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FEATURED Q&A

Will Low-Cost Natural Gas Undermine Renewable Energies?

Q United Nations Secretary General Ban Ki-moon said last month that renewable sources could supply nearly 80 percent of the world's energy by mid-century, if the 'right, enabling public policies' were in place. But a recent study by PricewaterhouseCoopers suggested that the advent of low-cost shale gas and oil could stifle investments in renewable energy and threaten global emissions targets. How is the outlook for renewable energy development shaping up in Latin America and the Caribbean? What sorts of public policies would best counter the economic forces that are emerging in the region over the coming decades? How will different countries and subregions of the Americas be affected as compared to others?

A Steve Sawyer, secretary general of the Global Wind Energy Council: "We certainly agree with the secretary general's assessment, but the devil, as always, is in the details. A large part of the 'right, enabling policies' would be doing away with existing subsidies to fossil fuels, which according to IEA Chief Economist Fatih Birol in 2012 amounted to the equivalent of a subsidy of $110 per metric ton of carbon dioxide emitted. If methane and carbon dioxide emissions were priced in any meaningful way rather than heavily subsidized, then 'non-conventional' oil and gas would be far from cheap and renewables could easily compete in more markets. Even in that heavily subsidized environment, however, the position of renewables in Latin America and the Caribbean is improving. Wind power has consistently competed successfully with all other forms of generation in recent auctions in Brazil, and is also thriving in Mexico despite the lack of any regulatory framework or support system. Of course, many parts of the region are also heavily reliant upon hydro for a large portion of their electricity as they have been for many decades. Still, there is much to do

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Argentine Cardinal Elected First Latin American Pope

Argentina's Jorge Mario Bergoglio was selected Wednesday as the Roman Catholic Church's first Latin American pope and the first non-European pontiff in more than 1,200 years. The news set off celebrations in the Argentine capital. See story on page 2.

Photo: Clarín.

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NEWS BRIEFS

Chile Inaugurates World's Largest Ground-Based Telescope

The largest ground-based telescope on Earth was inaugurated in a ceremony in Chile Wednesday, UPI reported. Located in the Atacama desert at more than 16,000 feet, the ALMA facility has 66 high-precision antennas capable of detecting light invisible to the human eye. The extreme dry climate of northern Chile is well suited to observatories. Built at a cost of at least $1.3 billion with funds coming from four continents, the telescope is the most expensive of its kind ever made. Planning for the project began in 1997.

Chávez's Body Unlikely to Be Prepared for Permanent Display

The body of late Venezuelan President Hugo Chávez is unlikely to be embalmed for permanent display because the government's decision to do so was made too late, Acting President Nicolás Maduro said Wednesday, the Associated Press reported. A Colombian embalmer told the AP that such a decision must be made within hours of death to take actions to forestall decomposition. During his lifetime, Chávez said he wanted to be buried in his home town, Sabaneta.

Petrotrin Workers Protest Pay, Demand Better Conditions

More than 2,000 employees of Trinidad & Tobago's state oil company, **Petrotrin**, stopped work Wednesday over what they said was the nonpayment of outstanding money, promised upgrades, and health and safety concerns, the *Trinidad Express* reported. Union officials said the protest did not affect productivity at refineries. The company said it had contingency plans in place.

Political News

Argentine Cardinal Elected First Latin American Pope

Cardinal Jorge Mario Bergoglio, the former archbishop of Buenos Aires, was elected Wednesday as the Roman Catholic Church's new pope, marking the first time ever that the church had selected a Latin American as leader of the world's 1.2 billion Catholics. Bergoglio, 76, took the papal name Francis in tribute to St. Francis of Assisi and became the first non-European pope in more than 1,200 years. "You know that the duty of a conclave is to give a bishop to Rome, but it seems that my brother cardinals went to the end of the world to find one," the new pontiff told a crowd of some 100,000 people who had flooded into the Vatican's St. Peter's Square, Bloomberg News reported. Pope Francis, speaking from a balcony overlooking the square, asked the crowd to offer him their prayers "before I offer a blessing to you." Francis was elected on the fifth ballot of the papal conclave's second day. He was born in Buenos Aires to Italian immigrants and is the first Jesuit to become pope. His election set off celebrations in the Argentine capital. Argentines flooded into the city's cathedral on the Plaza de Mayo, where some wept of joy and others knelt in prayer. "This is a sign from God for Latin America," Ramiro Arnulphi, a 23-year-old law student told the news service. "I came to thank God for this blessing for Argentina and the world." The new pope is a humble man who is closely connected with ordinary people, Ana María Pérez Bodria, leader of Argentina's Catholic Action group, who has known the new pontiff for 15 years, told Bloomberg. "As a cardinal he lived beside the cathedral, he's an evangelist and humble," she said. "Every Holy Thursday he would conduct masses in hospitals, prisons and slums to ask people to unite." President Cristina Fernandez de Kirchner sent Francis a warm letter of congratulations, despite their deep political differences. In 2010, the then-archbishop of Buenos Aires angered Fernández by helping to organize marches opposed to her government's plan to legalize same-sex marriage. The government's effort was not "just a political question but intended to destroy God's plan," Bergoglio said at the time, Bloomberg News reported. On Wednesday, Fernández wished the new pope success in achieving "justice, equality, fraternity and world peace," according to a posting on her Twitter account. Fernández will attend Francis' first Mass as pope on March 19, her spokesman told the Associated Press. Some have also criticized Bergoglio for not openly confronting Argentina's 1976-1983 military dictatorship for its kidnappings and killings during the country's "Dirty War," the AP reported. However, his biographer, Sergio Rubin, said the failure was not his as much as it was that of the Catholic Church in general.

President Cristina Fernández de Kirchner sent the new pope a warm letter of congratulations despite their political differences.

Economic News

IDB Spends $3.75 Billion on Energy, Climate and Environment in 2012

The Inter-American Development Bank said Wednesday it had committed $3.75 billion for projects that deal with climate change, sustainable energy and environmental sustainability in 2012. This amounted to one-third of its total approved lending last year and surpassed the 25 percent target the bank set for itself by 2015. Last year, the IDB approved 169 projects for $11.4 billion. The multilateral bank, which is having its annual meetings in Panama this week, said it is increasingly concerned about water usage, and issued a report on the relationships between water and human well-being, water and business productivity,

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water and energy production, water and food production, and the way climate change is impacting these relationships. "Water resource management is emerging as a pivotal global challenge," said IDB Vice President Santiago Levy. "Decisions taken independently within the water, energy and agriculture sectors may have far-reaching consequences for each of the other sectors as well as for ecosystem services."

Levy

File Photo: IDB.

Company News

Colombian Court Rules Against Canada's Pacific Rubiales

A Colombian arbitration court on Wednesday ruled in favor of state oil company **Ecopetrol** and against Toronto-based foreign investor **Pacific Rubiales** in a dispute over windfall payments from one of the country's top-producing oil fields, Dow Jones reported. Pacific Rubiales, which has suffered from labor unrest in the Andean nation in recent years, must pay 100 percent of windfall income from the Quifa oil field to Ecopetrol after the field's production reached the 5 million barrels of oil benchmark, according to the report. Pacific Rubiales had offered to pay 60 percent. The company, which said last week its reserves grew 27 percent in 2012, operates mainly in Colombia and Peru. Last November, Pacific Rubiales announced it was buying **C&C Energia**, a company focused on Colombia, for about $500 million. The deal included four development blocks in Colombia's Llanos basin.

Pacific Rubiales, based in Toronto, operates mainly in Colombia and Peru.

Featured Q&A

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in the region. Wind power needs to spread, and photovoltaics need to assume a larger role, as they are becoming increasingly competitive globally. But there is no reason to believe that the region could not decarbonize the electricity sector with elimination of subsidies and a price on carbon. In the process, the region would create new industries, new jobs and increase its energy security and self-sufficiency."

A Pietro Erber, director of Brazil's National Institute of Energy Efficiency: "Although the secretary general's 80-percent target is highly desirable, it seems a bit optimistic in view of world population growth, living standards improvements and the probable persistence of present consumption patterns and goals, in which individual transportation is paramount. Latin America and the Caribbean are well-endowed with renewable energy sources: hydro, wind and biomass. In a hopefully near future, solar energy-based power generation will also be competitive. However, most of these sources are not continuously available. They require some kind of backup, like large hydro reservoirs or thermal power generation. The construction of the former is being hindered by environmental issues, and fossil fuel-based generation presently has competitive prices. The region is also well-endowed with oil, natural gas and coal (mostly concentrated in Colombia and Brazil). Gas utilization is also expanding fast. The concern about the effect of cheap fossil fuel on the development of renewables is well founded, mainly with regard to transportation and industry, but also with respect to power generation. Although renewables will certainly be developed, presently it does not seem that their expansion will be much faster than that of fossil fuels. The basic issue is whether shale gas and oil products are really cheaper than electricity and fuel derived from renewables. The present crisis and the consequent urge to recover production are probably leading to a minimizing of the importance of environmental effects and concern about the sustainability of the production and utilization of these fuels. And this contributes to promoting their apparent competitiveness and to reducing efforts toward efficiency improvement. So, unless people are willing to pay for the cost of externalities, and to pay now, as a price increment of the same fuels, the prospects of a significant increase of the renewables share in the region (which is comparatively high) will be jeopardized. Claims about sustainability must reflect energy transformations and final uses costs to society in order to make sense."

A Scott Sklar, president of The Stella Group in Washington: "At the present time, global oil demand is exceeding new oil supply from oil drilling. Oil prices have stabilized only because of the recent global economic slowdown, but the global economies are expanding slowly again. The increase in shale oil production will not exceed the expanding global demand, and the shale oil goes into the global market, not relegated to the Western Hemisphere. The Caribbean gets nearly all its electricity from diesel generators whose costs are much higher than the current costs of biomass, combined heat and power systems, geothermal, photovoltaics and concentrated solar power, and wind energy. While shale oil on the open markets will dampen diesel fuel prices, it will not depress prices below many of the renewable energy alternatives. More importantly, electric grids throughout Latin America have a large number of electric outages per month. Distributed electric generation helps sustain electric power because generation is closer to the customer. Building-based high-value energy efficiency and building-based renewable energy systems are far more reliable than these electric grids and more resilient against the more intense weather patterns being experienced in the region.

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Featured Q&A

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Solar water heating, solar, daylighting, geothermal heat pumps, solar industrial process heat and combined heat and power systems are absolutely cost-effective in all conditions. Rooftop and ground-mounted photovoltaics and small wind systems tied to battery banks are being utilized in thousands of buildings in North America, but have even more economic value in Latin America. The region has some of the world's best biomass, geothermal, marine, solar and wind resources and just needs more focused policies to allow market access."

Cláudio Frischtak, president of Inter. B Consultoria Internacional de Negócios in Rio de Janeiro: "It is unquestionable that shale gas will have a major impact in the coming years and decades in the competitive landscape of industry and energy in the Americas, where close to 50 percent of identified recoverable reserves lie. While the United States, Mexico and Canada hold an estimated 862, 681 and 388 trillion cubic feet (tcf) respectively, Argentina and Brazil hold 774 and 226 tcf. Yet the impact will not be uniform; it will be more profound in North America—certainly in the United States and Canada, possibly in Mexico—in view of the availability of financial and entrepreneurial resources, technology, demand and a favorable business environment; and less so in Brazil and Argentina. The short- to medium-term effect of lower gas prices in North America will be a relocation of energy-intensive manufacturing into the United States mainly, but also Mexico and Canada, and possibly a shift away from coal as a source of energy. This might be replicated in China (which leads with reserves at 1,275 tcf). Over the longer term, the commitment to renewable energy will not depend solely on relative prices, as it stems from the credible and material threat to the global commons, and it will be increasingly costly for major carbon dioxide polluters to simply ignore it. Not ignoring the commercial gains from technological leadership in renewables, it is telling that China and the U.S. have taken the leadership in wind power, the installed capacity of which grew globally by 20 percent in 2012, while solar expanded by over 30 percent."

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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