

BOARD OF ADVISORS

Nigel Blackaby

Global Head,
International Arbitration Group,
Freshfields Bruckhaus Deringer

Jeffrey Davidow

Senior Counselor,
The Cohen Group

Jonathan C. Hamilton

Partner,
White & Case

Raul Herrera

Partner,
Corporate & Securities Practice,
Arnold & Porter

James R. Jones

Chairman,
Monarch Global Strategies

Jorge Kamine

Partner,
Corporate & Financial Services,
Willkie Farr & Gallagher

Craig A. Kelly

Senior Director,
Americas Int'l Gov't Relations,
Exxon Mobil

Jorge León

Energy Economist,
BP

Jeremy Martin

Vice President, Energy & Sustainability,
Institute of the Americas

Mayya Novakovskiy

Manager, Western Hemisphere,
Chevron

Larry Pascal

Chairman,
Americas Practice Group,
Haynes & Boone

R. Kirk Sherr

President,
Clearview Strategy Group

Mark Thurber

Partner,
Hunton Andrews Kurth

Jose L. Valera

Partner,
Mayer Brown LLP

Lisa Viscidi

Program Director,
Inter-American Dialogue

Vanessa Wottrich

Principal Analyst for Latin America,
Equinor

FEATURED Q&A

Should Fracking Be Part of Colombia's Plans for Oil & Gas?



Anti-fracking protesters gathered last month in Puerto Wilches, in Colombia's Santander department, to express their opposition to the drilling practice. // File Photo: @ColombiaNoFrack via Twitter.

Q Colombia's largest oil union has joined efforts with the Colombia Free From Fracking Alliance to protest the government's move toward potentially using hydraulic fracturing, or fracking, in the development of unconventional oil and gas deposits. President Iván Duque's government sees fracking as a solution to the country's dwindling oil reserves, and state oil company Ecopetrol is currently carrying out fracking pilot projects to evaluate potential damage to the environment, which is among civil society groups' biggest concerns. How important is the joint anti-fracking campaign, and will the effort significantly affect political debate over the practice in Colombia? Can fracking be responsibly carried out, and if so, what specific measures would Colombia need to enact to ensure effective protection of the environment? In the face of an accelerated global transition toward renewable energy sources, is the Colombian government's focus on fracking near-sighted, and should the country be betting on other areas now in order to achieve both energy security and economic growth in the medium and long terms?

A Héctor David Suárez, member of the Colombia Free From Fracking Alliance: "The political debate is strengthened with the addition of the voice of the oil workers' union. This allows for more voices with industry experience that recognize the effects fracking can cause. It also strengthens the social base and the alliance's advocacy capacity for future actions and mobilizations. The exploitation of unconventional reservoirs cannot be carried out in a responsible way. The exploitation of hydrocarbons has damaged the

Continued on page 3

TOP NEWS

OIL & GAS

Argentine Health Workers End Protest at Vaca Muerta Deposit

Health workers who had blocked roads near Argentina's Vaca Muerta shale oil and gas deposit have moved their protest to other parts of Patagonia.

Page 2

RENEWABLES

Uruguay Ranked 13th in Transition to Renewables

A World Economic Forum ranked Uruguay 13th in the world in transitioning to renewable energy sources.

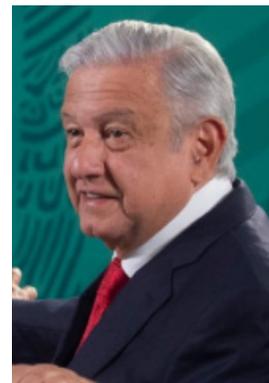
Page 2

OIL & GAS

López Obrador Expected to Soon Sign Controversial Pemex Measure

Mexican President Andrés Manuel López Obrador is poised to sign a controversial measure that is expected to increase the refined products market share of state oil company Pemex.

Page 2



López Obrador // File Photo: Mexican Government.

OIL AND GAS NEWS

Mexico's López Obrador Poised to Sign Pemex Measure

Mexican President Andrés Manuel López Obrador is expected to soon sign into law a controversial bill that is likely to increase state oil company Pemex's refined products market share, S&P Global Platts reported last week. The bill, which López Obrador presented and which won final legislative approval in Mexico's Senate on April 22, targets fuel theft

“This is an expected next step in AMLO's plan to centralize control of the energy sector and close down opportunities for private investors.”

— Duncan Wood

and contraband by tightening the rules for private companies to request and keep permits to import, export, transport and distribute liquid fuels throughout the country. “This is an expected next step in AMLO's plan to centralize control of the energy sector and close down opportunities for private investors,” Duncan Wood, vice president for strategy and new initiatives at the Wilson Center, told Bloomberg News. Mexico depends on imports of refined products, which so far in April have totaled 19.59 million barrels, as Pemex continues to battle long-term production declines and high levels of debt. The bill would also allow the government to suspend permits from fuel-market operators if they are seen as an “imminent threat” to national or energy security. However, critics of the bill have said that it reduces market competition, with some senators calling it unconstitutional. “AMLO is pushing a protectionist, statist agenda that touts energy security and self-sufficiency,” David Shields, director general of Energía a Debate, told the

Energy Advisor in a Q&A published April 16. “He seeks market advantage for state-run Pemex and CFE, rather than competition on a level playing field,” he added.

Argentine Health Workers End Protest at Vaca Muerta

Health workers who had been blocking roads near Argentina's Vaca Muerta shale oil and gas deposit have shifted the protests to other parts of the Patagonia region, they said on Wednesday, Reuters reported. The roadblocks over the past three weeks affected oil and natural gas production and left the area without power as fuel trucks were prevented from entering production areas, the wire service reported. What was mostly affected was the movement of supplies to the field as well as crews' access, Wood Mackenzie analyst Ignacio Rooney told Natural Gas Intel earlier this week. Health workers, including doctors, nurses, orderlies and other hospital staff, are demanding greater compensation for working high-risk jobs during the Covid-19 pandemic as the South American nation continues to see rising infections. Protesters have rejected offers of higher compensation, saying the proposals were not enough, but they agreed to move the demonstrations to other parts of the Neuquén province and away from Vaca Muerta. “We are going to move to different parts of the province. We will continue evaluating what other measures to take to ensure that the government understands our concerns, considering that we are getting hit by a second wave of Covid-19 cases,” Marcos Campos, a spokesman for the health care workers, told Reuters.

Caribbean, U.S. Officials Eye New Energy Cooperation

A recent meeting between U.S. Secretary of State Antony Blinken and foreign ministers of Caribbean regional trade group Caricom result-

NEWS BRIEFS

Brazil to Invest \$70 Mn to Supply Solar Power to 50,000 in Remote Areas

The Brazilian Ministry of Mines and Energy will initially invest 386 million reais (\$70.3 million) to supply solar power to more than 50,000 people who live in isolated communities in the Amazonian archipelago of Marajó, including the municipalities of Currallinho, Melgaço and Portel, Renewables Now reported last week. The initial agreement is the first phase of a larger program designed to provide power to 70,000 families residing in remote areas of the Amazon, according to the ministry. The first phase is expected to be completed by December 2022.

Venezuela's PDVSA Considers Restart of Puerto de la Cruz Refinery

Venezuelan state oil company PDVSA is debating whether or not to restart fuel production at its Puerto La Cruz refinery due to a competing need for a blend of limited light and Orinoco extra-heavy crude oil, according to site managers and union officials, Argus Media reported last week. Several units of the refinery have been repaired or restarted as of last year, but gasoline production is not expected to resume until this week. Officials shut down the plant in 2017 after the collapse of a \$9 billion project to upgrade the facility.

Uruguay Ranked 13th in Transitioning to Renewable Energy Sources

Uruguay continues to lead Latin America's transition to renewable energy sources, and it is now ranked 13th in the world, according to a joint index published by the World Economic Forum and consultancy firm Accenture, MercoPress reported last week. The South American nation dropped from 11th place on the list in 2020.

ed in renewed cooperation in several key areas including energy, Caribbean officials told Argus Media last week. The meeting ended several months of division among the 15-member group that resulted from former U.S. President Donald Trump's moves to isolate the government of Venezuelan President Nicolás Maduro, according to Caribbean officials. "We may not go back to the specific energy cooperation projects that were proposed by the Obama administration, but the scene is set for a more fruitful and calmer relationship with the U.S.," a Jamaican government official said, Argus Media reported. Prior cooperation between the United States and Caricom has focused on topics including trade and investment, security and disaster management.

POWER SECTOR NEWS

Mexico Regulator Disputes Proposed Electricity Reform

Mexico's antitrust regulator last week said it had filed a dispute in the Supreme Court against a government-proposed electricity reform that seeks to increase state control over the power sector, Reuters reported. The reform

“It breaks the rule of open and non-discriminatory access to distribution and transmission networks...”

— Cofece

was originally proposed by the government of President Andrés Manuel López Obrador, whose ruling Morena party expedited it through Congress. However, analysts and businesses in Mexico and the United States are critical of the proposed reform, saying it will lead to decreased foreign investment in the country's energy sector. "It breaks the rule of open and non-discriminatory access to distribution and

FEATURED Q&A / Continued from page 1

environment where it has been carried out. We can see what Argentina and Mexico are experiencing, and our state institutions do not have the capacity, the objectivity nor the transparency necessary to control these activities. A just energy transition is very necessary. Hydrocarbons' days are numbered, and we must contribute to reducing environmental impacts. That is why models of access to clean energy must be built with local communities. We cannot hand our territory over to large multinationals."

A Marianna Boza, director of Brigard Urrutia in Bogotá: "Colombia is taking the appropriate steps to carry out Integral Research Pilot Projects (PPII) that will provide valuable insight on the risks and benefits of fracking and the development of unconventional deposits in Colombia. After the issuance of the National Development Plan 2018-2022, the government undertook the challenge of increasing reserves to preserve hydrocarbons self-sufficiency in the medium and long terms. Therefore, in October 2018, it appointed an Independent Interdisciplinary Commission to determine if it is possible to carry out PPII through the horizontal drilling and hydraulic rock fracturing technique. In 2019, the commission concluded that, in Colombia, it is possible to carry out PPII through fracking, provided that some requirements are met. In that sense, in February 2020, the Ministry of Mines and Energy published Decree 328 of 2020, with guidelines for exploration activities in PPII. Then, the Ministry of Environmental Matters issued Resolution 0821 of 2020, providing the terms of reference for the preparation of the environmental impact assessment required for the request and obtaining of the environmental license of PPII. Colombia is focusing on the increase of reserves to guarantee energy security through different initiatives. For instance, enhanced oil recovery for the development of mature areas and the development of the offshore area, where

eight companies are present through more than 20 contracts and investment commitments of about \$1 billion, aligned with the initiative of the allocation of areas through permanent bidding processes. The process' fourth cycle will take place in the second half of 2021. However, as the Ministry of Mines and Energy has said, the development of unconventional resources may increase the hydrocarbons reserves threefold, guaranteeing the country's self-sufficiency and energy security."

A Edwin Palma Egea, president of the national board of directors of the Oil Industry Workers' Union (USO): "In November 2019, USO's delegate assembly decided to oppose fracking. A natural step to comply with that decision has been our entry into the Colombia Free From Fracking Alliance, the most important coalition in Colombia in the fight against this practice, which is wrong for three reasons. First is the disastrous effects on the protection of our water resources and the geological and environmental impact fracking has on the territories where it is used, in addition to high production costs. Second is that implementation of fracking delays the urgent changes needed in the country's economic model, that is, to abandon dependence on exports of mining and energy resources and instead focus on advancing a model that favors management of knowledge, industrialization and food production. And, third, fracking postpones the design and implementation of a comprehensive energy transition strategy in which the state plays a strategic role and which protects the jobs and quality of life of those who live in oil and mining territories, in addition to generating the wealth needed to guarantee a welfare state as enshrined in the 1991 constitution. USO will continue to be committed to defending public control over energy and to ensuring that the enormous resources Colombia can gain thanks to the generation, transmission and sale of this

Continued on page 6

transmission networks, which reduces the ability to compete for certain generators and traders,” Mexico’s Federal Economic Competition Commission, or Cofece, said in a statement, Reuters reported. The reform also includes changes that would give Mexican state-owned electric utility CFE undue advantages and the ability to acquire energy through “non-competitive methods,” said Cofece. Since the electricity reform was proposed, Mexico’s Supreme Court in February upheld a complaint by Cofece that several of López Obrador’s efforts to boost CFE were unconstitutional, and a federal judge then suspended the reform in March, citing competition fears. “This district court warns that the modifications made to the Electricity Industry Law could damage free competition in the electricity sector,” said Judge Juan Pablo Gómez Fierro, Mexico News Daily reported. The electricity law is part of López Obrador’s attempts to roll back the country’s 2013 energy reforms.

POLITICAL NEWS

Killings of Ex-Rebels in Colombia May Reach 1,600 by 2024

Killings of former Revolutionary Armed Forces of Colombia rebels could reach 1,600 by the end of 2024 if current trends continue, the country’s transitional justice tribunal said Wednesday, Reuters reported. Some ex-FARC members are in a “critical” situation in 10 municipalities, the tribunal said. Since Colombia’s government signed its peace accord with the FARC in 2016, 271 former rebels have been killed, it added. Ex-combatants who have assumed roles as community leaders are particularly vulnerable to attack, with 20 percent of those murdered exercising roles of leadership in economic projects, cooperatives or crop substitution programs. “This pattern shows how leadership positions assumed by some re-integrated persons during their transition to civil life are related to the causes of their victimization,” the tribunal said. Colombia’s government blames the violence on criminal

ADVISOR Q&A

How Will Currency Fluctuations Affect Economic Recovery?

Q **JPMorgan on April 13 recommended that investors sell emerging-market currencies, a reversal from early in the year when it had forecast strength in the currencies of emerging markets. Among the currencies that have been battered is the Brazilian real, which has slumped 9 percent against the U.S. dollar this year. What are the major reasons for the weakness in emerging-market currencies in Latin America, and what will those fluctuations mean for the region’s economic recovery? Where in the region will currencies be the weakest this year, and where will they see relative strength?**

A **Geoffrey Dennis, independent emerging markets commentator and former head of global emerging markets strategy at UBS:** “Two factors explain the weakness of Latin American currencies in 2021—a rising U.S. dollar and domestic political/macro developments mainly tied to the devastating impact on the region of Covid-19. The dollar/euro rate has unexpectedly risen by 2.2 percent this year, and regional currency performance versus the dollar varies from flat for the Mexican peso to a drop of 7 percent for the Brazilian real (and -9.5 percent for the Argentine peso). While every country has suffered badly from the pandemic, deaths per 100,000 people have

groups and rebels who have rejected the peace accords. In a Q&A published March 11 in the daily Advisor, Gwen Burnyeat, a junior research fellow at the University of Oxford, said the government bears blame. “The killings of human rights activists and former FARC combatants in Colombia are partly due to the Duque government’s lackluster implementation of the 2016 peace agreement, especially those strategies

been highest in Brazil, Peru and Mexico, according to Johns Hopkins University data. Political risks abound. Governability is in question in Bolsonaro’s Brazil, Peru faces a second-round election with neither candidate having a high approval rating, and Chile faces a constitutional conference and an election in 2021. The standout performance of the Mexican peso this year is explained by the AMLO government’s refusal to launch a major Covid relief package that would damage fiscal stability and due to the low beta of the Mexican peso/U.S. dollar rate compared to other regional currencies. I expect the dollar’s recent pullback to be extended over the rest of 2021 (between 1.25-1.30 euros), as U.S. trade/budget deficits balloon and the Fed remains very accommodating. Flows to Latin America should rise, providing some support to regional currencies. The Mexican peso will continue to trade narrowly, the Brazilian real and the Andean currencies should rally, although the Argentine peso—a special case—will continue to fall. If correct, the weaker dollar will provide some breathing space for regional interest rates and, at the margin, support economic recovery.”

EDITOR’S NOTE: More commentary on this topic appears in the Q&A of the April 26 issue of the Latin America Advisor.

envisaged to prevent targeted violence,” she said. Polarization over the peace accords is helping to fuel the violence, Burnyeat added. However, Colombia’s ambassador to the United States, Francisco Santos Calderón, defended the government’s efforts in the same issue of the Advisor. “The government is taking an integral approach to protecting communities and human rights defenders, working decisively on

NEWS BRIEFS

U.S. Agents to Train Some Guatemalan Security Personnel

The United States this week agreed to train Guatemalan security personnel as part of a "joint task force for border protection," said Guatemalan Foreign Minister Pedro Brolo, the Associated Press reported. Under the plan, the United States will send 16 employees of the Department of Homeland Security to aid in the effort, which will be led on the Guatemalan side by the Division of Border Ports and Airports. The United States will also help Guatemala to build shelters for returned migrants, according to the report.

Paraguay's Central Bank Lowers Growth Forecast

Paraguay's central bank on Tuesday lowered its forecast for economic growth this year to 3.5 percent from 4 percent, Reuters reported. The reduction came as a result of a surge in Covid-19 cases and a slow rollout of vaccines against the disease, the central bank said. It also cited new restrictions aimed at curbing infections and an unclear economic outlook. However, the central bank pointed to economic strength in agriculture and livestock.

Firm Offers Cuba Deal on Defaulted Debt

An investment firm that holds loans on which Cuba's government defaulted decades ago is offering the country a deal it says would help Cuba return to international debt markets, Bloomberg News reported Monday. The firm, CRF I Ltd., holds more Cuban debt than any other entity in the London Group of private creditors. It offered to convert approximately \$1.4 billion of the debt into a zero-coupon loan that would require no payments until 2026, the news service reported. [Editor's note: See [Q&A](#) on Cuba's economy in the Feb. 22 issue of the Dialogue's daily Latin America Advisor.]

peace implementation (including rural development and victims' reparation) while combating and dismantling these criminal organizations through law enforcement (security, territorial control and justice)," he said.

Biden Calls on U.S. Congress to Pass Immigration Reform

In his first address to a joint session of Congress, U.S. President Joe Biden called Wednesday night on lawmakers to pass a comprehensive immigration reform package. "If you believe we need a secure border, pass it, because it has a lot of money for high-tech



Biden // Photo: White House.

border security. If you believe in a pathway to citizenship, pass it. There's over 11 million undocumented folks, the vast majority here overstayed visas. Pass it. We can actually—if you actually want to solve the problem, I have sent a bill to you, take a close look at it," he said. Biden also called on Congress to "get at the root of the problem of why people are fleeing particularly to our southern border from Guatemala, Honduras, El Salvador." He added, "The violence. The corruption. The gangs. The political instability. Hunger. Hurricanes. Earthquakes. Natural disasters." Biden also urged lawmakers to "pass legislation this year to finally secure protection for Dreamers," people who were brought illegally to the United States as children. He also called for "permanent protection for immigrants who are here on temporary protective status who came from countries beset by man-made and natural-made violence and disaster. As well as a pathway to citizenship for farmworkers who put food on our tables."

Mexican Congress Extends Term of Supreme Court Chief

Mexico's Congress last Friday approved legislation to extend the term of the chief of the country's Supreme Court, Arturo Zaldívar, the Financial Times reported. Zaldívar said he was caught by surprise when the measure was added to a package of judicial reform legislation. The Supreme Court itself would resolve any legal challenges to the legislation, said Zaldívar. Mexico's Chamber of Deputies gave its final nod to the measure following approval the week before in the Senate. Opponents of López Obrador see the legislation as a move by the president to interfere in the country's judiciary, The Wall Street Journal reported. The measure extends the term of Zaldívar, who is seen as close to López Obrador, by two years. It also extends the term of the entire Judicial Council, which manages Mexico's federal courts and has the power to investigate judges for wrongdoing and fire them.

ECONOMIC NEWS

Bolsonaro Cuts Environment Budget After Vowing Raise

Brazilian President Jair Bolsonaro last Friday signed off on a 24 percent cut to the country's environmental budget, a move that came one day after he vowed to increase government spending to fight deforestation, Reuters reported. On April 22, at a virtual climate summit organized by U.S. President Joe Biden, Bolsonaro vowed to double by 2030 Brazil's budget for environmental enforcement and fighting illegal deforestation. However, the next day, Bolsonaro approved the federal budget, which included 2 billion reais (\$365.3 million) for the country's Environment Ministry and agencies it oversees, a cut from the 2.6 billion reais approved last year, Reuters reported.

FEATURED Q&A / Continued from page 3

energy contribute to the creation of a more equal society, with universal and comprehensive social, economic and environmental human rights.”

A **Karla Schiaffino, senior analyst of Latin America insights at Verisk Maplecroft:** “Opposition to fracking is widespread in Colombia. In September 2019, President Iván Duque convened an expert commission to examine the impacts of Ecopetrol’s proposed pilot nonconventional exploration programs through fracking. The move sparked protests at the time, as well as legal challenges that culminated in the suspension of the Council of State’s 2013-2014 norms, which regulated fracking. Since then, social rejection has persisted—as the addition of the oil union to the Colombia Free from Fracking Alliance shows. Although the government has made efforts to be responsive to the opposition toward fracking, it has not assuaged community concerns. By downplaying social opposition, the Colombian government will remain receptive to pilot projects. For instance, on March 31, the National Hydrocarbons Agency approved Exxon’s project for a second pilot fracking project. But the ‘Ostrich strategy’ could compromise the social license to operate of much larger investment commitments in the future. In the short-to-medium term, Colombia’s economy will remain dependent on hydrocarbons. Amid the economic fallout of Covid-19 and declining conventional resources, fracking remains important to sustain energy self-sufficiency and to provide a source of fiscal revenue and formal employment. However, in the long term, it will likely slow down the energy transition and compromise compliance with international obligations—that Duque has made—to reduce emissions. Against this backdrop, it is essential that Colombia balances the need to increase hydrocarbons production and revenue with environmental and social concerns. The state must assess the impact

of fracking and design a mitigation plan that addresses community concerns and supports investor success.”

A **Ines Elvira Vesga, senior counsel at Holland & Knight:** “The anti-fracking campaign has been very intense in Colombia. Due to legal claims and the opposition to fracking, the technical norms that regulate the activity have been suspended, as a result of a precautionary measure adopted by the Council of State. Likewise, the discount for production that could be obtained from these operations was eliminated from the royalties law. Opposition to the practice has been generated at both the political and social levels. Fracking is carried out safely in other countries, and the purpose of the pilot projects in Colombia is to ensure that Colombia can in fact undertake the activity with appropriate awareness and knowledge. Risks derived from this activity have been identified, and the technology to mitigate these risks exists. One only has to look at EPA publications to understand how the industry has to develop technologies to make this practice safe. Environmental authorities need to be provided with resources to efficiently monitor compliance with regulations. It is unrealistic to think that renewable energies will replace fossil fuels in their entirety in the short or medium terms. Colombia has established the goal of diversifying its energy matrix, and for this purpose, regulations have been enacted to favor projects based on renewable sources. While these projects have been declared as strategically important, the country cannot neglect fossil sources, not only because of what they represent in terms of royalty income, but also because they are critical to Colombia’s energy independence.”

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

LATIN AMERICA ENERGY ADVISOR

is published weekly by the
Inter-American Dialogue ISSN 2163-7962

Erik Brand
Publisher
ebrand@thedialogue.org

Gene Kuleta
Editor
gkuleta@thedialogue.org

Anastasia Chacón González
Reporter & Associate Editor
achacon@thedialogue.org

Diana Roy
Editorial Intern
droy@thedialogue.org



Michael Shifter, President
Rebecca Bill Chavez, Nonresident Senior Fellow
Bruno Binetti, Nonresident Fellow
Sergio Bitar, Nonresident Senior Fellow
Joan Caivano, Senior Advisor
Kevin Casas-Zamora, Nonresident Senior Fellow
Julia Dias Leite, Nonresident Senior Fellow
Ariel Fiszbain, Director, Education Program
Sandra García Jaramillo, Nonresident Senior Fellow
Selina Ho, Nonresident Senior Fellow
Edison Lanza, Nonresident Senior Fellow
Nora Lustig, Nonresident Senior Fellow
Margaret Myers, Director, Asia Program
Manuel Orozco, Senior Fellow
Xiaoyu Pu, Nonresident Senior Fellow
Jeffrey Puryear, Senior Fellow
Tamar Solnik, Director, Finance & Administration
Lisa Viscidi, Director, Energy Program
Denisse Yanovich, Director of Development

Latin America Energy Advisor is published weekly, with the exception of some major U.S. holidays, by the Inter-American Dialogue 1155 15th Street NW, Suite 800 Washington, DC 20005

www.thedialogue.org

Subscription inquiries are welcomed at
ebrand@thedialogue.org

The opinions expressed by the members of the Board of Advisors and by guest commentators do not necessarily represent those of the publisher. The analysis is the sole view of each commentator and does not necessarily represent the views of their respective employers or firms. The information in this report has been obtained from reliable sources, but neither its accuracy and completeness, nor the opinions based thereon, are guaranteed. If you have any questions relating to the contents of this publication, contact the editorial offices of the Inter-American Dialogue. Contents of this report may not be reproduced, stored in a retrieval system, or transmitted without prior written permission from the publisher.