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THEDIALOGUE

FEATURED Q&A

What Must Cuba Do to Fix its Electricity Sector?

President Miguel Díaz-Canel's government has faced unrest in Cuba in part due to blackouts that have hit the island nation. // File Photo: Granma.

Q Civil unrest broke out in Santiago, Cuba's second-largest city, last month when hundreds of protesters gathered to decry food shortages and electricity blackouts. Considering the growing frequency of the blackouts—entire parts of the island are going powerless for 14-plus hours a day—are blackouts a sign of the island's larger economic problems or primarily an issue of infrastructure and the electricity grid? What actions does the administration of President Miguel Díaz-Canel need to take in order to fix the nation's power sector? Will protests place enough pressure on the government to cause a change in policies?

A Jorge R. Piñon, senior research fellow at the Energy Institute of The University of Texas at Austin: "Cuba's electric grid, the Servicio Eléctrico Nacional, faces far-reaching structural challenges that threaten the economic and social development of the island. Its base load thermoelectric and distributed generation infrastructure has collapsed due to its more than 40 years of operation and the lack of scheduled and capital maintenance. This baseload generation is fueled by high sulfur/metals fuel oil, which is highly corrosive, causing more damage to the already weakened infrastructure. It is a vicious maintenance cycle with no end in sight. A fuel switching strategy from oil to liquefied natural gas could play an important role in Cuba's future energy mix. Cuba needs to fast track the decarbonization of its electric power generation while still providing reliable and cost-competitive power by investing in technologies that will make this possible. Renewables are still a very important component of the island's electric power matrix.

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TODAY'S NEWS

BUSINESS

Petrobras CEO Will Reportedly Continue in Role

Calls for the ouster of Brazilian state oil company Petrobras' CEO Jean Paul Prates have eased, and Prates will continue at the helm of the company, two sources with knowledge of the matter told Reuters.

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ECONOMIC

Chile Plans to Start Sustainable Aviation Fuel Output by 2030

Chile is seeking to start the production of sustainable aviation fuel at a large factory in six years, the government said.

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POLITICAL

Protesters Clash With Police in Buenos Aires Over Milei's Cuts

Protesters angry about Argentine President Javier Milei's austerity measures blocked a key street in Buenos Aires. Authorities made at least eight arrests.

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Milei // File Photo: @JMilei via X.

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POLITICAL NEWS

Protesters Clash With Police in Argentina Over Milei's Cuts

Protesters and police clashed Wednesday in Buenos Aires as Argentines angry about President Javier Milei's spending cuts blocked a key street in the capital, the Associated Press reported. Police arrested at least eight protesters and drenched demonstrators with powerful water cannons, the wire service reported. In the demonstration, protesters demanding additional food for soup kitchens threw rocks and sticks at officers, set garbage cans on fire and blocked the major thoroughfare, July 9 Avenue, in defiance of a new measure prohibiting roadblocks. Waldo Wolff, Buenos Aires' security minister, said Wednesday that authorities were "liberating" July 9 Avenue. "We are restoring order in the center of Buenos Aires," he said, the AP reported. Protesters have vented their anger in recent weeks amid Milei's painful austerity measures that are designed to lower the country's triple-digit rate of inflation. Bus drivers plan to go on strike today, the AP reported. Among the austerity measures, Milei has slashed government spending, laid off government workers, lowered subsidies for energy and transportation and canceled public works projects. Shortly after taking office last December, Milei's government also put into force new measures to empower security forces to break up and arrest protesters who block roads. The president has also threatened to withdraw social assistance benefits from people accused of paralyzing traffic in roadblocks. Milei's critics, including human rights experts at the United Nations, have blasted Milei's actions as restrictions on civil liberties, the AP reported. Despite the protests, Milei still has strong support, Nicolás Saldías, a senior analyst at the Economist Intelligence Unit, told the Advisor in a **Q&A** published March 11. "A reason why is because Milei has blamed the country's troubles on the traditional political establishment," said Saldías. Wednesday's protests happened as Milei began a four-day visit to the United States. He arrived in Miami, where he was honored at an event of Hasidic group Chabad-Lubavitch, which was closed to the press. Milei is also scheduled to visit Texas, where he is to meet with billionaire Elon Musk and tour a factory of Tesla, Musk's electric vehicle company, the wire service reported.

ECONOMIC NEWS

Chile Plans to Start Sustainable Aviation Fuel Output by 2030

Chile is seeking to start the production of sustainable aviation fuel at a large factory by 2030 and will use the fuel for half of its aviation needs by 2050, according to a report that the government released on Wednesday, Reuters reported. The South American country is expecting aviation traffic to double by 2040, and sustainable fuel, or SAF, is needed in order for Chile to meet its decarbonization goals, according to the report, called the "2050 SAF Roadmap," the wire service reported. SAF can be combined with conventional aviation fuel in order to lower emissions by 80 percent without the need to modify aircraft engines, Reuters reported. Most SAF is produced from animal fats and waste oils, which are scarce as compared to other types of oils, Bloomberg News reported. Environmental groups have warned that strong demand for SAF could lead to its production from ingredients such as palm oil, which are detrimental to the environment.

BUSINESS NEWS

Petrobras CEO Reportedly Will Continue in Role

The embattled CEO of Brazil's state-owned oil firm Petrobras, Jean Paul Prates, will continue to serve in his position as pressure to oust him

NEWS BRIEFS

Ex-Colombian President Uribe Accuses Prosecutors of 'Political Vengeance'

Former Colombian President Álvaro Uribe on Wednesday blasted prosecutors, saying they are engaging in "political vengeance" by charging him for alleged witness tampering and bribery, the Associated Press reported. The charges stem from a case that investigated connections between Uribe and a Colombian paramilitary group, in which prosecutors allege the former president bribed witnesses and engaged in procedural fraud. Uribe has denied wrongdoing and has insisted that there is no evidence to support the accusations.

Guatemalan President Declares Disaster Over Forest Fires

Guatemalan President Bernardo Arévalo declared a national disaster on Wednesday as the country struggles to combat 44 forest fires, the Associated Press reported. "The current situation is not a coincidence, 80 percent of those fires were set," Arévalo said. Farmers often clear fields for planting during this time of year by setting fires. The declaration will facilitate additional funding to bolster firefighting efforts. Classes were canceled in several provinces due to the risk of smoke inhalation.

Colombian Negotiators to Meet With ELN for Extraordinary Meeting

Colombian government negotiators plan to hold an extraordinary round of peace talks with the National Liberation Army, or ELN, rebels, the government announced Wednesday, Reuters reported. The ELN requested the meeting, which is to be held in Caracas, amid a stall in talks between the two sides. [Editor's note: See related **Q&A** in the Jan. 23 issue of the Advisor.]

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has eased, two sources with knowledge of the matter told Reuters on Wednesday. Speculation had spread that Prates may be replaced by Aloizio Mercadante, the head of BNDES, Brazil's state development bank, and unnamed sources had told Reuters that Prates would not last "to the end of the week," in comments the wire service published Tuesday. Prates has increasingly drawn criticism from the Brazilian government over his failure to spur investment and cut fuel prices, as well as his decision to withhold the disbursement to shareholders of extra dividends from Petrobras, with Energy Minister Alexandre Silveira being a notable proponent of releasing those funds. President Luiz Inácio Lula da Silva on Sunday canceled a meeting with members of his cabinet that sources with knowledge of the matter told Reuters had been called to decide whether to replace Prates, the wire service reported Monday. "There's probably not a more thankless job in Brazil than being the president of Petrobras," Schreiner Parker, Rystad Energy's Latin America managing director, told Bloomberg News in comments published last Thursday. "You're torn between the government and market," he added.

Santander to Launch Digital Offering in Mexico, U.S.

Spanish bank Santander announced Tuesday that it will launch its Openbank digital offering in Mexico and the United States in the second half of this year. "Openbank operates with a technological platform designed in-house at Santander that provides secure, easy and simple best-in-class customer experience by combining functionality and design," Santander said in a statement. Openbank "also offers an intuitive user experience with fintech pricing and the trust of a global bank," Santander added. Openbank currently serves more than two million Santander customers in Spain, Portugal, Germany and the Netherlands and has 18 billion euros ($19.3 billion) in deposits, which the bank said is more than any other digital bank in Europe.

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However, the Cuban government's goal of generating 37 percent of its electric power from renewables by 2030, from its current level of 4 percent of total generation, is unrealistically challenging. There is no short-term solution to Cuba's structural electric power generation challenges. The only solution is the total recapitalization of its base load, distributed generation and renewable electric power matrix. Regrettably, it would take time and $5 billion to $8 billion dollars of investment. In order to overcome these challenges, Cuba must decentralize its economic model, resolve its political differences with the United States and develop a realistic comprehensive energy roadmap toward a clean and competitively priced energy future."

A **Ricardo Torres Perez, research fellow at American University:** "The recurrent power outages have been occurring for several years, with severe periods like the one we are currently experiencing. Cuban authorities cite two main causes: fuel shortages and the deterioration of power plants. In both cases, the issue is tied to the current economic crisis and, more broadly, to the prolonged stagnation of the Cuban economy. The lack of foreign currency prevents the purchase of the necessary fuel, which Venezuela previously supplied, but whose shipments have been reduced. Additionally, the lack of capital maintenance and low spare parts inventory has significantly reduced the technical availability of the plants. In the short term, increasing fuel imports largely depends on favorable agreements with allies such as Russia or Mexico. The recovery of the electrical infrastructure and the increase in the penetration of renewable energy sources will take years and billions of dollars. It remains unclear how this capital can be mobilized without radical economic reforms. More importantly, wealth creation and growth are needed to pay for infrastructure upgrading and expansion. The government could start by allocating less money to the construction of high-standard hotels with low occupancy rates, and instead use those resources to purchase spare parts and update the maintenance cycles of the plants. The Cuban government must listen to its people and their legitimate demands. It may well underestimate the implications of the protests at its own peril."

A **William M. LeoGrande, professor of government at American University:** "The expanding scope of power outages in Cuba is due to both the economic crisis and aging infrastructure. An acute shortage of foreign currency prevents Cuba from importing enough oil to keep thermoelectric plants operating at full capacity, and deferred maintenance on the plants, already past their normal useful life, contributes to frequent breakdowns. Part of the problem is the government's failure to invest enough over the years to prevent the electrical grid's deterioration. But all these problems trace back to the government's chronic shortage of foreign currency, which deepened in 2019 when the economy was hit by two external shocks: then-President Trump's intensified sanctions and the Covid-19 pandemic, which drastically reduced tourism and remittances, the country's principal sources of foreign exchange earnings. President Biden has continued many of Trump's sanctions, and Cuban tourism has not fully recovered from Covid. As a result, the government does not have enough hard currency to import basic necessities such as food, medicine and fuel.

> **"All these problems trace back to the government's chronic shortage of foreign currency..."**
> **— William M. LeoGrande**

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Modernizing the power sector would require billions in investment that the government does not have. The best it can do now is try to keep the aging infrastructure working until the economy recovers. Most local protests in Cuba since July 11, 2021 have been touched off by power outages, so the government is very aware of how politically damaging blackouts are. But without the money to import more oil or upgrade infrastructure, Cuban leaders have no good policy options."

Jonathan Benjamin-Alvarado, faculty fellow at the Ralph Lowe Energy Institute at Texas Christian University: "The Cuban government has few options to significantly improve living conditions before the oppressively hot summer months, which are usually when we would expect electricity demand to soar. Given that blackouts were among the most prevalent and feared manifestations of the serious economic crisis that devastated the island in the early 1990s, it appears that Cuba has few resources to address this impending challenge. The blackouts are both signals of the failing energy grid and the chronic economic problems that have plagued Cuba since the end of the pandemic. I see no short-term fixes to this issue. Because less than 40 percent of the sector's total oil thermoelectric generation capacity is operational, any potential fixes lie outside of the realm of possibility, owing to the structural and resource constraints that Cuba has faced since the 1990s. Short of a complete policy reversal by both the United States and Cuba, the island will face a series of food and energy crises this summer that may create social unrest. To that end, the Cuban leadership has expressed a willingness to broach issues with the United States that had previously been off the table. It remains to be seen if there is sufficient political will to sit down and begin to discuss any of the regular agenda items of bilateral issues between the two, let alone the discussion of energy-related matters. Cuba is at a crucible moment in its current history and has few if any degrees of freedom to respond to this crisis."

> **"It appears that Cuba has few resources to address this impending challenge."**
> **— Jonathan Benjamin-Alvarado**

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta.

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