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FEATURED Q&A

Will LAC Meet its Renewable Energy Goals By 2030?

Nine Latin American and Caribbean nations want to bring the amount of electricity they collectively get from renewable sources to 70 percent by 2030. A wind farm in Colombia is pictured above. // File Photo: Colombian Government.

Q **Countries in Latin America and the Caribbean have set a collective goal of 70 percent renewable energy use by 2030, the most ambitious plan in terms of a global region, Colombian Energy Minister María Fernanda Suárez said this month. Chile, Peru, Ecuador, Costa Rica, Honduras, Guatemala, Haiti, the Dominican Republic and Colombia are part of the pact, and Panama and Brazil are considering joining, she added. Is 70 percent renewable energy by 2030 a realistic goal for Latin America and the Caribbean? What are signatory countries doing to achieve the target, and how much will market dynamics dictate outcomes? How do other global regions compare with Latin America and the Caribbean?**

A **Ursula Cassinerio, analyst at Moody's:** "Most countries in Latin America have committed to clean energy targets that support a transformation of the energy matrix toward non-conventional renewables. Some countries, such as Brazil, are already close to meeting their targets. We estimate that within the next 20 years the penetration of renewables in Latin America will be more than 70 percent. Various factors underpin the conversion of the energy mix. In addition to growing social sensitivity pressuring governments to gradually retire coal-fired plants, the development of renewable energy projects is increasingly supported by fundamental economic drivers. As technology advances and competition intensifies, renewable projects are less onerous to develop and operate, as compared to traditional carbon-based plants, even without subsidies. Moreover, as market perception toward climate change shifts and demand for sustainable investments increas-

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TOP NEWS

OIL & GAS

Pemex Posts Net Loss in Q3, Makes Progress on Debt

The Mexican state oil company registered a $4.4 billion loss but said it had reduced its hefty debt load by 6.1 percent.

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OIL & GAS

Fernández Defeats Macri in Argentine Presidential Vote

Peronist Alberto Fernández vowed during his campaign to unpeg Argentina's wholesale energy prices from the U.S. dollar. His government may also face challenges to the development of Vaca Muerta from labor unions, one of his key constituencies.

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OIL & GAS

Guaidó Gov't Files Suit to Retain Control of Citgo

Venezuela's opposition government, led by Juan Guaidó, filed suit in a U.S. court seeking to eliminate bondholders' rights to seize Citgo equity as collateral for a bond of state oil company PDVSA that matures next year.

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Guaidó // File Photo: Venezuelan Government..

OIL AND GAS NEWS

Guaidó Government Files Suit to Protect Citgo From Seizure

Venezuela's opposition government on Tuesday escalated efforts to protect Citgo, state oil company PDVSA's U.S.-based refiner, from seizure, filing suit in a U.S. court seeking to eliminate bondholders' collateral rights and invalidate a debt of $1.7 billion, The Wall Street Journal reported. U.S.-backed opposition leaders filed a lawsuit in U.S. District Court in New York, claiming that a PDVSA bond set to mature in 2020 was issued illegally under Venezuelan President Nicolás Maduro, whom they argue was elected fraudulently last year, and can't be enforced. The bond is backed by 50.1 percent of Citgo's equity. It is the opposition's most direct confrontation with the country's bondholders over the refiner, which is considered Venezuela's most valuable foreign asset, according to the report. Last week, the administration of U.S. President Donald Trump gave the Venezuelan opposition a lifeline to retain control of Citgo. According to the U.S. Treasury Department's new sanctions guidelines on transactions related to the South American country, published on Oct. 24, U.S. bondholders are barred for 90 days from collecting collateral on the 2020 PDVSA bond. The announcement came just days before a $913 billion payment on the bond was due this week. Venezuelan opposition leader Juan Guaidó and his allies, who gained effective control of Citgo in February, have been fighting to avoid the refiner's seizure. Earlier this year, the opposition made a $71 million payment on the bond, but it was reportedly set to miss this one. Failing to complete the payment would have paved the way for PDVSA bondholders to seize Citgo. If Maduro were to step down, Citgo would be a significant source of income to rebuild Venezuela, Russ Dallen, a broker at Miami-based Caracas Capital Markets, told the Associated Press. "Citgo is [the opposition's] sure thing," he said. Adding, "it is guaranteed fast cash whenever you need it. Citgo can turn around and sell that oil or refine it." [Editor's note: See related **Q&A** in Oct. 11 issue of the Energy Advisor.]

Peronist Fernández Defeats Macri in Argentina Election

Argentines on Sunday elected Peronist candidate Alberto Fernández as the country's next president without the need for a runoff, and investors are awaiting signals about which direction Fernández's policies will take, Argus Media reported Monday. Fernández won 48 percent of the vote, three percentage points above the margin needed to avoid a second round, while current President Mauricio Macri received 40.4 percent. Fernández's victory was smaller than expected, suggesting unease among some voters at a return to power by his running mate, Cristina Fernández de Kirchner, who was president from 2007 to 2015, the Financial Times reported. During her and husband and former President Néstor Kirchner's time in office, the government set export taxes on natural gas and other goods in a bid to prioritize the domestic market. She also oversaw the 2012 state takeover of oil company YPF, which Spain's Repsol previously controlled, Argus Media reported. Alberto Fernández has not yet outlined his plans to lift Argentina's economy out of a recession, but during his campaign, he said one of his first measures as president would be to unpeg wholesale energy prices from the U.S. dollar in order to shield consumers from external price shocks. During his four-year term, Macri eliminated consumer subsidies implemented by Cristina Fernández, a move that pushed power and gas prices up, which contributed to the country's climbing inflation. Apart from energy subsidies, the incoming government is

Fernández has vowed to unpeg wholesale energy prices from the U.S. dollar.

NEWS BRIEFS

Renewables Cover 7.9% of Argentina's Electricity Demand in September

Electricity generation from renewable sources in Argentina increased 18 percent in September, as compared to the previous month, to supply 7.9 percent of the country's electricity demand, PV Magazine reported Monday. Most of the increase can be attributed to an 18 percent rise in wind power. Renewable energy reached 810 gigawatt-hours (GWh) in September, higher than the 683 GWh of electricity it generated in August. The country has set a goal of supplying 12 percent of electricity demand with renewable energy by year-end.

Solid Performance in São Paulo Concession Drives Enel Americas' Q3 Results

Enel Americas posted earnings before interest, tax, depreciation and amortization, or EBITDA, of $902 million in the third quarter, up 8 percent year-on-year, the company said in an email Tuesday. The firm's Brazil power distribution units combined registered an EBITDA of 1.5 billion reais ($375 million), up 27 percent year-on-year, driven by better results at Enel America's São Paulo concession, the company said.

Petrobras Registers Net Income of 10 Bn Reais in the Third Quarter

Brazilian state oil company Petrobras posted a recurring net income of 10 billion reais ($2.25 billion) for the third quarter, the firm said in a securities filing last week. The figure is significantly lower than the previous quarter, in part because of already announced one-off charges. However, third-quarter margins were largely in line with analysts' expectations, Reuters reported. Adjusted earnings before income, tax, depreciation and amortization, or EBITDA, were $32 billion for the third quarter.

expected to continue development in Argentina's Vaca Muerta shale formation, and Alberto Fernández has proposed legislative initiatives to advance it, Argus Media reported. However, potential opposition by labor unions, which are a key part of the Peronists' constituency, may prove to be a challenge on Vaca Muerta's development. Fernández is set to take office on Dec. 10. [Editor's note: See related **Q&A** in the Aug. 23 issue of the Energy Advisor.]

Mexico's Pemex Posts Loss in Q3, Shows Progress on Debt

Mexican state oil company Pemex posted a net loss of 87.4 billion pesos ($4.43 billion) in the third quarter, hit by falling revenues, the firm said Monday, Reuters reported. However, Pemex said it had reduced its hefty debt load, which at the end of last year amounted to $106 billion. The company has been under intense pressure from international credit agencies over its financial troubles, the wire service reported. Earlier this year, Fitch downgraded Pemex's bond to so-called junk status. If Moody's or S&P were to give Pemex a junk designation, it would trigger forced-selling of Pemex bonds worth billions of dollars, Reuters reported. However, the company said that since the start of the year, it had cut back on its financial debt by 6.1 percent to $99.6 billion, according to a filing to the stock exchange with its latest operating results. "For the first time in over a decade, the company's net debt was reduced," Pemex's chief financial officer, Alberto Velázquez, said in a conference call, Reuters reported. "That operation has lowered Pemex's refinancing risks in international markets and strengthened the company's short and medium-term finances," he added. He also said that market operations in September to refinance more than $20 billion in liabilities had been key to achieving this. Still, Pemex's revenues dropped 20.2 percent to 350.5 billion pesos in the third quarter, as compared to the same period a year ago. It was the company's fourth consecutive quarterly loss, and its biggest since the final quarter of 2018.

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es, clean energy generators will have more funding options than conventional power generators. In addition, there is a growing share of consumers demanding for services with a lower carbon footprint. Nevertheless, the speed of the transition will depend on the countries' institutional strength, operating environment and market access. In Argentina, for instance, despite the successful auction of power purchase agreements for new renewable capacity, the development of the projects is now halted because of tight financing conditions, foreign exchange controls and policy continuity uncertainties. Likewise, the shift will depend on improved battery storage, increased regional transmission connectivity, evolution of distributed energy regulation and a larger, more diversified and more flexible power system that can more rapidly respond to fluctuations of demand and supply in real time."

A **Marcelo Álvarez, president of Cámara Argentina de Energía Renovables (CADER):** "The goal of 70 percent of electricity coming from renewable energy sources in Latin America and the Caribbean is possible only in scenarios advanced through active stimulus policies and adequate financing both in terms of rates, time periods and requirements. The current auction model is the fastest form of growth in terms of installed capacity, although it concentrates capital and income. The medium-term diversification of electricity and primary energy matrices in the region opens the opportunity not only to lower emissions of thermo-active gases but also allows decentralization of generation by bringing it closer to the centers of consumption, as well as generating local employment, both in the manufacturing of components as in construction, operation and maintenance, thus increasing its impact on regional economies. Most countries in the region have recently modified their regulatory frameworks to boost distributed generation and the establishment of renewable power parks. A high penetration objective (70 percent) will demand the development of a new energy management scheme that adapts to emerging technologies that, based on their variability (usually erroneously called intermittency), allow a system that reduces the reserve power. Regional electricity integration and the drop in prices to accumulate energy will be milestones that will catalyze the adoption process in the 2025-2030 period. The region's relatively late adoption , compared to others, facilitates speed of penetration, based largely on the lessons learned and the greater maturity of learning curves in each technology."

> **"The goal ... is possible only in scenarios advanced through active stimulus policies and adequate financing..."**
> — Marcelo Álvarez

A **Cecilia Aguillón, director of the energy transition initiative at the Institute of the Americas:** "Achieving 70 percent renewable energy by 2030 in Latin America and the Caribbean is realistic. This is particularly true given the huge gains in terms of technology and cost. However, certain countries still must grapple with significant infrastructure and regulatory challenges. Issues such as land availability can be overcome through distributed generation and roof-top solar solutions. Local utilities can become investors and work with technology providers. But to attain the ambitious target, the role of governments is vital to provide an investment environment that provides certainty and allows for rapid market growth. Most of Latin America has relied for years on the abundance of hydro, which has also provided a low carbon footprint for the

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Brazil's Oil Disaster Is 'Unprecedented in the World': Official

The environmental disaster along Brazil's northeastern coast as a result of an oil spill is "unprecedented in the world," said an official at the country's environmental agency, Ibama, Folha de S.Paulo reported Tuesday. Oil slicks have been washing up on beaches along more than 2,000 kilometers of the Brazilian coastline for more than a month, and it is impossible to predict when they will stop, said Ibama's environmental emergencies coordinator, Fernanda Pirillo. "Such an accident is unprecedented in the world," she added. Pirillo said three factors make the disaster a unique case, including the lack of knowledge of who is responsible for the spill, the extent of its effects and the recurrence of oil arrival, which seems to indicate that it is an intermittent leak, Folha de S.Paulo reported. Ibama confirmed the first appearance of oil on Brazil's beaches on Aug. 30. Brazilian President Jair Bolsonaro and other government officials have suggested the oil spill resulted from criminal activity, possibly from a foreign ship, with Environment Minister Ricardo Salles saying the oil was "very likely from Venezuela." The Venezuelan government has denied involvement. On Tuesday, Petrobras CEO Roberto Castello Branco said the oil spill may be the worst environmental "attack" in the country's history, Reuters reported.

POWER SECTOR NEWS

Puerto Rico Unveils Details of $20 Bn Plan to Boost Power Grid

Puerto Rico on Oct. 24 announced the details of a $20 billion plan to strengthen and modernize the U.S. territory's power grid, which was hard hit by Hurricane Maria more than two years ago, CBS News reported. The 10-year plan plans to bury power lines, increase the use

NEWS BRIEFS

OAS to Conduct 'Binding' Audit of Bolivia Election: Foreign Minister

The Organization of American States will send a 30-person team to Bolivia to conduct an audit of the country's disputed Oct. 20 presidential election, said Foreign Minister Diego Pary, the Associated Press reported. The audit will be "binding," with all parties being obliged to adhere to the results, Pary said. Incumbent President Evo Morales was announced as the winner, edging out challenger Carlos Mesa by just enough of a margin to win in the first round, sparking protests. Mesa has said the tally was altered, adding that the opposition does not support the audit, whose terms he said were "agreed on unilaterally."

Brazil Central Bank Cuts Key Rate by Half Percentage Point

Brazil's central bank on Wednesday cut its benchmark interest rate for the third consecutive meeting following the congressional approval of a landmark pension reform that has sparked hopes for an economic recovery, the Financial Times reported. The Selic rate was taken down to a new low of 5 percent on Wednesday after the monetary policy committee cut the rate by 50 basis points.

Cuba's Díaz-Canel Meets With Putin in Moscow

Russian President Vladimir Putin on Tuesday commended Cuba's resilience in the face of U.S. pressure as he hosted Cuban President Miguel Díaz-Canel, the Associated Press reported. Putin told Díaz-Canel that Russia has always supported the Communist island nation. "It's not easy to solve economic and social issues in the condition Cuba finds itself in, but you have done it successfully," Putin said. The two leaders discussed expanding cooperation and economic ties.

of natural gas and create a transmission and distribution system to withstand winds of at least 160 miles an hour, instead of 145 miles an hour currently. Puerto Ricans are bracing themselves for an imminent rate hike, while the island's economy remains in a recession, according to the report. "I know there's great concern," Puerto Rico Governor Wanda Vázquez said, CBS News reported. "Given the condition [the power grid is] in, we cannot renovate it in two or three years," she added. Vázquez has also said she "strongly" opposes a hike in electricity rates and has asked power regulators to look for other sources of income, Bloomberg News reported. Federal funds are expected to cover at least $13 billion of the overall cost. At least 60 percent of the estimated $20 billion will be earmarked to transmission and distribution repairs, officials said. Blackouts have been common since Hurricane Maria hit the island in September 2017, Bloomberg News reported.

POLITICAL NEWS

Colombia Indigenous Leader Killed, Hunt for Killers Launched

Colombian President Iván Duque on Wednesday launched a military offensive to hunt down the killers of an indigenous leader and her four unarmed guards in the province of Cauca, The Guardian reported. The government blamed dissident factions of the demobilized Revolutionary Armed Forces of Colombia, or FARC, for the murder of Cristina Bautista, the leader of the semi-autonomous Tacueyó reservation, and the four guards. In the attack, assailants shot at a convoy of armored sport-utility vehicles carrying the group and also hurled hand grenades at it, the newspaper reported. Six other people were wounded in the attack as the gunmen opened fire on an ambulance that arrived at the scene to render assistance to the victims. The attack followed the indigenous guardsmen's capture of three FARC dissidents, according to an initial investigation. Duque traveled to the area on Wednesday, accompanied by the country's defense minister and interior minister, and condemned the attack. "Clearly, here we have a longstanding threat of drug trafficking groups, and of dissidents, who want to intimidate the population," Duque told reporters in the town of Santander de Quilichao. Duque added that he ordered the military to "find the criminal group responsible for the attack," BBC News reported. Some indigenous leaders criticized Duque, however, saying he has not done enough to address attacks since the FARC signed a peace accord with the previous government in 2016. "The government says the right things, but doesn't do anything," said Eduin Marcelo Capaz, a local indigenous council's human rights coordinator.

ECONOMIC NEWS

Chile Cancels APEC Summit, U.N. Climate Change Meeting

Chilean President Sebastián Piñera announced on Wednesday that the country will no longer host a major Asia-Pacific trade summit and a United Nations climate change meeting, which had been scheduled for later this year, as protests continue in the South American nation, The New York Times reported. In a speech at La Moneda presidential palace, Piñera said the "difficult circumstances" in the country are the reason why Chile decided to withdraw from hosting the U.N. COP-25 climate change conference and the Asia-Pacific Economic Cooperation, or APEC, summit. The abrupt decision underscores how disrupting the protests have been for a country that has long been regarded as an example of stability in the region, according to the report. Canceling the climate meeting leaves organizers scrambling to find a new venue capable of hosting nearly 20,000 delegates expected to attend. The cancellation of the APEC summit poses a challenge to the United States and China, which had been expected to sign an interim trade deal at the gathering. The White House said it still expects to sign an initial trade agreement with China in November, but no alternate location had yet been set for the countries' presidents to meet.

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region's matrix. The largely hydro system is now seeing solar and wind resources starting to join the mix. Costa Rica boasts almost 100 percent renewable energy due to hydro. Most countries have fostered laws to promote renewables through auctions, energy efficiency and distributed generation, but successful implementation and cooperation from local utilities and financial institutions is required to increase renewables. Colombia's recent successful auction underscores forward progress on these elements but also highlights the need to scale those investments in order to reach the 70 percent mark. The Caribbean has increasingly demonstrated that through wind, solar, batteries and micro-grids it can make important decarbonization gains in its electric sector and reduce costs of importing fuels. Puerto Rico already has a goal of 100 percent renewables by 2050, but interconnection issues prevent fast deployment. Some islands are very small and need costly infrastructure upgrades. Barbados could become the island to learn from, with an aggressive plan and implementation to reduce energy consumption through efficiency measures, use of solar energy, other technologies and promoting electric vehicles. There are important lessons from mature renewables markets that can greatly move countries up the learning curve and on the path toward a larger portion of renewables. The lessons derived from overcoming resource limitations, political challenges and other pratfalls in markets such as California, Germany and Denmark will surely aid the region in moving toward its goal."

> **"The largely hydro system is now seeing solar and wind resources starting to join the mix."**
> **— Cecilia Aguillón**

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Dino Barajas, partner at Akin Gump: "A goal of 70 percent renewable energy in any single national grid, which does not rely heavily on hydroelectric power, is very difficult to achieve from a grid stability perspective. The ability to provide predictable baseload power supply to a national electricity grid is required for system stability. Renewable energy portfolios comprised primarily of wind and solar generation assets will require a large battery storage component to utilize during low electricity generation periods in order to meet system load demands. Although the costs of solar and wind generation facilities have become increasingly cost competitive, the costs of installing large battery storage facilities, despite providing tremendous system benefits, may offset the cost savings of installing renewable energy systems. Jurisdictions such as Costa Rica, which enjoy a plethora of diverse renewable energy resources, have achieved the enviable position of becoming energy independent and rely primarily (if not solely) on in-country energy sources. Aside from the critical environmental benefits provided by renewable energy generation facilities, the cost savings and the direct benefit of minimizing the dependence on fossil fuel imports would justify any country's efforts to increase renewable energy generation resources within its overall power generation portfolio. Achieving greater energy independence, even if one is not able to reach a 70 percent renewable energy threshold, gives Latin American government policymakers greater visibility relating to cost inputs into their country's industrial and commercial sectors. I would applaud any country's efforts to increase the prominence of renewable energy sources within its overall energy generation portfolio."

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

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