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## FEATURED Q&A

### *What is the Future of Nuclear Power in Brazil Post Fukushima?*

**Q Brazil doesn't plan to invest in new nuclear facilities until at least 2020, Marcio Zimmermann, the energy ministry's executive secretary, said earlier this month. However, he added that future plans could include the construction of four to eight nuclear plants by 2030. What is the current outlook for nuclear power in Brazil and other Latin American countries? How did last year's Fukushima accident affect nuclear development in the region? Have major offshore oil and shale gas finds diminished the appeal of nuclear power?**

**A Cláudio Frischtak, president of Inter. B Consultoria Internacional de Negócios in Rio de Janeiro:** "After Fukushima, the scenario for nuclear power as a source of energy has arguably become far more clouded worldwide and particularly in countries with an active civil society, such as Brazil. People have again been made aware of the catastrophic risk which nuclear power poses and for which no insurance (other than the government) is available. On this basis, the real cost of nuclear power could be far higher than it appears. The third Brazilian nuclear reactor that will supply base power (Angra III) will move forward and be most likely completed in 2015. However, there is no visibility ahead. By 2020, nuclear power will make up just 2 percent of electricity capacity (1.6 percent today) versus 71.1 percent hydro, 6.8 percent natural gas, 6.7 percent wind power, 5.4 percent biomass, 5.8 percent fuel oil and diesel, 1.9 percent coal and 0.4 percent process gas. By any standard, this is a relatively 'clean' and uncontroversial power matrix, and much will depend on the ability of renewable sources to keep up with demand growth once hydro sources are exhausted. It is estimated that the country can still double its hydro capacity to 160 GW by the end of the next decade, but afterward it will have to rely on other sources. The major gas discoveries, in particular, are sometimes regarded as pro-

*Continued on page 3*

### Chávez Leads in Presidential Poll, But Race Remains Tight

President Hugo Chávez maintains a lead over his opponent, Henrique Capriles, ahead of Venezuela's Oct. 7 presidential election, according to a poll released Tuesday. However, the poll shows voters remain concerned about Chávez's health. See story on page 2.

*File Photo: Venezuelan Government.*

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## NEWS BRIEFS

### Peña Nieto's Support Drops in Poll, Maintains Double-Digit Lead

Enrique Peña Nieto of Mexico's Institutional Revolutionary Party, or PRI, saw a sharp decline in support in a poll released Tuesday, though he remains the frontrunner in a double-digit lead, Reuters reported. The **Consulta Mitofsky** survey showed Peña Nieto with 35.6 percent support, down 2.3 percentage points from a Mitofsky survey released on May 22. Andrés Manuel López Obrador had 21.7 percent support in the poll, while Josefina Vázquez Mota trailed with 20.4 percent. Peña Nieto's slide came amid a May 19 demonstration in Mexico City by thousands of protesters who said the PRI is corrupt.

### Mexico's Telecom Industry Grew 11.9 Percent in First Quarter

The Mexican telecom industry grew by 11.9 percent in the first quarter of 2012 in comparison to the same period a year prior, EFE reported, citing the Federal Telecommunications Commission. Satellite TV, mobile telephony and long-distance segments helped account for the expansion. Mobile broadband subscribers more than doubled from 4.1 million at the end of March last year to 8.7 million in March 2012, the commission said.

### Peru, China Trade Reaches $12 Billion in 2011: Ambassador

Peru's ambassador to China, Gonzalo Gutiérrez, on Tuesday said that steadily increasing trade between the two countries reached $12 billion in 2011, state news agency Andina reported. According to Gutiérrez, Peruvian exports to China include copper, iron, aluminum, fish meal and grapes, and China exports phones, televisions, computers and cars to Peru.

# Political News

## Venezuela Race Remains Tight Over Concerns About Chávez's Health

A new poll released Tuesday shows that President Hugo Chávez maintains a lead over his rival, Henrique Capriles, ahead of Venezuela's Oct. 7 presidential election, but the race remains tight, highlighting Venezuelans' concerns about Chávez's health, *The Miami Herald* reported. The poll, by **Varianzas**, showed that 50.7 percent of respondents supported Chávez, while 45.5 percent backed Capriles. The survey, which was conducted from May 12-26 and had a margin of error of plus or minus two percentage points, found 3.7 percent were undecided. Chávez has increased his lead over Capriles by about one percentage point since the most recent Varianzas survey on April 3. The Venezuelan president, who has never disclosed what form of cancer he is fighting, has said in recent weeks that he has won his battle against the disease. In the latest poll, when asked who would win their vote if Chávez still was afflicted with cancer on election day, respondents were split, with 49.6 percent supporting each candidate. The survey also showed that Capriles would win by double digits if he were to run against Vice President Elías Jaua, National Assembly President Diosdado Cabello, Foreign Minister Nicolás Maduro or Adán Chávez, the president's brother and current governor of Barinas state. The four men are believed to be possible candidates in the event that Chávez's health prevents him from standing for re-election. On Monday, Chávez expressed confidence that he would win a fourth term in office, saying "even rocks" know he will be re-elected.

*Chávez led the latest poll by slightly more than 5 percentage points over Capriles.*

# Company News

## Repsol Withdrawing From Cuba After Failing to Find Oil

Spanish oil company **Repsol** announced Tuesday that it is withdrawing from Cuba after it failed to discover oil in an exploratory well on May 18, BBC News reported. The company's chairman, Antonio Brufau, told reporters in Madrid that Repsol "won't do another" well in Cuban waters. Repsol's failed attempt to find oil off Cuba's northern coast cost the company more than $100 million. Kristian Rix, a Repsol spokesman, told the BBC later that the company's decision to not continue attempting to find oil off Cuba's coast was a technical one. "Offshore drilling is very expensive and there is quite a risk involved. Four out of five attempts came out dry," said Rix. "At this point we don't think it is worth continuing to drill, at least not in our blocs." Repsol previously failed in a 2004 attempt to find oil off Cuba. "Now we hit another dry well and we have decided it wasn't worth continuing," he said. Cuba's government has hoped that oil would help revive its struggling economy. The communist nation imports half the oil it needs, largely relying on subsidized oil from the government of Venezuelan President Hugo Chávez. Cuba pays for the oil Venezuela sends it through the services provided by Cuban doctors and other medical workers in Venezuela.

Brufau

*File Photo: Repsol.*

## Bancolombia Eyeing Acquisitions in Latin America: CEO

**Bancolombia** is looking for acquisitions in Latin America and may seek to tap capital markets if it identifies potential targets and needs financing, the bank's chief executive officer told Reuters on Tuesday. "Our strategy is not to wait and see what's being sold, it's to go and look for what we want," Carlos Raúl Yepes told the wire service. "We would wait to buy when

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acquisitions are at the right price." Bancolombia, Colombia's largest lender, is interested in acquiring brokerages, fiduciary funds and banks and is open to possible acquisitions across the region, said Yepes. He added that the bank is not poised at this moment to make any deals. In the first quarter, Bancolombia sold nearly $1 billion in shares and had a record level of bond sales last year. Those moves allow the bank to pursue acquisitions without the need for more financing. However, Yepes said Bancolombia maintains tapping the public markets as an option. On Monday night, Bancolombia's board approved the issuance of as much as 3 billion pesos ($1.63 billion) in local bonds. It did not specify how the money raised would be used. "We want to take advantage of the liquidity in the market," Yepes told Reuters. José Fernando Restrepo, head of economic investigations at the Interbolsa brokerage, told the wire service that acquiring assets outside of Colombia could be a good move for Bancolombia. "Buying overseas banks would give it bigger income diversification," he said. "Acquisitions are always on the radar for companies like Bancolombia." After losing its investment-grade rating more than a decade ago, Colombia regained it last year on the heels of its steady financial management, strong economy and advances in security. Colombian banks have received a flood of new middle-class customers who have sought more loans. However, the country's central bank has expressed concerns about growing consumer debt levels. On Monday, the central bank left its benchmark interest rate unchanged at 5.25 percent for the third consecutive month.

> "We want to take advantage of the liquidity in the market."
>
> — *Carlos Raúl Yepes*

## Featured Q&A

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viding a viable alternative if high carbon taxes are not slapped on fossil fuels. Wind and solar power will be expanding in the coming years, but many question the ability of such sources to respond to demand with high-quality energy. Thus, nuclear power may make a comeback, but it will take possibly a decade before we see major investment commitments."

**A José Goldemberg, physics professor at the University of São Paulo and former environment minister of São Paulo State:** "Planning for the expansion of electricity supply in Brazil is made through two instruments: 1) Expansion plans for the next 10 years conducted by the EPE (Empresa de Planejamento Energético) which is realistic and determines where investments are made. 2) Indicative expansion plans for the next 25 years made by the Ministry of Mines and Energy. These plans are really exercises and are not binding. The next plan for 2035 is being prepared. The assumptions on which this plan is made are very dubious. They are assuming that energy consumption and gross domestic product grow together at the same rate, which has proven to be incorrect in a very large number of countries. What Marcio Zimmerman said earlier this month is that the only real activity in nuclear expansion in Brazil is the conclusion of the reactor in Angra dos Reis (Angra III) by 2015. Such work is already delayed by at least 18 months due to a revision of safety measures. No realistic plans for further expansion exist at the moment. He indicated, however, that the plans for 2035 (not 2030) 'could include the construction of four to eight nuclear plants.' The nuclear sector is lobbying for that, but the inclusion of such proposals in the 2035 Energy Plan is no guarantee they will be built. In my view, it is unlikely they will be built."

**A Ricardo Baitelo, Brazil energy campaign coordinator at Greenpeace:** "Fukushima brought some lessons to Brazil. The country has delayed investment in new nuclear power plants, state governments in the northeast that had applied for these new plants changed their minds and Energy Minister Edison Lobão stopped saying that he had plans to see 50 plants built by 2050. The abundant supply of wind energy and hydropower in the country opens space for Brazil to abandon the nuclear option, while the viability of new sources increases progressively. Nuclear energy supplies less than 2 percent of Brazil's energy needs at a higher price than other generation sources. Brazilian wind potential is 143 GW, enough to meet all current electricity demand. The wind generation cost in Brazil is currently the world's most economical. About 2,000 MW of wind energy are contracted annually in energy auctions, which equals more than the installed capacity of the two Brazilian nuclear plants. Solar energy could also supply the entire domestic demand if using 2 percent of the urbanized area of the country. Prices are dropping considerably and legislation for net metering of solar panels has been approved recently. Argentina is the other South American country that relies on nuclear energy, with two reactors that represent 6 percent of the total electricity matrix. The country's plans are to extend the lifetime

> "The space gets narrower for nuclear plants if solar energy develops at the same impressive pace as wind energy."
>
> — *Ricardo Baitelo*

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**Featured Q&A**

*Continued from page 3*

of the Embalse reactor, in addition to building three new reactors. Venezuela, which had plans to build reactors, backed down after the accident in Japan. The recent pre-salt field discoveries represent the increase of the oil industry in the country. The fuel is intended to be used both domestically (mainly in the transportation sector) and exported to the United States and China. Even though gas will be used for thermal generation, the most likely scenario for Brazil is that hydro and wind energy will reduce the potential market for nuclear energy in the future. The space gets narrower for nuclear plants if solar energy develops at the same impressive pace as wind energy in the next 10 years."

**A John Albuquerque Forman, president of J Forman Consultoria in Rio de Janeiro and former ANP director:** "Fukushima, although a very large accident, did not kill or wound scores of people. In fact, it caused fewer deaths than automobile accidents almost every day all over the world. It did raise, once again, the primitive fears regarding nuclear power. It will take some years for clear analysis and plans for future plants to be remade. Brazil is no different and, so not to be politically incorrect, the plans were delayed. The target date is now 2030. Hydro plants that may be built are mostly in the Amazon region and face massive resistance from environmentalists, as is the case for Belo Monte, which has been under discussion and dispute for more than 20 years. Large amounts of energy cannot be generated by alternative sources like wind or solar. When the demand for energy grows, the answer, in Brazil, will have to be hydro or nuclear. We will have to wait and see which will be the more powerful lobby. Oil is out of question and gas, although apparently plentiful in the pre-salt, is far off the coast and demands solutions which are under study but have not been found yet."

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*The* Advisor *welcomes reactions to the Q&A above. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org with comments.*


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