity appeared to be a move to close ranks against the investigation, according to the report.

day, former Democratic President Jimmy Carter expressed optimism that Trump could break a legislative logjam with his six-month deadline for Congress to address the immigration status of some 800,000 U.S. residents who were brought to the country illegally as children, the



Schumer and Pelosi // File Photo: National Press Club.

Associated Press reported. "I don't see that as a hopeless cause," Carter said at an Emory University event. He added that Trump's critics, including himself, "have to give him credit when he does some things that are not as bad" as they are depicted, suggesting that Trump might in the end achieve broader immigration reforms beyond addressing DACA. However, some immigration advocates fear the anti-immigrant forces within the administration will next turn to another category of immigrants living in the United States under "temporary protected status," which allows the government to grant temporary work authorizations and protection from deportation to immigrants from certain countries where life remains dangerous. More than 440,000 people in the United States are protected by that program, including many from Haiti, Honduras, Nicaragua, El Salvador and elsewhere in Latin America and the Caribbean.

United States Pushes Hard on Colombia Over Cocaine Output

U.S. President Donald Trump said Wednesday that he will not rule out decertifying Colombia, its staunchest ally in Latin America, as a partner in the drug war after cocaine production spiked in the South American nation, the Associated Press reported. The move surprised longtime observers of relations between the two countries. Of the 22 nations on the list of

drug-producing countries or transit zones, only two, Venezuela and Bolivia, were deemed not to be fulfilling their international obligations to combat drug production and trafficking. In a statement, Trump said he "seriously considered" adding Colombia to the list of negligent countries but decided against that due to the country's status as a strong security partner. The United Nations in July released a survey saying the area under coca cultivation in Colombia increased by 52 percent last year, to 146,000 hectares from 96,000 hectares in 2015, the highest level in two decades. On Tuesday on Capitol Hill, lawmakers expressed concern at a Senate hearing that a Colombian peace deal with the FARC terrorist group has failed to stem the flow of cocaine from that country into the United States, *The Hill* reported. Sen. Chuck Grassley (R-Iowa), chairman of the Senate Caucus on International Narcotics Control, and Sen. Dianne Feinstein (D-Calif.), the co-chairwoman, questioned Colombian efforts to negotiate with drug traffickers, citing concerns over higher cocaine use in the United States.

ECONOMIC NEWS

Inflation in Argentina Rises Within Target Range, For Now

Consumer prices in Argentina rose a relatively modest 1.4 percent in August, state statistics agency Indec said on Tuesday, Reuters reported. The figure brings inflation year-to-date to 15.4 percent, among the highest in the world, yet still below some expectations earlier this year for inflation to have reached 22 percent by now. The central bank is trying to keep inflation under 17 percent for 2017. Economists expect prices may rise after elections in October. "Headline and core inflation are likely to decelerate further in September, but only temporarily in our view," JP Morgan analyst Diego Pereira wrote in a research note Tuesday. "Expected regulated prices adjustments following the October election would put upside pressure" on inflation in the fourth quarter this year.

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the workforce and the citizenry. Social agreements should guide and sustain policy directions that support the economic and technological changes needed for micro-grids.”

A **Juan José Alcerro Milla, partner at Aguilar Castillo Love in Tegucigalpa:** “Honduras has had two major blows from hurricanes in the past: In September 1974, Hurricane Fifi-Orlene killed some 10,000 people and left nearly \$1.8 billion in damage at the time. Information available indicates that after Fifi, an estimated 150,000 people were left homeless. Then, nearly 25 years later, in October 1998, Hurricane Mitch, one of the deadliest Atlantic hurricanes on record, produced an estimated \$4 billion in damages and deaths reached approximately 7,000 people in Honduras. History and the recent destruction left by Hurricane Harvey in Houston and Irma in the Caribbean and Florida show that there is not much to do when it comes to such extreme weather conditions; even the best infrastructure in the most developed countries may give way. Given the fact that building energy and infrastructure resilience takes time, and considering the vulnerability of substantial parts of our regions—increased in some cases by factual situations of poor infrastruc-

ture—resiliency to natural disasters could be probably thought of in a more practical way: 1) adequate city-planning (mudslides have in the past been the cause of damage and plenty of deaths), 2) education programs and 3) a focus on building and developing combined heat and power, or CHP, generation projects and micro-grids that can keep the power on at hospitals, assistance/refuge locations, schools and waste water treatment plants. With the latter in mind, the

“**Even the best infrastructure in the most developed countries may give way.**”
— Juan José Alcerro Milla

recent Public-Private Partnership Law, Decree 143-10 enacted in 2010, along with the 2011 Honduran Investment Law should help bring public bids and unsolicited proposals aimed at reaching such goals that would help to better deal with these terrible natural events.”

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

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