Q In the wake of the Jamaican government’s latest scuttled plans to expand electricity capacity, the country’s leading private sector groups recently called on the administration of Prime Minister Portia Simpson Miller to communicate "a definite direction" within 30 days toward reducing Jamaica’s energy costs by 2015. Meanwhile, an editorial in the Jamaica Gleaner pointed out that lower-cost energy supplies for manufacturers in Trinidad has helped fuel a billion-dollar deficit between the two Caricom nations. How bad is the energy situation in Jamaica? What is the best solution for addressing the festering animosity between Jamaica and Trinidad over energy? What lessons from other nations of the Caribbean, or other places in the world, could help the region in dealing with the problem of costly electricity?

A Anton Edmunds, president and CEO of The Edmunds Group: "Much like with Jamaica, the cost of energy has become the critical issue facing Caribbean economies and private sector competitiveness. Old and inefficient generating and distribution plants, contracts that guarantee profit margins to monopoly providers and governments benefitting from revenues from fuel tariffs have kept the price of power high while discouraging new investment. There has also been reluctance by govern-

ments to unwind the contracts of current suppliers that explicitly prevent competition. Considering the legal ramifications, this is understandable. Under pressure, the Jamaican government’s planned reduction of non-fuel tariffs and granting of tax waivers on energy efficiency technology are good steps. However, past unwillingness to incentivize alternative energy inputs by mandating their inclusion into the mix, high indebtedness and slow growth prospects ensure that large-scale investment in solutions to reduce costs

Continued on page 3
Oil & Gas News

Repsol Agrees to Sell LNG Assets to Shell for $6.7 Billion

Repsol has reached an agreement with Royal Dutch Shell to sell some of its liquid natural gas (LNG) assets for $6.7 billion, the Madrid-based company said in a press release Tuesday. The deal includes the minority stakes in Atlantic LNG in Trinidad & Tobago, Peru LNG and Bahia de Bizkaia Electricidad in Spain, as well as the LNG sale contracts and time charters. Excluding financial leases and debt, the equity value of the assets included in the sale is $4.4 billion, generating a pre-tax capital gain of $3.5 billion for Repsol.

More than a dozen of the world’s biggest liquefied natural gas operators bid on the assets.

More than a dozen of the world’s biggest liquefied natural gas operators bid on the assets, Repsol said. Repsol and Shell also signed an LNG supply agreement dealing with the Canaport regasification terminal of approximately 1 million tons over a 10-year period. The Canadian facility is not included in the sale itself, due to the low gas prices currently seen in the U.S. market, Repsol said. Repsol will maintain significant exploration and production activity in Trinidad & Tobago and Peru, despite the sale of the LNG assets, it added.

PDVSA Importing 100,000 Barrels of Gasoline Daily: Report

Venezuelan state oil company PDVSA is importing 100,000 barrels of gasoline daily, El Economista reported Wednesday. The amount is equivalent to 30 percent of domestic consumption. Local production of gasoline has fallen to between 200,000 and 230,000 barrels per day. A massive fire last year at the Amuay y Cardón refinery and more recent electrical problems have cramped output at the massive Paraguana Refining Center, which is operating at about 60 percent of its capacity.

Problems in Colombia Hurt Gran Tierra Revenues Last Year

Calgary-based Gran Tierra Energy, an oil and gas exploration and production company focused on South America, on Tuesday said that unexpected downtime in its Colombia pipeline hurt its 2012 financial results. Revenue and other income decreased by 2 percent last year, to about $585 million, as compared with $597 million in 2011. Higher oil prices partially offset the Colombia declines. "The downtime challenges have now been substantially mitigated and we are currently consistently producing at near record levels," the company's CEO, Dana Coffield, said in an earnings release. Colombia makes up the majority of the company's output, with 1.78 million barrels of oil equivalent produced last year. Operations in Argentina produced 373,372 barrels of oil equivalent in 2012, while those in Brazil produced
85,506 boe for the company. Gran Tierra is actively drilling for hydrocarbons in Peru.

Power Sector News

Chile: AES Gener Reports Fourth-Quarter Profit That Beats Estimates

Chile’s AES Gener, the country’s second-largest power producer by revenue, on Wednesday reported profit that beat analyst estimates, Bloomberg News reported. Higher energy sales offset the effects of higher costs, according to the report. A unit of Virginia-based AES Corp., the company reported fourth-quarter net income of $75.4 million, down from $89.4 million a year before. Earnings before interest, tax, depreciation and amortization, or EBITDA, grew 13 percent to $185 million. AES Gener revenue rose 29 percent in Chile last year, on sales costs that jumped 20 percent in the period, Bloomberg News reported.

InterEnergy Holdings Receives $100 Million for Caribbean Projects

The International Finance Corporation, a member of the World Bank Group, said last week it is investing $100 million to help Caymans-based InterEnergy Holdings to develop cleaner and more efficient energy sources in the Caribbean and eventually expand operations in Latin America. InterEnergy will initially focus on the Dominican Republic, with plans also to be directly involved in the development of power sector solutions for Haiti that can facilitate economic development across the island of Hispaniola, according to a company press release. The IFC’s investments are expected to save fuel costs by increasing the country’s capacity to import liquefied natural gas, while also developing renewable energy sources, such as wind and solar power. The company said it is also considering investments in other countries in the region, although it did not name specific countries in the release.

Caricom Leaders Gather in Trinidad for Meetings on Energy

The prime minister of St. Vincent and the Grenadines, Ralph Gonsalves, is among the leaders bringing delegations to a special meeting of the Caribbean Community’s Council for Trade and Economic Development on Energy this Friday. The meeting is scheduled to be held in Port-of-Spain, Trinidad and Tobago. Charles Kirnon, Deputy Premier of Montserrat, is also expected to attend the special one-day meeting. Caribbean ministers responsible for energy are seeking agreement on a range of Caricom energy policies, such as regional targets for renewable energy and strategies for scaling-up sustainable sources of energy, according to a Caricom press release. They will also discuss the problem of high electricity prices. [Editor’s note: See related Q&A on page 1.]

Renewables News

Brazil Exports of Ethanol to U.S. Could Rise 29 Percent This Season

Brazilian exports of sugar cane-based ethanol to the United States may rise as much as 29 percent this crop season, Bloomberg News reported last week. Government mandates that more "advanced fuel" ethanol be blended into U.S. gasoline are behind the surge, according to the report. One analyst quoted by Bloomberg News estimates that Brazil may export as much as 1.19 billion gallons to the United States in the next harvest season, which begins in April. The quota for advanced biofuel blends is expected to expand to 21 billion gallons by 2022, creating potentially more export opportuni-

Featured Q&A

Continued from page 1

will continue to be dampened. Solutions for industry in Jamaica and the Caribbean may have to involve deploying smaller-scale power facilities close to manufacturing and tourism sector hubs and allowing self-generation. Options for the general population must include the increased use of solar water heaters and other energy efficiency solutions. These must be promoted and incentivized. Barbados’ policy as it relates to solar water heaters is a best practice that should be embraced regionally. The Jamaica-Trinidad animosity, which today is focused on energy is but the latest manifestation of regional rifts with roots dating back to independence and the regional integration movement. While the reality is that Trinidad as producer of a limited energy resource is capitalizing on this to drive its national economy, it will be up to the courts to decide the limits of the agreements that underpin Caricom. Many feel that a legal ruling requiring Trinidad to provide access to energy at comparable costs may well end up contributing to the demise of the already weakened regional political and economic union.”

Anthony Bryan, senior associate in the Americas Program at the Center for Strategic and International Studies: "The Jamaican private sector call for a 'definite direction' within 30 days toward reducing Jamaica's energy costs by 2015 seems a bit unreasonable and born out of frustration. The country has a detailed national energy policy in place dealing with energy efficiency and alternative energy sources, and the current energy matrix is commendable. In fact, Jamaica has gone further in the direction of renewable energy than any other country in the Caricom region. Unfortunately, the 'holy grail' of successful oil and natural gas discoveries and domestic LNG production continues to elude. Jamaica’s efforts to discov-
ties for Brazil. Domestic ethanol production in the United States, which is largely derived from corn as opposed to sugar cane, was crimped by drought last year and continued high prices for the food commodity. Brazil’s ethanol industry, for its part, has faced difficulties increasing production and logistics challenges.

Political News

Argentina Tells U.S. Court it Won’t Pay Holdout Bondholders

Lawyers for Argentina on Wednesday told a U.S. appeals court that their client would not cave into demands that it pay a group of bondholders, Reuters reported. The 2nd U.S. Circuit Court of Appeals in New York heard more than two hours of arguments in the case. “We would not voluntarily obey such an order,” Jonathan Blackman, a lawyer for Argentina, told a three-judge panel. Blackman added that the South American country is open to a solution that is “workable and doesn’t create a terrible confrontation.” The court is expected to decide sometime next month whether to reverse an order that the Argentine government pay $1.3 billion to the holdouts. Argentina is expected to appeal an adverse ruling. Last year, U.S. District Judge Thomas Griesa in Manhattan ruled that Argentina had violated its contractual obligation to treat all creditors equally. As much as $24 billion could be at risk for Argentina, a potentially crippling figure for its fragile economy. Argentine Vice President Amado Boudou, Economy Minister Hernán Lorenzino and several other high-level Argentine officials attended the hearing.

Venezuelan Prosecutors Lodge Charges Against Chávez Opponent

Venezuelan prosecutors filed charges Thursday against Leopoldo López, accusing him of illegally accepting donations from the country’s state oil company and using them to establish a political organization, the Associated Press reported. López, a prominent opponent of President Hugo Chávez, denies the charges, and his supporters see the matter as part of an effort by Chávez’s govern-

Advisor Q&A

What Will Rafael Correa’s 'Steamroller' Bring Ecuador?

Q After trouncing his opponents to win re-election as Ecuador’s president in February, Rafael Correa vowed that his government would be a “legislative steamroller” that would make his administration’s socialist reforms permanent. What are the most significant reforms that will come out of Correa’s new term? Will Correa respect the rights of the opposition as he has promised? How will Correa’s presidency affect Ecuador in the long term?

A Nathalie Cely, Ecuador’s ambassador to the United States: “In his new term, President Correa will continue to place the economic and social well-being of Ecuadoreans as his top priority. During his first term in office, the president invested heavily in overhauling the country’s infrastructure, education, health care and legal frameworks with the goal of ensuring a strong foundation for long-term stability and growth. These policies have already reduced poverty from 37.6 percent in 2006 to 27.3 percent in 2012, and contributed to Ecuador becoming the third-fastest-growing Latin American economy. The next challenge is to build on these accomplishments and ensure that the positive trends continue. Continuing to strengthen the business and investment climate will be one of the top goals of the president’s second term. New reforms will be studied and put forward to help to diversify the economy away from its dependence on oil. We will seek to strengthen our domestic legal framework to further address the needs of investors while protecting the rights of our citizens and environment. And we will continue to invest in the human talent of our people, such as through programs for early childhood education and improving the quality of public services, with an emphasis on social programs. Through these efforts we can continue to build a strong and vibrant economy that creates opportunities for all in Ecuador.”

A Osvaldo Hurtado, emeritus member of the Inter-American Dialogue and former president of Ecuador: “The ruling party’s election to two-thirds of the seats in the National Assembly culminates the process of concentration that has allowed President Correa to put all the functions and organs of the state, including the judiciary, under his control. The exercise of absolute powers by the president, in violation of articles 3, 4, 5, 6 and 7 of the Inter-American Democratic Charter, cannot be justified with the argument that such an arbitrary process has been legitimised through popular vote. President Correa has announced that he will radicalize the revolution that he has carried out since he took office six years ago. The ample majority of seats that Correa’s party won in the National Assembly will allow the ruling party to impede any auditing of their actions and will allow it to obtain legal and constitutional reforms to suit their own interests. In order to increase his control of citizens and society, Correa has sought lawmakers’ approval of a communications law and penal code which would limit rights and freedoms, mainly free expression. With regard to the economy, we should expect the growth of the public sector, increased restrictions on businesses and a lack of interest in foreign investment. In international affairs, Ecuador’s nationalistic, third-world and anti-imperialist policies will continue.”

“The above is an excerpt from a Q&A in the Feb. 28 issue of the daily Advisor.”
ment to crack down on dissent. Prosecutors allege that López’s mother, Antonietta Mendoza de López, who was working for PDVSA at the time, authorized payments from the oil company to her son. López then used the money to establish First Justice, an organization that later became a popular political party, prosecutors allege. López’s mother also faces criminal charges. Neither has yet been arrested. If convicted, López and his mother could each face two to four years in prison, the prosecutor’s office said. López, who claims the case is politically motivated, arrived Thursday at the prosecutor’s office with several supporters who chanted, “We have no fear!” López told reporters that he believes Vice President Nicolás Maduro, who has been standing in for the ailing Chávez, put pressure on prosecutors to file the charges. “I don’t believe in Venezuela’s justice system,” he told reporters before entering the prosecutor’s office. Meantime, Maduro said Thursday that Chávez is fighting for his life. The president “is battling there for his health, for his life, and we’re accompanying him,” said Maduro. The vice president has used similar phrases previously to describe Chávez’s condition. Chávez has been hospitalized since his latest cancer surgery on Dec. 11. He has not spoken publicly since then.

**Economic News**

**Brazil Must Cut Costs of Doing Business: Rousseff**

Brazil must lower its high costs of doing business in order to better compete globally, President Dilma Rousseff told a meeting of government officials and business leaders Wednesday in Brasilia, Reuters reported. The country, Latin America’s largest economy, must boost competitiveness and cut business costs through ways including opening ports to private initiative despite labor unions’ opposition. "Brazil has an unnecessary cost with its ports. We have to open up to competition because the ports are part of the so-called Brazil Cost," said Rousseff. "Our country has to change, and change in the direction of greater competitiveness." This year, the country will make major investments in ports, roads, airports and railways in an effort to help the country advance, Rousseff said, adding that her government will also work to hold down inflation. The country’s oil industry will also make major strides toward tapping its massive offshore oil reserves in auctions scheduled for November, she added. World economic conditions should improve this year and help to spur growth in Brazil, the president said, pointing out that a “soft landing” in China has allayed concerns globally that an economic crisis is looming. Brazil’s gross domestic product grew only about 1 percent last year, despite several government stimulus measures. Many economists are expecting Brazil’s economy to bounce back in the second half of this year.

**Chile’s Economy Begins Year With Higher Production, Low Joblessness**

Chile’s economy began 2013 with stronger-than-expected manufacturing activity, low unemployment and rising production of copper, the country’s top export, Reuters reported Thursday, citing government data. The country has experienced near full employment along with strong domestic demand and investments. That has helped the central bank, led by Rodrigo Vergara, to keep interest rates unchanged since January 2012. Chile’s manufacturing production grew 4.3 percent in January as compared to the same month a year earlier, fueled by the food industry, the government said. Reuters had forecast 3.4 percent growth. The state statistics agency, known as INE, said that Chile’s retail sales grew 9.5 percent year-on-year in January and supermarket sales rose 3.8 percent. The country’s booming domestic demand, low unemployment and high growth could also cause inflationary pressures, analysts said.

**POLITICAL & ECONOMIC BRIEFS**

**Raúl Castro Announces Retirement in 2018, Names VP**

Cuban President Raúl Castro said Sunday that he will retire in 2018, which would put an end to the Castro era after more than a half century under him or his brother Fidel. Cuba’s parliament named the 81-year-old leader to a new five-year-term as president. Miguel Díaz-Canel, a 52-year-old engineer, was named first vice president, a move that puts Díaz-Canel a heartbeat away from the office.

**Mexico’s Teachers’ Union Replaces Embattled Leader**

Mexico’s teachers’ union on Thursday picked Juan Díaz de la Torre as its new leader, BBC News reported. He replaces Elba Esther Gordillo, who was charged on Wednesday with embezzling $160 million from the union. Diaz stressed that the union would not be going on strike nor causing civil disruption over the arrest of Gordillo. Analysts say his statements Thursday send a clear message that Gordillo will face the charges against her without support from the union.

**Canada’s Foreign Minister Wraps Up Regional Tour**

Canadian Foreign Affairs Minister John Baird wrapped up a visit to Haiti Tuesday, the latest stop on a schedule that has taken the Conservative member of parliament across the Americas. Baird met with his counterparts in Mexico, Cuba, Peru, Panama and the Dominican Republic, while Diane Ablonczy, a deputy, visited Nicaragua, Ecuador, Colombia and Chile. A scheduled visit to Venezuela last week fell through, however, due to the unexpected return of President Hugo Chávez from Cuba to the country.
A Ronald Sanders, international consultant and former Caribbean ambassador: "It is a virtually impossible task for the Jamaican government to reduce the country's energy costs by 2015. Jamaica has been fortunate to be a beneficiary of the Petrocaribe scheme of Venezuelan President Hugo Chávez, under which it gets oil on part-payment, part-loan terms. Even if the Jamaican government were to enter into a private sector-public sector program to provide energy from alternative sources such as wind and solar, there is no way in which such projects could be completed by 2015 even if they were feasible and foreign investors were prepared to take the risk and to manage the projects. Jamaica faces a larger energy bill than its Caricom partners, except Trinidad and Tobago, because it is more industrialized than they are and it has a much bigger population. But the price it pays for a barrel of oil is no greater than the price paid by other Caricom countries except Trinidad and Tobago which is an oil and gas producer. Trinidad and Tobago produces cheaper manufactured goods for the Caricom market, including Jamaica, because its producers enjoy a cheaper price for energy in their own country. There are two possible solutions to the current problem. First, Jamaican manufacturers can locate their primary production in Trinidad and Tobago to take advantage of cheaper prices for oil. Value could then be added and employment maintained by finishing the products in Jamaica. Second, Caricom as a whole should accelerate the perfection of the Caribbean Single Market and include in its terms delivery of oil and gas from Trinidad and Tobago at the same price (or close to it) as its local producers enjoy. In any event, Jamaica and all other Caricom countries should seriously explore alternative sources of energy through private sector-public sector partnerships."

The Advisor welcomes reactions to the Q&A above. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org with comments.