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FEATURED Q&A

What Is the Outlook for Geothermal Energy in the Region?

Q Lawmakers in Bolivia and Costa Rica have recently approved financing deals that will support the construction of geothermal power plants in their countries, and legislation currently under consideration in Mexico would reportedly encourage the development of geothermal projects in the country, already one of the world's largest users of geothermal energy. What is the outlook for geothermal power in the region, and what economic and political dynamics are shaping its mid- to long-term outlook? How does geothermal compare to other energy sources in terms of growth potential in Latin America and the Caribbean?

A Benjamin Matek, industry analyst, and Emma McConville, summer associate, both at the Geothermal Energy Association: "Overall the outlook for Latin America's geothermal power is bullish. As new geothermal markets go, the region is seen as one of the fastest growing around the world behind Eastern Africa. GEA estimates Latin America has about 850 megawatts in the pipeline and about 4,850 MW of resource under exploration and development. Many of these are earlier-stage projects as Latin American countries just begin to identify their geothermal resources. This year, Mexico opened up its energy market to international companies and passed legislation strongly supporting renewable energy projects. By 2024, Mexico's goal is to generate 35 percent of its electricity from renewable energy. Part of this plan encompasses the new Geothermal Energy Law. The law outlines clear steps for resource recognition, exploration and development. Costa Rica is developing several geothermal resource areas throughout the country with financing from the Japan International Cooperation Agency (JICA). Already experienced with geothermal power plants, it's expected now that financing is secured, and reports suggest the developing geothermal areas will be economically feasible to devel-

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Brazilian Presidential Candidate Campos Killed in Plane Crash

Eduardo Campos, the presidential candidate of the Brazilian Socialist Party, was killed along with six others when their plane crashed in a residential area of the city of Santos. Campos' death threw the race into disarray and rattled Brazil's stock market. See story on page 2.

File Photo: Campos Campaign.

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NEWS BRIEFS

Bolivia, Peru Planning Radar Stations to Fight Drug Flights

Bolivia and Peru are planning to install radar stations along their border to monitor airplanes suspected of smuggling drugs and potentially intercept them, Bolivia's deputy minister for social defense and controlled substances, Felipe Caceres, said in a statement on Wednesday, *The Wall Street Journal* reported. Bolivia would run three or four radio stations while Peru would have five or six, he said. Peru and Bolivia both produce coca, which is used to make cocaine.

Potential Exists for More Large Earthquakes in Chile: Scientists

There is still potential for additional big earthquakes in northern Chile, scientists said in research published in *Nature* magazine, BBC News reported Wednesday. The area was struck by an 8.2-magnitude quake in April in which six people were killed and 13,000 homes were destroyed or damaged. The scientists said level of rock strain in the area is still dangerously high, with the area just south or north of Iquique most at risk of a future quake.

Banco do Brasil Reports 14% Rise in Second-Quarter Profit

Banco do Brasil announced Wednesday that its second-quarter profit rose 14 percent, beating analysts' estimates, Bloomberg News reported. Latin America's largest bank by assets said its adjusted net income, which does not include one-time charges, rose to 3 billion reais ($1.31 billion) from 2.63 billion reais in the same quarter a year ago. In a Bloomberg survey, analysts had expected, on average, 2.54 billion reais in net income. The bank said its net interest income increased 6.4 percent year-on-year.

Political News

Brazilian Presidential Candidate Campos Killed in Crash

Eduardo Campos, the presidential candidate of the Brazilian Socialist Party (PSB), was killed Wednesday when his plane crashed in bad weather in a residential area in the city of Santos. All seven people aboard the Cessna Citation were killed. In addition to Campos, 49, the pilot, co-pilot, a reporter, a photographer and two campaign aides also lost their lives, *The Wall Street Journal* reported. A stunned President Dilma Rousseff declared three days of official mourning. "Today, we lost a great Brazilian," said Rousseff. "Eduardo was a great leader." A leftist who had business-friendly policies and was seen as tough on crime, Campos was running in third place ahead of the Oct. 5 vote. A recent poll showed that he had about 8 percent support, distantly trailing Rousseff and her main opponent, Aécio Neves of the Brazilian Social Democracy Party. The sudden death of Campos, a former governor of Pernambuco state, threw the election into disarray and led to speculation about who would replace him as the PSB's candidate. Campos' running mate, Marina Silva, ran for president herself in 2010 and won approximately 19 percent of the vote. Silva had considered another run this time, but joined Campos' ticket after her party, Rede Sustentabilidade, failed to meet the requirements necessary for placing her on the ballot. Silva appeared devastated, but calm, when she addressed

> "Today, we lost a great Brazilian."
>
> — *Dilma Rousseff*

reporters Wednesday after the crash. She and Campos shared "the hope for a better and fairer world," said Silva, *The Wall Street Journal* reported. "Eduardo was devoted to those ideals until the last seconds of his life." Representatives of the PSB and for Silva did not comment on whether she would enter the race. If she does run, Silva could draw in votes from both the left and the right in a way that was difficult for Campos, João Augusto de Castro Neves, Latin America director at the **Eurasia Group** in Washington, told the *Journal*. "She will threaten both Dilma and Aécio," he said. Campos' sudden death also rattled Brazil's stock exchange. The Bovespa index ended the day down 1.53 percent and

Featured Q&A

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op, projects will move forward. Bolivia is new to geothermal power, so it will likely first have to build a sound regulatory and permitting system to support development before power plants can begin construction, but early exploration began at two resource areas in 2013. Geothermal power is a baseload power source unlike wind, solar or other intermittent renewable power resources. Therefore, any country wishing to clean up their power grid will need to develop geothermal power in tandem with other energy sources. For example, in California every megawatt of geothermal power enables 3-5 MW of intermittent power sources to come on the grid."

A Alejandro Melandri, interim head, and Sandro Bruni, geothermal energy expert, both of the Energy Division of the Inter-American Development Bank: "Latin America and the Caribbean have great geothermal potential, estimated up to 70 gigawatts, according to the Geothermal Development Association. Practically every country on the Pacific coastline from Mexico to Chile has sufficient potential to develop high-temperature geothermal projects. Despite this, the technology is widely underexploited for several reasons. Assessing resources requires high exploration costs that are as much as 30 percent of the total project

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shares of state oil company **Petrobras** fell 4.78 percent to close at 18.73 reais. Campos had a wife and five children, including a newborn. He celebrated his 49th birthday Sunday while campaigning, and died on the anniversary of the death of his grandfather, Miguel Arraes, a former governor of Pernambuco and leading figure in the opposition during Brazil's 1964-1985 dictatorship.

Company News

Mexico Grants Pemex 83 Percent of Proven and Probable Reserves

Mexico's government on Wednesday granted state-owned **Pemex** the rights to 83 percent of the country's proven and probable oil reserves, but only 21 percent of Mexico's possible reserves, BBC News reported. Pemex had sought a larger portion of the country' possible reserves. The decision by Mexico's government follows a sweeping energy reform that President Enrique Peña Nieto signed into law on Monday. The overhaul opens Mexico's energy sector to private companies for the first time in 76 years. Private firms will bid for the remaining 79 percent of Mexico's possible reserves.

Colombia May Delay Sale of Majority Stake in Isagen for a Year

Colombia will postpone the sale of its majority stake in power generator **Isagen**, which was scheduled to occur next week, for up to a year, Finance Minister Mauricio Cárdenas said Tuesday, Reuters reported. The government was hoping to raise almost $3 billion through the sale of its 58 percent stake in Colombia's third-largest power generating company, which would be used to fund infrastructure improvements especially highways. Cárdenas said the government has been in contact with foreign firms interested in bidding for Isagen, but they requested a delay due to the magnitude of the transaction and uncertainty around the company's newest Hidrosogamoso hydroelectric plant, whose operation has been delayed and whose reservoir is still being filled with water, according to *The Wall Street Journal*. The government expects that the plant will begin operating before the end of this year. Cárdenas added that the postponement will be good for Colombia as it will allow the country to attract more bidders and receive a better price. "For the nation, it's desirable to have various interested parties that will compete, and we will be able to sell at the best value possible. For that reason we won't rush. What we need is competition so we won't do this under pressure," Cárdenas told reporters in Bogotá, according to Reuters.

Cárdenas

File Photo: Colombian Government.

The Dialogue Continues

Will Restricting Ads Help Fight Obesity in Mexico?

Q Mexico moved in mid-July to place restrictions on advertising high-calorie foods and soft drinks, setting specific hours during which ads for the items may not be shown on television or in movie theaters in an effort to fight high levels of obesity. Are restrictions on advertising an effective way to address public health issues? What other policies should or could the government use to achieve its objective?

A Ljubica Latinovic, deputy director of supportive environments for health at the General Directorate of Health Promotion of Mexico's Ministry of Health: "The new restrictions give continuity to previous voluntary regulatory measures for advertising foods and non-alcoholic beverages to children. Violators face sanctions including fines of up to one million pesos. Evidence from different countries shows that this measure needs to be part of an integrated strategy to prevent childhood obesity or it will not be effective. It is very important to establish specific metrics and indicators and have periodic monitoring to determine its effectiveness. Together with the announcement of the restriction on advertising, a new nutritional seal on front label has been introduced. Only processed food products that fulfill the criteria established by secretary of health and the National Institute of Public Health can obtain the seal. The fight against obesity needs to be designed, accepted, adapted and implemented by stakeholders from different sectors, public and private, as well as society based on principles of shared responsibility, accountability and transparency, and an integrated approach. That is the only way to have some impact and show results. A common goal has been identified to diminish the burden of societal and economic consequences of obesity, and this calls for diversity of actions. An addendum to the Constitution's 4th article says that no food that does not contribute to health of students can be sold or distributed in schools, and fiscal measures have been adopted for sodas, sugary beverages and high-energy foods. More should be done to raise the population's awareness, and work with private sector and industry is essential. The health sector must establish norms and guidelines. Promotion of healthy recreational environments, reinforcing physical activity and increasing the availability and affordability of healthy foods and water in schools and work places have to be part of government work in dealing with this problem. The advertising restriction per se will not reduce the obesity problem, but together with the other interventions proposed by the National Strategy, I believe there will be a positive outcome in the medium term."

Editor's note: The above is a continuation of a Q&A published in Wednesday's Advisor.

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Featured Q&A

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cost. Long project times can reach six years or more from resource discovery to commercial development. There is a lack of adequate and stable regulatory frameworks. And finally, the specific know-how required to assess the resource, build up plants and manage the field have limited the technology's development in the region. The good news, however, is that this is changing. More than a dozen countries in Latin America and the Caribbean are actively pursuing the development of new geothermal power plants in order to further reduce their dependency on fossil fuels and to shield their economies from fuel price volatility. Additionally, the IDB is actively working to address the main barriers of the industry by offering a range of risk-mitigation instruments and financial products to suit the needs of each type of project. Specifically, the IDB is canalizing grants to finance technical assistance to help countries define regulatory frameworks, PPP schemes, capacity-building programs and prefeasibility studies. The bank is also making direct loans to governments and providing lines of credit to development banks that will provide financing to public and private developers. It is also providing international concessional finance to offer risk-mitigation instruments to address high initial costs and reduce economic exposure."

Juan José García, coordinator of the Regional Geothermal Training Program at El Salvador's Consejo Nacional de Energía (CNE): "First of all, we have to distinguish between two main scenarios for geothermal potential in Latin America and the Caribbean; the first, and the most well-known, is the geothermal potential for electricity generation with high-enthalpy resources (high temperature), and the second is the geothermal potential for industrial or commercial activities with low-enthalpy resources (low/mid temperature). The latter involves activities that use the direct heat of geothermal resources for productive processes, in many cases different than electricity generation. With these two development scenarios in mind, it can be affirmed that a tremendous exploitable potential exists in the region. The majority of our countries are oriented to developing geothermal projects for electricity generation to enhance domestic power capacity, reduce dependency on fossil fuels, generate cheaper electricity, guarantee national energy security and as a long-term strategy to diversify our energy matrixes. Just in Central America, the potential for electricity generation has been estimated in the range of 2,000 to 16,000 megawatts. And the governments of Central America have recently reaffirmed their commitment to support the development of geothermal projects. In regards to the development of the low-enthalpy resources, we still don't have an official estimate of the total potential; nevertheless, a shallow evaluation indicates that our countries indeed count on this kind of resource, which can be exploited to create economic opportunities with innovative geothermal industries. Since a few years ago and taking into account these development perspectives, geothermal has been a part of the political agenda of our governments, which have already started to implement different mechanisms to promote and support these initiatives. Among them are our national energy policies, adjustments and modifications to legal frameworks, creation of tax incentives and capacity building in the geothermal area. Geothermal power compared with other energy sources in terms of growth potential in LAC varies by each country and basically depends on the availability and ease of resource exploitation and financing sources. Geothermal resources are not a short-term answer for the growth of power capacity; they must be part of a long-term strategy for the development of our energy sectors."

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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