



03/12/2009

Baker Institute conference examines different approaches to energy policy in Latin America

BY FRANZ BROTZEN
Rice News staff

The governor of the Mexican state of Veracruz encouraged an audience at the James A. Baker III Institute for Public Policy to consider investing in Mexico's energy sector, saying a new oil field in the Gulf of Mexico could dwarf earlier finds.

Delivering the keynote address at the Feb. 26 conference Energy, Policy and Politics: The Changing Energy Landscape in Latin America, Fidel Herrera Beltrán said the Chicontepec Basin contains four times the reserves of the Cantarell Field, which produced more than 2 million barrels of oil a day at its peak.

Other speakers at the daylong event outlined the diverse approaches Latin American governments have taken in dealing with energy. In addition to Mexico's energy policy, those of Brazil, Argentina and Venezuela were discussed.

David Mares, a Baker Institute Scholar for Energy Studies, explained that Brazil's energy policy has been made in the context of development policy under the current and previous administrations. Oil and gas production must benefit the Brazilian people. The model designed under former President Fernando Henrique Cardoso, and largely followed by his successor, President Luis Inácio Lula da Silva, is notable for its moderation, Mares said. It is committed to growth, balanced with limited efforts at privatization and tempered by the fact that each leader had to work under the constraints of a coalition government.

The future for Brazil, which has announced several huge deepwater petroleum discoveries in recent years, will be determined by the next administration's combination of privatization measures and nationalist tendencies, Mares said.

Rice political science professor Mark Jones underscored the strong role of the Argentine provinces in determining their country's energy industry profits. Governors and their party machines dominate politics in the hydrocarbon-rich provinces, Jones said. He cited examples from the provinces of Neuquén and Chubut, whose respective governors exercise significant influence over Argentina's energy policy. Approximately half of the country's oil and gas reserves are in these two provinces. Public policy in Argentina is generally based on a short-term vision on the part of political actors and thus will potentially change with every election, Jones said.

Ramon Espinasa, a consultant with the Inter-American Development Bank and a former chief economist with PDVSA, the Venezuelan state-owned oil company, described the downward trend in Venezuelan energy exports over the last decade. The trend accelerated with the antigovernment strike of 2002-03. Espinasa, who is also an adjunct professor at Georgetown University, attributed part of the drop to growing energy consumption inside Venezuela. But poor management of PDVSA's resources, Espinasa said, has made Venezuela's declining production irreversible.



GEORGE WONG

Fidel Herrera Beltrán, governor of the Mexican state of Veracruz, delivered the keynote address at the conference Energy, Policy and Politics: The Changing Energy Landscape in Latin America, held Feb. 26 at the James A. Baker III Institute for Public Policy.

The outlines of Brazilian, Argentine and Venezuelan energy sectors demonstrate the wide array of directions taken by Latin countries, said Laurence Whitehead, a senior fellow at Oxford University's Nuffield College. The Brazilian approach, he said, favored incremental change, while Argentina and Venezuela have opted for a more complete break with the past.

Paul Isbell, director of the energy program and senior analyst of the U.S.-Spain Relations Project at the Elcano Royal Institute in Madrid, echoed Whitehead's characterization of the Brazilian energy model. And like Brazil, Mexico "has been able to avoid violent swings" between privatization and nationalism, Isbell said. The question posed by the current economic crisis, he added, is whether it will force Mexico to abandon its long-held prohibition on foreign investment in PEMEX, Mexico's state-owned oil company, and adopt what he called a more pragmatic position.

The conference was co-sponsored by the Baker Institute's Latin American Initiative and its Energy Forum and the Americas Society/Council of the Americas.