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FEATURED Q&A

Has Progress on Latin America's E-Mobility Stalled?

Cost is one of the biggest challenges to the mass deployment of e-buses in Latin American and Caribbean countries, Cecilia Aguillón and Leonardo Beltrán write below. // File Photo: Chilean Government.

Q **Enel X and global investment manager AMP Capital recently announced a partnership to develop infrastructure for the deployment of electric public transportation across the Americas. What is the state of electric mobility in the region today, and how strong is its outlook for growth? To what extent will health safety concerns and high government debt burdens curb investment in and use of public transit in the Americas? Are continued low fuel prices likely to make electric transportation a less attractive option?**

A **Cecilia Aguillón, director of the Energy Transition Initiative, and Leonardo Beltrán, nonresident fellow, both at the Institute of the Americas:** "The market for electric vehicles (EVs) is still evolving across the world. China, Western Europe and California have staked clear leadership positions in promoting the use of EVs through policies and financial incentives. Nevertheless, this has not greatly affected mass transit, and there are only around 500,000 e-buses on the streets to date, according to Bloomberg New Energy. Several power companies have been developing demonstration projects in Chile, Colombia, Costa Rica, Uruguay and other countries, but issues of affordability and infrastructure must be addressed first in order to facilitate the growth of e-mobility in the region. Lack of progress on electrification of public transportation is important given that it is a major cause of pollution in Latin America. Outdated buses belch black clouds of smoke and smog and pollute crowded cities. In many cases, private companies, not the government, own the bus fleets. Bus fares are regulated and, as seen recently in Chile with the Metro, a fare increase can create unrest. Cost

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TOP NEWS

OIL & GAS

Chile Regulator Files Charges Against ENAP

Chile's environmental regulator filed charges against state-run energy company ENAP over allegations that air pollution at one of its facilities sickened hundreds of people in 2018.

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OIL & GAS

Ecuador Ends Petroecuador's Fuel Monopoly

Ecuador will now allow private firms to import and sell some fuels, ending state oil firm Petroecuador's monopoly in the sector.

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OIL & GAS

AMLO Says He May Seek Reversal of Energy Reforms

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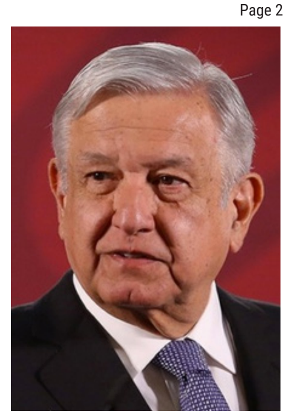

López Obrador // File Photo: Mexican Government.

OIL AND GAS NEWS

AMLO Says He May Seek Reversal of Energy Reforms

Mexican President Andrés Manuel López Obrador said he may seek to reverse Mexico's 2013-2014 flagship energy reforms that opened up the sector to private and foreign investment if he is unable to "rescue" state oil company Pemex and electric utility CFE with existing laws, Reuters reported last week. The president has made strengthening Pemex, one of the world's most indebted national oil firms and a company that has seen dwindling production for more than a decade, a cornerstone of his campaign. He was an avid opponent of the energy reforms carried out by his predecessor, Enrique Peña Nieto. "I don't want the energy sector to be privatized because if we don't have economic independence, energy independence, we cannot guarantee our sovereignty," López Obrador said during his daily news conference on Sept. 24. "We are looking for balance," he added, citing electricity as an example. He said 54 percent of the country's power should be generated by the CFE, with the remaining share to be generated by private businesses. In response to a question on whether he would consider refinancing debt to boost Mexico's indebted public energy companies, the president responded that he would do everything he could do to strengthen them. Pemex has about $107 billion of financial debt, and it has already received fiscal support and debt refinancing since López Obrador took office in December 2018. Lawmakers from the ruling Morena party recently presented a proposal to revert the energy reforms in the Chamber of Deputies, Energía a Debate reported. López Obrador has said he would hold off on such a reversal until next year.

"If we don't have economic independence, energy independence, we cannot guarantee our sovereignty."
— Andrés Manuel López Obrador

Moreno's Gov't Ends Petroecuador's Monopoly Over Fuel

Ecuador will allow private firms to import and sell some fuels for industrial and commercial use, effectively ending state-owned oil company Petroecuador's monopoly in the sector, the energy ministry announced Sept. 25, Reuters reported. The new measure will not affect liquefied petroleum gas for use in homes, automobiles or the agriculture sector, but the government claims it will have a positive impact on public finances, according to the report. "A private company putting up the money to import a product means the state can reduce the money it needs to have on hand to bring these products," Energy Ministry René Ortiz told reporters, adding that private firms would have to pay a fee to Petroecuador in order to use its ports. According to Petroecuador, the government spends between $3.5 billion and $4 billion annual on imports of liquefied petroleum gas and other fuels. Other types of fuels that private companies will now be allowed to import include industrial gas, natural gas, diesel, jet fuel and avgas, among other derivatives, El Comercio reported. The prices of gasoline and diesel for use in automobiles and fishing vessels will still be based on a system that fixes the price on changes in the international price of crude, Reuters reported. The government began implementing this pricing system in May as part of an economic package aimed at managing the economic crisis.The latest move is part of several free-market reforms under President Lenín Moreno, whose government is also looking to merge Petroecuador with another state-owned oil firm, Petroamazonas. Additionally, the government is seeking a partner to refurbish Petroecuador's Esmeraldas refinery, the largest in the South American country.

NEWS BRIEFS

Chilean Environmental Regulator Files Charges Against State-Run ENAP

Chile's main environmental regulator on last week filed charges against state-run company ENAP over allegations of air pollution from the firm's Quintero port facilities that may have sickened hundreds in 2018, Reuters reported. The Environmental Superintendent said recent studies found links between high levels of air contaminants to ENAP's operations in Quintero during that time, when hundreds of people in the port town reported health issues including nausea, headaches and vomiting.

Brazil's CADE Approves AES Tiete's Acquisition of 420-MW Wind Portfolio

Brazil's Administrative Council for Economic Defense, or CADE, has approved the acquisition of a wind portfolio with a combined capacity of 420 megawatts by Brazilian power generator AES Tiete Energia, Renewables Now reported Monday. Under the deal, AES Tiete purchased 14 special purpose companies that hold wind assets under the umbrella of Ventos de Santa Tereza Energias Renováveis from local firm FIP Salus, which is part of Grupo Araripe. The wind portfolio is located in Ceará state.

Argentina's Cauchari Solar Park Begins Operations

Argentina's Cauchari Solar Park, the largest of its kind in Latin America, officially launched commercial operations over the weekend, Chinese state news agency Xinhua reported. Built and financed by China Power Construction and the Shanghai Electric Power Construction Company, the solar park is located in the northwestern province of Jujuy. It will supply the grid with a total of 300 megawatts of electricity and generate $50 million in revenue for the province over its anticipated 20 year life span, according to the report.

Petrobras Signs Deal With Total to Acquire Deepwater Blocks

Brazilian state oil company Petrobras announced Monday it has signed agreements for Total E&P do Brasil, a local unit of the French firm, to transfer to Petrobras the management and working interest of several blocks located in ultra-deep waters. The blocks, approximately 120 kilometers from Amapá state in northern Brazil, are part of an exploratory frontier basin on the Brazilian equatorial margin, which Petrobras said in a statement has "high potential opportunities." The five blocks were awarded in the 11th bidding round by Brazil's petroleum, natural gas and biofuels national agency, ANP, to a consortium led by Total (40 percent), Petrobras (30 percent) and BP Energy do Brasil (30 percent). "With this agreement and according to the joint operating agreement, Petrobras intends to increase its stake to up to 70 percent, depending on the preemptive right of BP, also part of the consortium," Petrobras said in the statement. The proposed transaction has not yet been finalized, as it is subject to regulatory agencies' approval, the company added.

POWER SECTOR NEWS

Moody's Lowers Outlook for NADB, Cites Mexico Rules

Moody's Investors Service on Sept. 24 lowered its outlook on the North American Development Bank, or NADB, to negative from stable, citing "the deterioration in the bank's operating environment" due to the Mexican government's proposed regulatory changes that would be "detrimental" to the country's renewable energy sector, the ratings agency said in statement. "Moody's regards this policy and regulatory uncertainty as an environmental risk under its

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remains the principal challenge. The high cost of deploying fleets of e-buses has been compounded by the financial strain facing governments and worsened due to Covid-19 and the ensuing economic crisis gripping the region. But there are silver linings emerging. Accessible financing offered by power companies through lease programs for e-mobility could help Latin America clean its urban mass transit fleets, depending on the terms, conditions and affordability of the deals. Power companies can benefit from increased sales of electricity from the transportation sector, especially in countries where renewable energy is procured locally and at low cost. Governments that currently pay fuel subsidies could phase them out and promote EV infrastructure development. Electricity companies could be the champions of clean mobility in Latin America's post-Covid era."

A **Juan C. Monticelli, section chief of the Department of Sustainable Development at the Organization of American States' Executive Secretariat for Integral Development:** "Latin America's current electric vehicle market is small. The charging infrastructure is in its infancy, EVs are expensive and their import tariffs high, which make them unaffordable to most. Electric buses, however, show a huge potential for market growth. They provide a viable solution for cities looking into technology to improve air quality and public transit, curb greenhouse gas emissions and reduce exposure to volatile oil markets. Most passenger travel in Latin American cities is on public transit. Post-Covid health safety in urban transport is an issue of concern, but it is also part of the new reality riders and governments alike will be faced with for many years to come. Providing high-quality public transport remains a priority for most cities, especially those that have not kept pace with the growth in transport demand for decades. Transport planning strategies based on a combination of good policy and the right market signals can help governments offset investment so that businesses supplement public funding in return for service fees based on performance. The Covid-19 pandemic caused an unprecedented oil market disruption that resulted in plummeting fuel prices, as well as a profound impact on petroleum supply, demand and price for the next decade. However, whether the decision to transition toward electric mobility is intended to curb air pollution, reduce exposure to volatile petroleum markets or comply with national greenhouse gas emission targets, the fact remains that countries will keep looking at technological solutions to address multiple priorities. Electric transportation is here to stay."

> **"A combination of good policy and the right market signals can help governments offset investment so that businesses suplement public funding..."**
> **— Juan C. Monticelli**

A **Rodolfo Guzmán, Americas managing partner at Arthur D. Little:** "The state of electric mobility in the Americas is still embryonic, but it definitively presents great potential for rapid growth following the global trends. By 2040, the number of electric buses in the world is expected to exceed 1.3 million units, accounting for 50 percent of the global fleet. This technological trend represents a great opportunity for the Americas, which has an inevitable need to replace diesel fleets with environmentally friendly solutions for public transportation. The ambitious goals that some countries such as Colombia and Chile have set for electrification of their public transport fleets

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[environmental, social and corporate governance] framework," it added. The agency said the regulatory risks bring uncertainty related to the NADB's asset quality as well as the performance of a large part of the bank's clean energy projects in Mexico. Moody's also cited the "weakening of Mexico's support to the institution, on account of these regulatory changes as well as its own deteriorating credit quality," as a secondary reason for the negative outlook. Additionally, the ratings agency affirmed the NADB's ratings at Aa1, considering its "strong capital position and low leverage," supported by a capital increase and modest loan book growth, according to the statement.

POLITICAL NEWS

Brazil's Bolsonaro Lashes Out at Biden Over Debate Remark

Brazilian President Jair Bolsonaro on Wednesday attacked U.S. presidential candidate Joe Biden for saying in Tuesday's presidential debate that the South American nation would suffer "significant economic consequences" if devastation of the Amazon rain forest continues under his presidency, the Associated Press reported. "The greed that some countries have over the Amazon is a reality," Bolsonaro said on Twitter. "But the confirmation by someone who is fighting for the command of his country clearly signals that he wants to give up a cordial and profitable coexistence." The far-right Bolsonaro, who has repeatedly alleged that foreign entities are trying to take over the Amazon, also labeled Biden's comments as "disastrous and gratuitous." Biden said during Tuesday's debate with U.S. President Donald Trump, an ally of Bolsonaro, that he would work with international partners to raise $20 billion for Brazil to stop Amazon deforestation. The Trump administration has been relatively quiet amid an unprecedented international outcry over the deforestation in Brazil's Amazon, which rose 34 percent between July 2019 and the same month this year, Brazil's official period for measuring deforestation, according to preliminary statistics from government space research agency Inpe, Reuters reported this week. Bolsonaro has found a supporter in Trump despite international pressure from traditional U.S. allies in Europe to take action to prevent the Amazon's destruction. The president's son, Federal Deputy Eduardo Bolsonaro, has made frequent trips to Washington, sometimes wearing a hat with Trump's slogan, "Make America Great Again," and in a recent tweet endorsed Trump for president in this year's election, Foreign Policy reported.

ADVISOR Q&A

What's Driving New U.S. Restrictions on Cuba Activity?

Q: U.S. President Donald Trump recently announced new restrictions that will prohibit U.S. travelers from staying at properties owned by the Cuban government, as well as block the import of Cuban cigars and liquor. What motivated the Trump administration to draw up the new rules, and how significant are they? In what ways will they affect Cuba's economy, its citizens and the Communist government's hold on power? Will Trump's clampdown on Cuba, the latest in a string of reversals over the past four years of the Obama-era loosening of restrictions related to the island, help achieve U.S. goals with the country and in the region more broadly?

A: Angela Mariana Freyre, principal at Squire Patton Boggs and former special advisor for Cuba policy at the U.S. National Security Council: "The new measures are the continuation of an electoral strategy to win Florida, which the president won by a very narrow 1.2 percent margin in the last election and where he is currently trailing Vice President Biden in the polls. Given that there is no travel to Cuba during this pandemic, the significance of the hotel/rum/cigar/travel prohibitions is primarily symbolic and calculated for domestic political effect. In a post-pandemic Cuba, the prohibitions will have some negative impact on Cuba's economy, people and government as a result of the lack of revenue. That said, to be removed from the restricted list, a hotel could be sold to foreign investors thus transferring title away from the Cuban government and becoming available to U.S. travelers. Also, rentals of private rooms and residences would see an increase in activity and have a beneficial effect on the growing class of self-employed in Cuba. Coupled with further restrictions on remittances, it is clear that the president has no concern for the Cuban people or Cuban-Americans who aid their families in Cuba. The pandemic, coupled with U.S. sanctions, has been particularly hard on the Cuban people, creating food shortages and other challenges, the effects of which have been partially mitigated by Cuban-Americans and U.S. humanitarian organizations engaged in Cuba. Limiting this assistance only hurts the Cuban people. These new policies are a continuation of the failed strategy pursued by U.S. administrations for decades and condemned by the global community. President Obama changed the course of that policy when he normalized relations with Cuba and allowed Americans and Cuban-Americans to engage with the Cuban people and create a new future of U.S.-Cuba relations based on mutual respect and benefit. We need to return to those principles swiftly."

EDITOR'S NOTE: More commentary on this topic appears in Thursday's issue of the daily Latin America Advisor.

NEWS BRIEFS

Peru to Allow Some Round Trip International Flights

Peruvian President Martín Vizcarra announced Wednesday that his government will allow international flights to seven countries starting next week, El Comercio reported. The flights have been halted for months due to the coronavirus pandemic. At a press conference at the government palace, the president said 11 destinations in seven Latin American countries had been approved for round-trip travel: Colombia, Ecuador, Panama, Paraguay, Uruguay, Bolivia and Chile.

Migrant Caravan Gathers in Honduras, Heads North

Hundreds of migrants began walking Wednesday night from a city in northern Honduras toward the Guatemalan border, Telemundo reported. Calls on social media to begin a new migrant caravan from the San Pedro Sula bus station on Oct. 1 had been circulating for weeks. Guatemala reopened its borders in September after closing them for months to curb Covid-19 infections. Groups of migrants moving north toward the United States captured headlines last year as they clashed with border authorities in countries along the route.

Coca-Cola Moves South America Headquarters to Brazil From Argentina

Atlanta-based beverage company Coca-Cola is moving its Southern Cone headquarters from Argentina to Rio de Janeiro, La Nación reported Wednesday. The company has offered a voluntary retirement plan for those executives not wishing to make the transfer to Brazil. The company will seek to hire a Brazilian national to manage the new office, according to the report. Luisa Ortega, who currently runs the Buenos Aires office, will now work in Central America. The company says it will continue to operate in Argentina.

Venezuelans Take to Streets to Protest Fuel, Water Shortages

Protests have picked up again across Venezuela as discontent among citizens rises amid shortages of fuel, water and household supplies and the failure of public services, a local nongovernmental organization said on Tuesday, Reuters reported. The Caracas-based Venezuelan Observatory of Social Conflict said it had received reports of more than 100 protests since last weekend in 19 of the Andean nation's 23 states. "We're looking at a new wave of protests with the particularity that this time the protagonists are those living in Venezuela's villages and towns," said Marco Ponce, the observatory's director. In the past, protests mostly occurred in Caracas. However, the government has prioritized the capital city for fuel deliveries to gas stations, which has somewhat tempered discontent there. In the rest of the country, Venezuelans are waiting in line days for gasoline that frequently does not arrive. Ponce added that the administration of President Nicolás Maduro has sent security forces to quash the protests, which has led to at least 50 arrests. Local watchdog Foro Penal reported Monday that at least 214 people have been detained, and four killed, during protests in Venezuela this year, The Guardian reported. In related news, the U.S. permanent representative to the Organization of American States, Carlos Trujillo, on Tuesday addressed what he called "massive human rights violations" by Maduro's government during an OAS special session on the situation in the country, referencing the "systematic decimation of Venezuela's democratic institutions" and "ongoing electoral fraud."

Whereas protests in the past have mostly taken place in Caracas, demonstrations have been reported in 19 of Venezuela's 23 states.

ECONOMIC NEWS

Latin America Has Lost 34 Million Jobs Due to Covid-19: ILO

The U.N.'s International Labor Organization said Wednesday that at least 34 million jobs have been lost in Latin America due to the coronavirus pandemic, the Associated Press reported. The ILO urged countries in the region to adopt "immediate strategies" to deal with the problem. The count was more than double the ILO's previous estimate, set in early August, that 14 million jobs had been lost in the region. The ILO figures are based on data from nine countries which account for 80 percent of the region's workforce. The ILO lists Latin America and the Caribbean as the worst-hit region in the world in terms of lost working hours, with a drop of 20.9 percent in the first three quarters of the year, compared to an average of 11.7 percent worldwide. Most employment in Latin America is concentrated in the service sector, which is typically more informal and has higher self-employment rates, the World Bank said in a report published this week. "The economic impact of Covid-19 is unprecedented in size and scope. It has quickly evolved from a health emergency into an employment crisis," its authors wrote. "The accelerated transformation of jobs calls for a rethinking of labor regulations and social protection policies geared towards wage earners employed in the formal sector of the economy," they added. In Brazil, South America's largest economy, the unemployment rate reached an unprecedented 13.8 percent in the quarter ending in July, Folha de S.Paulo reported Wednesday, citing new data from the state-run Brazilian Institute of Geography and Statistics, or IBGE. Experts worry that some countries of Latin America and especially in the Caribbean will suffer a decade of historically high debt burdens as a consequence of social program spending needed to support jobless citizens through the pandemic.

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will surely suffer some delays due to the negative impacts of Covid-19 on the region's economies. Financially constrained national and local governments are already coping with other emerging priorities that compete for scarce budgetary resources. However, the fundamentals for socially and environmentally responsible investments in electric mobility should prevail in the long run. Every 1,000 new electric buses will help reduce diesel demand by about 500 barrels per day. The modernization and electrification of public transport in the major urban centers of Latin America will undoubtedly have significant benefits in air quality, reduction of congestion and public health, eventually helping to raise the living standards of the population. Public authorities should avoid the temptation of endorsing fossil-based transport solutions to take advantage of lower hydrocarbon prices. The recent partnership of Enel X and AMP Capital to deploy infrastructure in the region also demonstrates that investors and private players are ready to bet on the electric mobility trends."

A **Andrés Rebolledo, former energy minister of Chile and dean of the business department at USEK Chile:** "Chile is a producer of copper and lithium, and it has a high potential for hydrogen, so the development of electric mobility is a great opportunity for its economic development. The technological change in electric mobility is very accelerated, and lithium cell batteries are already being developed, which will allow addressing the main challenges, such as autonomy and the price of the electric vehicles, both of which are fundamental elements in order to increase the demand for these vehicles. On the other hand, hydrogen is an increasingly viable alternative for high-scale electric mobility, and Chile has tremendous green hydrogen production capacity, particularly in the north of the country, given its high competitiveness in solar energy. Therefore, it is essential that Chile soon adopt appropriate regulatory frameworks for the proper development of electric mobility in the country, taking into consideration that it is a broad ecosystem that requires a joint effort between public and private sectors. The government should focus its efforts and resources on promoting and investing in public goods that are enabling conditions that boost electric mobility. In this sense, it must be responsible for the planning of the installation of charging networks for electric vehicles, as well as the appropriate regulation so that the chargers are efficient, safe and compatible with each other."

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

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