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FEATURED Q&A

Does Energy Have a Role in Colombia's Peace Process?



Providing electricity access to areas previously controlled by the FARC has been a challenge for Colombia's gov't. President Juan Manuel Santos and FARC leader Rodrigo Londoño are pictured shaking hands after concluding peace talks in 2016. // Photo: Colombian Government.

Q A year has passed since the Colombian government and the Revolutionary Armed Forces of Colombia, or FARC, rebel group signed a peace accord that ended a more than 50-year-long civil war. As the two sides work to implement the accord, the government has used incentives that include providing electricity to farmers in exchange for farmers uprooting coca plants that could be used to create cocaine. What strides have been made toward improving energy infrastructure in areas that had previously been under FARC control? Which areas have seen the most improvements over the last year, and where should the government be focusing its efforts? What challenges has Colombia faced in improving its energy infrastructure over the last year? Will providing greater access to electricity aid in the peace deal's implementation?

A Walter Pesenti, senior vice president at Nathan Associates: "The implementation of the peace process in Colombia has many problems, but they are more the fault of the government than of the FARC. Some areas it vacated have been occupied by organized crime gangs formed from paramilitary groups, the ELN and FARC rebels. As part of the post-conflict agreement, the government made larger-scale commitments and promises to speed up rural and infrastructure (including energy) development initiatives. They haven't been implemented, and protesters are looking for assurances that these investments will be made and tangible change will occur once the government's political objectives are met. Investment in the development of rural areas and greatly needed infrastructure will determine whether

Continued on page 3

TOP NEWS

OIL & GAS

ELN Continues Attacks Against Colombia's Oil Sector

Operations were halted at Colombia's Transandino pipeline on Sunday after the ELN rebel group staged a bomb attack on the pipeline, which caused crude to spill into a river, state-run oil company Ecopetrol and the military said.

Page 2

POWER SECTOR

Uruguay Opens Region's First Electric Route

Latin America's first route for electric vehicles opened in Uruguay, Uruguayan state oil company ANCAP said.

Page 3

OIL & GAS

Pemex Reportedly Selects Mitsui for \$2.6 Bn Project

Mexican state oil company Pemex, headed by Carlos Treviño, has selected Japanese conglomerate Mitsui as its partner in a \$2.6 billion coking plant project at Pemex's Tula refinery.

Page 2



Treviño // File Photo: Pemex.

OIL & GAS SECTOR NEWS

ELN Continues Attacks Against Colombia's Oil Sector

Operations were halted at Colombia's Transandino pipeline on Sunday after the ELN rebel group staged a bomb attack on the pipeline,



ELN rebels // File Photo: Colombian Government.

which caused crude to spill into a river, state-run oil company Ecopetrol and the military said, Reuters reported. The ELN restarted attacks after a months-long cease-fire with the government expired the week before. The attack on the Transandino pipeline took place late Saturday in Nariño province. The attack has not affect exports or crude production at oil fields in the southern jungle zone along the border with Ecuador, Ecopetrol said. The pipeline is approximately 109 miles long and has the capacity to transport some 85,000 barrels of crude per day. The ELN has killed two police officers and one soldier in attacks since the cease-fire's expiration. Also on Saturday, the rebel group kidnapped an Ecopetrol contractor repairing damage to the Caño-Limón pipeline, which the group had bombed the week before, the army said.

Pemex Reportedly Selects Mitsui for \$2.6 Bn Plant Project

Mexican state oil company Pemex has selected Japanese conglomerate Mitsui as its partner in a \$2.6 billion coking plant project at Pemex's

Tula refinery, two sources with knowledge of the matter said, Reuters reported Tuesday. The company said the new plant will increase the Tula refinery's gasoline output by 40 percent by allowing for the processing of fuel oil. In May of last year, Pemex had identified Mitsui, as well as several other companies including South Korea's SK Engineering & Construction, and China's PetroChina and Sinopec, Bloomberg News reported. The refinery, Pemex's second-largest of its six domestic refineries, has the capacity to process 315,000 barrels of crude per day, Reuters reported. The deal with Mitsui is ongoing and has not been finalized, a source at the state oil company said. "Mitsui was chosen, but the talks are still ongoing to reach a final deal. It is complex," the person said. Both Pemex and Mitsui's Mexico City offices declined to comment. Pemex has invested \$1.24 billion so far into the coking plant project, according to the company. Its

Mitsui will need to finance nearly half the cost of the coking plant project.

partner will need to finance the rest of the project, one of the sources said. A global slump in oil prices along with growing debt forced Pemex to search for outside partners to help fund projects. The plant's construction began at the end of 2014 and is expected to be completed by 2021.

Argentina's Pampa Energía Sells Some Onshore Assets

Argentina's largest electricity company, Pampa Energía, has decided to sell a number of its onshore oil assets to Mexican independent explorer Vista Oil & Gas for \$360 million, Kallanish Energy reported Thursday. The agreement includes direct ownership of 58.88 percent of Petrolera Entre Lomas, a 3.85 percent stake in the Entre Lomas, Bajada del Palo and Agua

NEWS BRIEFS

Venezuela's Oil Production Plummets

Venezuela's production of oil fell 29 percent last year and marked its 15th consecutive month of declines in December, the country's government reported to the Organization of the Petroleum Exporting Countries, or OPEC, The Wall Street Journal reported Thursday. Venezuela's collapsing oil production is making it unlikely that it will be able to capitalize on rising oil prices, the newspaper reported.

U.S. Treasury Warns Against Venezuela's Proposed Cryptocurrency

The U.S. Treasury has warned U.S. investors to approach Venezuela's proposed "petro" cryptocurrency with caution, saying the petro may conflict with the United States' sanctions against the Venezuelan government under President Nicolás Maduro, Reuters reported Tuesday. A U.S. Treasury spokesperson told Reuters that the currency, which would be partially backed by oil, could "expose U.S. persons to legal risk," given that the digital currency appears to be an extension of credit to the Venezuelan government. U.S. sanctions prohibit dealings in new debt from the Venezuelan government or its state oil firm PDVSA.

France's EDF Commissions Chile Solar Plant

French renewables firm EDF Énergies Nouvelles said it has commissioned its 115-megawatt peak Santiago Solar PV plant in Chile, PV-Tech reported Tuesday. The plant is second to EDF's 146 MWp Bolero plant, which was completed late last year. The Santiago Solar plant is located some 30 miles north of Santiago and holds a 15-year power purchase agreement with the country's main energy distributors, with an unspecified amount of electricity being sold through Chile's electricity spot market.

Amarga blocks, and 100 percent ownership of the Medanito S.E. and Jagüel de los Machos blocks. Pampa Energía said Monday that the sale, which is still subject to Vista shareholders' approval, will allow Pampa Energía to move forward with other investments without issuing a bond convertible into common shares.

"This transaction is in line with the company's strategy to focus its investments and human resources on the expansion of power generation installed capacity, on the exploration and production of natural gas, placing a special focus on the development and exploitation of our unconventional gas reserves (shale and tight gas), as well as to continue investing in the development of our utility concessions," the company said. Vista Oil & Gas is headed by a former head of Argentine state oil company YPF, Miguel Galuccio, Reuters reported.

POWER SECTOR NEWS

Uruguay Opens Latin America's First Electric Route

Latin America's first route for electric vehicles opened in Uruguay on Jan. 10, Uruguayan state oil company ANCAP said. Electric vehicles can now travel the entire coastal strip between Colonia del Sacramento and Punta del Este and

The plan's second phase will provide the entire country with charging centers for electric vehicles.

will have access to several charging points for the vehicles' batteries. The charging stations will be at ANCAP service stations that are located some 37 miles apart from each other along routes 1, 101 and Interbalnearia, and drivers can access them free of charge through March 21. By March, the route is expected to reach Chuy near Uruguay's eastern border with

FEATURED Q&A / Continued from page 1

the peace agreement succeeds or fails. It is time for the candidates to address that issue to avoid societal discontent and catch the incoming administration unaware, starting a new cycle of proposing false promises.

“The implementation of the peace process in Colombia has many problems, but they are more the fault of the government than of the FARC.”

— Walter Pesenti

It's a cycle that's all very familiar in the rural communities, and could potentially lead to a restarting of the violence cycle that overwhelmed Colombia for the last 50 years. Many supporters of the peace agreement are losing patience at the government's lack of ability to implement their commitments/promises. Colombia's next president needs to develop a strategy that can maintain the structure of the agreement and deliver on the commitments and promises. Candidates will be judged on their ability to present themselves as effective and efficient leaders."

A R. Kirk Sherr, president of Clearview Strategy Group: "Electricity infrastructure is a necessary, but wholly insufficient, element of a broad set of actions the government must take to make the FARC peace deal work in the long term. At a minimum, the issue of critical infrastructure for Colombia's remote and 'forgotten' communities is now getting attention. The Ministry of Mines and Energy Planning Unit (UPME) has detailed plans to address the 430,000 homes (about two million people) estimated to have no electricity. Most of this unserved population is located in about 10 departments in remote areas. Colombia

has also devised and implemented a broad set of incentives to support renewable energy installations. Other efforts, such as the renewable power auction planned for 2018 and new financing structures like the 'Peace Renewable Energy Credit' proposed by Energy Peace Partners will add to the growing renewable energy push. But there are serious drags on implementation efforts. First, the key electric sector companies in Colombia, owned by municipalities, are obligated to their urban ratepayers and clearly prefer large hydro projects supported by international financial institutions. Second, indigenous and community groups still exert inordinate control over timing (and thus cost) for infrastructure projects via the required local environmental consultation process. Third, the process of installing sophisticated PV solar or wind projects in remote parts of Colombia presents technical, logistical and security problems that are not easily overcome. Finally, and most importantly, despite the various incentives, lack of efficient small-scale financing structures and the bureaucracy embedded with government funding may limit the roll-out of electricity infrastructure to these areas."

A John Padilla, managing director, and Sergio Torres, consultant, at IPD Latin America: "Colombia hopes to provide electricity to one-third of the 520,000 households that do not have it before Santos' term ends in August. Initiatives like PaZa la Corriente and Todos Somos Pazífico have had some positive initial results. Conflict-stricken areas are the priority. The government has also executed the National Rural Electrification Plan, which largely targets farmers. It was a good first step in recognizing the central government's historical failure to fulfill its constitutional obligations in peripheral regions. Colombia has secured some political and financial support from foreign governments and multilaterals, including the World Bank and the Inter-American Development

Continued on page 6

Brazil. In the second stage of the project, the whole country will have access to charging stations that will be some 37 miles apart from each other.

POLITICAL NEWS

Pope Francis to Meet With Immigrants in Chile

Pope Francis plans to wrap up his visit to Chile today by meeting with members of the country's immigrant population, the Associated Press reported. The pope is heading to the northern city of Iquique, where there are more than two dozen migrant slums. He is scheduled to celebrate Mass there before leaving for Peru, the second and final country on his current Latin America trip. Francis has long



Pope Francis // File Photo: The Holy See.

urged countries to welcome immigrants and refugees who are fleeing wars and other hardships. Upon arriving in Chile earlier this week, the pontiff said the South American country's future depends on its ability to listen, including "to the migrants who knock on the doors of this country in search of a better life, but also with the strength and the hope of helping to build a better life for all." Between 2010 and 2015, Chile had Latin America's fastest annual rate of migrant growth, according to estimates by the United Nations and churches, the AP reported. Many Haitians, who face language barriers in Chile, have migrated to the South American country. Immigration groups have said they fear that Sebastián Piñera will clamp down on immigration after he returns to the country's presidency in March. Piñera, who also

THE DIALOGUE CONTINUES

Is Guyana's Oil Sector Prepared for 2020?

Q Guyana has been working to modernize its legal and regulatory environment after recent discoveries of large oil and gas deposits that could dramatically alter its economy. ExxonMobil said this month it expects to begin producing oil off Guyana's coast in 2020. How prepared is the country to become an exporter of oil and gas, and does it need new mechanisms to effectively manage its new oil wealth? What steps should Guyana take to develop infrastructure that will attract long-term investment? With a presidential election scheduled in 2020, how stable is Guyana's political risk profile for outside investors, and how might a longstanding border controversy with Venezuela cloud the outlook for Guyana's oil and gas sector?

A Anthony T. Bryan, non-resident senior associate of the Americas program at the Center for Strategic and International Studies (CSIS): "Guyana is developing a long-term relationship with ExxonMobil to continue exploration, but the country itself must deal quickly with infrastructure development, wealth management issues, an unresolved territorial controversy, environmental protection and political rivalry. Some signals are positive: first, the government has announced a \$184 million infrastructure upgrade of its road networks, bridges, ports, telecommunications and river transport system. Second, on Oct. 26, Guyana became the latest member of the Extractive Industries Transparency Initiative, which will monitor Guyana's resource governance. The government also expects to establish a sovereign wealth fund to ensure that oil revenues are

invested and spent in a way that transcends political cycles and generations. Revenue management is critical if Guyana is to avoid the 'resource curse.' Third, the historic Guyana-Venezuela border controversy is unlikely to warn off potential investors or the international oil companies. The parties are pursuing a judicial settlement at the United Nations. If they fail to settle, the case will go to the International Court of Justice. Guyana still has to update its marine environmental management systems and be prepared in the event of spills to sanction the exploration and production companies. Finally, politics in Guyana—whose population is 29 percent Afro-Guyanese and 40 percent Indo-Guyanese—divide along racial lines, with the two main ethnic groups competing over money and power. The 2020 presidential election will be a serious test for political stability, as well as for money and power. Some recent opinion polls show that the Guyanese public has little faith in the leadership—both the government and the opposition—to do the right thing. Guyana could soon be a major oil exporter, but initially that process will belong to the IOCs. There will be little onshore impact, given the limited absorptive capacity for a population of slightly less than 800,000 blessed with such good fortune. Is this a blessing or a curse? It depends on whether the expected largesse is managed prudently. If not, the fairy tale can eventually morph into a nightmare."

EDITOR'S NOTE: The comment above is a continuation of the Q&A in last week's issue of the Energy Advisor.

served as Chile's president from 2010-2014, said during his most recent campaign that the country would keep welcoming migrants as

long as they follow the law and are productive. "We want to shut the doors to drug trafficking, contraband that is often associated with it and,

NEWS BRIEFS

Two Former FARC Rebels Killed at Campaign Event

Two former rebels from Colombia's once-largest rebel group, the Revolutionary Armed Forces of Colombia, or FARC, were shot and killed Tuesday at a campaign event for the group's new political party, the Associated Press reported. Wilman Asprilla and Ansel Montoya were killed in northwestern Colombia while campaigning for a candidate running for Congress under the banner of the former guerrilla group-turned-political party. The U.N. mission in Colombia is condemning the attack and urging the government to ensure the safety of all who participate in the upcoming vote. As part of the peace negotiations process between the two sides, the FARC has been guaranteed 10 seats in the country's Congress.

U.S. Ambassador to Panama Resigns, Says He Cannot Serve Trump

U.S. Ambassador to Panama John Feeley last Friday resigned from his post, saying he no longer felt able to serve President Donald Trump, Reuters reported. The career diplomat and former Marine Corps helicopter pilot communicated his departure to the State Department on Dec. 27, and his departure was not a response to Trump's alleged use of the word "shithole" to describe Haiti and African countries in a meeting on Thursday, U.S. officials said. Trump denies having used the term.

Brazil Regulator Bars Funds From Investing in Cryptocurrencies

Brazil's securities regulator last Friday prohibited local investment funds from buying cryptocurrencies, Reuters reported. The CVM ruled that cryptocurrencies cannot be considered financial assets, which effectively bars funds from investing in bitcoin and other such digital currencies.

above all, we want people who come to Chile to respect our law," Piñera told local radio station ADN in October. On Wednesday, Pope Francis celebrated Mass for the indigenous Mapuche in the Araucanía region. His visit to the region followed several incidents of violence in the area, where almost a dozen churches and three helicopters were recently torched. "Violence begets violence, destruction increases fragmentation and separation. Violence eventually turns a most just cause into a lie," the pope told a crowd at Maquehue air base in the city of Temuco, The Guardian reported. The air base is located on land that was taken from the Mapuche a century ago and is the site of a former detention center that was used during the country's military dictatorship. The recent attacks on churches in the area have been blamed on radical activists. At the site of one burned church, investigators discovered pamphlets demanding the release of Mapuche prisoners, prosecutor Enrique Vásquez told local media on Wednesday, The Guardian reported.

Rogue Venezuelan Pilot Killed in Shootout With Police

Authorities in Venezuela on Monday confirmed they had killed Óscar Pérez, the police pilot accused of stealing a helicopter and using it to attack the country's Supreme Court last June, who had become the nation's most-wanted man, El Universal reported. The shootout near Caracas lasted nine hours and took at least nine lives, with two police officers killed. The operation transfixed the nation as videos posted on Twitter and Instagram broadcast the gunfight in near real time. "They don't want us to surrender, they want us dead!" a bloodied Pérez said on camera as other members of the rebel group appeared crouched behind appliances, holding guns and audibly under fire. In the videos, Pérez is heard saying that his group will surrender because it was accompanied by civilians, The New York Times reported. "We're not criminals," he said. "We're patriots who are fighting for our convictions." During massive and violent street protests last year against

President Nicolás Maduro, Pérez led the brazen helicopter attack on government buildings, unfurling a banner urging Venezuelans to revolt against the Maduro regime, an incident seen as an embarrassment to the military. But the street protests ultimately lost steam, Pérez went into hiding, and Maduro has largely been successful in preventing the opposition from gaining any real power. Negotiators with Venezuela's government and opposition leaders concluded a round of talks in the Dominican Republic on Saturday, Reuters reported. Although they failed to reach a deal to address the country's political and economic crisis, the parties announced that another round of talks would begin later this week.

ECONOMIC NEWS

Brazilian Stocks Edge Up to All-Time High

Brazil's Bovespa stock index edged up on Tuesday, closing at an all-time high as investors' optimism over the country's economy continued to fuel a rally, Reuters reported. The Bovespa ended the day up 0.1 percent at 79,831.8. Earlier in the day, the benchmark index was as high as 80,246.331, rising above the 80,000 mark for the first time. Petrochemical company Braskem led gains after analysts at Itaú BBA boosted their recommendation on the company's stock to "outperform" from "market perform." Investors in Brazilian stocks have been optimistic that stronger growth in Latin America's largest economy will boost corporate earnings this year. The country emerged last year from its deepest recession in decades and is expected to generate gross domestic product growth of 3 percent this year. However, the optimism hinges on the government's ability to plug its budget deficit and implement market-friendly reforms at the same time that the country is heading into a presidential election with a wide-open field this year. "Insufficient progress towards fiscal consolidation could potentially jeopardize the recently achieved gains in macroeconomic performance and asset prices," Goldman Sachs analyst Alberto Ramos said in a report.

FEATURED Q&A / Continued from page 3

Bank. But fiscal constraints could limit the government's ability to uphold its commitments. The Santos administration has proven that it was not prepared to implement the peace accord; it was solely focused on its passage. A lack of communication and education continue to impede broader buy-in domestically and internationally. Technical knowledge-building has been slow in areas that suffer security challenges. Institutional coordination and comprehensive regulation that addresses the financial, technical, social and environmental elements of post-conflict projects must improve. The May presidential election will largely serve as a referendum on the peace process. The government must double down on current efforts if Colombia wants to fill the power vacuum left by the FARC, implement the rule of law and extract the vested interests that continue to benefit from the status quo. Electrification can go a long way toward bridging these gaps—improving living standards, legitimacy of the state and legal economic activity overall.”

A **Sam Benstead, politics analyst for the Americas at Verisk Maplecroft:** “Energy inclusion in Colombia is wrought with challenges, but the government has made good progress in delivering on its promises. The PaZa la Corriente program aims to bring electricity to 173,000 more people from 2014 to 2018. According to government figures, this target is close to 80 percent complete. Reportedly, 29,000 homes across

20 departments affected by the conflict now have electricity. Last May, President Santos approved the National Rural Electrification Plan. With World Bank collaboration, the process is underway to identify the energy demands of remote communities and deliver appropriate solutions. Building energy infrastructure is a slow process, and so it too early to judge the effectiveness of this program. But we do know that challenges exist. In remote Ubalá, Cundinamarca, a helicopter had to make some 100 journeys to deliver just 220 wooden pylons. Rolling out the infrastructure required to deliver electricity is, therefore, expensive. The logistical complexities and the costs could potentially discourage some private-sector companies from entering private-public partnerships. The problem is more acute in former FARC-controlled areas, which are often cut off from even basic roads. Thus, conflict hotspots will be more difficult to integrate into the national grid. The government must focus its efforts on these areas. Chocó, La Guajira, and Putumayo stand out as high-priority regions, given their historic vulnerability to the conflict and isolated geographies. Neglecting them could reduce potential economic growth and push former combatants back into illicit activities. A reliable energy supply, conversely, would spur the growth of legal businesses.”

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

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