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FEATURED Q&A

How Much Progress Has Chile Made on Its Renewable Goals?



Climate conditions in Chile's Atacama region, pictured above, make it an ideal location for wind and solar power projects. // File Photo: Chilean Government.

Q Mainstream Renewable Power recently announced that it will construct a one-gigawatt renewable energy platform in Chile, adding that the project will consist of three wind farms and three solar photovoltaic facilities. During his successful 2017 campaign for president, Sebastián Piñera vowed to move the country to a completely renewable electricity grid by 2040. How much progress has Chile made toward that goal, and what will it take for the country to achieve it? What are the main factors affecting Chile's attractiveness for foreign investment in renewable energy projects? How could the country's new Constitution and the upcoming presidential election affect its renewable energy development?

A Cristian Vallejo, partner at Manatt, Phelps & Phillips: "President Piñera has successfully continued a path started years ago aimed at the total transformation of Chile's energy matrix by 2050, from one dominated by highly polluting sources—particularly coal—to one totally or significantly dominated by renewable energy sources. Chile is considered a world leader in that regard. Given the significant milestones already achieved, both President Piñera's goal to move the country to a completely renewable electricity grid by 2040 (originally considered very ambitious) and the goals set out in the country's 2050 Energy Policy and enacted during the second Bachelet administration (60 percent renewable sources by 2035 and 70 percent by 2050) are deemed achievable. Currently, renewable sources represent approximately 53 percent of the country's energy matrix; of that amount,

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TOP NEWS

RENEWABLES

Ecopetrol Eyes Green Hydrogen Pilot Project

Colombian state oil company Ecopetrol is planning to buy an electrolyzer next year to test the production of green hydrogen.

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OIL & GAS

Talos Says Pemex Operatorship of Zama Brings Risks

Designating the Mexican state firm as the operator of the Zama discovery could hurt the asset's results, said Talos Energy, which had also been vying for the field's operatorship.

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OIL & GAS

Petrobras Beats Q2 Estimates Driven by Strong Natural Gas Sales

Brazilian state oil company Petrobras, led by CEO Joaquim Luna e Silva, posted a quarterly net income of \$8.29 billion due to strong natural gas sales and higher crude prices. Earnings were up 148 percent year-on-year.

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Luna e Silva // File Photo: Brazilian Government.

OIL AND GAS NEWS

Petrobras Beats Q2 Estimates Driven by Natural Gas Sales

Brazilian state oil company Petrobras beat expectations in the second quarter, swinging to a profit due in part to strong natural gas sales and higher international crude prices, Reuters reported last week. Petrobras posted a quarterly net income of 42.855 billion reais (\$8.29 billion), compared to a loss in the same period of last year and much higher than the Refinitiv consensus estimate of 30.7 billion reais, the wire service reported. The company's earnings before interest, taxes, depreciation and amortization, or EBITDA, reached 61.94 billion reais, up 148 percent from the same period last year, when coronavirus-related restrictions shut down most of Brazil's economy. Petrobras said a number of factors influenced the higher earnings, including strong domestic and international sale volumes as well as a 13 percent increase in Brent prices as compared to the previous quarter, Reuters reported. Revenue from natural gas sales increased by 23.4 percent in quarterly terms to 7.01 billion reais, boosted in part by the need to offset lower hydropower generation due to one of the country's worst droughts in nearly a decade. Likewise, a 12.2 percent appreciation of the Brazilian real against the U.S. dollar in quarterly terms also helped the favorable results, Petrobras said. At the same time, the company slashed its debt load and announced an early distribution of dividends due to the strong results, prompting the largest jump in its shares since February, Bloomberg News reported. The high results somewhat calmed investor concerns surrounding the appointment earlier this year of Joaquim Luna e Silva as the head of Petrobras, a designation that some saw as an attempt of political interference by President Jair Bolsonaro, Bloomberg News reported. "We continue to work hard, supported by decisions that are absolutely technical, and are evolving and becoming stronger," Luna said in the earnings report.

State to Participate in Peru's Natural Gas, Hydro Industries: PM

Peru's new government plans to participate in strategic industries including natural gas and new hydroelectric projects, Prime Minister Guido Bellido told Reuters Saturday in an interview. Bellido said the administration of leftist President Pedro Castillo will also aim to create new public companies, unlike past years in which Peruvian governments have focused on divesting the country's state enterprises. During his campaign, Castillo blasted private

“Natural gas is a strategic resource and needs to have government participation...”

— Guido Bellido

firms for “plundering” Peru's wealth and said he would seek to nationalize natural gas, gold, silver, uranium, copper and lithium mining projects. He toned down his rhetoric ahead of the runoff vote and while electoral controversies were sorted out before he was officially declared the winner, saying private investment would be respected. “Castillo has said that there will be no nationalizations or expropriations of companies, including in the mining and hydrocarbons sectors, during his time in office,” Pedro Francke, who was recently named economy ministry, and Humberto Campodónico, professor at Universidad Nacional Mayor de San Marcos, told the Energy Advisor in a [Q&A](#) published on July 9. However, Bellido told Reuters in the interview that the state will participate in key industries in significant ways. “Our feeling is that strategic sectors need to be in the hands of government,” Bellido said. “In my opinion, natural gas is a strategic resource and needs to have government participation (as well) as new hydroelectric projects of large size,” he added. Bellido, who is also a legislator representing his native Cuzco region and a longtime member of the Marxist Perú Libre

NEWS BRIEFS

Talos Energy Says Pemex Operatorship of Zama Field Could Hurt Results

Designating state oil company Pemex as the operator of the shallow-water Zama discovery could hurt the asset's results, according to Talos Energy, which had been vying for the operatorship of the same field, Argus Media reported last week. “We caution that such designation may potentially result in material delays, underperformance, insufficient access to capital or adverse consequences as compared to our expectations for such a project should we have been designated as operator,” Talos Energy said in its second-quarter results report.

Sonnex Obtains Permit for 150-Megawatt Peak Solar Project in Chile

Chile's environmental evaluation service has granted independent power producer Sonnedix an environmental permit for the 150-megawatt peak Sonnedix Tres Cruces solar project, to be constructed in the Atacama region, Renewables Now reported. The permit certifies that the \$140 million project complies with environmental regulations and can move forward, Sonnedix said.

Guyana's Jagdeo Calls on India to Bid for Long-Term Oil Contracts

India should submit a bid if it wants to secure a long-term oil contract with Guyana, Vice President Bharrat Jagdeo said in a video interview, Argus Media reported Tuesday. Guyana concluded a successful bid by India for its last shipment of crude, but Jagdeo said the South American country doesn't “want to be doing this in the short term,” adding that it does not want a bilateral agreement either. Indian state refiner IOC recently bought crude from Guyana's Liza field.

party, said he was not concerned about potential challenges to the agenda from Congress, adding that Castillo will not be impeached, unlike his predecessor, Martín Vizcarra, the wire service reported.

Audit Court Warns of Shortage Risks Due to Petrobras Sales

Brazil's Federal Audit Court, or TCU, said last week that there is a risk of fuel shortages in the regional market as a result of state oil company Petrobras' plans to sell its assets, according to a statement on the court's website, Reuters reported. The TCU said it found a risk of running low on fuel in an audit of the federal government's plans to reform the country's fuel market following the sale of the company's refineries. Petrobras said adjustments in the refining market are expected as its divestment plans progress and the market is opened up to competition, according to the report. "This is not an audit process of our divestment process," said Rodrigo Araujo, Petrobras' executive director of finance and investor relations, emphasizing that the firm is still committed to opening up the refining and natural gas markets. Araujo added that the sales processes are most advanced for the Reman, Lubnor and SIX refineries. The company recently again delayed the deadline for the sale of its refineries, prompting questions as to whether its ambitious plan would be met amid political and commercial challenges, Argus Media reported.

RENEWABLES NEWS

Ecopetrol Planning Green Hydrogen Pilot Project in 2022

Colombian state oil company Ecopetrol is launching plans for a modest green hydrogen pilot project, Argus Media reported last week.

FEATURED Q&A / Continued from page 1

approximately 29 percent is comprised of nonconventional renewable energy (NCRE) sources. Chile should continue implementing existing policies and the ongoing plan to gradually bring offline all existing coal-fired power plants by 2040. Likewise, Chile should continue expanding its transmission system, making sure that NCRE projects are developed throughout the country and expanding the existing NCRE portfolio (mostly solar and wind power) to other available NCRE sources, including biomass and water. There has not been any significant change in Chile's attractiveness for foreign investment in renewable energy projects, including as a result of the 2019-2020 social unrest and the current political climate. In fact, as of May, there were 149 NCRE projects under construction, and another significant number is still in the permitting phases. There has been and continues to be significant interest in the development of NCRE projects from both the public and private sectors. So much so that, last month, the government decided to update to 40 percent the legally required goal that 20 percent of projects be NCRE projects by 2030—a bill will be introduced to Congress aimed at doubling the legally required NCRE quotas in the National Electric System. The organization that brings together NCRE-related local and foreign companies, developers and product and service providers (ACERA) is so optimistic about the future that it said the government's goals should be even more ambitious. Given universal support for NCRE projects, the new constitution and upcoming presidential election should not have a significant impact."

A **Rodrigo Andrade, regional director at Diálogo Energético LATAM and co-founder of LatamSustentable:** "Despite the coronavirus pandemic, global investments in renewable energy grew 5 percent during 2020, according to the IEA, amid a context of slowdowns in practically all economic

sectors. In Chile, the renewables growth rate has been sustained over the last decade, due in large part to public electricity tenders awarded in 2017 during the last year of President Bachelet's government. Despite the progress, the emissions reduction goals of the Paris Agreement have not been met, mainly because the Chilean economy has not decarbonized its productive matrix, and because all the inefficiencies of an economy dependent on fossil fuels are still present. At the same time, the country's current institu-

“Moving toward a 100 percent renewable energy matrix will require a new social treaty and a private sector that must abide by the new rules of the game.”

— Rodrigo Andrade

tional weakness prevents serious consideration of any government policy proposal, especially those with some level of citizen participation. Since the massive protests that began in 2019—before the pandemic—the population's discontent has not only not diminished, but rather, it has deepened amid the health crisis, during which measures to alleviate the suffering of the people came too late and were badly implemented. This is something that is impossible to ignore in any analysis. There is some hope with the constituent process that began drafting a new constitution, because a good part of its purpose is to draft an ecological constitution, requiring a framework to guide efforts toward a carbon-neutral economy and to accelerate and deepen climate goals and, of course, the participation of renewable energy in this process. There is little room for error in ensuring that the commitments made will continue to be met. However, mov-

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The firm is looking to import a small electrolyzer from Spain in the first quarter of next year in order to test the production and application of green hydrogen fuel at its Cartagena refinery on the Caribbean coast, which can process as many as 165,000 barrels per day. Electrolyzers separate hydrogen from oxygen in water, producing the “green” grade of hydrogen that can be used as fuel for various industrial applications, according to the report. Ecopetrol’s chief executive, Felipe Bayón, said during an earnings call last week that the company was also evaluating the development of blue hydrogen, which is produced using natural gas with a carbon capture and storage system. Colombian Minister Diego Mesa announced earlier this year that the government in September is set to publish a road map for the next 30 years establishing the production, use and export of hydrogen. Mesa said the country’s renewable water resources put it in an ideal position to produce green hydrogen, adding that “some companies in Germany” had already expressed interest in developing green hydrogen in the Andean nation. “To the extent that Colombia can find a way of avoiding overregulating the industry as it develops and secure long-term stable ties with companies specialized in hydrogen development ... it would undoubtedly become a leader in this area,” Jose Zapata, partner at Holland & Knight, told the Energy Advisor in a [Q&A](#) published July 30.

POLITICAL NEWS

Colombia’s FARC Recruited 18,600 Children: Tribunal

The now-demobilized Revolutionary Armed Forces of Colombia, or FARC, rebel group recruited more than 18,600 children into its ranks in the 20 years preceding its peace accord with the government in 2016, a special tribunal that investigates war crimes announced Tuesday, the Associated Press reported. The Special Jurisdiction for Peace said it will call on former FARC leaders to testify about their recruitment

ADVISOR Q&A

Can South America Make Agriculture More Resilient?

Q Unusually cold weather has damaged crops in Brazil’s main coffee-growing regions, driving up prices to their highest point in more than six years, MarketWatch reported in July. Meantime, Argentina’s government urged citizens to curb water use to alleviate pressure on the Paraná River, where water levels at a 77-year low due to severe droughts are hurting shipments of cereals including soy and wheat. What is the outlook for agricultural exports this year in Brazil and Argentina? Where are commodities prices headed? What can South American countries with agriculture-reliant economies do to improve the resiliency of their food systems in the wake of extreme climate events and other disruptions?

A Devry Boughner Vorwerk, CEO of DevryBV Sustainable Strategies: “The unprecedented freeze in the coffee-growing region in Brazil once again made the world aware of the interdependence of our global food system and of the pressures on farmers to compete with the growing risks of climate change. The most recent Coffee Market Report issued by the International Coffee Organization (ICO) indicates that monthly average prices for coffee were rising even before the freeze took hold because of difficult growing conditions. ICO predicts higher prices for coffee into next year. South American exports of coffee are showing a slight increase over last year. On the grains and oilseeds side, South American production should be viewed in context of the overall global supply and demand and stocks readily available. The WASDE (World Ag Supply and Demand Estimates) issued by USDA on July 21 reported global stock

increases for soybeans of nearly two million tons, and it predicted higher stock levels for Brazil and Argentina. Brazilian and Argentine exports are predicted to drop this year, mainly owing to China’s reduction in purchases

“Despite all the dynamics and challenges, the South American agricultural economy is strong.”

— Devry Boughner Vorwerk

because of higher soybean prices. Despite all the dynamics and challenges, the South American agricultural economy is strong. South American countries that are highly reliant on agricultural commodity exports can improve resiliency by making investment in their countries attractive for climate-smart agriculture and value-added processing and innovation, and by reorienting domestic support toward climate-resilient agriculture. In addition, South American governments must continue to leverage and enhance free trade agreements, incentivize diversification of production through WTO-compliant subsidies, combat deforestation that is leading to massive carbon emissions, seek international cooperation, support and invest in carbon-neutral production practices, and ensure there are robust disaster relief and crop insurance programs in place for farmers.”

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

NEWS BRIEFS

Brazil's Lower House Rejects Changes to Voting System

The lower house of Brazil's Congress on Tuesday rejected changes to the country's voting system in a defeat for President Jair Bolsonaro, Reuters reported. Bolsonaro pushed the measure to require some electronic ballot boxes to produce paper receipts. He has claimed fraud, without providing evidence, in the voting system as his public support has dropped amid what critics say is his mismanagement of the Covid-19 pandemic. The disease has killed more than 565,000 people in Brazil, more than any other country except the United States, according to Johns Hopkins University.

Minera Lumina Copper Says it Regrets Strike at Chile's Caserones Mine

Minera Lumina Copper said on Tuesday that it regretted workers' decision to leave contract negotiations and strike at its Caserones mine in Chile, Reuters reported. The union said on Monday that talks with the company had gone nowhere and that it had no choice but to walk out. Tuesday was the first day of the strike after the two parties completed a 10-day period of government-mediated talks.

Nicaragua Recalls Ambassadors as Ortega Continues Crackdown

Nicaragua has recalled its ambassadors to Mexico, Argentina, Colombia and Costa Rica for "consultations," the Nicaraguan government said on Monday, Reuters reported. The move comes in response to similar action by the four countries against Nicaragua, the government of President Daniel Ortega said in a statement. Mexico, Argentina and Colombia recently recalled their ambassadors amid a crackdown on opposition by the Ortega administration, while Costa Rica did so several weeks ago.

of children. The estimate of the number of children recruited into the guerrilla group came from 31 databases assembled by government investigators, human rights groups and relatives of the youths who were recruited, the AP reported. "A provisional estimate, which could be even greater, of 18,667 boys and girls used in the conflict by the FARC is, without a single doubt, one of the most terrible acts that could have happened during the conflict," tribunal magistrate Eduardo Frenes said at a news conference, Reuters reported.

Haitian Judge Tapped to Oversee Moïse Assassination Case

A justice official in Haiti said Monday that he has selected Judge Mathieu Chanlatte to oversee the case of the assassination of President Jovenel Moïse last month, the Associated Press reported. Chanlatte will lead the proceedings on the case, said Magistrate Bernard Saint-Vil, who is dean of the Court of First Instance in Port-au-Prince. "The judge is very competent," Saint-Vil said. The AP could not immediately reach Chanlatte for comment. Saint-Vil said he had requested additional security measures as he prepared to select a judge for the case after receiving death threats. "I ask that the Haitian state guarantee the safety of [Chanlatte] so that he can do his work in accordance with the standards," said Haitian attorney Steevens Rosemond, who is not involved in the murder case. More than 40 people have been arrested in connection with the assassination, including 18 former Colombian soldiers and 20 Haitian police officers. In recent interviews with The New York Times, Prime Minister Ariel Henry, who took over as the country's acting president on July 20, and Martine, Moïse's widow, expressed concerns over the mastermind still being at large. "I think there were a lot of people involved; there were people with access to a lot of money," Henry said in the interview. "The people they have accused up until now, I don't see that they have the capacity, the web, to do it," he added. [Editor's note: See related [Q&A](#) in the July 9 issue of the daily Latin America Advisor.]

ECONOMIC NEWS

Argentina Launches Second Phase of Youth Jobs Plan

Argentina's government on Monday launched the second phase of its Argentina Programs plan, which seeks to provide training in computer programming to 60,000 young people by the end of the year, EFE reported. The plan aims to create 100,000 jobs in the industry, according to La Nación. "We need all of the young people to be able to live the lives that we want," President Alberto Fernández said in announcing the second phase of the plan. "The plans that we present have to do with that. We need to make programmers," Página 12 reported. In late July, Argentina's government also launched the "I Add You" program, which has the goal of adding 50,000 young people between the ages of 18 and 24 to Argentina's work force, EFE reported.

Peruvian Miners Will Pay \$3 Bn in Taxes: Industry Group

Peruvian miners will pay a record 12 billion soles (\$3 billion) in taxes this year, more than double the amount they paid in 2019 before the pandemic, the National Society of Mining, Oil and Energy said in a statement on Tuesday, Reuters reported. Mining is an important source of tax revenue in Peru, which is the second-largest copper producer in the world after Chile. Higher copper prices and a weaker local currency this year have driven up revenues for miners as well as increased their tax bills, Reuters reported. The industry group said miners paid 4 billion soles in taxes in 2020 amid coronavirus-related lockdowns and about 4.8 billion soles in 2019. The statement came a day after new Finance Minister Pedro Francke said Peru could hike mining taxes in order to fund promised public programs, while reducing the fiscal deficit without affecting competitiveness.

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ing toward a 100 percent renewable energy matrix will require a new social treaty and a private sector that must abide by the new rules of the game.”

A **María Trinidad Castro, executive director of the World Energy Council WEC Chile:** “Our country is advancing in a systematic and coordinated manner toward the objectives it set. With extraordinary success, as of June, we have installed around 15 gigawatts of renewables capacity in the National Electric System (SEN). This is equivalent to 54 percent of the total. Moreover, we expect solar and wind projects inaugurated this year to have an installed capacity equivalent to all renewable projects built between 2007 and 2020. It should be noted that, beyond the announcements made during political campaigns, meeting our goals entails coordination and commitment from all actors involved. We are happy to be a country that, despite a somewhat uncertain and changing reality, moves forward with its renewables objectives. This commitment is not isolated, but rather, it is a structural change in our energy system. The system seeks to be carbon-neutral by 2050 and to integrate new technologies and engage communities, with the ultimate purpose of focusing on the well-being and dignity of the people. According to a recent World Energy Council

WEC Chile study, Chile’s main challenges are related to regulatory uncertainty. Our sector is experiencing a true revolution. During the last 10 years, the integration of new technologies, digitization and decarbonization have been advancing at an accelerated rate. We need to emphasize decentralization, changes in demand and creating a new traditional system that flexibly adapts to the

“A new constitution is a great challenge from every point of view—the development of the energy system ... is not exempt from uncertainty.”

— María Trinidad Castro

new social order. A new constitution is a great challenge from every point of view—the development of the energy system and of renewable, clean, accessible and safe energies is not exempt from uncertainty. We have hope and confidence that these issues will not be the subject of major discussions, and that there is consensus on these matters. Decarbonization or a fully renewable matrix is not an objective in itself—the best quality of life for the people is.”

LATIN AMERICA ENERGY ADVISOR

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

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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

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Advisor Video

Citigroup's Ernesto Revilla on Latin America's Economic Outlook

The Latin America Advisor interviewed Ernesto Revilla, head of Latin America economics at Citigroup, about the region's economic outlook.



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