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FEATURED Q&A

Can Canada and the U.S. Expand the Green Economy?

Canadian Prime Minister Justin Trudeau (R) wants further U.S.-Canada collaboration on clean technologies. He is pictured in 2016 with then-Secretary of State John Kerry, who is now the Biden administration's climate envoy. // File Photo: U.S. Department of State.

Q **Canadian Prime Minister Justin Trudeau said in February that he sees Canada and the United States collaborating more closely on the manufacturing of electric vehicles, as well as on the supply of critical minerals used to make batteries for electric cars and other clean technologies, such as solar panels. To what extent and in what ways are Canada and the United States already jointly working on the development of electric vehicles and other clean technologies? How much room is there for further cooperation, and what might that look like? What does each country stand to gain from enhanced collaboration on the green economy?**

A **Jerry Dias, national president of Unifor, Canada's largest private-sector union:** "The future of car manufacturing lies in alternative propulsion technologies for vehicles, those that reduce greenhouse gas emissions and contribute to good jobs in the economy. Canada and the United States share a unique relationship, built on close trade ties, particularly in the auto sector. More than $100 billion in cars and parts cross the border in any given year. Recent investments by U.S.-based automakers in North American electric vehicle assembly capacity, including nearly $6 billion in EV investments in Canada negotiated with Unifor, signal an important starting point toward a necessary industry transition that pivots on building more and greener vehicles and parts. There is nothing inevitable about this outcome. Committing to a zero-emission future requires political will and forward-looking guidance. Decades of hands-off, unplanned economic development

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TOP NEWS

OIL & GAS

YPF Posts Q4 Profits, Reversing Trend of Losses

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OIL & GAS

Four Petrobras Board Members Stepping Down

Four independent members of the board of Brazilian state oil firm Petrobras are stepping down following a change in the company's leadership.

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POWER SECTOR

AMLO Says He Will Renegotiate Power Contracts

Mexican President Andrés Manuel López Obrador said his government would renegotiate electricity contracts. He made the statement a day after the Senate approved a controversial bill that would partially reverse the 2013 energy overhaul that opened up the sector to private investment.

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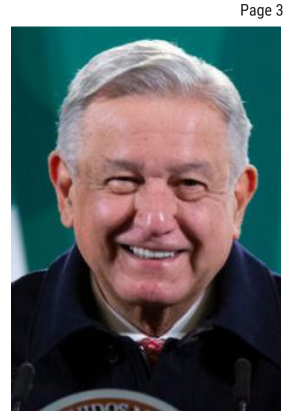

López Obrador // File Photo: Mexican Government.

OIL AND GAS NEWS

Argentina's YPF Posts Q4 Profit, Reversing Trend of Losses

Argentine state-owned oil company YPF last week posted a 2020 fourth-quarter net profit of $539 million, reversing a trend of quarterly losses for the past year as oil prices and production took a hit amid the Covid-19 pandemic, Reuters reported. Despite the fourth-quarter profit, the company ended last year with a total loss of $1.098 billion. "2020 was marked by the impact of the unexpected Covid-19 outbreak and the drop in oil prices," the firm said in a statement, Reuters reported. "It was an extremely challenging year for the global oil and gas industry, and we were no exception." Recent events, including a recent deal between YPF and bondholders that helped the company avoid default on $6.2 billion of debt as well as record highs in oil production in the massive Vaca Muerta formation in December and a surge in oil prices this year, all give Argentina reason for optimism in the year ahead, Schreiner Parker, vice president for Latin America at Rystad Energy, told the Energy Advisor in a **Q&A** published Feb. 26. "However, the specter of the sovereign debt default last year, the ninth in the country's history, and currency devaluation issues will remain prevalent," Parker cautioned. "Argentina needs to continue to demonstrate willingness to work with creditors such as the IMF," he added.

Venezuela Begins to Ration Diesel Fuel

Venezuelan state oil company PDVSA has begun rationing diesel fuel to truckers due to low domestic refining output, Reuters reported Sunday. Last week, truckers blocked a highway in the central state of Maracay in protest over the unprecedented diesel shortages. With some of the largest oil reserves in the world, Venezuela has long offered diesel fuel to truckers at no cost and continues to do so despite the shortages, according to the report. The shortages could have implications for electricity production in the months ahead, as parts of the nation's grid are dependent on thermal generation. Power plants in the Andes region of the country are exclusively powered by diesel, Antero Alvarado, managing partner at Gas Energy Latin America, told the Advisor. In November, the administration of then-U.S. President Donald Trump declined to renew an exemption from sanctions for diesel supplied to Venezuela by non-U.S. companies, a measure that had been in place on humanitarian grounds. [Editor's note: See related **Q&A** in the Nov. 20 issue of the Energy Advisor.]

Petroecuador Awards Tender for Crude Exports to Shell

Ecuador's state oil company, Petroecuador, said on Saturday that it had awarded a tender to export 1.44 million barrels of crude oil to a unit of Royal Dutch Shell, Reuters reported. Shell beat out six other companies that submitted bids, offering to pay a discount of $1.39 to West Texas Intermediate crude prices, according to the report. Shell agreed to export the oil through shipments of around 360,000 barrels each during the month of March, Petroecuador said. Under the tender, the shipments of Oriente crude should generate some $86 million in revenue for the state, EFE reported.

Exxon Expects Rise in Guyana Output Despite Outlook

ExxonMobil decreased its global oil and gas production estimate for 2025 to 3.7 million barrels of oil equivalent per day, or boepd, despite looking to increase its output in Guyana and in the Permian Basin, in Texas and New Mexico, the company's top executives said March 3, S&P Global Platts reported last week. Exxon operates the offshore Stabroek block in Guyana, in partnership with Hess Corp. and

NEWS BRIEFS

Argentina's Gas Auction Draws Very Few Bidders

Argentina's latest auction for wintertime natural gas supply at government-subsidized wellhead prices was met with few offers from domestic producers, Argus Media reported last week. Only two companies, Pampa Energía and Tecpetrol, participated in the auction, which supplemented a program that Argentina implemented last year to supply power generators in 2021-2024. The auction results hint at an ongoing decline in national output. Gas production in Argentina fell by 8.6 percent in 2020.

Four Members of the Board of Petrobras Step Down in Sign of Conflict

Four independent members of the board of Brazilian state oil company Petrobras are stepping down, sending a message of repudiation following a change in leadership at the company influenced by Brazilian President Jair Bolsonaro, Argus Media reported last week. Bolsonaro recently tapped former Defense Minister and retired General Joaquim Silva e Luna to take over as Petrobras' CEO following tensions over former chief executive Roberto Castello Branco's moves to hike fuel prices. [Editor's note: See related **Q&A** in last week's issue of the Energy Advisor.]

Nearly 1,850 Projects to Compete in Brazil Auction

Brazilian state-owned energy research firm EPE announced last week that 66,862 megawatts, or MW, of renewable energy projects have been registered for two upcoming auctions on June 25, Renewables Now reported. A total of 1,841 projects will compete for contracts on wind and solar energy as well as hydropower and biomass projects. Winners will receive purchase power agreements with a 30-year term for hydropower plants, 25 years for biomass and 20 years for wind and solar.

China's CNOOC. The consortium plans to drill five new wells in the block this year, as well as produce more than 750,000 barrels per day, or bpd, from the five offshore processing units by 2026 with the help of a sixth Guyana project that aims to begin oil production by 2027, according to the report. The group projects a price of less than $35 per barrel with more than a 10 percent, or potentially 20 percent, rate of return by 2030.

POWER SECTOR NEWS

Mexico's AMLO Says He Will Renegotiate Power Contracts

Mexican President Andrés Manuel López Obrador last week said his government would renegotiate electricity contracts, a statement that came just a day after the Senate approved a controversial bill that would partially reverse the 2013 energy overhaul that opened the power sector to private and foreign investment, Reuters reported. López Obrador mentioned contracts with Spanish company Iberdrola and about 10 other firms in the electricity industry. "We're going to look for agreements in the sense that we want to keep having contracts, but we need to get up-to-date with the new reality," the president said during his daily news conference, Reuters reported. "That's not just the new economic reality, it's the new political reality. We're no longer in a time where politicians are at the service of companies," he added. He said state power utility CFE had paid about "300 billion pesos ($14.3 billion) too much" for those contracts. López Obrador submitted the legislation to Congress last month. Both the lower house of Congress and the Senate have approved it with minor modifications, and the president is soon expected to sign it into law. The changes would prioritize the CFE over private generators, a move that critics say would drive up generation costs and electricity rates, be damaging to the environment and could prompt international arbitration, The Wall Street Journal reported.

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by governments led to outsourcing and unchecked globalization, battering North American auto jobs. Ensuring a vibrant, growing industry requires active government engagement and industrial strategy. On those fronts, the Biden and Trudeau governments appear aligned. Whether North America can establish itself as a powerhouse in zero-emission vehicle design and manufacturing remains to be seen. The chances of this happening greatly increase if governments, on both sides of the border, work collaboratively—including on policy, production standards and supply chain development. Our twin goals must be to position the sector for growth while promoting decent work, including high skills, good wages and collective bargaining for all."

A **Howie Hawkins, 2020 Green Party U.S. presidential candidate:** "What Prime Minister Trudeau sees is not enough. Canada and the United States are supporting EV production by multinational corporations in Canada and the United States with various subsidies, including government EV purchases, tax breaks to consumers who purchase EVs and direct government subsidies to EV manufacturing. What is missing are goals and timetables to electrify all of transportation powered by clean renewable energy in the timeframe required by the climate emergency. Both governments should cooperate in directing this transformation as the U.S. government did during World War II, when it took more than a quarter of U.S. manufacturing capacity in order to turn industry on a dime into the Arsenal of Democracy to arm the allies to defeat Hitler, Mussolini and Tojo. We need to do nothing less through the public sector in manufacturing, transportation and power production to defeat climate change. We call this approach an Ecosocialist Green New Deal. Government incentives to private enterprise are not direct and coordinated enough to make the rapid transformation we need for climate safety. With public enterprise and economic planning, Canada and the United States should cooperate in replacing freight trucking with freight rails, except for the last leg of delivery by electric trucks. They should cooperate in building convenient, affordable mass transit to radically reduce the need for personal cars for commuting to work, school and shopping. Freight rails and mass transit are far more resource and energy efficient, which is what we need for a sustainable green economy."

A **Sarah Petrevan, policy director for Clean Energy Canada:** "The clean economy is bigger than any single sector, larger than any one country—no truer statement explains the relationship between the United States and Canada. The two countries recently announced a U.S.-Canada partnership roadmap, which will dictate a closer, cleaner trade relationship and will create opportunities in manufacturing EVs and batteries, the clean technology sector, for Canada's low-carbon materials and for our clean electricity—which America will need more of as it aims to decarbonize its grid entirely by 2035. Developing an EV battery supply chain will anchor Canada's existing auto sector and ensure we capture the jobs and value created in the transition to electric vehicles, while also supporting our mining sector and helping grow new industries. This builds on the U.S.-Canada joint action plan on critical minerals to strengthen the supply chain between the two countries as demand for vital inputs are needed for key manufacturing sectors such as communication

> **"The clean economy is bigger than any single sector, larger than any one country..."**
> — Sarah Petrevan

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The changes would also hinder Mexico's progress toward a transition to renewable energy, as government-owned electricity generating plants, which would be prioritized, run mostly on fossil fuels. The legislation has prompted criticism from international investors, including in the United States. The U.S. Chamber of Commerce warned last month that the law may violate the U.S.-Mexico-Canada, or USMCA, trade agreement.

RENEWABLE ENERGY NEWS

Latin America Lags Behind Global Energy Transition

Latin America is struggling to cover its basic supply needs for fossil fuels as oil-rich countries push for a quicker transition to clean energy, Reuters reported last week, citing experts at this year's annual CERAWeek energy conference. At the event, experts said certain parts of Latin America may fall behind in the transition to clean energy as a result of outdated policies, resource nationalism in countries such as Venezuela and Mexico and a need for cheap imported fuel. "In this moment, when the energy transition is being accelerated by large oil firms and governments amid political pressure, Europe and now the United States are taking the lead through carbon neutralization measures," said Décio Oddone, CEO of Brazilian company Enauta, Reuters reported. "I don't see policies as aggressive in this region," he added. Across Latin America, imports of motor fuels, natural gas, fuel oil and diesel have been consistently rising. In 2020, the region imported 2.69 million barrels per day (bpd) of crude and refined products from the United States, an 88 percent increase from 10 years earlier, Reuters reported. This number is expected to increase in Mexico, as recent record low temperatures in Texas limited natural gas supplies in northern parts of the country, prompting Mexican President Andrés Manuel López Obrador to renew the country's commitment to using coal and fuel oil to generate power. "This is a very heterogeneous region," said Armando Zamora, head of Colombia's National Hydrocarbons Agency, Reuters reported. "Those countries with a market vision are progressing [toward energy transition], but that is not the case where energy nationalism prevails," he added. While fossil fuel consumption is growing across Latin America, some countries such as Peru, Chile and Brazil are pursuing solar energy and hydroelectricity, while Colombian President Iván Duque's government is pressuring companies to cut carbon dioxide emissions.

ADVISOR Q&A

Why Has the DFC's Lending to Ecuador Drawn Controversy?

Q **In January, the U.S. International Development Finance Corporation, or DFC, struck a deal with Ecuador's government to help it repay billions of dollars in loans to China in exchange for Ecuador agreeing to exclude Chinese companies from its telecommunications networks. The deal, which critics say comes with unprecedented conditions, happened just days before then-U.S. President Donald Trump left office. Will the loan work out for the DFC and for Ecuador? Are the DFC and other development banks and international financial institutions getting more politicized than in recent years? What are the drawbacks for Latin American countries that accept such deals with strings attached from development banks? Could Ecuador's deal with the DFC be changed under the new U.S. administration and a new government to take office this year in Ecuador?**

A **Jorge Heine, research professor at the Pardee School of Global Studies at Boston University and former Chilean ambassador to China:** The creation of the DFC was an important step in the right direction, and its willingness to provide loans to Latin American countries, in a region currently undergoing its worst crisis in a century according to ECLAC, should be welcome. However, this framework agreement with Ecuador takes the much-criticized conditionality of Western financial institutions to new heights. There is much that is wrong with it. The requirement to exclude Chinese technology from Ecuador's telecommunications network means that Ecuador should give up access to what some consider to be the most advanced and cost-effective technology in the market—hardly the way to promote development in the digital age. To demand that Ecuador should privatize public sector assets for an amount equivalent to the loan, amid a recession, means selling these assets at lower prices than in normal conditions, thus making Ecuador poorer and reducing its state capacity. The fact that the loan would only be released as the various privatizations proceed, adds further pressure to sell quickly—and at lower prices. Perhaps the most outrageous requirement is that the assets to be privatized be determined not by the Ecuadorean government, but jointly by Ecuador and the DFC. This raises serious questions of transparency and crony capitalism. Has the DFC already identified potential buyers? Who are they? This is only a framework agreement, not a final deal. The Biden administration can and should scrap it. Doing so would send a potent signal to Latin America at a critical moment and indicate that it does not consider regional development to be a zero-sum game."

EDITOR'S NOTE: More commentary on this topic appears in the Q&A of Tuesday's issue of the Latin America Advisor.

NEWS BRIEFS

Police in Jamaica Arrest Former Chairman of State Oil Refiner Petrojam

Authorities in Jamaica on Monday arrested the former chairman of state-run oil refiner Petrojam, the Jamaica Gleaner reported. Perceval Bahado-Singh faces 12 counts of obtaining money by means of false pretense, according to the report. Bahado-Singh allegedly claimed reimbursements of more than $70,000 for overseas business trips that he did not take. Other employees have been implicated in the case and could also face charges.

Mexico's Lower House Approves Recreational Cannabis Legalization

Mexico's Chamber of Deputies on Wednesday approved the legalization of recreational marijuana on a vote of 316-129, The New York Times reported. The measure now heads to the Senate, which is expected to easily approve it. President Andrés Manuel López Obrador has also signaled support for the legalization. Mexico legalized cannabis for medical uses three years ago. [Editor's note: See related **Q&A** in the Feb. 2 issue of the Latin America Advisor.]

Colombian Defense Chief Won't Confirm Reports of Minors' Deaths in Attack

Colombian Defense Minister Diego Molano on Wednesday would not confirm reports that children were among those killed in a recent military attack on a rebel camp, The New York Times reported. In an interview with local W radio, Molano said that "young combatants" were present at the camp, without providing their ages. The youth had been recruited and transformed into "machines of war" by criminal actors, Molano said. Local news outlets have reported that one or more of those killed were minors, including a 9-year-old girl.

POLITICAL NEWS

Court Ruling in Brazil Could Pave Way for a Lula Run Next Year

A Supreme Court judge in Brazil on Monday annulled the corruption convictions that have barred former leftist President Luiz Inácio Lula da Silva from running for office, Folha de S.Paulo reported. Justice Luiz Edson Fachin annulled the convictions on procedural grounds, arguing the cases were tried in the wrong jurisdiction, meaning the ruling may not affect numerous other convictions of elites also swept up in the sprawling "Car Wash" investigations centered on corruption at state-run oil company Petrobras, the Associated Press reported. Lula was released from prison in November 2019 after 580 days behind bars, but he has been unable to seek political office due to the convictions, The Guardian reported. The annulment surprised observers and led to speculation that Lula will run for president in next year's election against far-right President Jair Bolsonaro. Supporters of Lula celebrated the news, shouting from their windows Monday evening, "Out with Bolsonaro!" according to a Foreign Policy report. Bolsonaro sought to play down the news Monday. "I think the Brazilian people don't even want a candidate like that in 2022," he said. Lula had led in the polls in the 2018 election campaign before his first corruption conviction prevented his candidacy. Bolsonaro's approval rating slumped to 33 percent in February, according to a poll published by transport association CNT, Reuters reported.

Biden Administration Offers Venezuelans Protected Status

The administration of U.S. President Joe Biden announced Monday it would allow Venezuelans who can demonstrate continuous residence in the United States to apply for temporary legal status, The Hill reported. "The living conditions in Venezuela reveal a country in turmoil, unable to protect its own citizens," Department of Homeland Security Secretary Alejandro Mayorkas said in a statement. More than 300,000 Venezuelans currently living in the United States would be able to apply for Temporary Protected Status, or TPS, letting them stay in the country for 18 months, CBS News reported. Many of them have fled a humanitarian crisis at home under socialist President Nicolás Maduro, whose authoritarian government has been hit with numerous economic sanctions from Washington. "To keep deporting Venezuelans back to Maduro's tragedy would be to tell them they are a burden on our communities, a menace to our national security, and an unwelcome guest in our country. Reality and our national interest are precisely the opposite," said Sen. Robert Menendez (D-N.J.), who led previous legislative efforts to secure TPS for Venezuelans. While the administration of former Republican President Donald Trump declined to provide TPS to Venezuelans, some in his party supported Mayorkas' action. "It is critical that we continue working with our democratic allies to secure a Venezuela free from tyranny and ensure this temporary status in the U.S. does not become a permanent one," said Sen. Marco Rubio (R-Fla.), according to the report.

ECONOMIC NEWS

OECD Sees Recovery Lagging in Latin American Countries

The OECD on Tuesday released new forecasts predicting global GDP growth will reach 5.6 percent this year, an upward revision of more than one percentage point since its projection in December, and 4 percent in 2022. However, the recovery is likely to be more moderate in the emerging market economies of Latin America and Africa due to "a resurgence of the virus, slow vaccine deployment and limited scope for additional policy support." Meanwhile, expected stimulus spending in the United States could boost growth by 0.5-1 percentage points in major U.S. trading partners such as Canada and Mexico, the OECD said.

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technology, aerospace, defense and clean technology. The reality is that increased climate ambition from our closest neighbor and largest trading partner only stands to benefit Canada. In addition to the emissions reductions Canada gains from stricter regulations in the United States on things such as tailpipe pollution from passenger vehicles, it's the sheer size of the market south of the border—and the economic heft that it yields—that will help drive the transition to a clean economy into the fast lane. Simply put, the scale of this roadmap could be generation-defining, and one that should not be ignored. It represents a tremendous opportunity for both the Canadian and U.S. economies."

A Rachel Samson, clean growth research director at the Canadian Institute for Climate Choices: "The Canadian and U.S. automotive sectors and supply chains are completely integrated, and Canada has long aligned its vehicle emission regulations with those of the United States to avoid market disruption. The two countries also have a history of collaboration on clean energy technologies. In 2009, former President Obama and former Prime Minister Harper launched the U.S.-Canada Clean Energy Dialogue (CED) to work together on clean energy research, development and deployment. In 2016, Prime Minister Trudeau joined a climate, clean energy and environment partnership with the United States and Mexico that covered a wide range of collaborative projects. There is significant room for further collaboration that could generate both climate and economic benefits for both countries. Energy flows both ways across the border, with substantial trade in oil, natural gas, electricity, biofuels and more. An integrated and planned transition towards lower-carbon energy sources would help ensure ongoing, reliable energy supplies for consumers without distorting markets or inadvertently leading to higher pollution levels where policies are less stringent. Coordination would also help align market incentives, providing investors with the clarity needed to scale emerging clean technology companies. Companies in both Canada and the United States face growing risks and opportunities from the market changes associated with global low-carbon transition. Increasing policy alignment and facilitating enhanced trade could help smooth the transition for businesses and workers and also strengthen international competitiveness. Canada can also offer the United States secure and sustainable supplies of minerals and metals needed to support the growth of electric vehicle and renewable energy production."

> **"Increasing policy alignment and facilitating enhanced trade could help smooth the transition for businesses and workers..."**
> **— Rachel Samson**

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

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