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## **Region's Ministers Meet Under Plan Puebla-panama Banner To Avert Energy Crisis**

*by LADB Staff*

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The region's energy ministers met this month in Guatemala to confront spiking energy prices. Electricity and fuel costs have come to be regarded as threats to the stability of regional governments as these costs are passed on to an increasingly resistant public. Participants in the meeting represent the countries included in Plan Puebla-Panama (PPP), the megadevelopment scheme frequently attributed to Mexico's President Vicente Fox.

The logic of PPP is to integrate the region in matters of energy, transportation, tourism, and other common concerns. Whether PPP projects could, or would, result in decreased consumer costs remains problematic, but the slow-moving plan could get a boost by linking to this growing issue. Popular resistance has been one reason for the PPP's lethargic pace (see NotiCen, 2004-07-01).

The two-day meeting (June 9-11), announced by Guatemala's Ministry of Energy and Mines, was convened by the government as a function of the PPP's Iniciativa Energetica Mesoamericana, with the purpose of approving a Central American emergency energy plan. That plan, the Plan de Emergencia Energetico Centroamericano, was drawn up at an April meeting in El Salvador of representatives of the oil industry. The approved plan's final destination is the next meeting of presidents of isthmus countries in Honduras scheduled for late June 2005.

Energy-price hikes have recently been responsible for a chain of events in Nicaragua that have brought government to a standstill and may yet bring down the administration of President Enrique Bolanos. President Bolanos ordered an 11.85% increase to some electricity ratepayers. In El Salvador, the Superintendencia General de Electricidad y Telecomunicaciones (SIGET) announced a 5.5% increase, the latest and greatest in a series of semiannual increases that has been going on for the last two years. SIGET director Jorge Nieto said the increase would have been as much as 20% if the regulatory agency had not acted periodically.

Since the last increase in December 2004, the sector has been beset by greater demand brought about by hot weather, greater dependence on fossil-fuel generation, higher oil prices, and the loss of two generators, explained Nieto. Nieto compared El Salvador's latest increase to those of some neighboring countries. In round figures, he ticked off Nicaragua, 11%; Guatemala, 12%; and Costa Rica, 17%. In El Salvador, the issue that could touch off discontent is capacity rather than price. The price per kilowatt-hour to residential customers is just over half that of Nicaragua (US\$0.11 versus US\$0.20). The price increase for the average customer, using 250 kWh, who currently pays US\$28.13, will be US\$1.60.

The more pressing consideration for El Salvador is, said Nieto, that production is at near capacity, the offline generators are likely to stay that way, and the country needs a bountiful rainy season to

get more hydroelectric power into the system. That will not be available until December, if at all. Meanwhile the country has ceased to release reserve power into the international grid that is meant to become a centerpiece of PPP. The country has been using the reserve with increasing frequency lately. "In the short term," Nieto said, "a greater quantity of importation from Guatemala, Panama, and Costa Rica is foreseen."

Faced with these issues of price, supply, and swaps, the ministers and technical people at the Guatemala meeting, with advisors from such organizations as the Economic Commission for Latin American and the Caribbean (ECLAC) and the Sistema de Integración Centroamericana (SICA), came equipped with recommendations. Carlos Roberto Perez of SICA said the cheapest option would be to invest substantially in hydroelectric installations. He said Guatemala has great potential for this kind of development. This would come at a cost, say critics, of environmental degradation, pollution, and restricted river flows.

Guatemala's PPP commissioner Eduardo Rodas Marzaro said completion of the Mexico-to-Panama grid would lower costs. The meeting ended with agreement on several points which, taken together, formed a Plan de Emergencia Energetica (PEE). The PEE calls upon the presidents to send "a petition to the governments of Mexico and Venezuela to establish new formulas for fixing hydrocarbon prices in accordance with the Pacto de San Jose so that the region might get more favorable prices." It also calls for similar appeals to Brazil, Colombia, Ecuador, and Trinidad and Tobago. Brazil will also be asked to provide assistance in the production and utilization of biocombustibles as petroleum substitutes.

These arrangements, if successful, might lower overall costs, but are not essentially integral to PPP. Each of the countries committed to give tax and tariff breaks for the importation of more energy-efficient equipment. The PEE, when delivered to the presidents, will contain a staged series of actions and agreements to be taken over the short, medium, and long terms. El Salvador's Minister of Economy Yolanda de Gavidia said the PEE is aimed at "breaking the dependence on petroleum."

### *Help from outside, and Colombia wants in*

Observers from Brazil and Colombia were present at the meeting, making it probable that those countries will be well-disposed to the proposals that involve them. The Brazilian delegation suggested and explained the use of biocombustibles. Colombia asked for formal inclusion in the PPP. That country has participated in PPP meetings for more than a year. The request will be taken up at the Cumbre de Tuxtla, as the presidents' meeting is called, in Honduras. Colombia will participate at the summit, along with member states Mexico, Panama, Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, and Belize.

Mexico, a petroleum exporter as well as PPP founding country, quickly moved to ratify the PEE in a declaration by Mexican undersecretary of energy Carlos Garza Ibarra. Garza said his country would provide "institutional cooperation" and technical assistance. The PEE appears to have given the sluggish PPP a boost. Many of its projects have languished because of popular resistance to incursions into the manifold cultures and communities of the region (see NotiCen, 2002-11-14) and because of the tremendous cost of the projects.

El Salvador's PPP commissioner and vice foreign minister Eduardo Calix said the major obstacle has been the financing because the projects are so "expensive that, in one way or another, it is important that they be financed, either by private or mixed capital. In that sense, there are projects so big like the highways that only governments can do them." The energy grid may also be of that scale.

The interconnection is scheduled to go out for bid this year with Inter-American Development Bank (IDB) financing of US\$320 million. The project, however, still lacks the necessary rights to construct along the 1,860 km route. When built, it will have a carrying capacity of 300 megawatts. The cost of building the lines does not include the cost of generating electricity. Panama, for instance, has already invested US\$800 million in generation, transmission, and distribution. The state has received US\$630 million from partial privatization of the sector.

Officials estimate the state will require another US\$1 billion over the next ten years to continue development and meet future demand for the country, for the PPP grid, and for Colombia.

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