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How insecure is the Colombian oil sector?

Inter-American Dialogue's Latin American Energy Advisor

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Q and A: How Insecure is the Colombian Oil Sector?

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Colombian Energy Minister Mauricio Cárdenas said earlier this month that the FARC has stepped up attacks on oil and mining infrastructure in order to extort companies after changes to royalty distributions cut into the rebel group's finances. There have been more than 40 bombings in Colombia thus far this year, doubling the pace of recent years. What accounts for the rise in rebel attacks and where are they most prevalent? How serious of a threat are the attacks, extortion and kidnappings to Colombia's oil sector? What needs to be done to improve the security of the sector?

A: Luis E. Giusti, senior advisor at the Center for Strategic & International Studies and former chairman and CEO of PDVSA:

"The 'democratic security' policy implemented by President Álvaro Uribe during his eight years in power decimated the FARC forces and undoubtedly became the backdrop against which the confidence of the international community in Colombia has been restored, after decades of the country being a pariah. As a result, FARC nowadays cannot control large extensions of territory, but the current force of several thousand can still create security problems. Spurred by this new landscape, the oil industry in Colombia has flourished, despite occasional bombings and kidnappings, and President Juan Manuel Santos has continued to fight the war against the FARC. It is difficult to pinpoint the reasons for the most recent escalation of attacks. It is well known that FARC operatives blend into rural communities and can become mimetic, which makes it difficult to exterminate them. It is indeed possible that some of them take sides with their particular communities in the dispute about distribution of royalties. However, I believe the main reason for the step-up of the attacks more likely has to do with a higher concern: the desperation of a movement that has seen its most important leaders fall under the boot of the Colombian army, that fears it may be fading out and that would like to have a stronger position in their hopes, justified or not, for an eventual peace dialogue. FARC attacks can happen anywhere, but for obvious reasons they are more likely in remote operational areas like Putumayo, Llanos Orientales, Arauca and Catatumbo."

A: Ana Maria Cubides, consultant at IPD Latin America:

"When Juan Manuel Santos took office, he claimed that the end of the civil conflict was near, the FARC and other illegal armed factions had been weakened and recent terrorist acts were a last

desperate act. The FARC has clearly stepped up its military campaign, and the oil industry has taken the brunt of it. But this is not an indiscriminate campaign. The FARC has focused its attacks on key oil infrastructure targets and Ecopetrol, as it seeks to send a message to the government, prove it is still a credible force and destabilize and weaken Santos' image. It is unlikely that this renewed offensive will reach previous levels of violence. Colombia's military forces are now more prepared to respond to any terrorist actions and exercise control over key areas that the FARC has already lost. But there are still some hot areas where the FARC is in control, which the oil industry must evaluate carefully. These include departments along the Ecuadorean and Venezuelan borders (Nariño and Putumayo; Arauca and Norte de Santander, respectively), as well as Caquetá in the southern part of the country. Today, the oil and gas industry's greatest security risk is extortion; however, if a company immediately involves state security forces, such threats can be dealt with promptly. Kidnapping is unlikely, but security threats should not be underestimated. Companies should adhere to strict security protocols and maintain close relations with nearby state security forces. Companies should also understand the role of strong social programs in their security strategy. Today, an oil company's first line of defense is the local community. If local inhabitants are happy, they will likely protect the company from illegal armed groups."

A: Roger Tissot, member of the Energy Advisor board and independent energy economist:

"Following the success of the 2004 petroleum reforms, Colombia's oil production nearly doubled. Under the current concession model, private oil companies are in charge of their own operations. The expectations of the local population, and petroleum unions, increased with the higher level of activity. On the other hand, the diversity of approaches by companies vis-à-vis community and labor relations has caused some resentment with the local population. Communities in oil producing areas, where the FARC has historically been strong, are disappointed by the recently approved royalty distribution scheme, which they see as a 'grab' by the Bogotá political elites. Second, local populations would like to have more access to jobs and economic opportunities derived from oil activity. The FARC seems to be using that discontent to recuperate lost territorial and political ground in oil producing areas. However, contrary to the ELN, which in the 1980s and 1990s made the oil industry a political target, the FARC has usually seen the oil sector as just a source of income, secondary to its narco-trafficking activities. Despite having been significantly weakened after nearly a decade of relentless military attacks, the FARC still retains strong combating capabilities. If they were to gain support from the local population in addition, something they have been losing in recent years, and make oil a political target as the ELN did in the 1990s, one could fear a significant deterioration of the security situation for oil companies in Colombia. To reach and maintain the very ambitious 1 million barrel-per-day objective, much more exploration activity will need to take place and transportation capacity will need to be added. Despite great efforts from the armed forces, it is impossible to guarantee the safety of the entire infrastructure without the support of the local population. To ensure their support, the government must address their numerous claims and oil companies must ensure that communities are also direct beneficiaries of their activities through

jobs, capacity building programs and by maintaining a proper consultation program that is not limited to informing companies plans' but also ensuring that communities concerns are properly addressed."

The Energy Advisor welcomes reactions to the Q&A above. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org with comments.