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FEATURED Q&A

What Is Driving Brazil to Import Russian Diesel?



Brazil is seeking to buy as much diesel from Russia as possible, Foreign Minister Carlos França said on July 12. // File Photo: Itamaraty via Wikimedia Commons.

Q Brazilian Foreign Minister Carlos França said on July 12 that Brazil is looking to buy as much diesel as it can from Russia. When questioned about the opinions of Western countries on that decision, França noted that Russia is one of Brazil's strategic partners through the BRICS bloc. Why is Brazil unable to produce and supply enough of its own diesel fuel, and why is Russia the country's diesel supplier of choice? What geopolitical dynamics are at play in the decision to import Russian diesel, and how might trade flows of diesel fuel in the Americas change as a result? Will any supply agreements follow into the next presidential administration in Brazil, regardless of the candidate elected to office?

A Gonzalo Paz, adjunct professor at Georgetown University's Center for Latin American Studies: "The recent decision by the Brazilian government to keep importing energy and fertilizers from Russia is better explained by the political urgency generated by the upcoming presidential election. Bolsonaro is trailing Lula in all serious polls. So everything in the current Brazilian government is aligned with the goal of the re-election of the president in October. Nevertheless, foreign policy factors are also at play. Brazil, as a member of the BRICS, has been reluctant to engage in a full fledged repudiation of Russia's invasion of Ukraine. Bolsonaro's personal sympathy for Vladimir Putin is also at play. Bolsonaro also had warm relations with former U.S. President Trump, which shows the road ahead keeping and developing warm relations with Putin. We need to remember Bolsonaro's

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TOP NEWS

RENEWABLES

Universal Solar Planning to Build Factory in Panama

U.S.-based solar company Universal Solar on Tuesday announced plans to open a photovoltaic module manufacturing factory in Panama.

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OIL & GAS

PDVSA Crude Spill Reaches Orinoco River

A crude oil spill from a joint venture of Venezuelan state oil company PDVSA has reached the waters of the Orinoco River in eastern Venezuela.

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POWER SECTOR

López Obrador Denies Breach of USMCA Deal

Mexican President Andrés Manuel López Obrador denied that his administration's energy policies breach the USMCA free trade agreement. Mary Ng, Canada's international trade minister, signed on to the U.S. consultation request on July 20.

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Ng // File Photo: @mary_ng via Twitter..

POWER SECTOR NEWS

López Obrador Denies Breach of USMCA Trade Deal

Mexican President Andrés Manuel López Obrador on July 21 denied that his administration's energy policies breach the U.S.-Mexico-Canada (USMCA) free trade agreement following the news that Canada had joined the United States in a consultation request under the regional trade agreement, Reuters reported. The president said that Mexico is planning to defend control of its power market and oil policies, saying there has been "no violation" of the pact. López Obrador added that his administration reached an agreement with a group of U.S. investors in the energy sector, the wire service reported. The United States requested dispute settlement consultations under the USMCA early on July 20, and Canada joined the request later that day. "We agree with the United States that these policies are inconsistent with Mexico's USMCA obligations," Mary Ng, Canada's international trade minister, said in a statement, Reuters reported. Canada has "consistently raised its concerns regarding Mexico's change in energy policy," she added. "This could be extremely damaging for Mexican exports," said Kenneth Smith Ramos, who was Mexico's chief USMCA technical negotiator in 2018, Bloomberg News reported. "Engaging with the U.S. in a major trade dispute would definitely be a negative for the Mexican economy," he added.

OIL & GAS NEWS

Protests in Panama End After Fuel and Food Regulations

Demonstrators in Panama on Tuesday ended a blockade of major roads that they started three weeks ago in protest of the rising cost of

living and corruption in the Central American country, Agence France-Presse reported. The day before, Panamanian President Laurentino Cortizo's government announced it would regulate the prices of 72 food items, Reuters reported. Protesters have been demanding government measures to address the rising cost of living in the Central American country. The decision to regulate prices is a result of an agreement between the government and powerful Panamanian unions. The price regulation of the products will allow for the basic food basket's cost to decrease by 30 percent, saving approximately \$80, the statement said. Last



Cortizo // File Photo: @NitoCortizo via Twitter.

week, Cortizo's administration agreed to cut the price of gasoline down to \$3.25 per gallon from \$3.95 per gallon, but several unions called the agreement inadequate, AFP reported. Panamanian Security Minister Juan Manuel Pino on Tuesday told the wire service that roads were "all open" for the first time since the demonstrations started three weeks ago. "High gasoline prices were the last drop which made social discontent overflow in Panama," Sabrina Bacal, the director and host of opinion and analysis program Radar at TVN Media, told the Inter-American Dialogue's daily Latin America Advisor in a July 20 Q&A. "This perfect storm was fueled by increasing prices for gas, medicines and basic foods, resulting in the largest protests in decades," she added.

Guyana Looks to Oil Auction to Attract New Players

Guyanese President Irfaan Ali on Monday said the country is expecting an upcoming oil and

NEWS BRIEFS

U.S.-Based Universal Solar Planning to Build Factory in Panama

U.S.-based solar company Universal Solar on Tuesday announced plans to open a photovoltaic module manufacturing factory in Panama, Renewables Now reported. The company has already secured more than 400 megawatts in signed master service agreements for the factory. The production site is set to open later this year, and Universal Solar is planning to begin product delivery in the fourth quarter.

Reborn Electric Motor Building Electric Buses in Chile

Chilean electric vehicle company Reborn Electric Motor's electric buses are operating in the South American country as a part of Chile's efforts to reduce its use of fossil fuels and achieve its environmental goals, Reuters reported July 22. Reborn Electric Motor has a goal of producing 200 electric buses each year, which would be enough to keep about 65,000 metric tons of carbon out of the Earth's atmosphere. Some of the company's electric buses have been shuttling workers to and from Chilean state-owned copper mining company Codelco's Teniente mine.

Brazil's Petrobras Gives Board Supervisory Role Over Fuel Price Decisions

Brazilian state oil company Petrobras has given its board a formal supervisory role over decisions related to fuel pricing, the company said in a securities filing on Wednesday, Reuters reported. Under a new set of guidelines, Petrobras executives will meet with members of the board and the company's fiscal committee quarterly to discuss how it is setting fuel rates, an issue that has become increasingly important leading up to Brazil's October presidential election.

gas auction to bring new companies into its energy industry, Reuters reported. “We are hoping that the participants in the auction ... will add diversification,” Ali told the wire service in an interview. Guyana’s energy sector for years has been dominated by U.S.-based ExxonMobil and its partners. During his first official trip to the United States this week, Ali has been attending meetings with government officials and think tanks in Washington, the wire service reported. The president said before the meetings that he was expecting to discuss climate change,

The IMF estimates that Guyana’s economy will grow 47% by the end of this year.

food security and investment opportunities and financing, among other issues. “While Guyana is an emerging hydrocarbon market, our economy will not be hydrocarbon-based,” Ali told the Atlantic Council on Monday, Bloomberg News reported. The International Monetary Fund is estimating that the Guyanese economy will grow 47 percent by the end of this year due to increased oil exploration and findings. The government estimates that Guyana will reach output of approximately 800,000 barrels per day by 2025. Guyana is not currently considering joining the Organization of the Petroleum Exporting Countries, or OPEC, Reuters reported. [Editor’s note: See [Q&A](#) on Guyana’s oil industry in the May 6 issue of the Energy Advisor.]

PDVSA Crude Spill Reportedly Reaches Venezuela’s Orinoco

A crude oil spill from a joint venture of Venezuelan state oil company PDVSA has reached the waters of the Orinoco River in eastern Venezuela, close to fishing towns in the Orinoco Delta, three sources close to the company’s operations said on Tuesday, Reuters reported. The leak, which was first discovered on July 23, came from a Platform G oil well, which is part

Advisor Video

Colombian Energy Policy Under Petro

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WATCH

of the PDVSA-controlled Petrowarao joint venture, the wire service reported. The project is largely idled, and Reuters’ source added, “That area is dilapidated and abandoned. It has old rusty wells that still have crude trapped inside.”

RENEWABLES NEWS

EnergyX Gets \$450 Million in Funding, Eyes Bolivia

Lithium start-up EnergyX is set to receive a \$450 million investment from private equity firm Global Emerging Market Group, the energy company said in a statement on July 22, Reuters reported. EnergyX, which is expected to go public by 2024, is working to bolster its

business prospects in Bolivia. The company is developing its own direct lithium extraction (DLE) technology with the objective of producing lithium with lower costs and a smaller environmental impact than the more traditional open-pit mines and evaporation ponds used to extract the metal, the wire service reported. Jonathan Collins, the managing director of the Global Emerging Market Group, called EnergyX a “leader and innovator in the complicated and historically inefficient Lithium extraction space,” according to a statement by EnergyX. “A tech-heavy ESG company mining in the emerging markets is a rare find,” he added. EnergyX said July 21 that it is seeking to raise up to \$75 million in a private offering to retail investors, Reuters reported. Earlier this year, Bolivian officials disqualified the company from a DLE technology selection process following EnergyX’s submission of production data 10 minutes after the deadline, Reuters reported.

POLITICAL NEWS

Colombia Peace Tribunal Charges 19 With War Crimes

The special tribunal that is probing rights violations from Colombia's decades-long armed conflict on Monday charged 19 soldiers with war crimes and crimes against humanity in connection with the killings of 303 people, mainly civilians, from 2005 to 2008, Agence France-Presse reported. The Special Jurisdiction for Peace tribunal said it had collected ample evidence to file the charges against the soldiers, who include a retired general and five retired colonels, as well as an intelligence agent and two civilians. The killings were known as "false positives," in which members of the military killed civilians and then passed them off as guerrilla fighters in order to inflate the number of rebels killed during the conflict. The tribunal's magistrates said the soldiers were part of the 16th Brigade in which a "criminal organization" killed civilians and deliberately misidentified them as guerrilla fighters who "had fallen in combat." In exchange for the killings, the soldiers reportedly received benefits such as help in securing promotions, as well as "permits, special food, holiday plans, training classes abroad and recognition," the tribunal said. Between 2002 and 2008, Colombia's military was responsible for more than 6,400 killings, the tribunal said. The accused can confess and avoid prison time by making reparations to victims; otherwise, the accused face up to 20 years in jail, AFP reported. [Editor's Note: See the July 13 Q&A on Colombia's Truth Commission report in the Inter-American Dialogue's daily Latin America Advisor.]

More Than 400 Killed, Hurt, Missing in Haiti Violence: U.N.

More than 471 people have been killed, injured or have gone missing in Haiti over the span

ADVISOR Q&A

Will Suriname's New Debt Deal Help Its Economy Grow?

Q **Suriname and the Paris Club of creditor nations last month reached an agreement on restructuring the country's external public debt. The deal will allow the creditor nations to eventually take voluntary and bilateral actions to support Suriname's efforts involving environmental, social and governance (ESG) goals, the Paris Club said. How important is this deal for Suriname, and what will it mean for the South American country's economy and ESG ambitions? How well are Suriname's president, Chan Santokhi, and the country's central bank managing the country's economy? What are the most important factors driving Suriname's newfound oil and gas deposits, and what headwinds does the administration face in getting Suriname on a sustainable economic footing?**

A **Arthur Deakin, director of energy at Americas Market Intelligence:** "Analysts covering Suriname are holding their breath for a Final Investment Decision (FID) on Block 58. A decision was expected by the end of 2021, but it has now been pushed to the end of 2022 as TotalEnergies continues its exploration and appraisal work. AMI expects an FID to happen no sooner than this year's fourth quarter, with first oil being pushed back to 2026. With these continued delays, Suriname is flirting dangerously

close with the energy transition and may experience challenges raising capital for its oil and gas developments. This will directly affect private bondholders and external creditors, who have agreed to a value recovery mechanism that will compensate their nominal losses using a portion of future oil and gas revenues. Suriname's future economic growth is also directly tied to its ability to capitalize on these resources. LNG export terminals, warehouses for oil equipment and land infrastructure may all be at risk. The good news is that Suriname's findings seem to be mostly gas (especially in Block 52), providing a slight advantage over the 80 percent crude oil found in Guyana's Stabroek block. The Paris agreement will also allow Suriname to postpone some of its debt payments, providing some much-needed breathing room to tidy its financial health while sustaining social spending. Although Suriname's exploration has been overshadowed by Guyana's success, if 50 percent of its estimated resources are gas, AMI predicts that it could be producing 75 billion cubic meters of gas per year, equivalent to roughly 50 percent of Russia's supply to Europe."

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

of 10 days this month—from July 8-17—in the country's capital amid soaring gang violence, the United Nations said Monday. "Serious incidents of sexual violence against women and girls, as well as boys being recruited by gangs, have also been reported," the United Nations said in the statement. "Around 3,000 people have fled their homes, including hundreds of

unaccompanied children, while at least 140 houses have been destroyed or burnt down," it added. The U.N. International Organization for Migration has provided blankets, hygiene and baby supplies, and other items to residents of Port-au-Prince, but the needs in parts of the capital are "immense and growing," said U.N. humanitarian coordinator Ulrika Richardson.

NEWS BRIEFS

Colombia's Gulf Clan Gang Intensifies Attacks Ahead of Inauguration

Colombia's Gulf Clan drug gang has intensified attacks in recent weeks, killing a dozen police officers and injuring dozens more, ahead of the Aug. 7 inauguration of the country's incoming president, Gustavo Petro, Agence France-Presse reported. The attacks follow the extradition in May of its leader, Dario Antonio Úsuga, known as "Otoniel," to the United States to face drug trafficking charges, the wire service reported.

Guatemalan President Meets With Ukraine's Zelensky in Kyiv

Guatemalan President Alejandro Giammattei on Monday visited Ukraine to meet with President Volodymyr Zelensky at the Ukrainian leader's invitation to view damage left behind by Russia's invasion of the country, the Guatemalan government said, Agence France-Presse reported. Giammattei had closed the Central American country's embassy in Moscow following the beginning of the war in February, the wire service reported.

Argentina's New Economy Minister Meets With IMF Chief in Washington

Silvina Batakis, Argentina's new economy minister, on Monday attended high-level finance meetings in Washington with U.S. officials and international lenders, including IMF Managing Director Kristalina Georgieva, Reuters reported. The South American country in March came to a \$44 billion debt agreement with the IMF, an effort largely led by Martín Guzmán, Argentina's former economy minister who unexpectedly resigned earlier this month. In a Twitter posting, Georgieva praised Batakis' "initial efforts to strengthen fiscal sustainability," the wire service reported.

Brazilian Defense Chief Assures U.S. Counterpart on Vote

Brazilian Defense Minister Paulo Sérgio Nogueira on Wednesday assured his U.S. counterpart, Defense Secretary Lloyd Austin, that the South American country's armed forces are focused on providing security so that its presidential election on Oct. 2 is carried out in a safe, secure and transparent way, Reuters reported, citing Austin. Nogueira and Austin spoke in Brasília during a gathering of Western Hemisphere defense ministers. "The Brazilian minister of defense commented that he was very much focused on providing security to ensure that they were able to conduct a safe and secure and transparent election," Austin told reporters, the wire service reported. "He appeared confident in his ability to provide security," he added. The comments came as Brazilian President Jair Bolsonaro, who is in a tough bid for re-election, has repeatedly claimed, without presenting evidence, that the country's election system is flawed. Bolsonaro trails former President Luiz Inácio Lula da Silva in polls ahead of the vote, in some surveys by nearly 20 percentage points, Reuters reported. In formally launching his re-election campaign on Sunday, Bolsonaro said, "The Army is on our side," the wire service reported. During the gathering of defense chiefs in Brasília, Austin, a retired U.S. Army general, on Tuesday said militaries must be under firm civilian control. "Credible deterrence demands military and security forces that are ready, capable and under firm civilian control," said Austin. "The more we deepen our democracies, the more we deepen our security," he added. John M. Carey, associate dean of faculty for the social sciences at Dartmouth College, told the Latin America Advisor that Brazilian electoral authorities "to their credit" have subjected the country's election system to security tests. "Those tests have uncovered some vulnerabilities, as they are designed to do and, if all actors operated in good faith, they should play a key role in maintaining and improving the security of voting," Carey said.

ECONOMIC NEWS

Grupo México Withdraws From Mayan Train Project

Grupo México, a mining and transport firm based in Mexico City, confirmed the termination of its construction contract with the Mexican government to build the Mayan Train tourist railway in southeast Mexico, Reuters reported Wednesday. "We reached a neutral agreement with the government to hand over the Mayan Train project to the Defense Secretariat, Sedena," said a top Grupo México executive. They added that the decision followed multiple court injunctions that put the completion of the railway in jeopardy. The decision followed the company's announcement of a 40.5 percent decline in its net profit in the second quarter, as compared to the same period last year, according to a company filing. Mexican President Andrés Manuel López Obrador on Tuesday said that the Mayan Train project will cost up to an estimated \$20 billion, as much as 70 percent more than the government's previous \$11.8 billion estimate, Bloomberg News reported. "The Mayan Train project is a very poorly conceived project, as are all of AMLO's projects," José F. Albarrán Núñez, the former president of Academia de Ingeniería México, told the Inter-American Dialogue's daily Latin America Advisor in a June 15 [Q&A](#).

El Salvador to Dedicate \$560 Million to Bond Buybacks

El Salvador is set to commit \$560 million to an unexpected bond buyback plan in an effort to address concerns about its public finances, the country's finance minister, Alejandro Zelaya, said Wednesday, Reuters reported. Zelaya told Salvadoran broadcaster TCS that the funds could be used to buy some 2023 and 2025 sovereign bonds, whose maturities total about \$1.6 billion. "We're not going to spend more than we have in the bank," Zelaya said.

FEATURED Q&A / Continued from page 1

visit to Moscow just before the invasion, when it was already obvious that Russia was about to attack Ukraine. Relations between Bolsonaro and the United States under Biden enter a period that is less dynamic compared with the relations between Trump and Bolsonaro. Bolsonaro's continued efforts to cast doubts about the integrity of the next

“For Russia, keeping the vast Brazilian market open is also of great political value...”

— Francielle Fracalossi

election do not win friends in the current U.S. administration. For Russia, keeping the vast Brazilian market open is also of great political value—it is a political as much as an economic foreign policy. To be playing in the U.S. backyard—as most Russians perceive Latin America and the Caribbean—is always tempting, and in the middle of the war in Ukraine it is of great psychological value. In Moscow's eyes, it shows that Russia is a respected global power.”

A **Franciele Fracalossi, research analyst for refining and oil products markets at Wood Mackenzie:** “Despite the amount of crude oil produced in Brazil, the country's total refining capacity can't meet total product demand, relying on imports. Brazil imports between 20 percent and 25 percent of its total diesel demand annually, and during higher demand months, diesel imports rise above 27 percent of the fuel demand. According to Brazilian Foreign Affairs Minister Carlos França, the country

will import as much diesel as possible from Russia to supply Brazil's agricultural sector and truckers. This announcement comes just a few months before Brazil's presidential election in Brazil, as the population has reacted to the increase in fuel prices over the last few months, with average prices for diesel increasing around 35 percent since the start of the Russia-Ukraine war. Cheaper diesel from Russia could ease prices. However, the details of the transactions are still unclear, and we expect some pushback due to sanctions imposed on Russia that could affect, for example, the payment for the fuel, as transactions like this usually involve U.S. and European banks.”

A **Adriano Pires, founding partner and director of the Brazilian Center of Infrastructure (CBIE):** “There are no sanctions specifically targeting Russian oil and fuel, so the risk of sanctions is indirect. Sanctions target banking systems and individual companies, so, for example, it would be difficult to pay a sanctioned Russian oil producer and send money (dollars or euros) to a sanctioned bank. But I'd imagine the Brazilian government will buy this diesel from traders rather than directly from Rosneft. In any case, there are easy workarounds—for now. There are additional aspects that make this a bit more complex, such as insurance for tankers that deliver Russian diesel. Many Western insurance firms would not touch them, and there are specific U.K. sanctions that target shipping. But again, there are workarounds, so Russian fuel ends up in Saudi Arabia, China, India and elsewhere.”

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

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