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FEATURED Q&A

How Should Social Conflicts Over Power Projects Be Handled?

Q Many power projects, from mega-dams like Brazil's Belo Monte and Chile's HidroAysén to wind farms in Mexico's Isthmus of Tehuantepec, continue to face strong resistance from local communities and generate social conflict, often despite laws and institutions put in place to mediate the disputes. What is the right way to balance community concerns and the need for power projects? Where do processes and laws work to address community concerns, and where do they fall short? How are social conflicts affecting the outlook for power sector development in the region?

A Maria Velez de Berliner, president of Latin Intelligence Corporation: "Buy-in to collaborate on and support any project requires common understanding of objectives among all parties, trust in the fairness and openness of the process and acceptance of a negotiated middle ground all stakeholders find reasonable. These have been missing in the energy projects in Latin America, despite the fact that a majority are, or will be, located in ecologically sensitive and politically contentious lands, under the auspices of governments known for their absence from, and neglect of, the communities in those lands. Few should have expected that communities with a history of being abused by corrupt officials and the effects of illegal, or at best

marginally legal, activities of powerful companies would accept the benefits of the power projects proposed for, or carried out in, their communities. Populations used to having the law and institutions against them could hardly be expected to accept projects that adversely affect their traditions and lifestyle. In addition, in the age of Internet-available data, many communities understand the valuable negotiating card they have thanks to the natural resources in their lands. Therefore, if governments want to

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U.S. Senators Call for Study on Impact of Lifting Oil Export Ban

U.S. senators, including Mary Landrieu (D-La.), the chairman of the Senate Energy and Natural Resources Committee, have asked the Energy Information Administration to study the effects of lifting a ban on U.S. exports of crude oil. See story on page 3.

File Photo: U.S. Senate.

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ENERGY SECTOR BRIEFS

Brazil to Hold September A-5 Auction, Include Wind and Solar Projects

Brazil will hold an A-5 power auction Sept. 12 in which wind and solar projects will both be eligible to participate, the Ministry of Mines and Energy announced Wednesday, Recharge News reported. Biomass, coal and combined-cycle projects are also eligible to participate in the auction, which will award 20-year contracts with commercial supply due on Jan. 1, 2019. This is the second auction this year to include wind and the first to include solar.

Tractebel Begins Construction on Wind Farm in Northeast Brazil

Tractebel Energia, a subsidiary of France's GDF Suez, has begun construction on a 97.2-megawatt wind complex in the northeastern Brazilian state of Ceará, reNews reported Monday. The Santa Monica wind farm, made up of four smaller wind farms, is expected to begin delivering power in 2016, which it will sell to private offtakers. The 460-million real (\$207-million) project is located next to Tractebel's 115.4-megawatt Trairi wind complex and will share its transmission and substation infrastructure.

Asia Surpasses North America as Destination for Venezuelan Oil

Asia surpassed North America last year as the top destination for Venezuelan exports of crude oil and refined products, Reuters reported April 10. According to preliminary data submitted to the National Assembly by state oil company PDVSA, exports to Asia, most destined for India and China, were up a fifth compared to a year earlier to an average of 1.04 million barrels per day (bpd), while exports to United States, Canada and Mexico fell 11 percent to 879,000 bpd.

Oil & Gas News**Chevron Extends Shale Gas Plans With YPF in Argentina**

Chevron Corporation on April 11 confirmed it had signed agreements with Argentine state oil company YPF to continue development of shale oil and gas resources from the Vaca Muerta formation in Argentina. "This is a significant step in our subsidiaries' joint efforts with YPF to develop one of the most exciting shale plays in the world today," George Kirkland, vice chairman of Chevron, said in a statement. "Vaca Muerta could become an important contributor to Chevron's long-term production growth," he added. Plans call for continued investment toward large-scale drilling and production in the 96,000-acre Loma Campana concession. The agreements also call for exploration of shale oil and gas resources in the 49,400-acre Narambuena area in the Chihuido de la Sierra Negra concession, one of the main producing areas in west-central Argentina. Bloomberg News reported last week that Chevron will invest \$1.6 billion this year in shale development in Argentina, becoming the country's largest foreign producer of shale oil and natural gas. Argentina's government nationalized YPF from Spain's Repsol in 2012, citing lack of investment from the company. The two parties agreed to a \$5 billion settle-

ment for the assets last month, which is expected to be approved by Argentina's congress by May 1, according to the *Buenos Aires Herald*. YPF's management has been working to dispel the impression it will be run as an inefficient state firm following the nationalization, with Chevron signing on as an early supporter. "YPF is a reliable partner and operator that is advancing the project in the right direction," Ali Moshiri, the Chevron executive overseeing exploration and production in Africa and Latin America, said in the statement.

Ecuadorean Group Has Signatures to Call for Vote on Yasuní Oil Drilling

YasUnidos, a group of Ecuadorean environmentalists and indigenous groups, said it has gathered more than enough signatures to force a referendum on whether the Yasuní National Park should be opened to further oil drilling, BBC News reported April 10. The group said its petition to hold a referendum has 727,947 signatures, including some from Australia, Mexico and Europe, more than the 680,000 it needed to collect by an April 18 deadline. Ecuador's electoral authorities must validate the signatures, and then the Constitutional Court would authorize a referendum. "With these signatures, we are certain that the popular consultation vote will go ahead," Carla Espim of YasUnidos told reporters in Quito. Ecuadorean President Rafael Correa late last year

Featured Q&A

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go forward with energy projects unaffected by social unrest, they need to establish long-term credibility and fairness, uninfluenced by electioneering politics. Private companies need to understand the communities' cultural needs and economic objectives. Governments and companies must pay fair-market value compensation for the use of the communities' lands and accrued losses. It will not be easy, nor short term, for them to do so, but it is imperative. Otherwise, losses to investors will grow, along with the disrepute of governments, leading to continued unrest, the obstruction of projects

and the destruction of private property, which hurts all shareholders by delaying energy projects that benefit all."

A Mary Rose Brusewitz, member of the *Energy Advisor* board and partner and chair of the international practice at Strasburger & Price, LLP in New York: "Large infrastructure projects involve the public and the private sectors. Usually, some taxpayer money will be used and the people affected will bear the cost of the power or other output. Public resources and peoples' lives and livelihoods will be affected. Not everyone will ever agree that any project is acceptable. Social or cultural reasons may

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announced that he was ending a conservation plan that had sought donations of \$3.6 billion to prevent drilling in the national park, which covers some 10,000 square kilometers (3,860 miles). The park's Ishpingo-Tambococha-Tiputini (ITT) field is estimated to hold 20 percent of the Andean country's oil reserves, some 846 million barrels of crude. Correa's announcement sparked protests in Quito,



Correa

File Photo: Ecuadorean Government.

with critics expressing concern about the effects drilling would have on one of the world's most biodiverse areas and indigenous groups such as the Huaorani, which had not had much contact with outside world until recently.

Correa has said proceeds from hydrocarbon activities in the park will go to poverty alleviation programs. Limited exploration has been conducted there since the 1970s. [Editor's note: See related [Q&A](#) on the failure of the Yasuní-ITT initiative in the Oct. 7-11 issue of the *Energy Advisor*.]

U.S. Senators Call on EIA To Study Impact of Reversing Oil Export Ban

The chairman and ranking member of the U.S. Senate Energy and Natural Resources Committee have asked the Energy Information Administration to study the effects of lifting a ban on U.S. exports of crude oil, United Press International reported Monday. Senators Mary Landrieu (D-La.) and Lisa Murkowski (R-Alaska) sent a letter to EIA Administrator Adam Sieminski last Friday asking the agency to study the potential economic impact of reversing of the ban, which was imposed in the 1970s as a response to the Arab oil embargo. Their letter asked the EIA to look at current and projected crude oil and condensate production, domestic refining capacity and distribution, how competitive U.S. crude would be in the global market, what would logistically be required to relax or lift the ban, and what the effects would be on producers, refiners and consumers. In 2012, the EIA reported

The Dialogue Continues

Should Mexico's Energy Reform Include Local Content Rules?

Q One of the most contentious aspects of energy reform currently under debate in Mexico is whether or not secondary laws should set specific local content requirements for international oil companies operating in the country. Similar measures have been put in place in other countries, such as Brazil, in an effort to support and develop domestic industry, while other countries, such as Colombia, choose not to use them. Are local content rules a good idea for Mexico to include in its energy reforms? How do local content rules vary across the region, and what have been their consequences for energy sector investment and development? How much do they help local industry, and what are the drawbacks and pitfalls of such requirements?

A Duncan Wood, director of the Mexico Institute at the Woodrow Wilson International Center for Scholars: "There are increasing rumors coming out of Mexico City that the government is planning national content requirements in the secondary energy reform legislation that will be more restrictive than was hoped for by private oil companies. This appears to be

responding to two main drivers: first, the internal pressure within the party to implement the reform in such a way as to maximize benefits for the nation and for national suppliers and E&P companies, and secondly, government pressure and lobbying from those same Mexican companies who are seeking to increase their share of the potential energy sector pie. The inherent risk in this gamble by the Mexican government is that a national content requirement that is too high will deter foreign investors and foreign companies from bidding for contracts. The experience of Brazil in recent years shows that national content requirements can be a major limiting factor in the bidding process and can result in lower than expected levels of interest in bidding rounds. What's more, there are serious doubts that, in the short term at least, Mexico has the required national capacity to meet higher national content requirements. While it makes sense to build this national capacity over time, there are significant shortfalls at the present time in terms of basic materials, services firms and human capital."

Editor's note: The above is a continuation of a Q&A published in the April 7-11 issue of the Energy Advisor.

domestic proved oil reserves of 33 billion barrels, 15 percent more than in the previous year and the fourth straight year of growth. "You know better than most the true magnitude of the North American energy renaissance," the senators said in the letter. "This is a complex puzzle that is best solved with dynamic and ongoing analysis of the full picture, rather than a static study of a snapshot in time," they added, according to Platts. Sieminski told Platts last month that the EIA is planning to release a number of studies on the effects of the increasing U.S. domestic crude oil supply. "We've looked a little bit at issues in refining and I've got a whole list of things that we want to look at,

including how much tight oil is going to be produced, what refining capacity is, how much it's going to cost to change refining capacity, other infrastructure issues like the availability of rail and other modes, pipelines, of getting the oil to refineries on the East and West Coasts," Sieminski said.

Power Sector News

NADB Providing \$140 Million for Two Mexican Wind Farms

The North American Development Bank announced Tuesday that it has begun dis-

bursing two loans totaling \$140 million to **TEG Energía**, a subsidiary of Mexican cement producer **Cemex**, and **Fisterra Energy**, a private equity fund owned by **Blackstone Group**, to develop two wind farms in the municipality of General Bravo in the state of Nuevo León, approximately 35 miles from United States border. The Ventika and Ventika II wind farms will each have a capacity of 126 megawatts and have a total estimated cost of \$650 million. **Acciona Energía** will supply the wind turbines for the project and serve as the engineering, procurement and construction contractor. Acciona will also operate the wind farms and provide maintenance for 20 years. Fisterra said in a statement last week that when completed, Ventika will be the largest onshore wind farm in Mexico and will make a contribution toward reaching the country's target of 35 percent renewable power generation by 2025. When completed, Ventika will supply power to facilities owned by **Femsa**, **Deacero** and **Cemex** and university Tecnológico de Monterrey. Construction will begin in the second quarter of this year, with commercial operation expected to begin the second quarter of 2016, North American Windpower reported. The North American Development Bank has provided \$521 million of financing for six wind projects with 973 megawatts of capacity in California, Texas, Tamaulipas and Nuevo León.

Political News

Venezuelan Government Rejects Amnesty for Protest Leaders

Venezuela's government has rejected the opposition's request for an amnesty for the jailed leaders of violent protests that started two months ago in the South American country, BBC News reported. Representatives of President Nicolás Maduro's government met for the second time Tuesday with opposition leaders in an effort to find a resolution to the unrest which has left more than 40 people dead. After Tuesday's meeting, Ramón Avelledo of the opposition MUD coalition said that he proposed an amnesty, but the govern-

ment rejected it. Among the opposition figures still behind bars are Leopoldo López of the Popular Will party, who has been charged with inciting violence during the protests. Also jailed are Daniel Ceballos and Enzo Scarano, the opposition mayors of the cities of San Cristóbal and San Diego. Authorities have detained hundreds of people since the anti-government protests started in early February, but most have been released. Avelledo said Tuesday that opposition leaders would "seek other ways" to address the issue of the "political prisoners." Venezuelan Vice President Jorge Arreaza said after the talks that the two sides had condemned the use of violence and agreed to respect the

country's Constitution. In addition, the two sides agreed to expand a truth commission probing allegations of excessive force by authorities and protesters. Last week, Gen. Vladimir Padrino, the head of the country's strategic military command, said that National Guard troops had committed "some excesses." In all, there are 97 ongoing investigations into alleged abuse cases, said Padrino. The anti-government protests began as student demonstrations against Venezuela's high rates of crime and inflation and in protest of shortages of basic food staples. Over the past two months, they have grown into wider opposition protests, and some protest leaders have said they will continue

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An Inter-American Dialogue Discussion on

What Does North America's Energy Boom Mean for Latin America?

with

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CSIS

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Citigroup

Lisa Viscidi
Inter-American Dialogue

Wednesday, April 23
9:00 – 10:30 a.m.

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Please include your name and affiliation.

marching until Maduro resigns. Some pro-government counter demonstrations have also happened, with Maduro's supporters taking to the streets by the tens of thousands.

Costa Rican President-Elect Names First Half of Cabinet

Costa Rican President-elect Luis Guillermo Solís on Monday named the first half of his cabinet, which included some cutbacks in the number of ministers, *The Tico Times* reported. Among the changes that are part of his deficit reduc-

Solís said he would not visit Nicaragua's president during his tour of Central America.

tion plan, Solís named Vice President Helio Fallas to also be finance minister, and he eliminated the post of communications minister. Solís, who takes office May 8, still must name several other officials, including a foreign minister. He said the rest of his cabinet would be named on April 28. Solís also said he would begin a tour of Central America and the Dominican Republic on April 22. However, he said he would not pay a visit to Nicaraguan President Daniel Ortega because of Costa Rica's disputes with Nicaragua at the International Court of Justice. As finance minister, Fallas said he will aim to trim Costa Rica's deficit, which is currently 5.4 percent of gross domestic product, by one percent over the next year. He said planned government budget reductions and improved tax collection would help the country meet that goal. Solís also named Celso Gamboa, Costa Rica's current vice minister of public security, as his new minister for public security. Gamboa said his position would be that of a chief law enforcement officer. "I prefer that no one gets killed so that we don't have to go out and catch [the perpetrators]. I'd prefer the event never happens in the first place," Gamboa told *The Tico Times*. Gamboa,

who will be the only holdover from the administration of outgoing President Laura Chinchilla, said he would dedicate resources to youth crime prevention initiatives. In addition, Solís named lawyer Carlos Segnini to lead the country's troubled Public Works and Transport Ministry, or MOPT. Reforming the ministry and re-establishing its ability to conduct large-scale public works projects would be among the government's top priorities, said Solís.

Economic News

Cuba Publishes Foreign Investment Law in Effort to Attract Capital

Cuba's government on Wednesday published the text of a new law that officials in the communist country hope will attract new foreign investment, the Associated Press reported. The country's parliament approved the measure, which includes tax breaks for new investments, along with property guarantees for investors. The law takes effect in late June and also details labor regulations for projects that are foreign-financed and spells out procedures for arbitration. Under the new law, investments in projects that have mixed foreign and Cuban ownership or that are carried out in partnership with independent cooperatives will receive a tax holiday for their first eight years of operation. After that, they will have to pay a 15-percent tax on profits. That percentage is about half the current rate. The operations will also be exempt from paying payroll taxes. However, projects that are carried out completely with foreign capital will not qualify for those tax incentives unless the government makes an exception for them. The new law also does not change the requirement that foreign companies hire workers through a Cuban employment agency. A ban on hiring workers directly has elicited complaints for years from foreign companies operating in Cuba. The new regulations replace a 1995 law. Cuban officials from President Raúl Castro on down have said that attracting foreign investment is important in order for Cuba to meet its economic goals.

POLITICAL & ECONOMIC BRIEFS

Bolivia's Morales Submits Dossier in Access to Sea Case

Bolivian President Evo Morales has personally submitted a 200-page dossier to the United Nations' International Court of Justice in support of his country's attempt to regain access to the sea from neighboring Chile, BBC News reported Tuesday. Bolivia will "never give up" its claim to access to the Pacific Ocean, Morales said. Bolivia lost its access to the ocean when it lost the War of the Pacific to Chile in 1883. Last year, Bolivia asked the court to order Chile to negotiate over the matter. Chilean President Michelle Bachelet said she was confident that Chile has the law on its side.

Chile's Bachelet Vows to Rebuild Fire-Damaged Valparaíso

Chilean President Michelle Bachelet on Tuesday vowed to rebuild the city of Valparaíso, which was swept by a devastating wildfire in recent days that destroyed 2,900 homes, killed at least 15 people and left 12,500 victims, the Associated Press reported. Bachelet said victims would be relocated and prevented from rebuilding homes on homes hills that cannot be protected from natural disasters. "Protecting the people comes first. And second, relocating them," she said.

Argentine Government Purchases \$390 Million in Dollars

Argentina's central bank purchased \$390 million in U.S. dollars to help keep the country's exchange rate stable, MercoPress reported Wednesday. The official exchange rate hovered between 7.96 and 8.01 pesos to the dollar. The purchase was one of the bank's largest operations in years and followed months of distortion and declining international reserves.

Featured Q&A*Continued from page 2*

trump a strong business justification. It can be anticipated that a hydropower proposal affecting public resources in a remote area will threaten affected peoples. Many potentially affected parties may not appreciate all elements of the government's or the developers' cost-benefit analysis. They may believe the project will benefit one or more stakeholders disproportionately. Existing land or other disputes may muddy the waters and complicate the picture. Latin America is politicized; sponsors will meet with resistance. An enlightened emphasis on culturally and socially meaningful transparency is needed to clearly identify and deepen the understanding of social and cultural factors. Methods of consultation with a broad range of stakeholders need to be tailored and improved. The 'sphere of influence,' defined technically, may exclude concerned stakeholders because 'scientifically' they should not be directly affected. This creates feelings of fear and mistrust; all stakeholders may not agree with the limited definition. The desired outcome could be to achieve a sense on the part of the likely stakeholders that they have had meaningful and timely access to intelligible information and have been heard before construction starts. Truly meaningful consultation is resource-intensive; so is dealing with public relations nightmares and litigation."

A **Andrew E. Miller, advocacy director at Amazon Watch in Washington:** "The imperative for humans to shift away from fossil fuels is abundantly clear from the latest report by the Intergovernmental Panel on Climate Change. Many Latin American countries are vulnerable to the effects of climate change and can play a role (as every country should) in avoiding the worst-case scenarios. That said, 'sustainable' power-generating mega projects shouldn't follow the familiar pattern of top-down imposition without regard to local community rights. While big hydro has a problematic history of displacement and social conflicts across the region—in addition to being cost-

ineffective, as documented in a recent Oxford study—large-scale wind and solar projects are now also generating tensions with indigenous communities in contexts as diverse as Colombia (Jepirachi wind project in Wayúu territory) and the United States (Ivanpah Solar Power Facility in California's Mojave Desert). Good faith engagement with communities would go a long way toward defusing social conflicts before

“Good faith engagement with communities would go a long way toward defusing social conflicts before they start.”

— *Andrew E. Miller*

they start. This means early discussions (not last-minute 'consultations' designed to simply inform communities what's about to happen), adequately addressing local concerns and needs, and ultimately avoiding projects in which local opposition is deep-seated. These concepts are firmly established through jurisprudence within the Inter-American human rights system regarding free, prior and informed consultation and consent for indigenous peoples, but governments would be enlightened to apply them to other local communities as well. Unfortunately, the regional trends aren't promising. Large projects are green-lighted, in some cases in violation of national consultation laws. Social mobilization and protest is increasingly criminalized. And Global Witness reported this week that assassinations of land and environmental rights defenders are growing, with Brazil, Colombia, Mexico and Peru some of the world's deadliest countries."

The Energy Advisor welcomes responses to this Q&A. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org with comments.

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