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FEATURED Q&A

Is Latin America's Energy Sector Well Prepared for Disasters?

Q The second anniversary of the Fukushima nuclear disaster in Japan, massive fires at petroleum refineries in Argentina this month and in Venezuela last year, and recent oil pipeline spills in the United States have captured headlines lately, reminding the public of the dangers inherent in energy production and distribution. How has emergency preparedness for energy infrastructure evolved in Latin America and the Caribbean in recent years? Is the region's capacity to respond to disasters adequate? How do Latin America's existing energy infrastructure safeguards compare to best practices in the rest of the world? Who is responsible, the businesses or governments regulating them, for ensuring citizen and environmental safety?

A Jorge R. Piñon, former president of Amoco Latin America and director of the Latin America and Caribbean Energy Program at the Center for International Energy and Environmental Policy at the University of Texas at Austin: "The Deepwater Horizon and Ixtoc I incidents demonstrated the complexity and challenges of managing offshore oil spills and their potential catastrophic impact upon the marine environment. As countries in the greater Gulf of Mexico and Caribbean Basin move forward in developing their deepwater oil and natural gas potential, the consequences to the region of a mishap move from the theoretical to the actual. The 1990 International Convention on Oil Pollution Preparedness, Response and Co-operation (OPRC) provides a framework in combating major trans-boundary incidents or threats of marine pollution. The International Maritime Organization has established an OPRC technical working group, hosted by the Regional Emergency Information and Response Center Caribbean, focused on supporting international cooperation for combating spills in

Continued on page 2

Court Rules Bolivia's Morales Can Seek Third Term

Bolivia's Constitutional Court has ruled that President Evo Morales can seek a third term in elections scheduled for 2014. The country's 2009 Constitution limits presidents to two consecutive terms, but it took effect after Morales entered office. See story on page 2.

File Photo: Bolivian Government.

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NEWS BRIEFS

Venezuelan Judge Orders Continued Detention of General

A Venezuelan judge has ordered the continued detention of Antonio Rivero, a former general who has been accused of inciting social unrest in the wake of this month's presidential election, the Associated Press reported Monday. Supporters say Rivero, who was arrested Saturday, is part of a government crackdown on dissent.

Dominicans Rank Perception of Citizen Safety Low

The Dominican Republic ranks sixth-lowest among the 47 countries for its citizens' perception of personal safety, *Dominican Today* reported Monday. The data, based on a Gallup poll commissioned by the United Nations Development Program that was released last month, suggest that only 38 percent of the population say they feel safe walking alone at night in the area where they live. The Dominicans rank themselves only ahead of Botswana, Namibia, South Africa and Gabon, and tied with Paraguay for sixth place. The murder rate in the Dominican Republic is lower than in countries where citizen perception of safety is higher.

Bolivia Exports More Gas to Brazil, Argentina

Bolivian state oil company **YPFB** said Monday that natural gas sales to Brazil and Argentina rose nearly 30 percent to $1.49 billion in the first quarter this year, EFE reported. Gas sales to Brazil totaled $963.8 million in the first quarter, while exports to Argentina reached $535.4 million. The total value of all Bolivian hydrocarbon exports rose to nearly $1.56 billion during the period, YPFB said.

Political News

Court Rules Bolivia's Morales Can Seek Third Term

Bolivia's Constitutional Court has ruled that President Evo Morales can seek a third term in the country's December 2014 election, BBC News reported today. Bolivia's Constitution allows the country's presidents to serve only two terms.

Bolivia's 2009 Constitution limits presidents and vice presidents to two consecutive terms.

However, the court ruled that Morales' first term should not count toward that limit because it started in 2006, before the current Constitution took effect. Morales' first term would have run from 2006 to 2011, but in 2009 he cut his term short, calling for early elections and a referendum on a new Constitution. Voters approved the new charter and Morales was overwhelmingly re-elected. The new Constitution limits presidents and vice presidents to two consecutive terms. Opposition figures criticized the court's decision. Former President Carlos Mesa said the judges' decision was "unacceptable," BBC News reported. Also, Samuel Doria Medina of the National Unity Party, which also opposes Morales, said the issue should have been put to a referendum. "He's afraid of the people," said Doria. Opinion polls show that Morales maintains strong support despite protests from groups including military and police officials who have sought higher pay.

Chile's Golborne Withdraws From Presidential Race Amid Scandal

Former Public Works Minister Laurence Golborne bowed out of Chile's presidential race Monday over a financial scandal, the Associated Press reported. He was seen as the likeliest candidate from the ruling conservative party to run against

Featured Q&A

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the region. A series of training and educational workshops have been held in the past two years, most recently March 19-20 in Nassau between the United States, Mexico, the Bahamas, Cuba, Jamaica and Guyana to share lessons learned and best practices on oil spill prevention, response, containment and recovery. The United States has oil spill response agreements with Mexico (the MEXUS Plan), Canada, Russia, Panama and the British Virgin Islands. Consideration should be given to a regional multilateral oil spill response agreement and to include countries such as Honduras, Colombia and Trinidad & Tobago. Such a formal agreement would help countries respond effectively to a trans-national oil-related marine accident which would allow immediate access to the resources needed that can provide the near-instant technology and know-how that will be needed to limit and halt damage to the region's shared marine environment."

Luis E. Giusti, former chairman and CEO of PDVSA: "In Latin America, threats to the energy infrastructure are mostly connected to faulty maintenance and/or deficient operations. It is true though, that in a few places, like Colombia, infrastructure destruction and emergencies can be the result of sabotage. In Colombia, the FARC frequently plants explosives on pipelines. However, those attacks, despite being a pain in the neck for a few operating companies, have not derailed the country's production and exports have steadily increased. Also, in the past, the Arauca region near the border with Venezuela was a frequent target of terrorist attacks, and the pipeline to the Caribbean coast was attacked hun-

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socialist former President Michelle Bachelet in the Nov. 17 election. The party's primary is scheduled in June. The scandal relates to Golborne's time as the chief executive officer of retailing giant **Cencosud**, which the Supreme Court fined $70 million last week over abusive credit card practices in the mid-2000s that affected more than 600,000 customers. Golborne initially said it was unclear if there had been abuse, and then declared he had merely gone along with the Cencosud board's decision, Reuters reported. Golborne has also faced scrutiny over personal offshore banking accounts, which he has said complied with tax rules, according to Reuters. "As of this moment I bring down my candidacy in all forms for this nomination. Decide freely what is best for the country," Golborne told reporters Monday.

Golborne

File Photo: Chilean Government.

Company News

Embraer Signs Deal With United for Sale of 30 Jets

Brazilian aircraft maker **Embraer** announced Monday it has signed a firm order with **United Airlines** for the sale of 30 of its E175 jets, with options to order an additional 40 of the same model. The deal has an estimated value of $2.9 billion at current list prices, Embraer said. The planes will be configured with a 76-seat layout and will operate under the United Express brand in the U.S. market. The first delivery is scheduled for the first quarter of 2014. Two years ago United merged with **Continental Airlines**, which had been a long-time customer of Embraer, dating to purchases of turboprop planes in the 1980s. The United deal follows a disappointing quarter for Embraer, which posted a 67 percent drop in net income amid falling production and rising labor costs, Reuters reported.

Capitol Hill Watch

A Look at U.S. Congressional Activity on Latin America

Feinstein, Grassley Outline Strategies for Anti-Money Laundering Practices

Senators Dianne Feinstein (D-Calif.) and Chuck Grassley (R-Iowa) on Thursday released a report on U.S. anti-money laundering efforts, a topic of high concern to Latin American and Caribbean banks faced with increased compliance requirements. The report looks at anti-money laundering from a narcotics perspective. "Drug traffickers are motivated by one thing: money. The illicit proceeds from their crimes are blood money, and blood money has no place in our financial system," said Feinstein. "Money laundering—very often through U.S. businesses and financial institutions—must be stopped if we are to make real progress in curtailing the drug trade. Improving our anti-money laundering laws will help better combat transnational organized crime and return revenue to the U.S. Treasury." The report recommends stronger enforcement of anti-money laundering laws by the Justice Department, particularly in cases where banks are accused of improperly monitoring illicit proceeds. It also suggests making pre-paid and stored-value cards subject to cross-border reporting requirements. It also seeks to close what the authors call a loophole that makes armored cash carriers exempt from reporting requirements, among other changes. The report is endorsed by Senate Caucus on International Narcotics Control members Tom Udall (D-N.M.), Sheldon Whitehouse (D-R.I.), James E. Risch (R-Idaho) and John Cornyn (R-Tex.).

Schumer, McCain Express Optimism for Immigration Overhaul

Senators John McCain (R-Ariz.) and Charles Schumer (D-N.Y.) said Thursday that they were optimistic they can win enough votes in the Senate to pass the immigration reform legislation they have proposed. The issue has become a hot topic in domestic politics and is being followed by countries across Latin America and the Caribbean. While the "Group of 8" legislators that worked out the compromise had hoped the bill could come to vote as early as May, the possibility of gun legislation coming back up for a vote in the Senate this year could delay debate on the immigration bill, *The New York Times* reported.

Senators Introduce OAS 'Revitalization and Reform Act of 2013'

A bipartisan group of senators introduced the Organization of American States (OAS) Revitalization and Reform Act of 2013 on April 24. The legislation urges the implementation of "certain management reforms" at the OAS and requires the secretary of state to "identify a path toward the adoption" of them. The bill also would declare that the OAS is "the primary multi-lateral diplomatic entity for regional disputes and promotion of democratic governance," according to a Senate press release, which offered few details on what the reforms specifically entail. The bill was introduced by Foreign Relations Chairman Robert Menendez (D-N.J.), Ranking Member Bob Corker (R-Tenn.), along with committee members Tom Udall (D-N.M.) and Marco Rubio (R-Fla.). "Critical reforms are overdue," said Menendez. OAS Secretary General José Miguel Insulza met with Peruvian President Ollanta Humala on Thursday. Insulza was in Lima for meetings of the World Economic Forum on Latin America, at which he spoke about anti-narcotics efforts.

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Featured Q&A

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dreds of times, but this problem has receded to only occasional interruptions. In Venezuela, most risks originate from maintenance problems, which have affected mostly refining and processing installations. In general, the upstream equipment tends to be more resilient, and oil production flow in Venezuela, Ecuador, Colombia and Argentina has been steady. In Venezuela, the diminished flow has been due to a decline in traditional fields. It remains to be seen what could happen in those countries when demand on the installations increases. In Colombia, for example, the large production increase has faced obstacles due to insufficient pipeline capacity. Gas compression and transmission facilities are among the most vulnerable and dangerous, but the few major accidents over the years have been the result of faulty operations. Concerning electricity generation and transmission, the Latin American systems have shown reliability. One obstacle worth mentioning is the loss of capacity of Guri in Venezuela, one of the region's largest hydropower facilities, once again resulting from poor maintenance. In Brazil and Mexico, energy facilities are well maintained in general and they have good track records. Compared to regions like Africa and the Middle East, the risks in Latin America are lower and preparedness is generally better."

Anton Edmunds, president and CEO of The Edmunds Group: "The Caribbean's ability to respond to possible energy infrastructure disasters is not as robust as it should be. With the exception of Trinidad & Tobago (an energy producer), there is little in terms of public-private sector drills and exercises to deal with the possibility of a disaster specific to the system. In the area of maritime transportation of petroleum products, there are questions as to who is responsible for what, with countries leaving the bulk of the responsibility for addressing an incident to the businesses transporting the product. For domiciles susceptible to natural disasters, this lack of a coordinated approach can end up being devastating if an event were to occur. The lack of a regionally interconnected distribution system has served to localize any concerns related to a potential event. A private sector community used to frequent brownouts has invested in backup power systems and appears confident that it can ride out major interruptions. This combined with the threat seen primarily as cyclical and around the hurricane season has not been helpful in keeping the issue high on the national and regional agendas of Caribbean governments. Chronically underfunded national emergency management agencies with limited linkages to the private-sector community, and a hodgepodge of additional agencies in each country responsible for elements of the response mechanism, is also not positive as it relates to mitigation and responsiveness. That said, agreements between entities such as the association of utilities and the Caribbean Disaster Emergency Management Agency, can result in promoting best practices and the development of robust response programs."

> "The Caribbean's ability to respond to possible energy infrastructure disasters is not as robust as it should be."
>
> — *Anton Edmunds*

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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