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# Are Conflicts Hampering Per's Energy and Mining Sectors?

Inter-American Dialogue's Latin American Energy Advisor

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***Q and A: Are Conflicts Hampering Peru's Energy and Mining Sectors?***

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**There are currently 200 conflicts over natural resources in Peru, particularly in rural areas where residents complain extractive projects are destroying their lands and that they are unlikely to see many of the economic benefits, Reuters reported May 2, citing Peru's human rights office. Those conflicts threaten to derail investments totaling some \$40 billion over the next decade, according to the report. Are these tensions likely to crimp Peru's energy and mining sectors? Which types of projects face the most strident opposition? How should the next president handle such situations? How would Ollanta Humala and Keiko Fujimori differ in their approaches to the conflicts?**

**A: Aaron Goldzimer, consultant in international development and environmental issues:**

"Over the last five years, the Garcia administration has propelled Peru toward an unprecedented boom of uncontrolled natural resource exploitation. Nearly 100 oil and gas contracts—together with plans for 52 dams, half a million hectares of agrofuel plantations and thousands of kilometers of highways—now cover virtually the entire Peruvian Amazon, superimposed over indigenous and other communities, protected areas, and reserves for uncontacted indigenous peoples. These large scale, simultaneous projects are usually uncoordinated and lack adequate planning and regulation. One controversial highway across the Peruvian Amazon to Brazil was not even finished before planning began for a gigantic hydroelectric dam that will flood it (again, in order to provide electricity to Brazil). The public has little information or involvement. Few of the plans even originate in Peru. Many, in fact, respond to the needs of Brazil for additional sources of electricity or access to the Pacific. It is little wonder, then, that the conflicts generated by all of this end up creating risk that undermines investment. There needs to be comprehensive reform. Currently, ministries in charge of each sector (energy/ mining, agriculture, transport) promote investment without regard to environmental or social factors or even each other's plans. The Environmental Ministry has relatively little political weight, financial resources or legal authority. At the very least, there needs to be legal and regulatory reform that requires prior informed consultation and 'best practices' in the production of environmental impact assessments and development of projects. Neither candidate has said much concerning these issues. From Keiko, one can expect more of the same—while, interestingly, Humala's leftist, nationalist and anti-imperialist tendencies will

run up against his new Brazilian-inspired image and mentors, given that many of the most controversial planned projects (including 6200 megawatts worth of hydro dams) serve Brazilian interests."

**A: Carlos Herrera Descalzi, former Peruvian minister of energy and mines:**

"The presidential candidates understand that social conflict delays economic growth. However, they don't appear to be aware of social conflicts' importance to mining investment and therefore on capacity of maintaining current rates of growth of Peru's economy. Keiko Fujimori and Ollanta Humala converge in the need to link social improvement and economic growth. Both candidates now offer social programs and are aware they must keep and even increase investment rates. Their differences lie on priorities and intensities. Fujimori's plans include windfall taxes along with mining and improvements in social programs as a way to support economic success. Humala improved his economic plan, as to ensure that economic resources will be available to support his social program; his mining windfall tax proposal is designed to keep Peru attractive for mining investment. In exchange, he wants the government to assume its obligation of caring for social needs in order to mitigate conflict. Both candidates need to gain the trust of more than half the voters, whose main concern is economic growth. Both candidates arrived to second round because of the support of the poorest voters. Humala prevails largely in areas with mining social conflicts. He is then in a better position to deal with conflicts, initially and later."

**A: Gregor MacLennan, Peru program coordinator at Amazon Watch:**

"The García government has pushed a massive expansion of extractive projects in some of the most remote areas of Peru without sufficient regard to human rights and the environment. Indeed, the government has consistently tried to weaken existing legislation on the environment and indigenous rights in order to 'promote development.' The environmental impacts of extractive projects threaten local communities' access to food and clean water, and they see few of the financial benefits. Often their only means of participation in the political process and opposing a project is through public protest and strikes. Peru's Amazon rainforest is one of the most bio-diverse places on the planet and home to hundreds of indigenous communities who depend upon the health of the forest for their ongoing survival. Ignoring their opinions, their rights, and their visions for their own development will create ongoing problems and risks for any investors in Peru. In order to curb social conflicts in Peru, the next president must fulfill Peru's obligations under international law and promulgate the Consultation Law, passed by Congress more than a year ago, and apply it to other legislative processes such as the Forestry Law and Environmental Services Law. Indigenous peoples through the Amazon and Andes need to participate in the decisions and benefits of Peru's development. The government also needs to seek genuine dialog with social movements rather than responding with force, and drop the hundreds of politically motivated charges against indigenous and social movement leaders which preclude any meaningful dialogue."

**A: César Gutiérrez, director of utilitiesperu.com in Lima:**

"The June 5 presidential election between Ollanta Humala and Keiko Fujimori will be remembered as one in which few commitments of substantial changes were offered. Humala has been concerned about appearing moderate, in search of the votes that could make him president. That is because in our country, interest groups' media campaigns have internalized the idea that if he wins office, it would be to investors' chagrin, leading them to withdraw from the country. I do not at all share that view and I consider the passivity of the political class to that fallacy irresponsible, even if it benefits businessmen from the extractive industries, which are the subject of constant questioning. It is incubating a sentiment of rejection among the rural population, which will trigger traumatic measures that will occur sooner rather than later. The 30 percent of voters who supported Humala in the first round saw him as a defender of their rights. In nine southern provinces, which are the provinces most affected with regard to the hydrocarbon and mining projects, Humala won close to 50 percent of the vote. That was a vote against the establishment. My impression is that whoever wins the second round will not make significant changes. The sentiment is disappointment and worry."

*The Energy Advisor welcomes reactions to the Q&A above. Readers can write editor Gene Kuleta at [kuleta@thedialogue.org](mailto:kuleta@thedialogue.org) with comments.*