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FEATURED Q&A

Will Mexico Make Big Strides Toward Renewable Energy?

Andrés Manuel López Obrador, the front-runner ahead of Mexico's July 1 presidential election, is among the candidates who have offered proposals to expand the use of renewable energy. // File Photo: López Obrador Campaign.

Q Discussion relating to the energy sector ahead of Mexico's July 1 presidential election has focused mainly on front-runner Andrés Manuel López Obrador's potential changes to the country's oil sector reform. However, López Obrador, widely known as AMLO, also has offered several proposals regarding renewable energy, such as expanding hydro energy in order to eliminate imports of U.S. natural gas and introducing more electric vehicles. Meanwhile, AMLO's closest competitor in the race, National Action Party presidential candidate Ricardo Anaya, has proposed setting pollution limits for businesses and incentivizing electric transportation and the use of solar energy by small- and medium-sized enterprises through fiscal stimulus. Do any of the candidates offer a better vision for Mexico's renewable energy future? What economic realities does Mexico face when planning for the expansion of renewable energy, and will these proposals win support and attract necessary investment? How likely is it that the candidates' policies will be implemented, and who would be the winners and losers if they are enacted?

A Lisa Viscidi, member of the Energy Advisor board and director of the Energy, Climate Change & Extractive Industries Program at the Inter-American Dialogue: "Mexico has been a leader in international climate change negotiations—yet less than a quarter of its installed power capacity comes from renewable sources, well below the Latin American average of about 50 percent. AMLO has ambitious plans to increase renewable power generation from large hydroelectric dams and small, decentralized energy systems like

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TOP NEWS

OIL & GAS

PDVSA Halts Deliveries to Some Petrocaribe Countries

The Venezuelan state oil company said it is suspending deliveries to about half of the Caribbean countries in its Petrocaribe program. PDVSA has faced falling production of crude and low refinery output.

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RENEWABLES

Acciona Supplying Power From El Cortijo Wind Farm

The company said it has started supplying power to the grid from the El Cortijo wind farm, which is located in Mexico's Tamaulipas State. Acciona invested $235 million in the project.

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OIL & GAS

Peru Eyes $12 Bn in Investment in Oil, Gas Sectors

Peru's oil and gas sectors may attract as much as $12 billion in investments by 2022, said Energy Minister Francisco Ísmodes.

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Ísmodes // File Photo: Peruvian Government.

OIL AND GAS NEWS

PDVSA Halts Deliveries to Some Petrocaribe Nations

Venezuelan state oil company PDVSA has announced it is suspending petroleum deliveries to about half of the Caribbean countries in its Petrocaribe agreement, the Antigua Observer reported Tuesday. Falling crude production and low refinery output has forced the company to indefinitely suspend a combined 38,000 barrels per day (bpd) of refined product delivered to eight of the 17 countries that make up Petrocaribe: Antigua and Barbuda, Belize, Dominica, El Salvador, Haiti, Nicaragua, St. Vincent & the Grenadines and St. Kitts & Nevis, according to the report. PDVSA will continue to supply 45,600 bpd of refined products in June to Cuba's Cubametales. The original Petrocaribe agreement, launched in 2005, pledged a supply of up to 185,000 bpd of crude oil and products under preferential financing conditions. By last year, Venezuelan shipments of petroleum via Petrocaribe had dropped by 40 percent. PDVSA and its partners have halted operations at two upgraders that convert extra-heavy oil into exportable crude and plan to stop work at two others, Reuters reported Wednesday, citing sources close to the projects. A tanker backlog at ports has delayed shipments, with more than 70 vessels are waiting to load about 23 million barrels of oil, according to the report. Venezuela's crude production in the first four months of this year has fallen to the lowest annual average in more than three decades. Oil exports, which account for nearly all the money going into Venezuela's economy, fell 28 percent to 1.19 million barrels per day. The International Energy Agency said Wednesday that Venezuela could see its output this year fall by a further 550,000 barrels a day, or 40 percent, Bloomberg News reported. In related news, Venezuela's government this week appointed Iris Medina, currently the vice president of the country's state-run National Housing Bank, as new chief financial officer for PDVSA, Reuters reported Wednesday. Medina replaces Iliana Ruzza, who took the job less than four months ago after then-CFO Simón Zerpa was named Venezuela's minister of economy and finance. Zerpa is among dozens of Venezuelan officials that the United States has slapped with sanctions.

ExxonMobil Begins Drilling Project Off Guyana's Coast

Texas-based ExxonMobil announced Tuesday it had begun development drilling off the coast of Guyana at the Liza Phase 1 oil find. "We are well on our way to producing oil less than five years after our first discovery, which is well ahead of the industry average for similar projects," said Liam Mallon, president of ExxonMobil Development. The company has so far discovered estimated recoverable resources of more than 3.2 billion oil-equivalent barrels on the Stabroek Block. Liza Phase 1 is expected to generate more than $7 billion in royalty and profit oil revenues for Guyana over the life of the project. About 50 percent of ExxonMobil's employees, contractors and subcontractors are Guyanese, a number that will continue to grow as operations progress, the company said. ExxonMobil spent about $24 million with more than 300 local suppliers in 2017. New York-based Hess and China's CNOOC Nexen Petroleum Guyana are partnering with ExxonMobil on the project. Public debate in recent months has focused on whether Guyana, a small nation and newcomer to the oil and gas sector, can put in place effective regulatory and legal frameworks that will help the oil industry prosper while avoiding the so-called "oil curse"

Mallon // File Photo: ExxonMobil.

NEWS BRIEFS

Colombia Unveils Project to Build Wind Power Transmission Line

Colombia's government on Tuesday unveiled a project to build a 1,360 megawatt wind power transmission line in La Guajira department on the country's windy Caribbean coast, Renewables Now reported. Expected to enter operation in late 2022, the project features more than 200 miles of electrical lines and a new collector substation. Currently, less than 1 percent of Colombia's energy matrix comes from non-conventional renewables like wind and solar, while 70 percent comes from hydroelectric plants and 30 percent from gas and coal, according to Colombia Reports.

AES Completes Sale of Stake in Brazil's Eletropaulo to Enel

The AES Corporation announced Thursday that it has completed the sale of its 17 percent interest in Brazilian utility Eletropaulo to Italy's Enel for 1.27 billion reais ($342 million). The Virginia-based company said that net proceeds of approximately $310 million will be used to pay down parent company debt once received within the next 60 days. While AES is leaving the distribution business in Brazil, chief executive Andrés Gluski said the company will continue operating in the country and focus instead on growing its renewable energy business at AES Tietê.

Peru Oil & Gas May Attract $12 Bn in Investments: Ísmodes

Peru's oil and gas industries could attract as much as $12 billion in investments by 2022, Energy Minister Francisco Ísmodes said this week, Interfax Global Energy reported Tuesday. Among the government's priorities is supplying gas to the homes of virtually all Peruvians, up from 2.5 million currently, said Ísmodes.

that has held back other oil-rich economies from developing in recent decades. [Editor's note: See related **Q&A** in the Jan. 12 issue of the Energy Advisor.]

RENEWABLES NEWS

Acciona Supplying Power From El Cortijo Wind Farm

Spanish construction firm Acciona said Wednesday it has started supplying electricity to the grid from its 183 megawatt El Cortijo wind farm in Tamaulipas, the first wind project to be brought into operation under Mexico's 2015 energy reform. The company, which invested around $235 million in the park, began construction in March of last year. Located 40 kilometers south of Reynosa, El Cortijo consists of 61 Nordex wind turbines that will produce electricity from renewable sources equivalent to the consumption of 350,000 Mexican households. El Cortijo is the fifth wind farm that Acciona owns in Mexico. The company is also building 404 MWp photovoltaic complex in Sonora that is scheduled to be fully operational in the first quarter of 2019. In all, Acciona won awards to construct facilities that can produce 585.5 GWh of energy in the first long-term electricity auction under Mexico's energy reform.

POWER SECTOR NEWS

Brazil Braces for Power Demand Swings During Cup

Brazil's government and electric utilities say they have prepared the country's power grid to deal with the wide swings in demand expected in the days ahead as millions of people change their schedules and habits as they watch the FIFA 2018 World Cup, Reuters reported Tuesday. Power demand has tended to fall sharply close to the start of the games and then surges during halftime breaks as people use appliances such as refrigerators or microwaves at the same time. As play resumes, power demand falls sharply again, according to the report. In Brazil, the swings in demand can reach up to 11,000 megawatts. This year, however, the precautions may not prove necessary. A recent Datafolha poll showed that Brazilians' interest in the World Cup in Russia has fallen to the lowest level since the polling firm began measuring public interest in the event in 1994, Folha de S.Paulo reported Wednesday. And after posting record growth in the last two World Cups, the number of Brazilian radio stations which will broadcast the games has dropped this year, reaching a level similar to that of the

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residential solar projects. He also wants to see 100,000 electric cars on Mexican streets. Other candidates have also called for increased incentives for distributed energy and electric mobility. These are the right areas of focus to accelerate Mexico's transition to low-carbon energy. But they will require the next government to build on the energy reform that President Enrique Peña Nieto signed into law. In fact, the energy reform has created a strong framework and important incentives to increase renewable energy in Mexico, including a wholesale power market and system of clean energy certificates. Nevertheless, renewable energy developers still face a number of challenges, including decrepit electricity infrastructure, competition from cheaper natural gas and opposition from local communities. It's unclear that the large investment pledges for new wind and solar projects awarded in Mexico's three auctions will all result in actual construction. As noted in my recent **working paper**, to overcome these hurdles, the new government should focus on three areas: 1) Improving grid management by increasing the capacity and efficiency of the transmission and distribution system, improving demand-side management and incentivizing distributed energy; 2) Making renewable energy more cost-competitive by expanding fiscal incentives for certain clean technologies and building the local industry; and 3) Garnering local community support for renewable-energy infrastructure by improving the process for land consultation and disputes and developing community energy systems."

> **"Mexico has been a leader in international climate change negotiations—yet less than a quarter of its installed power capacity comes from renewable sources."**
> — Lisa Viscidi

A David Shields, independent energy consultant based in Mexico City: "The good news is that renewable energy, cleaner fuels and a commitment to climate change are on the agenda of Mexico's three leading presidential candidates: Andrés Manuel López Obrador, Ricardo Anaya and José Antonio Meade. All three of them have good, visionary, knowledgeable, sensitive people working on these topics. All three seek to achieve, or even improve upon, the goal, set out in Mexico's Energy Transition Law, of having 35 percent of power generation in Mexico coming from clean, zero carbon-emission sources by the year 2024. AMLO's hydro power and refinery proposals are part of a vision of making better use of existing infrastructure and achieving energy self-sufficiency, but he also has a team with exciting ideas about getting people involved at the community level in renewable energy projects. This is part of an integral development policy that includes aspects such as jobs, education, health, the environment and communications. It certainly sounds like a

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tournament held in South Korea and Japan in 2002.

POLITICAL NEWS

Oxfam Great Britain Banned From Operating in Haiti

Haiti's government on Wednesday banned Oxfam Great Britain from operating in the Caribbean nation following accusations of sexual misconduct against some of the British charity's staff members. Three Haitian ministries revoked Oxfam's non-governmental organization status in the country "for violation of Haitian law and serious violation of the principle of the dignity of human beings," The Guardian reported. The Haitian government had already suspended Oxfam in February. Oxfam staff members were accused of using prostitutes, including underage ones, in Haiti during a relief mission following the country's catastrophic earthquake in 2010. The aid organization expressed regret in a statement released after the ban was announced. "Oxfam is disappointed but understands the Haiti government's decision to withdraw Oxfam Great Britain's permission to work in Haiti. The behavior of some former Oxfam staff working in Haiti following the 2010 earthquake was completely unacceptable. We have apologized to the government and the Haitian people for what happened." Oxfam added that it has "introduced stronger measures to prevent harassment and abuse, including a whistle-blowing hotline and a dedicated safeguarding team." The allegations first emerged in 2011, but the aid organization did not make the report from its internal investigation public until February, CNN reported. The charity dismissed four staff members for "gross misconduct," and three

The Haitian government had already suspended Oxfam in February.

IN FOCUS

Costa Rica's Alvarado Vows to Shrink Deficit With Spending Cuts, Tax Reform

By Gene Kuleta

WASHINGTON—Costa Rican President Carlos Alvarado said Tuesday that he is committed to the approval of spending cuts and tax reforms this year in order to shrink the country's fiscal deficit.

"We are going to get it under control," Alvarado told the Latin America Advisor in an interview. "We are really committed to this."

Alvarado // Photo: Irene Estefanía González, Inter-American Dialogue.

Alvarado made the comments before a public event at the Inter-American Dialogue during a visit to Washington, his first foreign trip since his inauguration on May 8.

Last month, the Organization for Economic Cooperation and Development warned about Costa Rica's public debt and its fiscal deficit, which amounted to 6.2 percent of gross domestic product last year. "Restoring sustainable public finances has become more urgent," the OECD said in a report. "As public debt grows, so does the risk that the government becomes unable to meet its financing needs through debt issuances, which would force damaging cuts to the welfare system and threaten macroeconomic stability."

Alvarado said Tuesday that tax increases are "part of the possibilities" in order to shrink the country's deficit. "Each member of society should contribute according to their capacity," he said. Among the proposals up for debate in Costa Rica's Legislative Assembly is a measure to change the country's sales tax to a value-added tax.

Alvarado's Citizens' Action Party does not have a majority in the National Assembly, and some opposition legislators have said their support for tax hikes is conditional on the passage of government austerity measures, Agence France-Presse reported. The country's finance minister, Rocío Aguilar, on May 30 presented lawmakers with a series of spending cuts that includes a freeze on public hiring, salary freezes for high-ranking public officials and cuts to the government's budget for areas including travel and public events.

"It's going to be a process," Alvarado said Tuesday. He added that the changes will be "positive for our economy and for our fiscal stability."

In addition to speaking at the Inter-American Dialogue, Alvarado also spoke at the Organization of American States and met with its secretary general, Luis Almagro. Alvarado also met with officials at the Inter-American Development Bank, including its president, Luis Alberto Moreno, to discuss topics including decarbonization, security and public finances. In addition, Alvarado visited Capitol Hill, where he discussed U.S.-Costa Rica relations with Senators Bob Menendez (D-N.J.), Bob Corker (R-Tenn.) and Ben Cardin (D-Md.).

NEWS BRIEFS

Protest Leaders Staging Strike in Nicaragua to Demand Ortega's Removal

A coalition of business, religious, university and civil society groups in Nicaragua staged a 24-hour national strike Thursday calling for the ouster of embattled President Daniel Ortega, La Prensa reported. Gas stations, banks and retail shops are expected to remain closed through midnight. More than 150 Nicaraguans have been killed in cities and towns across Nicaragua since April 18, when protests against Ortega's proposed social security reforms turned violent. Protesters are now demanding the 72-year-old former guerrilla's "peaceful" removal from office.

Rising Homicide Rate Damaging Brazil's Economy: Report

A rising homicide rate in Brazil is damaging the country's economy and leading to soaring costs for public security, according to a new study, the Associated Press reported. In addition to the toll murders have taken on victims, family members and communities, homicides have cost Brazil more than $119 billion in potential productive capacity, according to the report, which was released Monday and prepared by the government with contributions from the Igarape think tank in Rio de Janeiro.

New Barbados Prime Minister Tweaks Taxes

Prime Minister Mia Mottley, whose Barbados Labor Party came into office following the May 24 general election, announced a string of changes to tax policies on Monday aimed at shoring up the struggling Caribbean nation's fiscal accounts, the Jamaica Gleaner reported. Mottley eliminated the controversial National Social Responsibility Levy, a tax imposed on goods imported into Barbados and on domestically manufactured goods purchased locally. others, including Haiti country director Roland van Hauwermeiren, resigned.

Authorities Raid Chile Catholic Church Offices

Authorities in Chile conducted raids Wednesday at two offices of Chile's Roman Catholic Church in connection with an investigation into widening scandals of sexual abuse by clergy members, La Tercera reported. The raids were conducted at the headquarters of the Ecclesiastical Court in Santiago and also in Rancagua in Chile's O'Higgins region, where 14 priests have been accused of sexually abusing minors, the Associated Press reported. The raids happened two days after two Vatican envoys met with Chilean Attorney General Jorge Abbott and other prosecutors to discuss the scandals.

ECONOMIC NEWS

Argentine Labor Federation Plans One-Day Strike

Argentina's largest labor federation on Tuesday declared plans to stage a one-day general strike on June 25 to protest against President Mauricio Macri's economic policies, Reuters reported. Hugo Moyano, the powerful leader of the CGT umbrella group, told reporters that "not even a wheelbarrow will be moved." Truckers had been threatening to block Argentina's main arteries this week. In a statement, the CGT criticized the $50 billion funding deal Macri's administration has signed with the International Monetary Fund, arguing its conditions would put an additional burden on workers. "We are going through an economic recession with greater inequality, and we have people that suffer from the adjustment policies that are now going to worsen as the president plunges us into the arms of the IMF," said Hugo Yasky of the Argentine Workers' Centre, or CTA, Telesur reported. The CGT is also demanding from the government a 27 percent salary hike in the face of rising inflation. On Tuesday, Argentina's central bank decided to hold interest rates at a hawkish 40 percent and increased inflation expectations for this year to 27.1 percent from 22 percent, with "significant increases" in expectations for 2019, according to a Goldman Sachs report.

Brazil's Temer Signs Decree for Overhaul of Mining Code

Brazilian President Michel Temer on Tuesday signed a decree overhauling the country's half-century-old mining code, effectively bypassing Congress after it failed to approve similar changes last year, Agência Brasil reported. The new rules include a stipulation that municipalities that do not have mines but are affected by the transport or presence of industrial facilities related to mining in their territories will receive compensation via a percentage share of royalties. The new code also makes it possible for mining licenses to be used as guarantee for loans, generating credit lines and drawing investment to the sector. In addition, mining areas that have been abandoned or were reclaimed by the government will be offered to the market after a screening process. "Updating the provisions in the mining code strengthens the legal security necessary to attract investment, while bringing about significant improvements in the public management of these funds," said Mineração Serra Verde CEO Luciano Borges, who attended the decree's signing ceremony. According to the government, the update was based on international standards and best practices.

Temer // File Photo: Brazilian Government.

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good idea. At the same time, the transition to clean energy is not a big issue in the election debate. Discussions about the future of state-run oil company Pemex, the supply and price of gasoline, and Mexico's energy security in the face of low refinery output and major imports of U.S. natural gas and gasoline are the topics that take center stage in the energy debate in what always has been a fossil fuel-oriented economy."

A **Tabaré A. Currás, honorary member of the Climate Change & Renewable Energy Commission at World Peace Builders:** "A sustainable energy regime is the best vision candidates can offer to Mexico. The country needs one that, beyond any rhetoric on sustainability, truly ensures consistency and fairness. Candidates show no sustainability consistency when they talk about 'accelerating the transition to renewable energy' on the one hand and propound to 'rehabilitate thermoelectric plants' on the other. Mexico's thermoelectric production accounts for a third of the country's total carbon dioxide emissions. There is no serious, cohesive sustainability policy when candidates talk about 'promoting the mobility of people in a non-motorized, electric way' while proposing to 'reconsider the gasoline tax.' The latter is a measure that would encourage further expansion of polluting motorized mobility while overlooking the related social and environmental externalities. Ultimately, there is no sustainability consistency when candidates endorse 'the development and incorporation of clean and renewable energies in the country's energy matrix' while regarding natural gas as a 'clean' energy source. Mexico's fossil-based economy must transition faster to a decarbonized energy paradigm,

> **"Mexico's fossil-based economy must transition faster to a decarbonized energy paradigm."**
> **— Tabaré A. Currás**

one that would surely bring about positive results to all stakeholders embracing the transition. Candidates should not lose the chance to put forward a compelling case for this much-needed transformation, based on both the public interest and realistic alternatives for groups affected. Alternatives that respect, promote and realize the rights of workers and communities and introduce efficient practices in the use of energy and resources. The three leading candidates in the election need to widen their perspective through a holistic outlook and understanding of sustainable development, climate change and the conservation of biological diversity."

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

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