**FEATURED Q&A**

**Where Does Peru's Camisea Gas Project Stand After a Decade?**

This year marks the 10th anniversary of the start of production at the massive Camisea natural gas project in Peru. Has the project met its high expectations after a decade in operation, and how successful will the project be in the next 10 years? What factors and market forces are shaping the future of the Camisea project, and the gas sector in Peru more broadly?

Eleodoro Mayorga Alba, Peruvian minister of energy and mines: "The arrival of the Camisea gas and condensates to Peru’s energy market in 2004 brought a significant change in the energy matrix. Access to low-cost and high-quality energy in the last decade has increased industrial competitiveness and has been an effective driver of economic growth. The sector trade balance has reached equilibrium, despite the rapid increase in fuel consumption and the decline in crude oil production. The benefits have been substantial for the electricity sector and the central region. It has also caused a decrease in air pollution in cities due to access to cleaner vehicular fuels. The challenge for the next decade is to develop additional gas reserves, and more importantly, to extend the gas use to other regions, making efforts for its utilization not only as a fuel but also as a raw material for the petrochemical industry. The continuation of high rates of economic growth will depend on a secured and decentralized energy supply. The goal is to create a national system of gas pipelines. The next project is the South Peruvian Pipeline whose tender will take place at the end of June. This project will allow access to Camisea gas in the country’s poorest region from 2018 onward. Subsequently, there will be another tender for a pipeline to the north-central region and for the construction of rings north and south of Lima. The network will continue on page 3.
ENERGY SECTOR BRIEFS

YPF Announces Tight Gas Field Discovery in Mendoza Province

Argentine state-run oil company YPF on Sunday announced a tight gas discovery made in the western province of Mendoza, state news agency Télam reported. The xp-37 exploration well in the Paso de las Bardas Norte exploration lot has a potential 25 million barrels equivalent of recoverable resources, which, if confirmed, would increase the province’s hydrocarbon reserves by approximately 10 percent. The well, in its initial evaluation phase, reached a depth of 2,784 meters and has contributed at least 70,000 cubic meters of gas, YPF added.

Vestas Inks Deal to Supply Turbines to Guatemala’s First Wind Farm

Danish wind turbine manufacturer Vestas announced May 30 that it has signed a deal to supply turbines for the 53-megawatt San Antonio project, Guatemala’s first wind farm. Vestas will supply 16 3.3-megawatt turbines to Eólica San Antonio El Sitio and Wind Turbine Investments for the project, which is located in the department of Guatemala and is expected to begin operating in the second quarter of 2015.

Guatemala Inaugurates First Solar Power Plant

The first solar plant in Guatemala, the 5-megawatt Sibo project, was inaugurated May 28 by Spanish developer Gran Solar, Guatemala’s Grupo Green and Swiss investment group Ecosolar, EFE reported. The $14 million plant, located in the eastern town of Estantzuela, will feed energy to state-run Energuate under a 16-year power purchase agreement. The solar project is the largest in Central America, surpassing a 46-kilowatt plant in Costa Rica.

Oil & Gas News

Pemex Selling Stake in Repsol, Ending 25-Year Relationship

Mexican state oil company Pemex said Wednesday that it has sold the majority of its stake in Spain’s Repsol for approximately 2.09 billion euros ($2.9 billion), Reuters reported. Citigroup and Deutsche Bank handled the sale of the 104 million shares, equal to a 7.9 percent stake in Repsol, through an accelerated book build. Pemex had held a 9 percent stake in Repsol and was the company’s third-largest shareholder. The Mexican company said Wednesday that it plans to sell its remaining stake in August. Pemex has held a stake in Repsol for more than 25 years, but relations between the companies have been strained since 2011 when Pemex supported an attempt by Spanish construction group Sacyr to take majority control of Repsol. Relations worsened last month when company Chairman Antonio Brufau, whose management Pemex had previously criticized publicly, appointed a CEO that Pemex did not support. Pemex will lose its seat on Repsol’s board, and the deal may put an end to joint plans for offshore oil exploration in the Gulf of Mexico. However, cooperation in offshore oil development will likely be on the agenda when Mexican President Enrique Peña Nieto visits Spain next week and meets with the Spanish prime minister, Reuters reported. The Mexican government had recently suggested the sale as a way to raise funds to invest in new opportunities in Mexico arising from the opening of the country’s energy sector.

El Salvador Becomes 19th Member of Petrocaribe Oil Alliance

El Salvador on Monday joined Petrocaribe, becoming the oil alliance’s 19th member, La Prensa reported. At the 13th meeting of the Petrocaribe Ministerial Council, which took place Monday in San Salvador, El Salvador requested to join the program. Petrocaribe began in 2005 under late Venezuelan President Hugo Chávez and allows member nations to purchase oil from Venezuela on favorable terms. The ministerial council unanimously approved the Central American country’s membership. Through the program, Venezuela will send El Salvador 210,000 barrels of crude per oil month, with El Salvador paying for half of the oil within a month and half at a 2 percent interest rate over 25 years, according to Upstream. “In the case of El Salvador, which has no oil resources, entering Petrocaribe represents the possibility that the country is supplied with energy resources under the principles of cooperation, solidarity, fair and complementary trade,” the country’s foreign affairs minister, Hugo Martínez, said in a statement. Speaking at the opening of the ministerial council, President Salvador Sánchez Cerén said the money saved through the program will be spent on social programs, according to Prensa Libre. “Today we will take a big step in the history of our country, a step that marks a course in the process of socio-economic transformation we continue to push in order to forge the El Salvador we want, and provide good living to its residents,” he said.

Gran Tierra Sells Argentine Assets, to Focus on Brazil, Peru and Colombia

Calgary-based oil and gas company Gran Tierra Energy on May 29 announced the sale of its Argentine assets to Madalena Energy and said that it will focus on developing its units in Brazil, Peru and Colombia. Gran Tierra said last week that it had entered an agreement worth $69 million to sell its assets in Argentina to independent Canadian oil company Madalena, which currently has blocks in Argentina’s Neuquén Basin and Vaca Muerta and Lower Agrio shale formations. The figure includes $49 million in cash, $12.6 million of which Gran Tierra has already received, as well as $14 million in shares and $6 million in expected capital adjustments. “As a result of our recent significant exploration success in Peru, ongoing success in Colombia and ongoing evaluations in Brazil, we are focusing Gran
Tierra Energy’s human and capital resources in areas that we believe will provide the greatest return for our shareholders and drive growth in the future,” Gran Tierra president and CEO Dana Coffield said. The average annual production of Gran Tierra’s Argentine business last year was a net 3,028 barrels of oil equivalent per day after royalties. Gran Tierra had planned a capital program of $48 million for the Argentine assets this year, and had already spent $6.5 million. The difference as well as the money from the sale will be used to “strengthen the balance sheet for future capital spending requirements and allow us to dedicate our resources to where they will have maximum impact and to focus on our more profitable operations,” Coffield said in the statement. The deal, which has been approved by Madalena’s board of directors, is expected to close by June 30 subject to regulatory approval.

Ecuador to Receive $9 Billion in Financing From China for Refinery

Ecuador will sign two financing deals worth $9 billion this year with the Industrial and Commercial Bank of China to finance a new refinery on its Pacific coast, Strategic Sectors Minister Rafael Poveda said Wednesday, according to The Wall Street Journal. The minister said the government expects to sign a $2 billion loan by August and a then $7 billion loan by September to help finance the Refinería del Pacífico. The loan, for which financing terms were not disclosed, will be disbursed through 2017, when the 200,000-barrel per day refinery is expected to be operating. The project is being developed by Ecuador’s state-run Petroecuador, Venezuela’s PDVSA and China’s CNPC. Petroecuador and PDVSA have already invested $900 million in the project, which is expected to cost around $10 billion. The refinery will be important for Ecuador, which last year spent $5.5 billion importing processed petroleum products due to a lack of refining capacity.

Power Sector News

IC Power Completes Acquisition of Jamaica Private Power Company

IC Power, an international power generation subsidiary of Israel Corporation, on Monday announced that it had completed its acquisition of the Jamaica Private Power Company (JPPC). IC Power’s Latin America investment arm Inka Energy Ltd. purchased AEI Power Ltd.’s 84.5 percent stake in the Kingston-based energy company. IC Power already had a 15.5 percent stake in JPPC, which is an independent producer that operates a 60-megawatt thermal power generator in the east side of Kingston and sells all of its output to the Jamaica Public Service Company under a power purchase agreement that expires in 2018, according to the Jamaica Gleaner. IC Power said the acquisition is part of a larger deal with AEI that also included acquiring four power companies in Nicaragua at the end of the first quarter. JPPC CEO Ingrid Christian-Baker said in a statement that, “This transaction complements IC Power’s strategic plan to establish itself as a major player in the power generation business in Central America, the Caribbean, as well as in South America. Christian-Baker also confirmed earlier reports that IC Power paid $54 million in cash for the stakes in AEI Nicaragua and AEI Jamaica, but did not say how the figure breaks down, the Jamaica Gleaner reported. Christian-Baker added that IC Power is looking at the potential to build wind farms in the Caribbean nation. "For Jamaica, the company has also indicated an interest in exploring investment opportunities including the possibility of developing a wind project which would help to diversify Jamaica’s generation capacity by adding more renewable power to the country’s energy mix,” she said. IC Power has 3,800 megawatts of operating assets across Israel, Latin America and the Caribbean.

Brazil to Hold Power Auction Friday, Dominated by Wind Projects

Brazil’s power sector regulator ANEEL said Monday that it will hold an A-3 energy auction for hydroelectric, wind, natural gas and biomass projects on Friday morning in São Paulo. Projects that are awarded

Featured Q&A

Continued from page 1

finally be extended to incorporate the reserves of the northwest into the system.

César Gutiérrez, director and consultant at Utilities Peru:

“The exploitation of Camisea’s gas should not only be seen as a cost-effective relationship between Peru’s government and private companies, but rather as the beginning of a culture of megaprojects in Peru, where we have all learned and obtained the satisfaction of achievements and also experienced frustrated aspirations. In sum, the balance is positive as expectations about income to the coffers of the state and corporations were exceeded in all instances: national treasury, local and regional governments and universities. Remaining on the list of pending issues is the many-times announced massification of natural gas, understood as the search for the univer-

It will be necessary for the field’s operators and authorities to address the unresolved agenda before it becomes politicized, resulting in bad decisions.”

— César Gutiérrez
contracts in the auction must begin supplying energy by Jan. 1, 2017. Wind projects account for 88 percent of the 7-gigawatts of projects on offer, Wind Power Monthly reported last week. Mauricio Tolmasquim, the president Brazilian federal energy planning company EPE, said the figure is due to the "highly competitive" cost of wind power in the country, with most proposed wind projects located in the states of Bahia, Ceará and Rio Grande do Sul. A recent report from Brazilian development bank BNDES estimates that wind projects will receive about 22 percent of an expected 200 billion reais ($89 billion) of investment in new power over the next three years. Also this week, Brazil’s Ministry of Energy and Mines announced that the country will hold its first national auction that will include a category specifically for solar projects on Oct. 10, pv magazine reported. The reserve energy auction will also have categories for biomass and wind projects and will award 20-year power purchase agreements. Additionally, the ministry said this week that more than 1,000 projects with a total of 50.9 gigawatts have registered to participate in the A-5 auction scheduled for Sept. 12.

**Political News**

**Sánchez Cerén Sworn in as El Salvador’s President**

Salvador Sánchez Cerén was inaugurated Sunday as El Salvador’s president, vowing to boost the economy and fight organized crime, Bloomberg News reported. "Development is not possible if citizens' security is not guaranteed first, and to achieve this we need to unite as a country," said Sánchez Cerén, 69. "We need to fight against organized crime, drug trafficking, extortions and all expressions of violence, and we’re going to do so using all legal instruments of the state." Sánchez Cerén added in his inaugural address that he would strengthen ties with Venezuela in order to access cheaper oil. A member of the Farabundo Martí National Liberation Front, or FMLN, Sánchez Cerén is the first former left-wing guerrilla to become the country’s president. He became one of the top commanders of the...
FMLN, using the nom de guerre Leonel González. He served as vice president under outgoing President Mauricio Funes. Sánchez Cerén was elected president on March 9, defeating conservative Norman Quijano of the ARENA party by less than a quarter of a percentage point.

"After long years of fighting for justice and democracy in my country, I receive the presidential sash with humility and profound respect, with a commitment to exercise the presidency for all Salvadorans," Sánchez Cerén added in his inaugural speech, Agence France-Presse reported. He promised to govern "with honesty, austerity, efficiency and transparency." El Salvador has struggled to fight crime, and in 2012 had a homicide rate of 41 per 100,000 residents, the world’s fourth-highest after Honduras, Venezuela and Belize, according to the United Nations. That number declined from 71 per 100,000 in 2009, but a recent increase led the government to say that a truce between the Central American country’s main street gangs had failed, Bloomberg News reported. El Salvador’s economy has grown approximately 1.8 percent on average over the past three years and is expected to expand 2.1 percent this year, according to the World Bank. Sánchez Cerén also said he would work to improve the country’s infrastructure in an effort to boost trade. He also may seek an agreement with opposition legislators to sell $1.15 billion in global and local bonds after Congress rejected a similar plan in May.

**Venezuelan Judge Orders Opposition’s López to Stand Trial**

A judge in Venezuela has ordered opposition leader Leopoldo López to stand trial on charges of spurring violence at an anti-government demonstration in February, BBC News reported. López, the national coordinator of the Popular Will party, has been jailed since Feb. 18. The charges against him relate to protests that happened six days earlier in which three people were killed. The anti-government protests that started in early February have continued and have left at least 42 people dead. López is facing charges including instigating violence, damaging property and arson, said Judge Adriana López. The opposition leader’s supporters have maintained that he is being held on trumped-up charges and that his detention is purely political. After the judge’s ruling, the Popular Will party said in a posting on Twitter that “unfortunately, justice has not been done.” President Nicolás Maduro’s government has blamed López and his supporters for the violence that has beset Venezuela and has accused them of planning a coup with the support of the United States. Meantime, the opposition has accused Maduro’s government of repressing protesters and curbing freedom of expression. Several members of the country’s security forces are under investigation after being accused of using excessive force against the protesters. Talks between the government and opposition leaders aimed at bringing an end to the protests have stalled.

**Economic News**

**Region Could See First Drop in Investment in Five Years: Bárcena**

The amount of foreign direct investment in Latin America and the Caribbean could fall this year for the first time in five years, the executive secretary of the United Nations Economic Commission for Latin America and the Caribbean, or ECLAC, said Thursday, Dow Jones reported. Investment in the region, at best, could increase 1 percent, said Alicia Bárcena. However, she added there is a risk that it could decline as much as 9 percent as investors have been changing the sectors in which they put their money. “There is a new scenario. There are lower commodities prices, but at the same time projects are being announced in other sectors. In Chile, for example, there are interesting renewable energy projects,” said Bárcena. Governments must do a better job of using foreign investment to help diversify their economies through the development of skilled labor and local supply chains, Bárcena said in a webcast. Foreign investment in the region reached a record last year, climbing 5 percent as compared to 2012 to nearly $185 billion, thanks largely to higher flows to Mexico.

**Political & Economic Briefs**

**Santos Vows to Abolish Draft if Peace Deal is Reached**

Colombian President Juan Manuel Santos, who is locked in a tough fight for re-election, vowed Wednesday to abolish the country’s military draft if the government reaches a peace deal with the FARC rebels, Agence France-Presse reported. “Once the conflict ends, the obligatory military service is finished,” Santos told BLU Radio in an interview. Santos faces Oscar Iván Zuluaga, a critic of the talks, in the country’s June 15 presidential runoff election.

**Guatemalan, Costa Rican Presidents to Meet in San José**

Guatemalan President Otto Pérez Molina announced this week that he will make an official visit to Costa Rica and meet with President Luis Guillermo Solís on Friday morning, Agence France-Presse reported. Pérez Molina said the two will discuss bilateral relations, trade, the environment, tourism and culture, while Solís said he wants to discuss regional integration. This will be the first visit by a head of state to Solís since he assumed the presidency on May 8.

**Colombian Central Bank Hikes Key Interest Rate**

Colombia’s central bank on Friday voted unanimously to hike the country’s benchmark interest rate a quarter percentage point to 3.75 percent, the Financial Times reported. The rate increase was the second straight hike. The bank’s decision last month to increase the interest rate was its first such move in more than two years. Economic growth and inflation are on the increase in the country, and unemployment fell last month to 9 percent.
with growing criticism that in the long-term it will remain unable to commercially exploit as much as 10 percent of the existing liquid reserves. Last on the unfulfilled agenda, it is time to release all the reserves of lot 88 (Camisea) for use of the internal market, which to date is an unfulfilled political promise. Camisea does not appear in the public debate today, but it would be wrong to think the issue is buried. The trilogy of outstanding issues mentioned could come to the fore at any moment. It will be necessary for the field’s operators and authorities to address the unresolved agenda before it becomes politicized, resulting in bad decisions."

Jeremy Martin, director of the energy program at the Institute of the Americas: "It is hard to overstate the importance of Camisea. The project has completely revamped Peru’s energy matrix to one thirsting for natural gas. Indeed, the project provides all of the natural gas consumed in Lima and accounts for 50 percent of electric generation in the country. Additionally, Camisea has insured that Peru’s hydrocarbon trade balance remains positive largely on the back of the natural gas liquids produced. In terms of the broader economy, the project has fostered investment of more than $13 billion and boosted annual GDP by 0.25 percent. This year marks the 10th anniversary of production from Camisea, but the project is also celebrating the 31st anniversary of its discovery by Shell. It is important to note this anniversary to underscore how the project has transitioned from a challenge to an opportunity and economic cornerstone for Peru. The consortium led by Argentine firm Pluspetrol began the project anew in 2000 and first delivered natural gas to Lima in 2004. The consortium overcame major logistical challenges—no roads were built—and primarily used fluvial routes and helicopters to land the requisite equipment—700,000 tons—for the ‘offshore on land’ operation. In terms of the future, Camisea’s past is prologue: the project has unleashed massive demand for natural gas in the Andean nation, primarily for electric generation to sustain one of Latin America’s fastest-growing economies. One estimate points to demand for natural gas almost doubling in the country’s power sector by 2024. But despite impressive impacts to date, there are challenges for Camisea and Peru’s natural gas potential more broadly. Chief among them is the need for enhanced infrastructure. To sustain the huge gains of the last 10 years, downstream infrastructure and pipelines must be a major focus, particularly the long-awaited Gasoducto de Sur project."

The Energy Advisor welcomes responses to this Q&A. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org with comments.