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FEATURED Q&A

Can Medina Deliver on Promises for D.R. Electricity Reform?



Dominican President Danilo Medina announced plans for an electricity pact during his inaugural address, but may question whether plans to complete the project are on track. // File Photo: Dominican Government.

Q Dominican President Danilo Medina announced a grand electricity pact during his inaugural address in 2012, detailing plans for diversifying the energy matrix, reducing energy losses and improving the management of electricity distributors, in order to combat high prices and unsatisfactory service. What is the status of the electricity pact reforms? Should the Dominican Republic expect progress on the tariff or reduction of distributor losses? Does the country have adequate infrastructure to support the reforms? Would the country see economic benefits to the reforms, or are they too costly to initiate? How will the pact be affected by the upcoming presidential elections?

A Jeremy M. Martin, member of the Energy Advisor board and director of the Energy Program at the Institute of the Americas: "Diagnoses and prescriptions for the electric sector in the Dominican Republic have abounded for years. The latest chapter in the decades-old saga is the Medina government's proposed reforms known as the 'pacto eléctrico,' which promised to increase the nation's competitiveness and improve Dominicans' standard of living. Alas, the pact has missed several targets, most importantly the signing of the final negotiated agreement last June. That's the bad news. The good news is that with low oil prices persisting, the nation has been able to make serious progress on a critical hurdle: arrears stemming from non-payment of electricity bills. Low oil prices have also afforded generators the ability to pass on fuel cost savings to consumers. Spot market electric prices hit a 10-year low last November. But the tenuousness of

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TOP NEWS

OIL & GAS

Chilean Natural Gas Production Surges in Feb.

Chile's energy ministry said Tuesday that demand for liquefied natural gas from the power industry rose sharply in February.

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RENEWABLES

Peru Wind, Solar Generation Rises by 17 Percent

Peru's Ministry of Energy said Monday that wind and solar energy output in February had increased by 17.4 percent year-on-year to 64 gigawatt hours.

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OIL & GAS

Ecuador to Have Output Talks With Mexico, Colombia

Ecuadorian Oil Minister Carlos Pareja told reporters Monday that he will travel to Colombia and Mexico in the coming week to discuss a proposed meeting between Latin American oil producers in an effort to unify the region in supporting a freeze in oil output as a means of boosting prices.

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Pareja // File Photo: Ecuadorian Government.

OIL & GAS SECTOR NEWS

Ecuador to Discuss Oil Output With Mexico, Colombia

Ecuadorian Oil Minister Carlos Pareja told reporters Monday that he will travel to Colombia and Mexico in the coming week to discuss a proposed meeting between Latin American oil producers in an effort to unify the region in supporting a freeze in oil output as a means of boosting prices, Reuters reported. The meeting had been originally scheduled for the beginning of March, but was postponed due to scheduling conflicts. Pareja said Ecuador's government was hoping to hold the regional meeting in Quito before OPEC and non-OPEC producers attend their meeting in Doha next month. "Ecuador and Venezuela have already agreed on an output freeze, and if we can reach an understanding with Colombia and Mexico, we could then organize an energy and foreign affairs ministers meeting in Quito on April 8," Pareja said, Argus reported. The meeting would be the first significant public event that would include non-OPEC members Colombia and Mexico in regional efforts to control oil prices. Ecuador and Venezuela have been pushing for the OPEC and non-OPEC meeting for months as the plunge in oil prices continues to pummel their economies. Venezuela's Energy Ministry had no immediate comment on Ecuador's initiative.

Argentina Oil Production Declines 1.6% in January

Argentina's oil production fell by 1.6 percent in January, according to energy ministry data, Platts reported Tuesday. Crude production fell to 524,947 barrels per day, down from 533,261 barrels per day in January of the year before. "Most of the fields in Argentina are mature and they are declining in production," Alejandro Gagliano, a partner at Giga Consulting, an oil

industry consulting firm in Buenos Aires, said Tuesday. "A lot of investment is needed to sustain production." Argentina has failed to attract high levels of investment to its oil sector ever since the country's 2001-2002 economic crisis and the election of leftist governments that were viewed as unfriendly to businesses and foreign investment. The downturn, however, coincided with business-friendly President



Aranguren // File Photo: Santiago Trusso.

Mauricio Macri's inauguration in December. Analysts project that the downturn will reverse once oil companies see that the government can sustain its policies, Gagliano said. Energy Minister Juan José Aranguren has said he hopes to maintain production levels despite the global downturn in the price of crude, because many provinces rely on the oil sector for tax revenues and jobs. The government has recently implemented a \$10 per barrel subsidy for exporters in order to encourage oil companies to put rigs back on line, many of which were suspended from December to February. Aranguren added that he doesn't expect low oil prices to have a long-term effect on investment plans in Argentina, including the development of the country's nonconventional oil and natural gas sources like Vaca Muerta.

RENEWABLES NEWS

Peru Wind, Solar Generation Rises by 17% Year-on-Year

Peru's Ministry of Energy said Monday that wind and solar energy output in February had

NEWS BRIEFS

Panama Sets Goal of 70 Percent Renewables in Energy Mix by 2050

Panama will set a new target for renewable energy share of at least 70 percent of the country's energy mix by the year 2050, according to an energy plan approved Wednesday, See-News reported. The Plan Energético Nacional 2015-2050 will serve as a planning tool for the country's energy policy, according to Energy Secretary Victor Urrutia.

Chilean Power Produced From Natural Gas Surges in February

Chile's energy ministry said Tuesday that demand for liquefied natural gas from the power industry rose sharply in February, Platts reported. A dry South American summer has caused hydroelectric generation to fall, pushing demand from gas-fired plants up 27 percent in February compared to the month before. Hydroelectric generation fell 22 percent in February, contributing nearly 40 percent of the country's total power generation.

Mexico Establishes Low Local Supplier Rule for Deep-Water Oil Projects

Oil companies operating in Mexico's deep waters must use national suppliers for at least eight percent of projects by 2025, the government said Tuesday, Reuters reported. The relatively low rate is meant to attract foreign and private firms to bid on contracts. Mexico's oil regulator has scheduled its first deep-water auction for early December. Interested parties will have the option to bid on 10 blocks in the Gulf of Mexico. The government had previously set the minimum at three percent for use of national suppliers, but adjusted it to eight percent by 2025. The content minimums are much lower than those for onshore and shallow water projects, which reach as high as 35 percent.

increased by 17.4 percent year-on-year to 64 gigawatt hours, SeeNews reported. Total power generation for the country reached 4,221 gigawatt hours, a 14 percent increase from the previous year. Individually, hydropower plants produced 13.6 percent more gigawatt hours of energy year-on-year, and thermal plants had a 14.5 percent increase in generation in the same period. From 2005 to 2015, Peru's power sector had a 6.5 percent increase in output on average. By the end of last year, the country had an installed wind energy capacity of 240 megawatts, 96 megawatts in solar plants and 80 megawatts of biomass and biogas.

Mexico Awards Renewable Energy Contracts in Auction

Renewable energy companies on Tuesday won contracts to produce 1,720 megawatts of power in Mexico's first-ever private power auction following the government's ending of a decades-long monopoly on electricity in 2013, Bloomberg News reported Tuesday. Enel Green Power, SunPower Systems Mexico and Recurrent Energy were among the developers that won 15-year contracts to provide the state-owned Comisión Federal de Electricidad with power beginning in 2018, Mexico's deputy electricity minister, César Emiliano Hernández, said in Mexico City. He added that the contracts are expected to generate more than \$2.1 billion in investment by 2018. However, the auction only sold contracts for 84.66 percent of Comisión Federal de Electricidad's demand, so the Mexican government will hold another power auction in April in order for companies to bid on the remaining contracts to deliver the rest of the energy the utility needs, Hernández said. The auction coincides with Mexico's efforts to restructure its energy market in order to attract billions of dollars in investment. The government has set a goal of having 35 percent of its energy sourced from "clean" sources by 2024, up from 25 percent now. "The auction was an important signal to Mexico's energy market," said Lilian Alves, a New Energy Finance analyst in São Paulo.

Dominican Republic Inaugurates Its First Solar Energy Plant

Dominican President Danilo Medina on Tuesday inaugurated the country's first solar power plant, located in the eastern town of Monte Plata, EFE reported. Taiwanese firm General Energy Solutions built the new plant, which cost \$110 million to construct. The executive director of the Dominican Republic's Export and Investment Center, Jean A. Rodríguez, high-

lighted at the inauguration that the plant is an example of how the Dominican Republic is an "investment destination" for foreign investors. "We're adding so much value to the Dominican Republic as a destination for investment that investors ... are crossing the globe ... to invest here," Rodríguez said. He added that the country is among the top 10 Latin American countries for foreign investment in renewable energy and is the number one country in the Caribbean. The plant will create 300 direct jobs and 1,000 indirect ones and is Taiwan's largest investment in the Dominican Republic. General Energy Solutions president Quincy Lin said that the plant's construction has been

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the nation's distribution infrastructure could imperil these gains. The government estimates an investment of \$800 million must be made to bring the distribution system up to speed. Where the money will come from is not entirely clear, apart from a \$200

“The power plants have been the source of confusion and consternation as to the government's energy intentions.”

— Jeremy M. Martin

million offer from private firm InterEnergy. Depressed oil prices continue to offer an important opening for authorities to move forward with measures to improve the nation's energy security and further diversification efforts. The project delays surrounding the Punta Catalina coal-fired power station also provide a silver lining for the Medina government to reset its vision for the electric sector. The power plants have been the source of confusion and consternation as to the government's energy intentions. The moment must be seized and clarity lent to the vision for the nation's electric sector now and as the campaign culminates.”

A **Cristián Vallejo, partner at Manatt, Phelps & Phillips, LLP:** "The pact is still under discussion by the different sectors of the Dominican society invited to provide feedback (civil, labor industrial and governmental sectors). The discussions are in their 'third phase.' In this phase, all proposals and comments provided by these sectors will be consolidated by the Social and Economic Board (Consejo Económico y Social), which is the NGO entrusted by the law to lead and organize the pact discussions. The Corporación Dominicana de Empresas Eléctricas Estatales (CDEEE), which is the agency in charge of coordinating the governmental entities participating in the electricity sector, and the three government-owned distribution companies have put in place a plan to reduce distributor losses, improve service and implement a technical tariff. As part of the plan, the country is receiving financial support from the Inter-American Development Bank, the World Bank and other multilateral institutions. The discussions regarding the electricity pact have also included proposals to deal with distribution losses and to implement a technical tariff. The country should thus expect progress on tariff and reduction of distribution losses. In 1999, a complete reform of the electricity sector was implemented. The new electricity

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a “great opportunity” for Taiwan and “brings prosperity to our people.”

POLITICAL NEWS

Colombian Gov’t Entering Formal Peace Talks With ELN

Colombia’s government and the National Liberation Army, or ELN, rebel group announced Wednesday that they will enter formal peace talks. The announcement came more than three years after the government launched peace talks with the Revolutionary Armed Forces of Colombia, or FARC, guerrillas and as the talks with that larger rebel group are in their final stages. Colombia’s former peace commissioner, Frank Pearl, and ELN rebel Antonio García made the announcement at Venezuela’s Foreign Ministry in Caracas that the ELN would join the talks, BBC News reported. Colombian President Juan Manuel Santos welcomed the announcement, saying the ELN “could and should play a part in the creation of peace” in the South American country. “From the start of my time in office I have said that we have to put an end to this conflict, and if the ELN joins in with these efforts, then we’ll have a more stable and lasting peace, which is what all Colombians want,” he said. The government and the ELN said they had agreed on a six-point agenda for the talks, which are to begin in Quito and will likely move to Brazil and Chile, among other locations. [Editor’s note: See [Q&A](#) about the ELN in the March 14 issue of the Advisor.]

Venezuelan Congress Passes Amnesty Bill for Political Prisoners

Venezuela’s opposition-controlled National Assembly on Tuesday passed an amnesty law aimed at liberating 77 political prisoners, The Wall Street Journal reported. The unscheduled

ADVISOR Q&A

Does Puerto Rico Need a Financial Review Board?

Q A plan being drawn up by Republican lawmakers in the U.S. Congress to address Puerto Rico’s debt crisis would give an independent financial review board the power to arbitrate creditor disputes and control the U.S. territory’s pension system, Reuters reported March 14, citing legislative sources. Under the proposal, White House and congressional leaders would appoint a board of financial experts to arbitrate politically charged matters and high-stakes claims that would normally be processed in U.S. bankruptcy courts, an option not open to Puerto Rico under current law. Is this the best approach to solving the U.S. territory’s debt crisis, or are there better options that lawmakers should be exploring? What would be the drawbacks to a review board such as the one mentioned? Will the U.S. government be able to ensure that the review board is truly impartial? Will there be pushback from the public over an outside entity controlling decisions over the pension system?

A Osvaldo M. Medina Hernandez, executive director of the Joint Committee for the Penal Code and Criminal Laws Reform and legal advisor to the Judiciary Committee of the House of Representatives of Puerto Rico: “Puerto Rico is at fault for its public debt, given its poor public administration over the years. However, the U.S. federal government is also responsible. The federal government is responsible for its lack of

oversight, for not settling the political status issue and is responsible for expressly excluding Puerto Rico from the possibility of Chapter 9 and the ability to restructure its debt. The federal government has left Puerto Rico in the middle of the ocean without a life vest. It is time for a rescue mission. Puerto Rico is not asking for a handout. It is asking for tool that allows it to responsibly restructure its debt and promote economic development. However, a fiscal control board is not the solution. Any type of financial control board that has the authority to decide where the money of Puerto Rico’s taxpayers goes is unacceptable. In a democratic government, the people elect the representatives who are vested with the power of budgeting and spending taxpayers’ money. Any scenario that mandates a board of appointed—not elected—officials to execute the constitutional responsibility of elected representatives is closer to a dictatorship than a democracy. Congress should consider giving Puerto Rico equal treatment and allow Puerto Rico the mechanisms of Chapter 9 to restructure its debt. We can only hope that the people of Puerto Rico repudiate a fiscal control board and are willing to protest against it. It is time for Congress to treat Puerto Rico and its 3.5 million American citizens with the respect they deserve.”

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

legislative maneuver drew angry jeers from government supporters on the floor of the assembly, while family members of imprisoned politicians, students and military leaders celebrated from the balcony, according to the

report. President Nicolás Maduro and his predecessor, Hugo Chávez, have incarcerated the prisoners for years on charges ranging from instigating violence to committing treason. The new amnesty law, which was sponsored

NEWS BRIEFS

Argentina's Congress Approves Debt Deal

Argentina's Senate on Thursday approved a plan to end the long-running legal battle with U.S. hedge funds, voting 54 to 16 to let President Mauricio Macri issue \$12 billion in bonds and use part of that sum to pay \$4.65 billion to the hedge funds, which had sued Argentina for not paying the bonds it had purchased after defaulting on its debt 15 years ago. The vote is seen as Macri's first big win in the opposition-controlled Congress, and would allow Argentina to re-enter global credit markets for the first time since 2001. The lower house of Argentina's Congress approved the deal earlier this month.

Brazil's Sports Minister Resigns

Brazil's sports minister, George Hilton, resigned Wednesday, just four months before Rio de Janeiro is to host the 2016 Summer Olympics, CNN reported. Rumors of Hilton's imminent departure surfaced last week when his political party broke with embattled President Dilma Rousseff's government, but Hilton resigned from the party in an effort to keep his cabinet post, the Rio Times reported. Senior Sports Ministry official Ricardo Leyser is to replace Hilton on an interim basis.

Bolivia Planning to Sue Chile in World Court Over Access to Water

Bolivian President Evo Morales has said his country will file a suit against Chile over a dispute over access to water at the International Court of Justice (ICJ), BBC News reported Saturday. Bolivia says it had the right to the Silala spring in the border region, and that Chile is not compensating it for the use of its waters, but Chile argues that it is an international waterway for shared use. Chile is planning to file a counterclaim with the ICJ.

by deputy Delsa Solórzano, will be sent next to the Supreme Court, which is dominated by the president's backers and is unlikely to allow it to take effect, according to the report. In related news, Venezuelans protesting against a bus fare hike killed two police officers Tuesday in the western town of San Cristóbal, ABC News reported. The victims, aged 21 and 25, were stricken by a bus hijacked and later abandoned in Tachira state, according to police. The government doubled bus fares recently and increased gas prices, moves that have caused street protests. At least 31 people were arrest-

Taking the law in your own hands turns people into killers."

— Tarek William Saab

ed during Tuesday's protest. Earlier this month, Venezuela's opposition launched a high-profile protest campaign to oust Maduro, but support was thin, and the ruling Socialists countered it with their own "anti-imperialist" rally, Reuters reported, a reflection of a deadlocked society that has increasingly turned to violence out of frustration. Referring Tuesday to videos posted on social networks depicting lynching scenes earlier this month, Venezuelan Ombudsman Tarek William Saab told reporters that "taking the law in your own hands turns people into killers," El Universal reported. Some three dozen people were killed in mob lynchings in Venezuela last year, Fox News Latino reported.

Israel Withdraws Nomination for Ambassador to Brazil

Israel on Monday confirmed it had withdrawn its nomination of a former West Bank settler leader as ambassador to Brazil, appearing to defer to Brazilian objections to the nominee's political past, the Associated Press reported. The decision to rescind Dani Dayan's candidacy

is seen as a setback to Prime Minister Benjamin Netanyahu, who had previously vowed to support the nominee.

ECONOMIC NEWS

U.S. Lawmakers Optimistic About Lifting Embargo

Following U.S. President Barack Obama's historic trip to Cuba last week, congressional sponsors of a bill that would end the U.S. economic embargo on the communist island on Monday expressed optimism about the measure's passage next year, or even as soon as the lame-duck session after the 2016 presidential election. Speaking at an event in Minneapolis organized by Engage Cuba, a Washington advocacy group backed by the business sector, along with the nonpartisan Global Minnesota center, Rep. Tom Emmer (R-Minn.) said the current strategy for passing the Cuba Trade Act (H.R. 3238) is to hold off on adding more Democrats as co-sponsors of the bill. Instead, Emmer said sponsors seek to add Republicans, who have been more hesitant to publicly endorse the measure because some Republicans running for president have opposed ending the nearly six-decade embargo. "Without naming names, we believe we have enough favorables to win this" in the House, Emmer said, adding that he senses the Senate has even more support for the measure. Sen. Amy Klobuchar (D-Minn.) noted that some 24 co-sponsors have signed onto the senate version of the bill, including Republicans such as Jeff Flake (R-Ariz.) and Mike Enzi (R-Wyo.). "Our own people are ahead of their own government," Klobuchar said, noting there had been a "sea change" in public opinion among American voters for ending the embargo. "Lifting the embargo would take away the last excuse the Castros have for what doesn't work in Cuba," Emmer said. Other top Republicans have criticized Obama's trip to Cuba. House Speaker Paul Ryan (R-Wis.) last week criticized the visit, telling reporters it "legitimizes a tyrannical dictatorship," Reuters reported.

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law enacted as part of a reform established a modern regulatory framework and the

“Despite well-known weaknesses and limitations, the country’s electricity sector has achieved very significant progress since the reform.”

– Cristián Vallejo

institutions to regulate the electricity sector. More importantly, it incentivizes participation in the electricity market by the private sector. Despite well-known weaknesses and limitations, the country’s electricity sector has achieved very significant progress since the reform. Today, the country has a more diversified energy matrix, which includes fuel, gas and coal fired-generation, and stronger institutions. The upcoming elections should not affect the pact. The pact discussions are the result of a law enacted during the administration of President Fernández. President Medina initiated the discussions in compliance with the law. The law requires that all relevant sectors of the Dominican sociality be part of the discussions. As a result, the pact will necessary reflect a national consensus of all relevant sectors of Dominican society. The pact is mandated by

the law; it is positive for the country and has contributed to its democratic process.”

A **Mary Fernández, founding partner at Headrick Rizik Alvarez & Fernández:** “The president has appeared to make reform of the energy sector one of his priorities since his inauguration in August 2012. However, instead of concentrating on improving the electricity delivery system—both from the point of view of losses in transmission as well as the ineffective billing of the distribution companies (which are government-owned)—the administration has focused on the generation side of the equation. In this regard, the government is building two new coal-fired plants in the south of the country that will increase generation by a substantial amount (some 30 percent), in spite of the fact that the generation deficit is low-to-nonexistent with the plants currently in operation. The government’s strategy seems to be to use the new plants as leverage in the upcoming negotiations with the private electricity-generation companies. As a long-term solution, this strategy does not seem to address the fundamental issue of ineffective billing for the energy that is already produced and available in the country. However, this does not seem to be an issue that will affect the outcome of the May presidential elections.”

The Advisor welcomes comments on its Q&A section. Readers can contact editor Gene Kuleta at gkuleta@thedialogue.org.

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Q&A

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