

**Institute of the Americas' XVII Annual Latin American Energy Conference**  
**May 13-14, 2008 – La Jolla, California**  
**Brief Synopsis**

On May 13<sup>th</sup> and 14<sup>th</sup> 2008, the Institute of the Americas hosted its XVII Latin American Energy conference, the La Jolla Conference. Once again this year, the event brought together two hundred industry professionals from across the region and world. Over an intense two-day event, attendees engaged in conversations about the current energy situation facing the region, challenges and opportunities. Panelists alternated between doubt and hope – the short term will continue to be challenging, but the longer term could be quite positive. Indeed, there was no consensus, and the point was made often that not all countries are the same, but a far more optimistic current ran through this year's affair than in the recent past.

Colombia – and its national oil company Ecopetrol – continue to dominate the positive headlines, while Brazil's potential, Peru's investment outlook and the significant upside in Venezuela and Mexico, as well as the region's power sector, contributed to several interesting discussions and positive forecasts in the medium to long term. Of particular interest for attendees was the energy reform proposal in Mexico; the conference featured an important presentation from PEMEX that detailed points of the reform bill and its importance for taking on Mexico's challenging energy situation.

Not surprisingly, surging oil prices and their impact across the region's economies were hotly debated, including the effects of such a price band and its impact over future oil supply and demand. Regarding the supply side, conference speakers argued that a peak in oil supply is unlikely to happen any time soon. For many, the biggest changes will be seen on the demand side – demand destruction – as high prices may cause significant substitutions of oil as the demand for biofuels grows and does the demand for gas and coal. Meanwhile, the trends toward increased emphasis on energy efficiency, particularly in the transportation sector, were also cited as important indicators on the demand side.

Meanwhile, the topic of energy integration did not engender a tremendous amount of encouraging conversation. Despite an important natural gas pipeline project between Colombia and Venezuela, experts found very little upbeat to point to on the topic of energy integration – unless you count liquefied natural gas (LNG). In years past, speakers tackled the topic with maps highlighting current and future pipeline projects that literally crisscrossed the continent, particularly the Southern Cone. This year's conference featured similar maps that instead now show an amazing ring of LNG terminals being developed or contemplated for the region, with the Southern Cone again being a hotspot of activity. Indeed, one presentation slapped “postponed” across many of the slides looking at the current situation for gas pipelines while calling attention to the explosion in LNG.

Similarly, the discussion that emerged on the electric sector tended to see near term chaos and long term potential. The usual topics were bandied about: the important boom in the 1990's that brought private investment and parallel increases in gas reserves and gas & power interconnection, especially amongst Argentina, Chile, Bolivia and Brazil, has now collapsed due to the economic crisis in Argentina and internal tension in many countries of the region. In addition, there was a fair amount of attention focused on the potential for coal, hydro, and wind as the most likely sources of power for Latin America in the short-term, with the possibility that nuclear energy will play a role in the long-term. Yet, as is typically the case, given the region's reliance on hydropower, dry conditions have also had an impact on policy and planning particularly in Chile and Brazil. The real issue facing the power sector in the future is how to build new capacity with the added challenge of how to increase the attractiveness of the sector in the region – in order to keep the lights on.

In sum, Latin America is home to important amounts of natural resources, which makes the energy outlook of the region very positive. Nevertheless, as several speakers noted, these resources are more difficult to reach, require more access to technology, an increase in R&D, infrastructure development, human capital and investment. With that said, there was general agreement that there are opportunities in the region and the glass is  $\frac{3}{4}$  full. Yet for some parts of the region, the ability to manage a transition from regional integration to a more globalized integration counting on international producers, global markets and increased prices will be critical. Moreover, there is a need for a long-term vision in order to find a balance between the current situation and the future of the energy sector in Latin America, or as the closing keynote speaker U.S. Asst. Sec. of State Thomas Shannon implored: a dose of "strategic patience" is required.

The La Jolla Conference again proved to be an important venue for policy presentations and discussions focused on grasping the opportunities and meeting the challenges for the region's energy sector. The Institute of the Americas remains committed through this conference and other programming to strive to bring the worlds of government and industry together in a neutral setting to increase dialogue on the key issues facing the hemisphere.