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Gas for Peruvians, Not for Exportation

Residents of the Cusco province of La Convención had to resort to an indefinite strike in protest against gas exportation from one of the nearby Camisea fields, the country's major gas reserves, to get the executive to respond to their demand to prioritize domestic demand for the resource.

On July 27, the eve of Peru's Independence Day holidays, La Convención residents initiated the indefinite strike to stop gas exportation from Camisea Block 88 to Mexico begun in June of this year and the construction of a second Transportadora de Gas del Perú (TGP) pipeline, which would destroy part of the natural sanctuary of Megantoni. The Cusqueños also objected to the high price of domestic gas, which goes for 40 nuevos soles (US\$14) a tank in the town of Kiteni and for as much as 70 nuevos soles (US\$25) in more isolated areas, while in Lima and the rest of the country the price is 35 nuevos soles (US\$12.50) per tank.

As if that were not enough, only 5.4% of residents of Echarate district, a few kilometers from the Camisea gas reserve, can afford to use gas for cooking. Almost 92% use firewood, according to data from the Instituto Nacional de Estadística e Informática (INEI). In the Cusco region, 32.2% of residents use gas, the rest use firewood.

However, Peruvian President Alan García, in his Independence Day address to the nation, claimed that "without the offer to export gas, no business would have invested US\$2.3 billion in the Camisea fractionation plants or in constructing the gas pipeline on the coast."

"Block 56 [from where gas is exported] was auctioned in 2004, after gas had already arrived in Lima, and the plant and pipeline had been developed, since Block 88 [which supplies gas for the local market] was awarded in 2000," Ochoa explained, adding that Camisea consortium figures indicate that the group obtained US\$6.2 billion in earnings in just six years of operations, more than twice its investment.

"This shows that the export project was never necessary to develop Camisea. If the president thinks differently, it is because of the work of business people and lobbyists who supported exportation and because of the bad advice from the Ministerio de Energía y Minas (MEM)," said Ochoa. "No gas should be exported from any Camisea Block as long as the needs of the local market are not met."

On July 31, the government declared a state of emergency in La Convención province and sent in some 400 troops to protect the infrastructure. The measure suspended constitutional guarantees related to personal freedom and security, the inviolability of the home, and freedom to meet and move about in the territory.

The measure exacerbated tensions among the people, and the protest turned violent on Aug. 4. Protesters toppled two TGP radio communications towers near Alto Itariato (Echarate district) and tried to take over and burn the company camp and airfield in the town of Kiteni. Campesinos also forcibly entered two camps, armed with machetes, damaging important infrastructure and equipment and disrupting area communications.

The police responded to the attacks with tear gas. The confrontation between campesinos and police resulted in more than a dozen people injured and the death of a 14-year-old boy, who died five days after being shot in the chest.

"We will continue the strike until the government sends a high-ranking committee that includes the prime minister and the ministers of energy and mines and environment," said Ricardo Gómez, secretary-general of the Federación de Campesinos de La Convención, in statements printed in La República.

Maximiliana Puma, of the Comité de Lucha de La Convención, said that "neither the government's abusive action nor the military maneuvers frighten us; on the contrary, they strengthen our position," according to the same press reports.

After a 14-day standoff, and following almost six hours of dialogue with authorities and leaders of Kiteni and Quillabamba in La Convención, the executive decided to lift the state of emergency and halt construction of a liquid-gas fractionation plant in Kepashiato. In addition, the government confirmed that gas from Block 88 would be used only for the southern areas of the country.

On August 18, the Cabinet approved a decree to allow the initiation of renegotiations with the Camisea Consortium (which includes the Argentine firm Pluspetrol, US firm Hunt Oil, Repsol of Spain, SK Energy of South Korea, Sonatrach, and Tecpetrol) to use Block 88 gas solely for the domestic market. The state-owned Perupetro must renegotiate the royalties paid for exporting Camisea gas.

Prime Minister Javier Valásquez Quesquén explained that the plant in Kepashiato will reduce the price of domestic gas to 33 nuevos soles (US\$11.70).

Reactions

Beltrán Serrano Sosa, president of the Comité de Lucha de La Convención, told La República that "the people, through their delegates who represent them on the committee, have given the government only a 30-day moratorium."

Nevertheless, government announcements did not change the decision of various organizations throughout the country—defense fronts, union federations, and campesino organizations—to carry out a Marcha de los Pueblos to Lima on Oct. 12 to raise their voice "in protest against the government decision to give away the natural resources of all Peruvians, like the Camisea gas."

The government measure was characterized by economist and La República columnist Humberto Campodónico as "a first step forward that will allow advancement toward the recovery of natural resources." But he added that "it remains very clear that in Peru there is no state energy policy and that this sector is the 'chacra' [small plot of land] of businesses. A true energy policy must establish the energy matrix that the country needs and prioritize a safe and dependable supply for the domestic market."

"The battle of Camisea is clear: prioritize the use of this natural resource to guarantee that it serves as a foundation for a National Energy Plan and opens the possibility of the petrochemical industry that places us in another national project. That means first meeting the needs of the southern macroregion and Peru before exporting, and rejecting the unacceptable attempt to sell gas at a price several times cheaper than what we Peruvians and our industries pay," argued leftist political leader Javier Diez Canseco in his column in La República.

The Camisea Consortium sells gas from Block 88 on the domestic market for US\$3.21 for each thousand cubic feet (Mcf), while it is billing gas for export at US\$0.53 per Mcf. When Peru's supply of gas is exhausted, it will have to buy at the import price, which currently is between US\$10 and US\$12 per Mcf.

Political debate

There is a long-standing debate regarding where the priority should be placed in the use of gas in the country. Those who contend that the priority must be to guarantee domestic demand also contend that there is not enough gas to supply the domestic market and at the same time export gas.

The natural-gas law (Ley de Promoción del Gas Natural), passed in 1999, requires that supply for the domestic market be guaranteed with proven reserves for a demand for a permanent horizon of 20 years. In 2005, the MEM passed a new law guaranteeing the supply of natural gas but eliminating the provision on the 20-year permanent horizon.

President García says that Peru currently has 15 trillion cubic feet (TCF) of recoverable reserves, of which only 4 TCF would be exported during the next 18 years. But the facts demonstrate the opposite.

A study commissioned by Pluspetrol in June 2009 indicates that natural-gas reserves in Blocks 56 and 88 are merely 8.7 TCF. Former energy minister Carlos Herrera Descalzi said at that time that the gas promised to national industries for five years was almost 8.7 TCF, that is, almost the entire amount of reserves.

"With these figures, it is clear that the export project never was viable with the real reserves and that, to make it viable, the country and the lending institutions were systematically lied to, inflating the amount of reserves," said Descalzi.

Former deputy Manuel Dammert said that García based his calculations on provable reserves, although these have a 50% chance of becoming proven reserves. Gas export cannot be decided taking as a basis provable and possible reserves, Dammert told reporters.

"We consider that the gas that supplies the south (Cusco, Puno, Arequipa, Moquegua, and Tacna) must be secure, durable, and as cheap as possible, and thus must come from the 8.8 TCF of gas from the duly proven reserves in Blocks 88 and 56," the Asamblea Nacional de Gobiernos Regionales said in a public statement.

Various experts noted that while the government has spoken regarding Block 88, it has said nothing about Block 56, which is dedicated to export, putting at risk the supply of gas for Peruvian industries and consumers.

For the expert Ochoa, the government does not need to renegotiate the contracts for the export of Camisea gas; it merely needs to enforce the Ley de Promoción del Gas Natural.

In May, Ochoa told reporters that the country has an unmet demand of between 700 million and 900 million cubic feet per day of gas, while the government had authorized the export of 600 million cubic feet.

For political analyst Martin Tanaka, what is at the heart of the controversy regarding the use of gas is a "political debate regarding development models that must be at the center of the platforms of candidates for regional, local, and presidential elections for this year [October] and the next."