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## FEATURED Q&amp;A

# Can Latin America Hold on to Its Lead With Renewables?



Solar energy capacity in Brazil is expected to grow to eight times its current annual output over the next five years, Marina Grossi writes below. Pictured above is an Abengoa solar installation in Chile. // Photo: Chilean Government.

**Q** Thanks largely to hydro power, Latin America is the only region in the world that currently generates most of its electricity from renewable sources, producing between 50 percent and 60 percent of its electricity from renewables per year, depending on climate conditions, according to statistics from the Inter-American Development Bank. Will Latin America continue to lead the way in renewable energy in 2019? What nations in the region are implementing the best policies, and what are they? What challenges will Latin American countries face this year as they try to advance their renewable energy goals?

**A** Marina Grossi, president of the Brazilian Business Council for Sustainable Development (BCSD-Brazil): "Latin America will certainly continue to pave the way for renewable energy and in fact will lead a second renewable revolution, with wind and solar energy at the forefront, similar to what hydroelectric dams have done in the past. Brazil, which is already the eighth-largest wind power generator in the world, is preparing to repeat this performance with solar energy. The government forecasts that demand for energy in Brazil will reach 787 terawatt hours (TWh) in 2030, and wind energy will account for 25 percent of this total, with investments of \$6 billion already committed by 2020. Solar energy is expected to grow from the current 1.1 gigawatts (GW) per year to 8.3 GW as early as 2024. This expansion is mainly due to the fact that Brazil has a significant solar incidence, 50 percent higher than the world average. And we have energy from biomass, which already accounts for about 10 percent of the electricity consumed in the country,

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## TOP NEWS

## OIL &amp; GAS

## Mexican President Deploys Troops to Stop Oil Theft

Andrés Manuel López Obrador said last week he would deploy 4,000 personnel from the army and navy to deter large-scale fuel theft problems at state oil company Pemex.

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## RENEWABLES

## Colombia Sets Renewable Energy Auction Date

After a delay last year, the Andean country said this week its first auction for large-scale renewable energy projects will be held on Feb. 26.

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## ENERGY

## Argentine Energy Secretary Resigns

Argentine Energy Secretary Javier Iguacel resigned last Friday. The government of conservative President Mauricio Macri has named Gustavo Lopetegui, currently a presidential advisor with close ties to Macri's cabinet chief, Marcos Peña, as the new energy secretary.

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Lopetegui // File Photo: Argentine Government.

## OIL AND GAS NEWS

## Mexican President Deploys Troops to Stop Oil Theft

Mexican President Andrés Manuel López Obrador said last week he would deploy the armed forces to combat longstanding and increasingly large-scale fuel theft problems at state oil company Pemex, Reuters reported. López Obrador said 4,000 personnel from the army and navy would be deployed to 58 Pemex facilities, six refineries, 39 supply terminals and 12 pumping stations, according to the report. The action marks López Obrador's latest use of

**The action marks López Obrador's latest use of the federal military to fight local crime.**

federal military personnel to fight local crime, a pledge he has doubled down on since taking office last month after winning a landslide victory at the polls in July. The leftist leader of the Morena party also faulted corrupt officials for the problem, which in the past had been blamed largely on organized crime cartels and petty thieves, saying he would fight theft "outside and inside" the state oil firm. López Obrador said 600 illegal taps a day had been put on Pemex pipelines, costing the company 60 billion pesos, or just over \$3 billion, according to Mexican newspaper Milenio. Questioned about whether the Pemex workers' union had been involved in the theft of fuel, López Obrador said there had been reports that the union was restricting access to parts of the company's operations. In 2017, four soldiers and six gunmen were killed in a shootout over alleged fuel pipeline thefts in Puebla State, an incident that captured international headlines and shed light on the severity of the problem. "To be able to tap the gasoline pipelines without blowing up, criminal groups need the collaboration of employees working at Pemex," Carlos Peters-

en, a Mexico analyst at Eurasia Group, told the Advisor. [Editor's note: See related [Q&A](#) in the June 23, 2017 issue of the Energy Advisor.]

## Argentine Energy Secretary Resigns

Argentine Energy Secretary Javier Iguacel resigned last Friday, Reuters reported. Although a government statement did not cite a reason for his departure, the move came within a day of leaked news that the administration of conservative President Mauricio Macri plans to increase electricity prices by an average 35 percent next year, according to the report. The government has named Gustavo Lopetegui, currently a presidential advisor with close ties to Macri's cabinet chief Marcos Peña, as the new energy secretary. In a previous job, Lopetegui was in charge of coordinating ministries that included the Energy Ministry, at the time headed by former Shell CEO Juan José Aranguren, the Buenos Aires Herald reported. Lopetegui had a hand in pushing Iguacel's designation as energy minister. The planned energy price increases are linked to a massive standby financing deal that Macri signed with the International Monetary Fund last year, a politically unpopular step that calls on Argentina to erase its primary fiscal deficit next year in part by reducing public utility subsidies. Macri plans to run for re-election in October. [Editor's note: See related [Q&A](#) in the Nov. 30 issue of the daily Latin America Advisor.]

## POWER SECTOR NEWS

## Colombia Sets New Date for Renewable Energy Auction

Colombia's Ministry of Energy and Mines on Monday announced that the country's first auction for large-scale renewable energy projects will be held on Feb. 26, PV Magazine reported. The auction, which was originally scheduled to be held Jan. 2, was postponed last year at

## NEWS BRIEFS

## Venezuela's Oil Exports Drop to 28-Year Low

Oil exports from Venezuela, which has the world's largest reserves of crude, dropped last year to a 28-year low, Bloomberg News reported Wednesday. The country exported 1.245 million barrels per day in 2018, its lowest level of crude exports since 1990. Output has declined by more than half over the past five years. The gross value state oil company PDVSA's oil exports last year fell to \$20.9 billion, Reuters reported last week, citing data from IESA, a leading Venezuela-based business school, down from \$89 billion in 2008.

## Brazil's Petrobras Cites Maintenance for Output Declines in November

Brazilian state oil company Petrobras said last Friday that its total production of oil and gas in November fell slightly in November as compared to the month before, to 2.62 million barrels of oil equivalent per day (boed). Only 100,000 boed were produced outside Brazil. The company cited maintenance stoppages for the decrease in production.

## Ecopetrol Expands Stake in Brazil's Pre-Salt

Colombian state oil company Ecopetrol said last month it had closed a deal with Shell and Chevron that will allow it to expand its stake in Brazil's pre-salt region. In a press release, Ecopetrol said the agreement grants Ecopetrol a 10 percent stake in the Saturno block, located in the central region of the Santos basin, which was assigned to Shell and Chevron last September in the country's Fifth Pre-Salt Round. Shell, the operator, and Chevron each hold a 45 percent interest. Ecopetrol's stake in the new block is in addition to the one it won in another block in the Santos basin it holds with China's CNOOC and Britain's BP. Ecopetrol said it is now active in five blocks in Brazil.

## ADVISOR Q&amp;A

## Where Are Latin America's Economies Headed This Year?

**Q** Over the past year, major economic headlines in Latin America included a currency crisis in Argentina, continued deterioration and hyperinflation in Venezuela and the beginnings of Brazil's emergence from its worst recession on record. What does 2019 hold in store for Latin American economies? Which countries will perform well economically, and which will struggle, and why? What are the main domestic factors, and the main external factors, that will affect the region's economies in the coming year?

**A** Joydeep Mukherji, managing director of Latin American Sovereign Ratings at Standard & Poor's in New York: "Decelerating world GDP growth, rising U.S. interest rates and concerns about new barriers to cross-border trade will set the background for economic trends in Latin America in 2019. The world economy is projected to grow around 3.7 percent in 2019, similar to its pace in 2018. Emerging market economies are likely to grow just under 5 percent, more than double the pace of growth in advanced economies (around 2.1 percent). The Latin America and Caribbean region (excluding Venezuela) is likely to grow only 2.2 percent in 2019, slower once again than emerging Asia and Sub-Saharan Africa.

Panama is likely to be the fastest growing country in the region, expanding around 5 percent, likely followed by Peru at just below 4 percent. We expect that Venezuela and Argentina are likely to again be in recession in 2019. The modest pace of economic expansion in much of Latin America largely reflects structural weaknesses, especially poor productivity. In general, the region continues to have low private and public sector investment. For example, investment in infrastructure has been around 2 percent of GDP in Brazil, and slightly lower in Mexico, compared with just below 5 percent in faster-growing India and over 8 percent in China. Poor infrastructure, along with shortcomings in the education system, contribute to low productivity and weak external competitiveness. As a result, too much GDP growth in Latin America depends on public sector spending and the non-tradable sector of the economy. In contrast, private sector spending (including for investment) and the tradable sector of the economy play a comparatively bigger role in driving GDP growth in many Asian countries."

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**EDITOR'S NOTE: More commentary on this topic appears in the Q&A of the Jan. 2 issue of the daily Latin America Advisor.**

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the request of investors and developers, the ministry said. In its new statement, the ministry said it will allocate 1,183 GWh per year for renewable energy projects, and that winning developers will be awarded 12-year long-term contracts, two years longer than the 10 years previously planned. The ministry, led by Maria Fernanda Suarez Londoño, a former executive at state oil company Ecopetrol, set the required

start date of the generation projects at Dec. 1, 2021. Diversifying its energy mix to include more solar and wind has been a priority for Colombian President Iván Duque. The country depends on hydroelectricity for nearly 70 percent of its energy, with large areas of its territory either susceptible to drought or lacking power altogether. [Editor's note: See related Q&A in the Nov. 9 issue of the Energy Advisor.]

## Sempra Unit in Chile Acquires Assets From AES for \$225 Million

Chilquinta Energía, a subsidiary of San Diego-based Sempra Energy, announced last month that it has acquired two major regulated transmission lines from AES Gener, a subsidiary of Virginia-based AES Corporation. Chilquinta Energía purchased 100 percent of Compañía Transmisora del Norte Grande (CTNG) for approximately \$225.5 million. CTNG, which is part of AES Gener and its subsidiary Empresa Eléctrica Angamos, owns regulated transmission assets in central and northern Chile, including a 114-mile, 110-kilo-volt transmission line and substations in the central Valparaíso-Santiago region, located in Chilquinta Energía's service territory, and an 82-mile, 220-kV transmission line in the northern Antofagasta region. Both transmission lines are currently in operation. Chilquinta Energía used cash to finance the transaction, the company said. Chilquinta Energía, the third-largest distributor of electricity in Chile, and its affiliates serve more than 600,000 customers in the central and southern regions of the country.

## IDB, CDB to Expand Geothermal Energy in the Caribbean

The Washington-based Inter-American Development Bank said last month it is working with the Caribbean Development Bank, or CDB, to expand the development of geothermal power in the Eastern Caribbean. The two multilateral lenders have allocated \$85.6 million to "help de-risk geothermal energy projects," according to a statement, aiming to attract private investment and expertise. High electricity prices, which largely stem from volatile prices for hydrocarbons needed to fuel power plants, hinder economic growth in the Eastern Caribbean and reduce public resources that could be used

## NEWS BRIEFS

## Mexican Mayor Killed Just After Being Sworn-in

Shortly after being sworn-in Tuesday, Alejandro Aparicio Santiago, the new mayor of Tlaxiaco, a city of 17,000 in the Mexican state of Oaxaca, was gunned down on his way to a meeting at city hall, the Associated Press reported. Four other people were wounded in the attack. Aparicio initially was taken to a hospital, but he died there later. Authorities have at least one suspect in custody.

## Former Argentine Foreign Minister Timerman Dies of Cancer at 65

Former Argentine Foreign Minister Héctor Timerman, who had been battling cancer, died Sunday at age 65, his brother Javier said in a posting on Twitter. Timerman was the country's foreign minister from 2010 to 2015 during the government of then-President Cristina Fernández de Kirchner. In late 2017, he was placed under house arrest amid accusations that he participated in a cover-up of Iran's alleged role in the 1994 bombing of a Jewish center in Buenos Aires, which left 85 people dead. He was released from house arrest in January 2018 and had denied wrongdoing.

## Pompeo Meets With Peru's Foreign Minister

U.S. Secretary of State Mike Pompeo met Tuesday with Peru's Foreign Minister, Nestor Cerda, to discuss tensions over migration from Venezuela, the Associated Press reported. A spokesman said Pompeo thanked Peru for taking in hundreds of thousands of migrants from Venezuela fleeing hyperinflation and shortages of food and medicine. Pompeo also conveyed "the need to increase pressure" on Venezuelan President Nicolás Maduro to improve conditions. Pompeo and Cerda met in Brasília, where both were attending the inauguration of Brazilian President Jair Bolsonaro.

to fund other government services, according to the IDB. Since 2015, the two lenders have dedicated more than \$71 million for renewable energy and institutional capacity projects in six Eastern Caribbean countries.

## POLITICAL NEWS

## Bolsonaro Takes Office as Brazil's New President

Far-right former army captain Jair Bolsonaro took office Tuesday as Brazil's president, vowing to move the country away from socialism and blasting the leftist Workers' Party for the country's ills, including corruption and an economic crisis. "We have a unique opportunity before us to reconstruct our country and rescue the hope of our compatriots," Bolsonaro said in a brief speech in the lower house of the country's Congress, The Guardian reported. "We are going to unite the people, rescue the family, respect religions and our Judeo-Christian tradition," he said. Bolsonaro also vowed to "conserve our values." Additionally, Bolsonaro called for Brazil's "liberation from socialism, inverted values, the bloated state and political correctness." In his inaugural address, Bolsonaro thanked God for his surviving a near-fatal stabbing during a campaign event in September. For the inaugural events, Bolsonaro had requested increased security, the Associated Press reported. Some 3,000 police officers patrolled the events in Brasília, and the military deployed tanks and fighter jets and had anti-aircraft missiles prepared. Officials required journalists to arrive seven hours in advance of the ceremonies, and some complained on Twitter that officials had confiscated food they had brought to eat during the wait. Bolsonaro and his wife Michelle arrived at Brazil's Congress for the inauguration in an open-topped Rolls Royce. Bolsonaro's vice president, Hamilton Mourão, was also sworn in during the ceremonies. Bolsonaro, who has vowed to crack down on criminals, also promised on Tuesday to make it easier for Brazilians to own guns. "Good citizens deserve the means to defend

themselves," he said, The Guardian reported. Bolsonaro has pledged to protect police officers who kill criminals and called on lawmakers to provide "legal support" for police to carry out their work. "They deserve it and must be respected," he said. The new president has had the support of Brazil's agribusiness sector, and on Tuesday he said the sector will see from the government an "increase in efficiency" along with "less bureaucracy." Environmental activists have been concerned about Bolsonaro's plans to streamline the environmental licensing process. Indigenous activists have also raised concerns that appeared to be justified in one of Bolsonaro's first official acts as president. Just hours after taking office, he stripped the power of the National Indian Foundation, or FUNAI, to demarcate indigenous reserves and gave it to the Ministry of Agriculture, Folha de S.Paulo reported. Also during his inaugural address, Bolsonaro blasted the left-wing Workers' Party, saying it is responsible for the country's problems. "Irresponsibility conducted us to the worst ethical, moral and economic crisis in our history," he said, The Guardian reported. Following his inaugural address, Bolsonaro and U.S. President Donald Trump exchanged compliments over Twitter.

## Peru Att'y General Reappoints Graft Prosecutors

Facing increased pressure from street protesters and the nation's president, Peruvian Attorney General Pedro Chávayry on Wednesday reappointed two lead prosecutors he had dismissed earlier this week from a massive corruption investigation implicating high-level government officials in connection with the Odebrecht bribery scandal, Agence France-Presse reported. Chávayry said he removed the team's chief prosecutor, José Domingo Pérez Gómez, because he had exceeded his authority and questioned his election as attorney general. Team coordinator Rafael Vela was also dismissed and then reappointed. President Martín Vizcarra had threatened to suspend Chávayry. Witnesses are scheduled to testify in the case within weeks.

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

and it's expected to receive more than \$20 billion in investments by 2040, according to the International Energy Agency. Biomass energy is obtained by the burning of organic materials, such as sugar cane bagasse, rice husk and açai stone. Finally, it is important to cite the progress of research on the energy produced from biomass of planted forests, which is still expensive, but has enormous potential. Among the main challenges I see is the need for greater understanding of the global energy transition to a low-carbon economy. This is already happening in the core business of oil companies, which are investing in renewable energy, but must still be expanded through public policies, more information and engagement of the entire industrial sector."

**A** **Regina Ranieri, business development manager at UL Renewables in Argentina:** "South America leads in renewable energy thanks to its excellent natural resources. Despite only being responsible for 5 percent of global greenhouse gas emissions, several countries in the region seek to promote the use of clean energy. Among the pioneers, Uruguay and Chile stand out. Uruguay, when demand is low, can supply the domestic market with 100 percent renewable energy. And Chile has begun a strong policy of decarbonization of its energy matrix, mostly driven by solar projects in the Atacama region. Additionally, countries such as Bolivia, Paraguay and Peru possess hydro and natural gas sources of electricity, which in turn bring lower costs for generation. Argentina, Mexico and Brazil also stand out, all of them with high and increasing electricity demand, which accelerates the use of clean energy and for this reason requires the financial sector, as well as logistics and transport infrastructure, to accompany it. Central America has also tried to take advantage of its resources for clean energy. The

new superstar seems to be Colombia, which will put out a tender that investors highly anticipate. Latin America has almost 200 gigawatts of installed capacity, and every single market signal, plus potential regional interconnection, seem to indicate that the figure will keep growing."

**A** **Amanda Maxwell, Latin America project director at the Natural Resources Defense Council (NRDC):** "This year is likely to be another boom year for Latin America's renewable energy sector. Bloomberg New Energy Finance's annual Climatescope report placed four Latin American countries in the top 10 best emerging markets for renewable investment this year, with Chile in the number one spot for the first time. The report identifies the policies and mechanisms top countries are using to boost their renewable sectors: energy auctions in Uruguay, Peru, Chile and Brazil, clean energy certificates in Mexico and renewable energy portfolio standards in Chile (20 percent by 2025) and the Dominican Republic (25 percent by 2020). Critically, the United Nations just named Chile—with support from Costa Rica—as the host of the next climate change conference, bringing both the global spotlight and global pressure on countries in the region to take ambitious climate action. Renewables are a crucial part of efforts to curb climate change. Moving forward, we are likely to see less emphasis on building new large hydroelectric power plants, which are increasingly recognized as a source of greenhouse gas emissions (specifically of the short-lived climate pollutant methane). They have also proven to be environmentally harmful, socially controversial and politically disastrous. Instead, solar, wind, geothermal, storage, energy efficiency and other truly clean energy solutions should be the main contributors to Latin America's energy future."

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