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By Benjamin Witte-Lebhar

Just months after pledging to build a long-dreamed-about "Nicaragua Canal," the government of President Daniel Ortega is now turning its attention to another dizzyingly expensive megaproject: a Venezuelan-backed oil pipeline and refinery scheme called the Supremo Sueño de Bolívar (Bolívar's Supreme Dream).

Its dramatic moniker notwithstanding, there is little reason to believe South American independence hero Simón Bolívar (1783-1840) ever gave much thought to such a project. Venezuela did not begin producing oil in earnest until more than half a century after the "Great Liberator" passed away. The US$6.6 billion venture has, however, captured the imaginations of two of Bolívar's modern-day admirers: President Ortega, the veteran leader of Nicaragua's Frente Sandinista de Liberación Nacional (FSLN), and recently re-elected Venezuelan President Hugo Chávez. Their shared vision is to build an ocean-to-ocean pipeline and multipurpose Pacific coast refinery that would serve as a supply conduit for all of Central America—and beyond.

In July 2007, the two leftists made a show of laying the would-be refinery's ceremonial first brick. "Four or five years from now, we'll be bringing Venezuelan oil to the Pacific Ocean and Nicaragua won't have to import one more gallon of gasoline," Chávez told reporters at the time.

The Venezuelan leader's bold prediction proved to be more than a little off-base. Five years have passed, and, so far, neither the pipeline nor the refinery has been built. Even the much-heralded first brick proved to be useless: based on a recommendation by the French firm AXENS, project planners opted in the end to relocate the construction site. The refinery is now slated for the coastal area of Miramar, roughly 90 km west of Managua.

Clearly behind schedule, the multibillion-dollar dream has not, however, been abandoned. Backers of the project point to a pair of construction contracts signed earlier this year with the Chinese firm China Camc Engineering as proof that the venture is back on track. "We've moved past the planning stage," Francisco López, director of the partially state-owned oil company

Petróleos de Nicaragua (PETRONIC), told the pro-Sandinista news site El 19 Digital in late April. "We're already in the execution stage and getting ready for the construction part."

Three-step program

The Supreme Dream scheme received another momentum boost in September, when the Asamblea Nacional (AN) officially approved the government plan by a resounding 80-4 margin. The result was hardly a surprise. In recent months, the FSLN-dominated legislature has enthusiastically rubber-stamped each and every government bill sent its way. Nor was AN approval altogether necessary. PETRONIC, as its recent dealings with Camc Engineering demonstrated, had been moving forward with the venture even without the legislature's blessing. Nevertheless, the AN's largely symbolic thumbs-up has helped put the project back in the public eye and spread the word about its basic contours.

As the bill explains, the project is being developed by ALBA de Nicaragua, SA (ALBANISA), a private entity set up in 2007 to manage investment funds Nicaragua receives through its membership in the Alianza Bolivariana para los Pueblos de Nuestra América (ALBA) trade bloc. Other members of the Venezuelan-led ALBA include Cuba, Bolivia, and Ecuador, all currently under leftist leadership. ALBANISA is co-owned by PETRONIC (49%) and PDV Caribe (51%), a distribution subsidiary of Venezuelan state oil company Petróleos de Venezuela (PDVSA).

Step one will be to build the massive Miramar refinery. Plans for the complex—which would be far and away Central America's largest—also include a fuel storage and distribution facility and a liquefied petroleum gas (LPG) plant. FSLN Deputy Jenny Martínez, who chairs the AN's infrastructure committee, says the refinery could be completed in less than four years. Once in operation, it would be able to process 150,000 barrels of crude oil per day. One-third of that would stay in Nicaragua, covering all the country's consumption needs. The rest, say the project's backers, could be exported to other Central American countries.

The second phase of the project calls for a cross-country pipeline that would connect the refinery to a Caribbean port of entry. Construction on the pipeline is slated to begin in 2015. ALBANISA would eventually like to build a Pacific petrochemical plant as well, possibly starting in 2018. The project's developers predict that altogether the three phases would generate some 1,500 direct jobs plus an additional 15,000 indirect positions. Another 1,500 people would be needed to operate the complex once it is up and running.

"It's another step by the government to improve the country's economic situation," FSLN Deputy Xochil Ocampo told reporters.

Just another pipe dream?

Nicaraguans have heard this kind of pitch before, including in June, when the Ortega administration called on the AN to approve an even more behemoth undertaking: a "Gran Canal por Nicaragua" that promises to be longer, deeper, and—with its estimated US$30 billion price tag—significantly more expensive than its Panamanian counterpart.

Backers say the canal, like the pipeline/refinery scheme, would have a transformative effect on Nicaragua's economy, giving the tiny country a chance to finally pull itself out of poverty. Critics, however, question whether these pricey infrastructure projects are even feasible. The cost of the canal scheme is estimated at four times the country's GDP. How could Nicaragua possibly afford such a venture?

Skeptics point to a long list of lofty—and unfulfilled—project proposals to suggest that the canal and refinery schemes may soon fall by the wayside as well. "I'm still waiting for Chávez's Chinandega oranges," Edmundo Jarquín, a former presidential and vice-presidential candidate, told La Prensa. "When he placed that first brick for the Supremo Sueño de Bolívar refinery [in 2007], he announced that Venezuela was going to finance orange plantations, for export to Arab countries, all along Nicaragua's Pacific coast….He even outlined the route ships carrying the oranges were going to take."

Jarquín ran alongside Partido Liberal Independiente (PLI) presidential candidate Fabio Gadea in Nicaragua's November 2011 election. The two lost badly to Ortega, who finished with 62% of the vote even though Nicaragua's Constitution prohibits presidents from serving consecutive terms and limits at two the total number of periods a leader can serve. Ortega first won the presidency in 1984. Previously he served as head of the country's post-revolutionary governing junta. He won the presidency again in 2006.

Weighing costs and benefits

Ortega's political opponents are not the only ones poking holes in the Miramar refinery project. Environmentalists are sounding off as well, saying the massive industrial complex poses a serious threat to the coastal area's fragile ecosystem. "There's a risk of pollution, of degradation to the coastal resources of Miramar, Puerto Sandino, and other areas," Víctor Campos, director of the nongovernmental organization (NGO) Centro Humboldt, explained during a Sept. 12 press conference.

Among the species that could potentially be affected are four different types of shrimp, endangered sea turtles, and 64 different kinds of fish, according to the organization. Campos called on ALBANISA to simply scrap the project, particularly given the area's vulnerability to natural disasters such as earthquakes, tsunamis, and volcanic eruptions. This refinery, said Centro Humbolt energy expert Iris Valle, "would have a bigger environmental impact than any engineering project ever built in the country."

And yet, of all the megaprojects proposed in Nicaragua, the refinery and pipeline may be the one with the best chance of actually being completed. While progress has been slow, some work has been completed. A multimillion-dollar access road leading to the construction site has already been built. Camc Engineering has reportedly broken ground as well on a massive oil-deposit tank and submarine pipelines, which will eventually funnel crude oil into the refinery.

President Chávez's victory in last week's tightly contested Venezuelan presidential election gives the project a huge boost as well. Thanks to PDVSA, the Venezuelan government certainly has the resources to bankroll such a venture. It presumably has enough incentives to do so as well. Helping Ortega, one of Chávez’s most loyal allies, is one motivation. An even bigger draw, according to analysts, is China, to which Venezuela’s oil industry would have much more direct access.

"Chávez needs to focus on increasing his country’s level of oil production and investing in logistics for the future," Nicaraguan political analyst Arturo Cruz told the Nicaragua Dispatch. "This project is a no-brainer; it’s the perfect arrangement because Nicaragua is an ideological ally and the refinery will give Chávez strategic access to the Chinese market."