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### FEATURED Q&A

#### Should Bolivia Pursue its Ambition for Nuclear Power?

**Q** In a New Year's speech at a military ceremony, Bolivian President Evo Morales reiterated his administration's ambitions to develop nuclear energy in the coming years, noting the Andean nation has uranium deposits needed for atomic power and has the sovereign right to do so. Is pursuing nuclear energy a good strategy for gas-rich Bolivia? Why or why not?

**A** Nelson Altamirano, associate professor of economics at the School of Business and Management at National University: "Theoretically, a diversified matrix that incorporates hydro, wind, solar, natural gas and nuclear energy and avoids diesel and oil seems to fit well with Bolivia's mix of natural resources. Bolivia has an underutilized hydro potential, 9.9 trillion cubic feet of natural gas, suspected large uranium deposits in Potosí and practically no oil reserves. There are some arguments in favor of adding a nuclear component. They include the economics of cost per kilowatt hour, the idea of a single plant that doubles or triples the total Bolivian capacity with zero carbon dioxide contamination, the possibility of adding electricity for 2.2 million more people or future industrial projects, and connecting the northern and western lands to the national grid. All these potentials of a single project can legitimize any long-term

development plan. Ensuring \$5 billion to \$7 billion of initial investment seems not to bother President Morales, but there are other related issues that challenge a nuclear option. The complexity of the project, operation, maintenance, security and the disposal of radioactive waste all require scientific, bureaucratic and managerial human capacities at a level not yet seen in Bolivia. Brazil and Mexico stopped their nuclear expansions after the Fukushima accident, and no single country can claim it has a secure technological

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#### Mexico and Italy See Energy Collaboration Opportunities

Italian Prime Minister Enrico Letta (R) met with President Enrique Peña Nieto on an official state visit to Mexico this week and highlighted opportunities in Mexico's energy sector. During the visit, Italy's Enel Green Power signed an energy cooperation accord with Mexico. See story on page 3.

*Photo: Mexican Government.*

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## ENERGY SECTOR BRIEFS

**Acciona Wins Contract for 93 MW of Wind Turbines in Brazil**

Spanish manufacturer **Acciona** announced Monday that it won a contract to supply wind turbines with a total capacity of 93 megawatts to a consortium comprised of France's **Voltalia** and Brazil's **Chesf** and **Encalso**. The order, for 31 three-megawatt turbines, will be installed at a wind farm in northeastern Brazil. Acciona also won a contract for the operation and maintenance of the farm for 15 years. The Spanish company to date has supplied or has contracts for 423 megawatts worth of turbines in Brazil.

**YPFB-Andina to Double Spending on Bolivian Oil Projects in 2014**

**YPFB-Andina**, in which Bolivian state oil company **YPFB** holds a controlling interest and Spain's **Repsol** a 48.92 percent stake, will invest \$251.6 million in oil exploration and production in Bolivia this year, EFE reported Tuesday. Last year, YPFB-Andina invested \$114.5 million in Bolivia and drilled 11 wells. The company is exploring and developing fields as the operator in 18 areas and is working in two fields operated by Brazilian state oil company **Petrobras** as a 50 percent partner.

**Citizens Energy Hasn't Received Oil Shipment From Venezuela**

Massachusetts-based **Citizens Energy Corp.** said Friday that it has not received a shipment of oil that Venezuela has donated annually since 2005 that the nonprofit distributes to be used to heat households of low-income and elderly residents, the Associated Press reported. The organization said it has received thousands of calls inquiring about the oil, which typically arrives in late November or December.

**Oil & Gas News****India's Reliance Industries Looking at Stakes in Venezuelan Projects**

India's **Reliance Industries** is considering purchasing an 11 percent stake in Venezuela's Carabobo-1 oil project, the company said on Tuesday, *The Economic Times* reported. The project, one of the largest in Venezuela, plans for investment of \$20 billion over 25 years and can produce a minimum of 400,000 barrels per day of oil. The project also involves the construction of a 200,000 barrel per day upgrader, which will convert heavy crude

“We are looking to participate in the heavy oil upgrades project and a farm-in in the Carabobo-1 block...”

— *Swagat Bam*

oil to light crude. "We are looking to participate in the heavy oil upgrades project and a farm-in in the Carabobo-1 block, taking over the participating interest of **Petronas**," senior vice president **Swagat Bam** said, according to Reuters. Venezuelan state oil company **PDVSA** has a 60 percent stake in the project. Spain's **Repsol** and Indian companies **ONGC**, **Oil India** and **Indian Oil Corp.** also hold stakes. Malaysia's state-owned **Petronas** announced in September that it was dropping out of the Carabobo-1 project due to disagreements with Venezuelan officials and **PDVSA**. **Bam** added that the company also may enter a joint venture with **PDVSA** in the Ayacucho-8 block. A 40 percent stake is being made available by **PDVSA**, and **Reliance** is considering taking at least a 20 percent stake, *Business Standard* reported. **Reliance Industries** is Venezuela's top Indian oil customer and signed a 15-year deal with **PDVSA** in 2012 to purchase up to 400,000 barrels per day, according to Reuters. **Reliance** runs the world's largest refining complex in Gujarat and is looking for new sources of heavier,

cheaper crude oil to fuel them. **Bam** said that **Reliance** is also looking for opportunities in Mexico after the passage of energy reforms there, though it has not made any concrete commitments there.

**Pemex Issues \$4 Billion Worth of Bonds**

Mexican state-owned oil company **Pemex** on Wednesday sold \$4 billion in bonds, which the company will use to refinance debt and fund investment, according to *The Wall Street Journal*. The bond sale included \$3 billion of 30-year bonds with a 6.43 percent yield, \$500 million in 10-year bonds with a 4.945 percent yield and \$500 million in five-year notes with a 3.125 percent yield. The country's recent energy reform, which will open the sector to outside investment, as well as the company's upgrade by **Standard & Poor's** helped drive demand, **Pemex** Treasurer **Rodolfo Campos** said. He added that strong demand contributed to raising the 30-year tranche from the initially planned \$2 billion to \$3 billion. That issuance was a record for an emerging-market corporate issuer, *Bloomberg Businessweek* reported. In 2013, **Pemex** issued \$9.2 billion of corporate debt in the international market, the most of any Mexican company. **Pemex** produces an average of 5.25 million barrels of crude per day.

**PetroVietnam Denies Halting Production in Venezuela**

State-owned **PetroVietnam** said Wednesday that its joint venture in Venezuela is continuing, refuting reports Monday that the company is halting production there due to the economic situation of the South American country. "This information [on a suspension] is inaccurate. **PVEP** is still working on the Junin-2 project in Venezuela normally," the CEO of subsidiary **Petrovietnam Exploration Production Corporation**, **Do Van Khanh**, told Reuters on Wednesday. He did not give financial details of the project. Reports Monday in Vietnamese state media said the company had decided to temporarily suspend its operation in Venezuela due to the country's growing inflation rate and the difference between

the official and unofficial foreign exchange rates, which increased the prices of service and goods in the country, while waiting to see if the investment environment would improve. PetroVietnam's PVEP unit operates the Junín-2 block in the Orinoco belt with Venezuelan state oil company **PDVSA** through the **Petromacareo** joint venture in which it holds a 40 percent stake. It is PetroVietnam's only operation in Venezuela and has a planned cost of \$1.8 billion over five years through 2014. The project began oil production in October 2012 with a target of producing 200,000 barrels per day by 2016, according to *The Wall Street Journal*. PetroVietnam has made investments in fields in a handful of countries, including Russia, Peru, Uzbekistan and Myanmar, as it struggles with declining domestic output

## Power Sector News

### Enel Green Power Signs Energy Cooperation Accord With Mexico

**Enel Green Power**, Italy's largest renewable energy company, on Tuesday signed a memorandum of understanding for energy cooperation with Mexico, marking the first energy agreement to be signed since the country passed a bill bringing reforms to the sector last month, according to the *Financial Times*. Enel CEO Fulvio Conti signed the memorandum with the Mexican Institute of Electrical Investigation. Under the agreement, the company and institute will collaborate on geothermal generation and smart grids through the use of pilot projects, training programs and technology transfers, though how much Enel will invest was not disclosed. The signing of the deal came during an official state visit of Italian Prime Minister Enrico Letta to Mexico. On Monday, Letta said that the energy reform, which is waiting on the passage of implementing legislation to determine



Conti

File Photo: Enel.

the details, opens up a number of opportunities for Italian companies to invest in Mexico's energy sector. "The reforms that President Peña Nieto began last year ... open very interesting opportunities for Italian businessmen and for our country," Letta said, according to Reuters. "The energy sector is certainly one of the most interesting and most important." Representatives from other Italian energy companies also accompanied Letta on the visit. On Tuesday, Italian oil and gas company **Eni** said its top executive met with Peña Nieto to discuss opportunities to work with Mexico's state oil company, **Pemex**. Pemex CEO Emilio Lozoya also met with Eni's chief executive officer, Paolo Scaroni, and Claudio Descalzi, the chief operating officer of Eni's exploration and production division, to discuss future opportunities for collaboration between the companies, particularly in Mexico's upstream. Eni also inaugurated a representative office in Mexico City during the visit.

### Featured Q&A

*Continued from page 1*

alternative. This project requires ample and deep collaboration with advanced countries such as the United States, Canada, Germany, Australia, Japan, France, Brazil, South Korea or China. If President Evo Morales is serious about nuclear, he needs to expand his political ties beyond Argentina and Iran, develop government scientific institutions and battle strong 'NIMBY' internal opposition. It may be easier for him to focus on the industrialization of natural gas and lithium before starting with uranium."

**A Jaime Aparicio Otero, former Bolivian ambassador to the United States:** "The question of whether nuclear energy in Bolivia is a good or bad strategy is irrelevant because Morales' proposal has no

connection with the reality of the country or the region and will soon be forgotten. His speech to the military confirms Mark Twain's words: 'To succeed in life, you need two things: ignorance and confidence.' The mere fact of having conceived this idea is indicative of the state of mental alteration of Evo Morales, who finds himself running a country with huge economic surpluses due to external conditions. Bolivia has plenty of conventional sources of energy (think natural gas) and huge hydroelectric potential. The country doesn't need a nuclear plant. Bolivia needs domestic and foreign investment in the energy sector which today is scarce due to corruption and lack of rule of law. Morales claims that foreign cooperation is coming. In 2010, Morales went to Tehran for a state visit,

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Fomento de la Producción (Corfo) to build a 110 megawatt solar-thermal plant in Chile, which will be South America's

*The plant will be built in the Atacama Desert, which has the world's highest solar radiation levels.*

largest solar-thermal plant. The Cerro Dominador plant will be built in the María Elena commune in the northern Atacama Desert, which has the world's highest solar radiation levels. International organizations will provide \$500 million in loans to help finance the project and the government will provide up to \$20 million in subsidies, Bloomberg News reported. Mirrors will direct sunlight onto molten salts on a tower, and then the salts will be used to heat water in order to generate steam to power the project's turbines. The tower's technology will also be able to use molten salts to store thermal energy for 17.5 hours, allowing the project to generate electricity in the absence of solar radiation. Abengoa said construction on the project is slated to

### Abengoa to Build South America's Largest Solar-Thermal Plant in Chile

Spain's **Abengoa** announced Jan. 9 that it has won a tender from the Chilean Ministry of Energy and Corporación de



begin in the second half of 2014. The project is part of the Chilean government's efforts to increase the use of renewable energy in the country. Last October, the government doubled its renewable energy new target, setting a goal of generating 20 percent of power from clean sources by 2025. The project will help Chile to "diversify the mix of our electricity generation matrix, give us greater energy independence and reduce emissions," the country's energy minister, Jorge Bunster, said, according to Bloomberg News.

## Political News

### Colombian Court Blocks Bogotá Mayor's Removal From Office

A judge in Colombia issued an injunction Tuesday blocking the removal of Bogotá Mayor Gustavo Petro from office, EFE reported. The order by Judge José María Armenta of the Administrative Tribunal for Cundinamarca province keeps Petro in office at least for now. The judge's order came a day after Inspector General Alejandro Ordóñez rejected Petro's appeal to remain in office despite a Dec. 9 order from Ordóñez that he be removed. The inspector general has said that he ordered Petro's removal because of his alleged mismanagement of Bogotá's trash collection system. Ordóñez also barred Petro



Petro

File Photo: City of Bogotá.

from holding office for 15 years. The mayor has said his ouster was politically motivated, and the inspector general's action led to outrage and protests from supporters of Petro, a former member of the leftist M-19 rebel group. The guerrilla group became a political party after it demobilized in 1990, BBC News reported. Colombia's Constitution allows the inspector general to remove politicians from office. However, that power is typically reserved only for major corruption scandals. Ordóñez has accused of Petro of running afoul of free-market policies by shifting

## Job Postings

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*Editor's note: Readers of the Advisor and others occasionally ask us to pass along job announcements. We are pleased to share the recent Latin America-related listings below.*

[NPS Pharmaceuticals](#): Vice President, General Manager Latin America, Brazil

[United Nations Environment Programme](#): Humanitarian Affairs Officer, Panama

[Taco Bell](#): Business Development Manager, Latin America, Ft. Lauderdale, Fla.

[Baker & McKenzie](#): Manager of Client Development, Latin America, Miami, Fla.

[Takeda Pharmaceutical Co.](#): Head of Regulatory Affairs for Latin America, Brazil

[Pan-American Health Organization](#): Director, External Relations, Partnerships & Governing Bodies, Washington, D.C.

control of the Colombian capital's trash collection service from private companies to the city. The situation harmed public health when trash went uncollected for three days in December 2012, the inspector general has said. "He is going because he broke with his duties in the most serious of manners, for acting in a way which inflated the public purse and which should be investigated, for ignoring the constitution and its limits, and for putting the health of Bogotá residents and the city's environment at risk," Ordóñez told the local CityTV television channel, BBC News reported. President Juan Manuel Santos has the final say on whether Petro will be able to remain in office, but the judge who issued the injunction Tuesday urged Santos to delay any decision until the tribunal issues a final ruling in the matter.

## Economic News

### Venezuela's Maduro Announces Shakeup of Economic Team

Venezuelan President Nicolás Maduro on Wednesday announced a shakeup of his economic team, changing the officials who run the Finance Ministry and the central bank. The country's current public banking minister, Rodolfo Torres, a former army general, will replace Nelson Merentes as finance minister, Reuters reported. Merentes will become head of the central

bank, a post that he previously held. At the same time, and despite a soaring price for dollars on the black market, Maduro said his government would not devalue the country's currency this year. The changes do not foretell a new economic direction as many members of the government's economic team are the same ones who



Torres

File Photo: Venezolana de Televisión.

helped late President Hugo Chávez in his push for socialism. Maduro announced his changes in his state of the union speech to lawmakers. He said that 2013 was a difficult year after Chávez died in March from an undisclosed form of cancer. "I know where I stand," said Maduro, Bloomberg News reported. "For those that underestimate me, I say I'm a socialist and I know what I'm doing." In addition to the personnel changes, Maduro said he would put into force a decree to set a maximum profit margin of 30 percent in every sector of the economy. He added that Venezuela would reform its system for distributing currency this year. A foreign trade body will absorb the Cadivi government currency board, and the Sicad foreign-exchange system would be strengthened, Maduro said. The plummeting value of the country's currency, the bolívar, against the dollar has exacerbated shortages of food and

consumer goods and has led to a surge in contraband and an annual inflation rate of 56 percent. The bolívar fell 73 percent against the dollar last year. Maduro added that his government would target "price speculators," whom he accuses of starting an "economic war." He also said that the government would not allow any companies that are suspected of misusing foreign currency to receive any new allocations from the government. "There won't be any forgiveness to those who keep robbing the people," said Maduro, Bloomberg News reported. "They're speculating with food and medicine." Maduro's opponents say his economic policies and those of Chávez are responsible for Venezuela's economic problems. Maduro also said that Oil Minister Rafael Ramírez, who heads state oil company **PDVSA**, will remain in his post. In November, Venezuela's National Assembly gave Maduro the power to rule by decree for one year. The move allows him to put laws into effect without legislative oversight.

### Brazil's Central Bank Boosts Interest Rate by Half Point

Brazil's central bank on Wednesday maintained its aggressive stance in fighting inflation by increasing the benchmark Selic interest rate by 50 basis points, to 10.5 percent, Reuters reported. The half percentage point hike surprised analysts in a Reuters poll given the struggle that Latin America's largest economy has had in gaining momentum. The central bank has forecast inflation at more than 5 percent through 2016, and the economy contracted 0.5 percent in the third quarter of 2013. The central bank said Wednesday's rate hike was part of a process that began in April. However, policymakers said they made their latest decision for the half-point increase "at this moment." Alberto Ramos, head of Latin America economic research at **Goldman Sachs**, said less-aggressive rate hikes are likely in the near future. "The bank is telegraphing that they will slow the pace to 25 bps at next meeting or even interrupt the cycle," Ramos told Bloomberg News. Since April, the central bank has hiked the benchmark rate by 325 basis points. They began with a hike of 25 basis points, followed by six consecutive

increases of 50 basis points. However, inflation has remained stubbornly high due to heavy government spending and a weak currency. The central bank's leader, Alexandre Tombini, will face a difficult choice in February at policymakers' next

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### *The central bank began its cycle of boosting the benchmark rate last April.*

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meeting. An eighth straight increase should help lower inflation, but it could also hold back growth. "I don't even think the central bank knows for certain what it will do next," Zeina Latif, chief economist at **XP Investimentos**, told Bloomberg. "Although the bank recognizes that there are limits to the rate-hiking process, it sent the right signal after inflation rose above expectations last year." Brazil's national statistics agency today released a bright piece of economic news in announcing that retail sales increased in November more than economists had forecast. Sales jumped 0.7 percent in that month after a revised 0.3 percent increase in October, the statistics agency said.

### U.S. High Court Agrees to Review Order in Argentine Bonds Case

The U.S. Supreme Court agreed on Jan. 10 to review an order by a lower court involving bonds from Argentina's massive default more than a decade ago, Bloomberg News reported. The South American country's government is seeking to block an order issued by a federal judge in Manhattan that enforces subpoenas requiring **Bank of America** and government-owned **Banco de la Nación Argentina** to turn over information about the country's assets. **NML Capital**, an affiliate of **Elliott Management Corp.**, is seeking the information as it attempts to collect on \$1.6 billion in judgments it has been awarded through U.S. courts. The review that the Supreme Court agreed to take on is separate from a higher-profile case that Argentina has said could force it into a new default.

## POLITICAL & ECONOMIC BRIEFS

### Kerry Asks Vatican to Help in Freeing Alan Gross

U.S. Secretary of State John Kerry said that he used part of his visit to the Vatican City earlier this week to ask for help in securing the freedom of Alan Gross, the U.S. government contractor who has been jailed in Cuba since 2009, *The Washington Times* reported Wednesday. "I raised the issue of Alan Gross and his captivity and we hope very much that there might be able to be assistance with respect to that issue," said Kerry, who met Tuesday with the Vatican's secretary of state, Archbishop Pietro Parolin.

### Officials Meet With Vigilantes in Western Mexico

Federal and state authorities in Mexico met Tuesday with vigilantes in Michoacán in an effort to cool tensions that have flared after the "self-defense groups" took over towns and disarmed local police in the western state, the Associated Press reported. In the talks Tuesday, the vigilantes did not agree to disarm, but Interior Secretary Miguel Ángel Osorio Chong said the government was offering police officer jobs to some qualified vigilantes.

### Colombia's FARC Presents Drug-Regulation Plan

The Revolutionary Armed Forces of Colombia rebels on Tuesday presented their plan to regulate drug production as part of their ongoing peace talks with the Colombian government, BBC News reported. The FARC, which uses money from drug trafficking to finance its activities, suggested that coca, poppies and marijuana be regulated, but said that prohibition and eradication are good options moving forward. The group suggested that farmers need to be enticed to grow other crops.

**Featured Q&A***Continued from page 3*

during which Mahmoud Ahmadinejad offered to help Bolivia establish a nuclear plant. Today, the Iranian government has other priorities. Morales also said he would work with France and

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“Morales' proposal has no connection with the reality of the country or the region...”

— *Jaime Aparicio Otero*

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Argentina to lay the foundation for his atomic energy plant. Immediately after this declaration, Michel Pinard, France's ambassador to Bolivia, declared that France didn't have nuclear projects in Bolivia. Morales' enthusiasm for this technology is unrealistic. Only three countries in the region—Mexico, Brazil and Argentina—use nuclear power, all under the 1967 Treaty of Tlatelolco, which forbids the use of nuclear energy for war. Lately, Brazil has decided not to continue building nuclear plants. It's commonplace in Latin America for populist leaders to try to exalt nationalistic sentiments by offering unrealizable plans (white elephants) that end up being simple anecdotes.”

**A** Iván Rebolledo, managing Partner at TerraNova Strategic Partners LLC and president of the Bolivian-American Chamber of Commerce: “In pre-electoral politics, everything is fair game. Over the past few weeks, President Morales has instituted the year-end double bonus, launched a communications satellite—Túpac Katari—with the help of China, assumed the presidency of the G77 + China at the United Nations, initiated the 'Mi Riego' (water irrigation) program and inaugurated Bolivia's first wind farm. All positive accomplish-

ments, but some with controversy due to very high financial costs. This New Year's announcement on the development of a nuclear energy program might seem more of the same pre-election posturing. Other countries in the region—Brazil, Mexico, and Argentina—have nuclear capabilities and power plants, but on a very limited basis with no foreseeable plans to expand their nuclear programs since natural gas seems to be a safer and better alternative. Bolivia, which has Latin America's third-largest proven reserves of natural gas, should obviously continue producing and exploring for more. However, with limited foreign direct

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“Natural gas seems to be a safer and better alternative.”

— *Iván Rebolledo*

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investment in this sector due to judicial and political insecurity, and with the government's failed round of exploration bids last year, progress in this area is precarious. Therefore, announcing a nuclear energy program might be to save face, no matter how far-fetched it truly is. Another aggravating factor, based on Israeli media reports, is that Bolivia and Venezuela might be supplying Iran with uranium for its nuclear program, which would obviously concern existing nuclear powers.”

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*Editor's note: The Advisor invited the Bolivian embassy in Washington to submit a commentary on this topic, but the embassy did not do so by our deadline.*

*The Energy Advisor welcomes responses to this Q&A. Readers can write editor Gene Kuleta at [gkuleta@thedialogue.org](mailto:gkuleta@thedialogue.org) with comments.*

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