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FEATURED Q&A

Will Latin America Benefit From a U.S. Energy Partnership?



U.S. Energy Secretary Rick Perry and OPIC President Ray Washburne announced the U.S. government's new Latin America energy initiative at the World Gas Conference in Washington last month. // File Photo: @SecretaryPerry via Twitter.

Q The U.S. Department of Energy and the Overseas Private Investment Corporation, the U.S. government's development finance institution also known as OPIC, announced the launch of Partnership to Power the Americas, at the World Gas Conference in late June. The partnership is the latest U.S. initiative to help develop energy sectors across Latin America specifically, with OPIC already committing \$1 billion in investments in Mexico over the next three years. What will the partnership entail? What regions and sectors will be a part of it? What do U.S. companies stand to gain?

A Lynn Tabernacki, deputy vice president for SME finance and head of global energy at the Overseas Private Investment Corporation (OPIC): "The Partnership to Power the Americas demonstrates OPIC and the U.S. government's commitment to supporting reliable, sustainable and responsible energy growth across Latin America. This partnership is designed to advance three main goals: supporting clean energy resource development with U.S. government technical assistance and debt financing tools, bolstering regional economic and energy security, and helping U.S. small- and medium-sized businesses enter and expand in new markets in Latin America. OPIC projects are mostly demand driven. However, partnering with other U.S. government agencies, like the Department of Energy, we cast a wider, more proactive business development net and broaden our technical, policy and regulatory support capabilities to reach more communities in need and finance more projects that are both creditworthy and highly impactful. While the focus of this partnership begins with the Northern

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TOP NEWS

OIL & GAS

Ecopetrol Restarts Operations In Caño Limón Pipe

The Colombian state oil company, headed by Felipe Bayón since 2017, resumed operations in its Caño Limón pipeline after a six-month stoppage due to attacks by the National Liberation Army guerrilla group.

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POWER

Brazil to Postpone Auctions of Power Distributors

Brazil's government will postpone for one month the auctions of five of six electricity distributors that state-owned Eletrobras currently holds, the country's planning minister said.

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OIL & GAS

Mexico Delays Oil Auctions Until February

Mexico's National Hydrocarbons Commission, which is led by Juan Carlos Zepeda, announced Wednesday that oil auctions scheduled for this year will take place in February instead.

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Zepeda // File Photo: Mexican Government.

OIL AND GAS NEWS

Mexico Delays Oil and Gas Auctions Until February

Mexico's National Hydrocarbons Commission, or CNH, announced Wednesday that oil auctions originally scheduled for later this year will be delayed until Feb. 14. CNH, which runs the auctions and regulates the contracts, said the postponement aims to attract more bidders and came at their request for more time to analyze information and obtain appropriate licenses. The delay will also allow President-elect Andrés Manuel López Obrador to take office on Dec. 1 before the auctions occur. "Let's remember we're about to enter into a process of the new administration reviewing the contracts, which is a process that will take some time, a few weeks, a few months," said CNH President Juan Carlos Zepeda, Reuters reported. During his campaign, López Obrador said he would review all existing oil contracts issued to private and foreign companies under Mexico's 2013 energy reform for any irregularities.

Colombia's Ecopetrol Resumes Operations in Caño Limón Pipe

Colombian state-owned oil company Ecopetrol resumed operations of its Caño Limón oil pipeline on Tuesday after a six-month hiatus caused by a series of attacks by the National Liberation Army, or ELN, Marxist guerrilla group earlier this year, *El Tiempo* reported. The ELN has attacked the 485-mile pipeline 58 times this year, including several bombings. The rebels also set up valves to steal crude in several instances, Reuters reported, citing unnamed Colombian military sources. Caño Limón is a common target of ELN attacks, and it has been bombed more than 1,400 times since it was opened in 1986. Combined, the damages have amounted to two million barrels of spilled crude and a total of 11 years of

paused operations. The pipeline will now operate under a strict security plan that the country's police force developed, *El Tiempo* reported. President Juan Manuel Santos, whose term ends in August, began peace negotiations with the ELN last year, but the group, which the United States and European Union consider a terrorist organization, continued attacks after the bilateral cease-fire

The ELN has attacked the Caño Limón pipeline 58 times this year.

ended in January. In related news, Ecopetrol announced Monday that Moody's Analytics upgraded its baseline credit assessment for the state oil company from ba1 to ba3, citing its "solid liquidity" and "commitment to protecting credit metrics," Ecopetrol said in a statement.

Venezuela's Crude Sales to the U.S. Pick Up in June

Venezuela's sales of crude oil to the United States rose in June as compared to May as the country's state oil company, PDVSA, exported a greater quantity of diluted oil to its customers, Reuters reported last week. PDVSA also drained its inventory from two Caribbean islands that were the site of asset seizures, the wire service reported. A tanker backlog around the main ports in the South American country in recent months has led to a decline in the state oil company's exports. Falling production of crude has also taken a toll on exports, and PDVSA has been unable to comply with its supply contracts to nearly all of its customers. The decline in exports has also been due in part to ConocoPhillips' legal actions against PDVSA amid a \$2 billion arbitration award

NEWS BRIEFS

Chevron Announces Long-Time Employee as Country Manager in Brazil

Chevron has named Mariano Vela to manage the energy company's operations in Brazil as the company seeks to continue expanding its presence in the South American country, Chevron told Reuters on July 12. Vela, a geologist who has worked for Chevron for 20 years, will replace Javier La Rosa, who was transferred to Venezuela in June. The California-based corporation, in a consortium with Petrobras and Royal Dutch Shell, won its first pre-salt oil block offshore Brazil in last month's auction, the wire service reported.

Ex-Venezuelan Official Pleads Guilty to Bribery Charges in PDVSA Case

Former Venezuelan official Luis Carlos De León Pérez on Monday pleaded guilty in U.S. federal court in Houston to bribing officials of state oil company PDVSA in exchange for energy contracts for U.S. firms and conspiring to launder the proceeds, *The Wall Street Journal* reported. De León's case is part of a U.S. Justice Department investigation into bribery at PDVSA. Twelve of the 15 individuals charged have pleaded guilty, the newspaper reported.

ExxonMobil Moves Ahead With Plans For Major Office Base in Guyana

ExxonMobil is moving forward with its plans to construct a two-building office complex to set up headquarters in Guyana, *Kaieteur News* reported Wednesday. Exxon has begun issuing requests for information on possible contractors in the country. Earlier this month, the Texas-based oil and gas corporation announced a \$10 million investment in research, sustainable employment and conservation to support the South American country's preparations as it seeks to become an oil producer by 2020.

that the Houston-based company won over Venezuela's expropriation of company assets more than a decade ago. Following the award in April, ConocoPhillips said it would "pursue enforcement and seek financial recovery of its award to the full extent of the law," The New York Times reported. In June, PDVSA exported nearly 564,000 barrels of crude per day to the United States, a 5 percent increase above May and the largest volume since last August.

POWER NEWS

Brazil to Postpone Auctions of Power Distributors

Brazil's government will postpone for one month the auctions of five of six electricity distributors that state-owned Eletrobras currently holds, Reuters reported, citing Brazilian Planning Minister Esteves Colnago. Only Cepisa, a power distributor in Piauí State, will be auctioned as scheduled on July 26, while the others will be auctioned on Aug. 30, said Colnago. Eletrobras is looking to sell the six indebted subsidiaries as part of the power company's privatization process. The government tried to begin the sale last year, but it has been delayed several times, including last month when a Brazilian labor court ruled that Congress would first have to approve all privatizations. The lower house of Congress approved the privatization of Eletrobras earlier in July, but the Senate has not yet voted on it. Finance Minister Eduardo Guardia said Monday that auctioning Eletrobras' distributors was "priority number one" for the government, but that delaying the original date would give time for congressional approval, Reuters reported. Eletrobras workers last month took the streets to protest the government's plans for privatization, with Marco Baratto, director of the Landless Workers' Movement, saying the sale "will not only increase energy bills ... but will also impact the access and quality [of the service]," Brazilian weekly newspaper *Brasil de Fato* reported in June.

RENEWABLES NEWS

Acciona, Tuto Energy Close Financing for Mexico Solar Plant

Spanish conglomerate Acciona and Mexico's Tuto Energy have completed the financing for Puerto Libertad, their joint photovoltaic solar project in the Mexican state of Sonora, Acciona said Monday in a statement. The companies,

each of which has a 50 percent stake in the project, will receive up to \$264 million from four institutions, including the North American Development Bank, Mexico's Banco Nacional de Obras y Servicios, Instituto de Crédito Oficial of Spain and Banco SABADELL, Renewables Now reported. The construction of the 404-MWp solar project, which will be among the biggest in Latin America, began in February and is expected to be completed by the first quarter of next year, Acciona said. It will have more than 1.22 million solar panels with the generating capacity of approximately 963

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Triangle and Mexico, OPIC is open for business in most countries throughout Central and South America and the Caribbean, and currently able to provide loans and political risk insurance to a wide variety of renewable and conventional energy generation, energy efficiency, and transmission and distribution projects. OPIC provides financing to U.S. companies when it is not otherwise available in the private sector, thus allowing companies to enter and expand in emerging markets across the globe. OPIC's experience navigating challenging environments and working with companies and governments to ensure that projects are bankable and legal and regulatory frameworks are favorable all help contribute to project success."

A **Barry Worthington, executive director of the U.S. Energy Association:** "The symbolism was evident. U.S. Energy Secretary Rick Perry, alongside the Overseas Private Investment Corporation's president, announced the Partnership to Power the Americas at the World Gas Conference in Washington in June. The United States is engaging internationally to support financing fossil energy projects. Obviously, you would not make such an announcement without supporting natural gas development as well as petroleum (they are linked), and likely coal. Countries in the Americas have different energy resources, different technology

needs and, generally, financial investment needs. U.S. companies have much to offer. Our technology capability, management expertise and access to capital markets will benefit the citizens of the Americas. Improved energy access will boost economies, provide energy, national, economic and envi-

“The United States is engaging internationally to support financing fossil energy projects.”

— Barry Worthington

ronmental security and jobs. For years, U.S. government policy did not encourage support for fossil energy projects internationally. Instead, it allowed an anti-fossil bias to permeate lending decisions, not just by U.S. institutions, but also the World Bank Group, the Inter-American Development Bank, the European Bank for Reconstruction and Development, and private lending institutions. One can clearly interpret the 'partnership' as a change in policy. The Trump administration has indicated in prior statements that it would work to reverse anti-fossil biases in these organizations. U.S. initiatives at several international organizations show this to be a work in progress. And in the same way that Western Hemisphere citizens

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gigawatt hours per year, which will power some 583,000 homes. Additionally, Puerto Libertad's electricity production will be used as part of the Federal Electricity Commission's supply of power and for a private electricity contract, the statement said. "[The financing agreement] shows the confidence of the financial entities in our ability to complete and manage such an



Officials of Acciona and Tuto Energy closed financing for Puerto Libertad on Monday. // File Photo: Acciona.

ambitious renewable project..." said Acciona's chief executive, Miguel Ángel Alonso in the statement. The Spanish company estimates the renewable project will curb carbon dioxide emissions by some 925,443 metric tons, with a "purifying effect" equivalent to more than 46 million trees.

POLITICAL NEWS

Police, Pro-Gov't Paramilitaries Storm Nicaraguan City

Hundreds of heavily armed police and hooded paramilitaries loyal to Nicaraguan President Daniel Ortega on Tuesday morning stormed the indigenous Monimbó neighborhood of the city of Masaya, tearing down barricades, shooting protesters and hauling away anti-government youths. At least three civilians and one police officer were killed in the violence in the city, which is 16 miles southeast of Managua, La Prensa reported, citing Nicaraguan human rights group ANPDH. The wave of violence began at about 6 a.m. when pro-government forces riding in pickup trucks streamed into Masaya, a stronghold of the opposition, from several points. The city has been at the center

ADVISOR Q&A

Would a Trade Deal With China Benefit Panama?

Q Panama and China officially began negotiations for a free trade agreement on July 9, almost one year after the Central American country established diplomatic relations with China and severed ties with long-time ally Taiwan. What are Panama's objectives going into the negotiations for the free trade deal? How would such a deal with China boost the Panamanian economy? Which sectors stand to gain or lose? What do the new trade talks say about China's engagement and plans in Latin America and the Caribbean?

A Joaquín E. Jácome Díez, former minister of trade and industry in Panama and senior partner of Jácome & Jácome: "Since the Panamanian government established diplomatic relations with China, it has promoted a robust agenda with Beijing. One of the most important elements is the negotiation of a free trade agreement between the two countries. Panama is looking to enhance its already vibrant economic relations with China, offering its strategic location in the hemisphere to serve as a gateway to the rest of the region, through its maritime, airline hub, telecommunications and financial capabilities. Once a free trade agreement is finalized with language, including financial services, investment, public procurement, intellectual property rights and phytosanitary provisions, among other key topics,

of anti-government demonstrations that began in mid-April and have claimed some 300 lives. "There is a massacre in Monimbó," high school teacher Álvaro Gómez told The Wall Street Journal in a telephone interview as shots were heard in the background. "They've killed a bunch of youths who are resisting with home-

our country could be positively affected. According to the Panamanian government, establishing diplomatic relations and having in place a free trade agreement with China will bring vast amounts of foreign direct investment in areas such as infrastructure, services tourism, logistics, financial sector and maritime, which would reflect an increase in the country's GDP. Panamanian exports, though limited, could benefit from having access to such a broad market. Realistically, foreign direct investment could be where Panama stands to gain. However, we have to be careful in areas such as agriculture, manufacture, services and products to human consumption. The government's decision to break diplomatic ties with Taiwan in favor of China has been portrayed to the Panamanian people as a potentially lucrative one, creating unrealistic expectations by comparing Panama to countries in the region that took similar steps years earlier. It's no surprise that China has an aggressive foreign policy in our hemisphere, and establishing diplomatic relations with Panama was one key aspect of that policy, which the current Panamanian government made possible."

EDITOR'S NOTE: More commentary on this topic appears in the Q&A of the July 17 issue of the Latin America Advisor.

made mortars, bombs and their anger." Gómez said he saw the body of a youth lying in front of his house, adding that government forces were using shoulder-fired antitank missiles and automatic rifles. Christian Fajardo, the leader of an anti-Ortega group, told the newspaper that police and paramilitary forces killed at least

NEWS BRIEFS

Colombia's Duque Names Foreign, Agriculture and Interior Ministers

Colombian President-elect Iván Duque announced key members of his cabinet last week, naming Carlos Holmes as foreign minister and Andrés Valencia as agriculture minister on Friday, Reuters reported. Holmes has previously served as interior minister and education minister, and has held several diplomatic positions. Duque also announced Nancy Patricia Gutiérrez as interior minister and Gloria Alonso as head of the national economic planning department.

Leader of Mexico's Ruling PRI Resigns After Defeat in Presidential Election

René Juárez Cisneros, the head of Mexico's ruling Institutional Revolutionary Party, or PRI, resigned Monday after the party's stunning defeat in the July 1 presidential elections, Reuters reported. The PRI, rocked by corruption scandals, received only 16.4 percent of the vote and lost approximately three-quarters of its seats in Congress. The party had led the country for 77 of the last 89 years. "The future transformation of the PRI should be the size of the current defeat," Juárez said.

Peru's Vizcarra Fires Justice Minister

Peruvian President Martín Vizcarra fired his minister of justice, Salvador Heresi, after an audio recording of a phone conversation between Heresi and a judge accused of influence peddling was made public on July 13, Reuters reported. It shows Heresi asking Judge César Hinostroza to counsel him on a legislative proposal. Hinostroza is under investigation after various secret recordings, in which he appears to be negotiating favors, were released by local media, Reuters reported. Heresi and Hinostroza have both denied wrongdoing.

five people, including women and children. He said pro-government forces were searching for him and other opposition leaders. "They are breaking into houses, searching for the leaders, and kidnapping young people who are against the government," said Fajardo. The police chief of Masaya, Ramón Avellán, told The Wall Street Journal that Ortega and his wife, Vice President Rosario Murillo, had ordered police officers to remove barricades in the city and "clean up the streets." He added, "We will obey the order at whatever the cost." After taking control of the Monimbó neighborhood, photos posted on state news website El19 showed that police and paramilitary members had taken the Nicaraguan flag down in the main plaza and replaced it with the governing Sandinista party's red and black flag. On Tuesday, the U.S. State Department called for an end to the violence. "We strongly urge President Ortega not to attack Masaya," Francisco Palmieri, the State Department's top official for Latin America, wrote in a posting on Twitter. "Continued gov't-instigated violence and bloodshed in #Nicaragua must end immediately. The world is watching." Also, the auxiliary Catholic bishop of Managua, Silvio Báez, asked for prayers for the people of Masaya. "Daniel Ortega, stop the massacre!" he wrote on Twitter. Tuesday's bloodshed happened a day after U.N. Secretary General António Guterres urged Ortega's government to stop using deadly force against Nicaraguans. "It's evident that there is a shocking number of deaths and a lethal use of force by entities tied to the state that is unacceptable," Guterres told reporters Monday in Costa Rica, Reuters reported. "It's essential to immediately halt the violence and rebuild national political dialogue. Only a political solution is acceptable." Hundreds of protesters took to the streets of Managua on Monday, following the deaths of 12 people at the hands of pro-government forces over the weekend, Newsweek reported. Ortega has described the ongoing protests as illegal and an effort to force him to hold an early presidential election and undermine democracy in the country, The Wall Street Journal reported. On Monday, Murillo, the vice president and first lady, called Monimbó a "torture center," saying its residents were murderers for allegedly having killed a police officer.

ECONOMIC NEWS

U.S. Files Disputes Against Retaliatory Tariffs at WTO

The United States on Monday filed five separate dispute actions at the World Trade Organization, or WTO, against Canada, Mexico, China, the European Union and Turkey, the office of the U.S. trade representative said in a statement. The U.S. government alleges that the retaliatory tariffs the five countries imposed on U.S. exports following the United States' increase in steel and aluminum duties are "completely without justification under international rules." U.S. Trade Representative Robert Lighthizer said the tariffs "are designed to punish American workers, farmers and companies" and "breach each WTO member's commitments." The retaliatory tariffs affect \$23.4 billion worth of U.S. exports, Bloomberg News reported. The United States earlier this year imposed 25 percent duties on steel and 10 percent duties on aluminum, saying imports of the metals risk the country's national security. The European Commission, Canada and Mexico said their tariffs were both a proportionate response and legal under WTO rules, and called the U.S. tariffs "illegal," "unjustified," and "unacceptable," Bloomberg News reported.

Cuba Begins To Allow Internet on Mobile Phones

Cuba's government has started to allow some select users to access the Internet via their mobile phones, Reuters reported Monday. Workers at state-run news outlets were among the first to get mobile access to the Internet, which is provided by Cuba's telecommunications monopoly ETECSA. Some companies and embassies have also been able to buy mobile data plans since December, according to ETECSA. Cuba blocks access to dissident websites, and the cost of connecting is prohibitively expensive for many Cubans.

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will benefit from the initiative, citizens in countries like Kosovo, Vietnam, South Africa and many others will benefit. If you have no access to energy or electricity, fossil energy looks pretty good. Let's just make sure it's safe, affordable, reliable and clean."

A **Jeremy M. Martin, member of the Energy Advisor board and vice president of energy and sustainability at the Institute of the Americas:** "Let's dispense immediately with the fact that the partnership is in the development stage. It also bears noting that despite scant details, U.S. government interest and energy diplomacy directed at boosting energy development and by extension economic growth merits attention. That a significant amount of financing is part of the effort only enhances the possibilities that it will be more than just a deliverable and announcement at the World Gas Conference. Take Mexico: despite the headline-grabbing low prices offered by a wide range of international bidders in its long-term power auctions the last two years, many of the first utility-scale renewables projects to reach financial closure have come to rely on great measure on Mexico's national development banks. Thus the 'partnership' appears to be an important new financial tool for U.S. investors and project developers to buttress

and further leverage their current array of financing in Mexico's energy market. Further afield, the partnership can play an important role in deepening Central America's interconnection of its power grids and regional electric market while boosting the region's

“The partnership can play an important role in deepening Central America's interconnection of its power grids...”

— Jeremy M. Martin

energy security and economic development prospects. But perhaps most important in the last year or so has been the opportunity created by the abundance of U.S. natural gas supplies. Booming natural gas trade with Mexico via pipeline and liquefied natural gas should be considered, as should increasing the ability of U.S. gas exports to reach key markets in Chile, Brazil, Argentina and the Caribbean. Of particular note, and marrying many of these critical energy diplomacy and finance efforts, is to support the deployment of natural gas in Panama's energy sector by way of Central America's first LNG terminal."

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