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## FEATURED Q&amp;A

# Should Jamaica Invest More in its Oil and Gas Sector?



Jamaica's National Environmental and Planning Agency, headed by CEO Peter Knight, has given the green light for oil companies to renew oil exploration. // File Photo: Jamaican Government.

**Q** Jamaica's National Environmental and Planning Agency has given the go-ahead for international oil and gas exploration companies to begin a second phase of exploration in its territory. While the government describes the process as a big step for Jamaica's oil sector, which has been more or less dormant for the past decade, other parts of the Caribbean, such as Cuba and Trinidad, have been struggling with exploration and production. Is it prudent for Jamaica to reinvigorate its oil and gas sector? At a time when global oil prices are low, can Jamaica expect to see a significant return on its investment? Will extraction and production of oil and gas expand or contract for the Caribbean overall in the period ahead?

**A** Johanna Mendelson Forman, senior advisor at the Stimson Center and founding member of the Latin American and Caribbean Council on Renewable Energy: "As Jamaica starts a new phase in its quest for energy independence, a new agreement to search for off-shore oil carries very minimal financial risk to the government. Tullow Petroleum, an Irish company that is the largest oil and gas exploration company in Europe, has a capitalization of over \$13.5 billion in assets. It has assumed the responsibility for the \$60 billion Jamaican dollars (approximately \$500 million) needed for preliminary exploration costs in Jamaica. Local partner Petroleum Corporation of Jamaica is not liable for the funds. Whether the timing of this exploration is ripe is another matter. With global market oil prices falling to their lowest level in years, why is Jamaica moving forward with Tullow? Oil prices are cyclical. And while the commitment to reducing fossil fuels is something that Ja-

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## TOP NEWS

## OIL &amp; GAS

## Venezuela Assembly to Probe PDVSA

Lawmakers plan to investigate PDVSA's financial well-being and how the company has spent the Chinese loans it has received.

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## RENEWABLES

## Chilean Officials Uphold Permit for Dams

A Chilean ministerial committee on Monday upheld the environmental permit for Energía Austral, a joint venture between mining and trading company Glencore and Australian power company Origin Energy, to continue building its Cuervo hydroelectric dams, dismissing nearly a dozen complaints filed against the project.

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## OIL &amp; GAS

## Peña Nieto Signs Energy Accords in the Middle East

Mexican President Enrique Peña Nieto this week has signed accords in the Middle East to strengthen cooperation, focusing on the energy sector.

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Peña Nieto // File Photo: Mexican Government.

## OIL &amp; GAS SECTOR NEWS

## Mexico Strengthens Energy Ties With the Middle East

Mexican President Enrique Peña Nieto on Sunday signed nine economic and cooperation agreements in Saudi Arabia, and on Tuesday signed 13 accords in the United Arab Emirates during his tour of the Gulf States, EFE and the World Bulletin reported. The agreements are focused on energy and climate change, among other topics. During his tour, he is expected to sign more than 50 deals in an effort to strengthen cooperation between the Middle East and Latin America's second-largest economy. Peña Nieto has been seeking investment in Mexico's oil sector following his recent energy sector overhaul that ended Pemex's 77-year monopoly. Mexico is also particularly interested in the Gulf States' large investment funds, "which represent an opportunity for Mexico to capture investment," Mexican Energy Minister Pedro Joaquín Coldwell said.

## Venezuela Assembly to Investigate PDVSA

Venezuela's opposition-controlled National Assembly is planning to investigate the financial well-being of PDVSA as well as Chinese loans made to the state oil company, a legislator said Tuesday, Reuters reported. "We want to



Matta // File Photo: Venezuelan Government.

know the real state of PDVSA's books," said Elias Matta, an opposition lawmaker who is vice president of the assembly's energy and oil commission. "The country wants to know

how the money from the Chinese funds were spent. We also want to investigate what the real cost of production is. And why haven't they done the output increases they talked about so much? We're going to have a lot of work in this commission," he told the wire service. China has provided Venezuela with approximately \$50 billion in financing under an agreement in which Venezuela provides oil to China.

## Goldman Sachs, Ainda to Jointly Invest in Mexico Projects

The private equity division of United States-based Goldman Sachs Group has joined together with Mexican consulting firm Ainda to invest in energy and infrastructure projects in Mexico, a person familiar with the matter said,

**The joint investment will focus on the oil and gas and power generation sectors.**

Reuters reported Tuesday. Goldman's merchant banking division inked a deal with Ainda in December to "identify, pursue, evaluate and make investments jointly," according to a securities filing that will soon be submitted to the bourse, Reuters reported. Goldman will provide at least 50 percent of the total equity for joint projects, the source said. The same source also said Ainda will invest as much as \$1.15 billion in projects with Goldman. The joint investment will focus on projects in the oil and gas, power generation, transportation and water infrastructure sectors. In recent months, Mexico has been seeking to create opportunities for private sector firms to play a larger role in infrastructure investment. In September, the finance ministry unveiled a new investment vehicle called "Fibra E" which aims to attract private investment into energy and infrastructure projects. Goldman's merchant banking division has so far raised more than \$124 billion to invest in the corporate, real estate

## NEWS BRIEFS

## Petrobras in Talks to Sell Argentine Assets

Brazilian national oil company Petrobras confirmed Wednesday it is in talks to sell its Argentine assets, Reuters reported. The jailed former director of Petrobras' International division, Nestor Cerveró, has accused former Argentine government ministers of taking kickbacks in a 2006 Petrobras deal to sell power transmission company Transener, Valor Económico reported this week. Petrobras acquired the firm during its purchase of Argentine oil company Pérez Companac in 2002.

## YPF Announces Three New Oil and Gas Discoveries

Argentina's state-run oil company, YPF, announced that it had discovered hydrocarbons at three new exploratory wells in the Mendoza province, Kallanish Energy reported. The wells are part of a re-started mature basin exploration program, and give the high-cost Mendoza exploration a "new perspective," YPF CEO Miguel Gallucio said. The plunge in oil prices "challenges [producers] once again, but also offer two paths: one is to stop producing, and the other is to increase efficiency and lower costs through technology," he said. Approximately \$72 million has already been invested in discovering new hydrocarbons in the Mendoza Basin. Natural gas production reached seven million cubic meters a day during 2014-2015.

## Brazil Approves 45 Projects in Existing Facilities Energy Auction

Brazil's power regulator Aneel on Tuesday approved 45 winning projects from the December 11 existing facilities energy auction, See News reported. In total, 46 companies sold projects in the auction. At the tender, Brazil awarded 1,954 megawatts average of energy between biomass, hydropower and other non-specific energy sources.

and infrastructure sectors, according to its Web site. Ainda plans to raise approximately \$1.15 billion through a public offering of certificates for an infrastructure energy investment vehicle, which is expected to be made available in late February or early March. The vehicle, which will raise money to invest jointly with Goldman, has the option to convert into a Fibra E. [Editor's note: See related [Q&A](#) on the Fibra E investment vehicle in the Dec. 4 issue of the Energy Advisor.]

## RENEWABLES NEWS

## Cubico Announces \$480 Mn Investment in Brazil Wind Energy

London-based Cubico Sustainable Investments announced the opening of an office in São Paulo and the acquisition of two wind farm complexes from Casa dos Ventos, Renewable Energy Focus reported Jan. 18. The move is

**The acquisition is Cubico's first investment in Brazil's wind energy sector.**

the first investment by Cubico in Brazil and is worth approximately \$480 million. With the acquisition of the wind farms from Casa dos Ventos, Cubico will add 392 megawatts of operating wind assets to its portfolio in Brazil, in addition to the existing 223 megawatts already in its portfolio. The investment demonstrates Cubico's commitment to Brazil, Latin America and to focusing on renewable energy generation, said Ricardo Díaz, head of the Americas division at Cubico. "We will further analyze opportunities in Brazil and elsewhere on their own merits." Besides Brazil, Cubico is currently focusing its origination efforts in Latin America on investments in Mexico, Uruguay, Peru, Colombia, Panama and Costa Rica, he said.

## Chilean Officials Uphold Permit for Hydroelectric Dams

A Chilean ministerial committee on Monday upheld the environmental permit for Energía Austral, a joint venture between mining and

trading company Glencore and Australian power company Origin Energy, to continue building its Cuervo hydroelectric dams, Reuters reported Monday. The committee dismissed nearly a dozen complaints that had been filed against the project by environmental and citizens' groups. The groups had argued that the two dams slated to be built in Chile's Aysen region would hurt local wildlife and would inhibit tourism to the region.

## FEATURED Q&amp;A / Continued from page 1

Jamaica supported at the Paris climate talks, the world is still in a transition phase from a carbon-based economy to alternative energy. It could take as long as seven years to actually realize any type of production given the amount of time needed to completely survey the southern coast of the island. Moreover, oil as a commodity is fungible—it can be exported and sold on a global market. The agreement with Tullow would give the Jamaican petroleum company up to 48 percent of any production over 50,000 barrels a day plus royalties—not a bad return for a low-risk investment. Future investments in oil and gas will continue in the Caribbean and along

fossil fuel exporter in the 21st century. And given the turmoil in the Middle East, projected to continue for the next two decades, this Jamaican decision to move ahead makes sense."

**A** **Anthony T. Bryan, professor at the Institute of International Relations at the University of the West Indies in St. Augustine, Trinidad:**

"After a failed bid round of offshore blocks in 2010-11, Jamaica is on a hunt once again for offshore oil and gas. Tullow Oil, the same company responsible for huge oil finds off Ghana and French Guiana, is undertaking the 3,000 kilometer survey as part of a Production Sharing Agreement signed with the Petroleum Company of Jamaica in November 2014. Although the area off the southern coast of Jamaica has long been identified as a good frontier for oil exploration, the country has failed to produce even one barrel of oil. Even though many energy experts are doubtful about the oil and gas potential in the Western Caribbean, other than the Gulf of Mexico waters offshore Cuba, it does not mean that exploration off Jamaica should not continue. It's a more positive story in the Southern Caribbean where deepwater exploration by major IOCs off Trinidad, Guyana, Suriname and French Guiana have barely slowed down, even in an environment of low global oil prices. The Zaedyus find off French Guiana in 2011, the Liza 1 well discovery off Guyana in May, and continuing exploration, are all positive signs for the emergence of the

**Having a commodity like oil and gas to sell globally promises economic security in a region of the world that is still poised to emerge as a fossil fuel exporter in the 21st century."**

— Johanna Mendelson Forman

the Atlantic littoral of South America. Global demand for fossil fuels will no doubt continue even if the Caribbean moves toward greater energy efficiency through solar and wind energy over the next decades. Having a commodity like oil and gas to sell globally promises economic security in a region of the world that is still poised to emerge as a

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## POLITICAL NEWS

## Haitian Elections Set for Sunday Despite Senate Vote to Delay

Haiti's presidential and legislative runoff elections will take place on Sunday as scheduled, despite a majority vote from senators on Wednesday to delay the election, The Miami Herald reported. The resolution calling for the vote to be halted is non-binding and can't actually stop the final round from moving ahead. Government-backed candidate



Paul // File Photo: Haitian Government.

Jovenel Moïse is facing opposition contender Jude Célestin, who argues Haiti's electoral machinery is rigging the vote and wants out of the process. Meanwhile, Prime Minister Evans Paul said on Wednesday that Haiti could postpone the runoff election if the opposition commits to taking part at a later date, Reuters reported, adding Sunday's vote will go ahead if there is no deal to end a political stalemate. Electoral authorities say Célestin's name and photo will still appear on ballots because he never officially withdrew from the race. Haiti's Chamber of Commerce on Wednesday called for sweeping recommendations from a special electoral commission to be adopted and for new Provisional Electoral Council members to advance plans for the final round of balloting. Widespread violence has accompanied the campaigning and subsequent controversy. Protesters burned vehicles and barricaded roads this week after Célestin vowed to boycott the vote. Major international cruise ships turned away from scheduled stops in Haiti amid the unrest. Haiti's constitution says a new president must be installed by Feb. 7.

## ADVISOR Q&A

### What Must Be Done to Stop the Spread of Zika in the Western Hemisphere?

**Q** **The mosquito-borne illnesses Zika has continued to spread in Brazil as the country prepares to host the 2016 Olympics in August. Reported cases of the Zika virus, which health experts believe is linked to microcephaly, or the condition in which infants are born with undersized skulls and brains, have continued to rise, with 199 new cases reported for the week ending on Jan. 2. The number of Zika-related microcephaly cases in Brazil recently surpassed 3,000, and Brazil's Health Ministry has declared the virus' spread to be a national emergency. Locally acquired cases of the virus have also been reported in other locations in the Western Hemisphere, including Mexico, Central America and other parts of South America. Are public health authorities coordinating an adequate response to fight the disease? What additional steps must authorities take to prevent the disease's spread? Will Zika become a public health crisis for other countries in the Western Hemisphere as it has in Brazil?**

**A** **Joaquin Molina, representative of the Pan American Health Organization (PAHO) in Brazil:** "Since Brazil detected its first locally acquired cases of Zika infection last May, 19 other countries and territories of the Americas have reported local transmission of the virus: Bolivia, Barbados, Colombia, Ecuador, El Salvador, French Guiana, Guyana, Guadeloupe, Guatemala, Haiti, Honduras, Martinique, Mexico, Panama, Puerto Rico, Paraguay, Saint Martin, Suriname and Venezuela. Like chikungunya before it, Zika has spread rapidly in the region because the entire population lacks immunity to the virus and because Aedes, the mosquito that trans-

mits it, is widely distributed. Most people who become infected with Zika do not develop symptoms, but there is growing evidence linking Zika infections during pregnancy with microcephaly, or smaller-than-expected head size, in newborns. Brazil has reported more than 3,500 suspected cases of microcephaly in areas where Zika is circulating. The Pan American Health Organization (PAHO) is coordinating with Brazilian officials and other partners, including Brazil's Fiocruz, the Pasteur Institute and the U.S. Centers for Disease Control to investigate this relationship and other aspects of Zika. PAHO is also providing technical cooperation in areas including case definition of microcephaly, analytical methodologies, laboratory diagnosis, integrated surveillance of arboviruses (dengue, chikungunya and Zika), and monitoring and tracking of cases. To help other countries prepare for and respond to Zika, PAHO is helping ministries of health improve laboratory capacity to detect the virus, providing recommendations for clinical care and follow-up of infected patients (in collaboration with national professional associations and experts), and encouraging monitoring and reporting on the virus' spread and the emergence of complications. PAHO considers the best prevention to be to continue efforts to control Aedes mosquitoes, which in addition to Zika, also transmit dengue and chikungunya. In this sense, Zika is an opportunity to step up investment and action for mosquito control to fight all three of these related viruses at the same time."

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**EDITOR'S NOTE: More commentary on this topic appeared in Wednesday's [issue](#) of the Latin America Advisor.**

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## NEWS BRIEFS

## IDB Lends \$11.3 Billion to Latin America in 2015

The Inter-American Development Bank said Wednesday that it approved loans and guarantees totaling \$11.3 billion last year, disbursing \$10.4 billion to borrowing countries in Latin America and the Caribbean. The Washington-based multilateral lender said it devoted 50 percent of the resources approved last year to borrowers in the region's "smaller and vulnerable economies." Thirty-nine percent of loans went to projects involving infrastructure and the environment.

## U.S. Supreme Court to Rule on Obama's Immigration Order

The U.S. Supreme Court on Tuesday announced it would decide the legality of President Barack Obama's executive action to shield more than four million immigrants living in the United States illegally from deportation, Reuters reported. The high court agreed it would hear Obama's case to reinstate the plan, which was first put forth as an executive action in 2014, bypassing the Republican-led Congress. However, a lower court blocked the measure last year after 26 Republican-governed states sued to stop it. The Supreme Court is set to rule on the matter by the end of June.

## U.S. Treasury Secretary Visiting Puerto Rico

U.S. Treasury Secretary Jacob Lew visited Puerto Rico Wednesday to meet with government officials and business leaders to discuss the commonwealth's financial situation, Fox News Latino and the Associated Press reported. Puerto Rico announced it is revising its fiscal and economic reform plan ahead of the visit. Puerto Rico is currently seeking access to a bankruptcy mechanism as it struggles to reconcile its \$72 billion in public debt the government says is unpayable.

## Honduras, OAS Establish Anti-Graft Commission

The Honduran government and the Organization of American States on Tuesday established a new commission to fight corruption in the Central American nation. The Mission to Support the Fight Against Corruption and Impunity in Honduras, or MACCIH, will be made up of prosecutors, judges and international



Today we open a chapter of hope in Honduras with the establishment of the MACCIH."

— Luis Almagro

experts. The group will select and oversee a group of Honduran judges and prosecutors that will investigate significant cases of corruption, the OAS said. Corruption and impunity harm democracy and generate distrust in society, and the new commission will help move Honduras forward, OAS Secretary General Luis Almagro said in a statement. "Today we open a chapter of hope in Honduras with the establishment of the MACCIH," he said. Honduran President Juan Orlando Hernández, who signed the agreement at the OAS' headquarters in Washington, said the agreement represents "the culmination of a process of dialogue that has generated strong expectations throughout Honduran society."

## ECONOMIC NEWS

## Brazil Currency Falls as Central Bank Surprises Markets

Brazil's real currency fell to its lowest point since September on Wednesday, losing 1.23 percent to trade at 4.10 reals to the dollar,

Agência Brasil reported. Sinking global oil prices and uncertainties over the central bank's interest rate plans contributed to the rise in the dollar, according to the report. The committee that sets a key benchmark interest rate in Brazil, the Copom, on Wednesday surprised market watchers and left the rate unchanged at 14.25 percent. The decision was split 6 to 2. "The Copom has not only deviated from its recent guidance but promoted a clear U-turn from hawkish to dovish on the back of the perceived but unspecified increase in domestic and, in particular, external uncertainties," Goldman Sachs analyst Alberto Ramos said in a research note circulated late Wednesday. "In our assessment, the Copom's hesitant monetary strategy, particularly versus the very recent more decisive hawkish signals and guidance, is beset with significant risks as it will likely be perceived as a weak monetary response to the very challenging inflation outlook and unfavorable balance of risks," Ramos said.

## Venezuela's Maduro Seeks Emergency Economic Powers

The government of Venezuelan President Nicolás Maduro on Friday announced a 60-day state of emergency to intervene in the country's worsening economic crisis, BBC News reported. The government made the announcement just hours before Maduro delivered his State of Nation address before the National Assembly for the first time since his center-right opponents took office. The edict must be passed by the National Assembly in order to take effect. The state of emergency would give Maduro wider powers to intervene in companies and to limit access to currency, would allow for tax increases and would put emergency measures in place to pay for welfare services and food imports. Annual inflation up to September 2015 reached 141 percent, according to the Venezuelan central bank, and official figures show that Venezuela's economy contracted by 4.5 percent in the first nine months of 2015. Venezuela's oil export revenues, which typically account for 90 percent of the country's revenue, have fallen by 60 percent.

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those countries and for Suriname offshore as a significant new petroleum and gas province after Trinidad. The Suriname-Guyana Basin is estimated to have undiscovered reserves at 13 billion barrels of oil and 32 billion cubic feet of gas. There is every indication that the extraction and production of oil and gas in the Southern Caribbean will continue to expand in the period ahead with important benefits for energy security in the Caribbean."

**A** **Andrew Holland, senior fellow for energy and climate at the American Security Project:** "Of course, if exploration is successful in finding oil offshore of Jamaica, then companies will rush to drill for oil. Even in a global market saturated with oil, companies need to bring on new reserves to satisfy shareholders. That means Jamaica could see some returns, over the longer term, from offshore oil drilling. However, the question is whether this is a good idea for Jamaica, and other Caribbean nations. Jamaica is already highly vulnerable to commodity price swings, as a major exporter of bauxite (the raw material for aluminum) and as a major importer of oil—brought in at a rate estimated at 80,000 barrels a day. Recently, global trends have pushed down the price of most commodities, which has both helped

their import bill, while slashing returns from exporting bauxite. Finding and producing oil would further slash the import bill, but

“**Jamaica could see some returns, over the longer term, from offshore oil drilling.**”

— Andrew Holland

it would make the economy that much more vulnerable to global price swings. The prognosis for the future of commodities is for a constant cycle of boom and then bust. We are in a 'bust' right now, but it will 'boom' again sometime. Perhaps it is time for the economies of the Caribbean to move beyond the low value-chain of being commodity resource providers to the United States and other large countries. Instead, it would make sense to move toward developing an indigenous power supply that is not dependent upon the vagaries of global commodity prices. We know that the sun will shine and the wind will blow in Jamaica—if the government can push the investment needed to install renewable power, then the economy will be less exposed to market risks and more resilient."

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**Erik Brand**  
Publisher  
[ebrand@thedialogue.org](mailto:ebrand@thedialogue.org)

**Gene Kuleta**  
Editor  
[gkuleta@thedialogue.org](mailto:gkuleta@thedialogue.org)

**Nicole Wasson**  
Reporter, Assistant Editor  
[nwasson@thedialogue.org](mailto:nwasson@thedialogue.org)

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1211 Connecticut Avenue NW, Suite 510  
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**Phone:** 202-822-9002  
**Fax:** 202-822-9553

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[freetrial@thedialogue.org](mailto:freetrial@thedialogue.org)

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