9-18-2015

Legislature Calls for State Control of Peru’s Largest Oil Block

Elsa Chanduvá Jaña

Follow this and additional works at: https://digitalrepository.unm.edu/notisur

Recommended Citation
https://digitalrepository.unm.edu/notisur/14366

This Article is brought to you for free and open access by the Latin America Digital Beat (LADB) at UNM Digital Repository. It has been accepted for inclusion in NotiSur by an authorized administrator of UNM Digital Repository. For more information, please contact amywinter@unm.edu.
Legislature Calls for State Control of Peru’s Largest Oil Block

by Elsa Chanduví Jaña
Category/Department: Peru
Published: 2015-09-18

Peruvian lawmakers have again rallied against an executive initiative, this time by challenging a decision to award Canadian company Pacific Exploration & Production Corporation a contract to operate and develop Lot 192, the country’s biggest oil block.

Congress ordered that the contract be given instead to the state oil company Petroperú—for a period of 30 years. Petroperú’s current activities include the distribution, refining, and sale of petroleum derivatives. The vote took place Sept. 3. President Ollanta Humala has 15 days to decide whether to enact the congressional decision.

The last such challenge to the executive occurred in late January, when Congress voted to repeal Ley 30288, which created a special labor regimen that scaled back rights for young workers (NotiSur, Jan. 16 2015, and Feb. 27, 2015). In that case, Humala bowed to legislative pressure and, exactly one day later, signed the annulment of the law.

On Aug. 21, Perupetro, the state agency in charge of promoting, negotiating, signing, and overseeing hydrocarbon concessions in Peru, reported that Pacific Exploration & Production Corporation had won its bid to operate Lot 192, in the Loreto Amazonian region. It said the Canadian firm would operate the block for two years and invest some US$40 million. Petroperú decided, in this case, not to exercise its right to take a minority stake in the venture.

Perupetro also said that, once the two-year contract expires, a new international bidding process would take place. The previous extraction concession for Lot 192, held since 1985 by the Argentine company Pluspetrol Norte, expired Aug. 29.

Speaking to Congress, Prime Minster Pedro Cateriano defended the decision not to give Lot 192 to Petroperú by arguing that the state company has neither the technological equipment nor the trained personnel to develop and exploit the site. He also pointed to Article 6 of the Ley de Modernización de la Refinería de Talara (Ley 30130), passed in 2013, to note that Petroperú is prohibited from participating in new hydrocarbon investment projects until it finishes upgrading the Talara oil refinery in the department of Piurña, in northwestern Peru. Ley 30130 established the Talara project as a national priority because of concerns regarding air quality and public health.

Energy and Mines Minister Rosa Ortiz also defended the decision before Congress, saying that Petroperú lacks the technical and financial ability to handle oil production at this time. To underscore the point, she cited the international consultancy group Wood Mackenzie, which was contracted by the Peruvian state to help reorganize Petroperú and develop a 15-year corporate strategy plan. Wood Mackenzie recommended that the state company wait until after 2020 before getting involved in exploration and exploitation work.
Applying popular pressure

News that Lot 192 would be turned over to Pacific Exploration & Production Corporation caused an uproar among Loreto residents who had insisted that the site, which accounts for 17% of the country’s total oil output and has proven reserves of nearly 135 million barrels, be given to Petroperú.

Américo Menéndez, president of the Frente Patriótico de Loreto, announced that the region would launch a general strike to protest the decision and pressure the executive into asserting state control of the valuable oil block. The regional government, along with groups such as the Federación de Comunidades Nativas del Alto Tigre (FECONAT) and the Federación de Comunidades Nativas del Corrientes (FECONACO), promised to join the work stoppage.

Together, on Aug. 25, they carried out a 24-hour strike and held demonstrations in which an estimated 70,000 people participated. In Lima, the Confederación General de Trabajadores del Perú (CGTP) and other organizations took to the streets in solidarity with the people of Loreto. Demonstrations also took place in some of the country’s interior cities. "Neither the executive nor Congress has any interest in our proposal to hand operation of Lot 192 over to Petroperú," Menéndez told reporters. "We’re worried about the loss of tax revenue and the pollution that the company awarded the wells might cause."

Shortly afterward, on Sept. 1 in Lima, indigenous leaders from the Pastaza and Corrientes river valleys met in Congress with representatives from the Humala administration, including Ortiz and five other Cabinet ministers. After four hours of discussions—in which Prime Minister Cateriano did not participate—the sides failed to reach an agreement. Menéndez told the press that the talks broke down because the government refuses to give the region additional funds to pay for pending construction projects. "It’s unfair that we aren’t getting what we need to invest," he said.

Refusing to be ignored

Residents in Loreto’s seven provinces held another strike Sept. 2-3, blocking highways, canceling classes in school, and bringing commerce to a standstill. Not all the people who joined the strike did so specifically because of the Lot 192 issue. Members of the Urarina, Achuar, and Kichwa indigenous communities occupied the Trompeteros airfield and closed all the valves at the Pavayacu pumping station, which is part of Lot 8 (in the Corrientes river valley). Lot 8 has been operated by Pluspetrol since 1996. The protestors managed to shut down 11 Pavayacu wells as a way to demand land titles and environmental remediation.

This is not the first time the government has faced demands from the indigenous communities of Loreto. In May, it began prior-consultation exercises with Quechua, Achuar, and Kichwa groups in the Pastaza, Corrientes, and Tigre river valleys regarding business terms and future relations with the next Lot 192 operator.

Community members, based on previous experiences vis-à-vis the oil block, operated at the time by Pluspetrol Norte, raised a number of social and environmental concerns. In late August, the government declared unilaterally that the consultation process had come to an end, despite a clear interest by the 25 communities involved in continuing the talks. The communities, represented by four federations, felt that the government had not fully listened to their concerns regarding the social and environmental effects of 45 years of oil-industry activity in the region.
Answering the call

The people of Loreto, who were in the midst of their strike when Congress voted to award control of Lot 192 to Petroperú, celebrated the decision. With 71 votes in favor (including votes from backers of the Humala administration), 10 against, and 12 abstentions, Congress officially authorized Perupetro—pending evaluation and through direct negotiations—to award the Lot 192 hydrocarbons extraction contract to Petroperú.

"We hope that with this initiative we can settle the problems of the indigenous communities. The development of these communities was left unresolved because the Ministerio de Energía y Minas ended the prior-consultation process," said left-wing lawmaker Verónica Mendoza.

During the debate in Congress, it became clear that the consulting firm Wood Mackenzie recommends an exploration and extraction plan for Petroperú, which was excluded from crude-oil extraction starting in the 1990s, amid a wave of privatizations in the country.

Carlos Herrera Descalzi, a former minister of energy and mines, told members of the press that President Humala ought to enact the law approved by Congress because it doesn’t necessarily represent a breach of contract with Pacific Exploration. Speaking along the same lines, Humberto Campodónico, a former Petroperú president, said that the congressional decision regarding the contract with Pacific Exploration & Production Corporation is common practice in the oil industry.

The law approved by Congress "represents a triumph for all sectors of the Peruvian people who want energy development that involves full participation by the state and its state company," Campodónico wrote in a column published by the daily La República. "By the same token, it is a big blow to the neoliberal right, which seeks to consolidate private interests in this strategic sector under the ‘free market’ banner," he added.

Leftist congressperson Manuel Dammert said that Congress, in the event that President Humala doesn’t sign off on the law, has the power to force its enactment. He said that a majority in Congress is willing to override the president, and, if it should come to that, the decision would be a historic step in defense of Peru’s energy sovereignty and security.

-- End --