A WEEKLY PUBLICATION OF THE LATIN AMERICA ADVISOR

THEDIALOGUE

Energy Advisor

www.thedialogue.org

May 2, 2025

FEATURED Q&A

How Has Mexico's Power Sector Fared Under Sheinbaum?

Mexican energy regulators will hold an auction for power generation projects later this month. The government of President Claudia Sheinbaum passed legislation strengthening state-run CFE's role in the power sector last October. // File Photo: photopixel via Adobe Stock.

Q **Mexico's government will open a power sector auction later this month for five natural gas plants and two solar facilities with a total generating capacity of 3.4 gigawatts, Energy Secretary Luz Elena González announced April 9. It will mark the first request for power sector projects available to the private sector since Mexico's government implemented constitutional changes to the role of state-run energy firms late last year. What level of participation is expected from private companies in the upcoming power sector tender? To what extent is the upcoming auction a test of Mexico's new energy landscape in the wake of Sheinbaum's reforms? How has the outlook for renewable energy changed in recent months in Mexico, relative to that for oil and gas?**

A **Marina Pera, analyst at Control Risks in Mexico City:** "Limited energy capacity is one of the highest operational risks for companies and one of the main challenges in attracting investment to Mexico. With this in mind, the Sheinbaum administration launched a series of auctions for the energy sector, including natural gas, solar and electric energy generation projects. These auctions are in line with 'Plan México,' Sheinbaum's long-term socioeconomic development plan. In addition to attracting investment to manufacturing hubs such as Nuevo León, Coahuila, Guanajuato and Jalisco, the auctions aim to strengthen energy infrastructure in other regions as well, such as Baja California Sur and Yucatán. Private sector participation will be allowed. The government is aware that state-owned companies do not

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TOP NEWS

OIL & GAS

Petrobras Wants More Chinese Investment: CEO

Brazil's state-run oil firm, Petrobras, is seeking Chinese investment in the offshore oil sector, CEO Magda Chambriard told reporters this week.

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OIL & GAS

Venezuela Diluting Crude as Export Markets Shift

Venezuelan oil firm PDVSA is marketing a medium grade of crude oil as it attempts to find new export destinations amid tensions with the United States.

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RENEWABLES

Haddad Seeking Data Center Investments

Brazilian Finance Minister Fernando Haddad is scheduled to travel to California this weekend in a bid to convince technology firms to build more data centers in Brazil. Brazil's renewables-heavy power grid will be a central part of Haddad's pitch to investors.

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Haddad // File Photo: Brazilian Government.

OIL & GAS NEWS

Petrobras Seeking Chinese Investment in Offshore Oil: CEO

Brazilian state-run energy firm Petrobras is actively seeking new Chinese investments in the offshore oil and gas sector, the company said in a statement on Tuesday, Reuters reported. Petrobras CEO Magda Chambriard and Rui Costa, Brazilian President Luiz Inácio Lula da Silva's chief of staff, met with Chinese business and government officials in Beijing on Monday, the company announced. Petrobras is specifically seeking new investments in shipyards to support an expansion of offshore oil and gas production, according to Reuters. "We understand that there are opportunities for Chinese companies to work in partnership with

China acocunted for 44 percent of Brazil's crude oil exports in 2023.

Brazilian shipyards, and believe that increasing our cooperation would bring benefits to our countries," Chambriard said in Tuesday's statement to the press, the wire service reported. Petrobras views China as a vital partner and export market amid volatile oil markets and geopolitical uncertainty, Chambriard told Bloomberg News in an interview in February. China is the leading destination of Brazil's crude oil exports; China imported more than $20 billion worth of crude oil from Brazil in 2023, 44 percent of total oil exports that year, according to data from the Observatory of Economic Complexity. Petrobras plans to expand crude oil production at the Búzios field in the Santos Basin—the second-most productive oil field in the country—by around 200,000 barrels per day by the end of this year, Valor Econômico reported last month. The state-run oil firm plans to commission 25 new ships to support the offshore oil industry's operations by 2030, according to Reuters. In addition to developing existing fields in the Santos and Campos basins in southeastern Brazil, Petrobras hopes to launch large-scale commercial production from the northern Equatorial Margin offshore block by the end of the decade. [Editor's note: See related **Q&A** in the April 11 issue of the Energy Advisor.]

Venezuela's Crude Exports Fall by 20% as Firms Wind Down

Venezuela's crude oil exports declined by approximately 20 percent in April year-over-year as foreign companies prepare for the expirations at the end of this month of their authorizations to operate in the country, Reuters reported Thursday, citing shipping data and company documents. Venezuelan oil exports averaged around 700,000 barrels per day in April, according to the wire service. Last month, Venezuela's state-run oil company, PDVSA, canceled a number of scheduled cargoes assigned to U.S. oil major Chevron, with which it operates three active production ventures, Reuters reported. The administration of U.S. President Donald Trump has set a withdrawal deadline of May 27 for Chevron, which has operated in Venezuela under a sanctions waiver license from the U.S. Treasury Department since 2022, and at least four other firms, Bloomberg News reported. PDVSA began turning Chevron's oil tankers away last month due to payment uncertainty relating to U.S. sanctions enforcement, Reuters reported. Chevron's production in Venezuela accounted for about 33 percent of national oil output as recently as January, when total crude exports were more than 800,000 barrels per day, according to the wire service. While U.S.-bound oil exports from Venezuela fell by approximately 50 percent in April, Venezuela's crude oil exports to China were largely unchanged at around 425,000 barrels per day. Venezuelan Vice President Delcy Rodríguez said last month that PDVSA was actively seeking alternative destinations for oil exports previously earmarked for foreign oil companies, the wire service reported.

NEWS BRIEFS

Atlas Opens 200-MW Battery Facility in Chile

Miami-based Atlas Renewable Energy began commercial operations at a 200-megawatt battery energy storage system (BESS) facility in northern Chile on April 24, news site Renewables Now reported. The opening of the BESS facility, which is located next to Atlas' separate 244-megawatt Sol del Desierto solar energy farm, represents more than one-fifth of Chile's government's target for new battery storage installations, Energy Minister Diego Pardow said last week at the BESS project's inauguration ceremony, the news site reported.

Shell Exits Offshore Gas Exploration Projects With Colombia's Ecopetrol

Dutch oil major Shell will divest from three offshore natural gas blocks in Colombia that it was exploring alongside state-run Ecopetrol, the companies announced on April 24, Reuters reported. Ecopetrol still intends to develop the fields off of Colombia's Caribbean coast, at which natural gas production is expected by 2031 at the earliest, it said in a statement, Reuters reported.

Venezuela Marketing New Blend of Crude Ahead of Foreign Firms' Exits

Venezuelan state-run oil firm PDVSA is increasing its production of a medium-grade blend of oil as it tries to maximize revenue from ventures with multinational firms that are set to expire at the end of May, Reuters reported on April 23. PDVSA is attempting to make its export products more attractive to refiners in Europe and Asia, which are more accustomed to medium-grade oil, Reuters reported. PDVSA's standard heavy-grade crude is best-suited for its traditional export destinations at refineries located along the Gulf Coast of the United States.

Chevron's activities in Venezuela represent the most substantial multinational involvement in the country's oil and gas sector; four other firms—Spain's Repsol, France's Maurel & Prom, Italy's Eni and India's Reliance Industries—also have operations in Venezuela that must wind down by the end of this month. [Editor's note: See related **Q&A** in the March 28 issue of the Energy Advisor.]

Earthquake Damages Ecuador's Largest Oil Refinery

Ecuadorean state-run oil firm Petroecuador on Wednesday declared a state of emergency at the country's largest oil refinery after discovering damage caused by a recent earthquake, Reuters reported. On April 25, a 6.3-magnitude earthquake struck near the Esmereldas refinery, which has a processing capacity of 110,000 barrels per day of crude oil, the wire service reported. The Esmereldas refinery accounts for around one-third of Ecuador's daily oil refining capacity, according to data from the International Energy Agency. The epicenter of the earthquake on April 25 was located less than 20 miles away from the refinery, according to the U.S. Geological Survey. At least 20 people were injured in the earthquake, Reuters reported. Petroecuador officials said in a statement on Wednesday that they do not expect national fuel stock or oil exports to be affected by the emergency repair work at the refinery, the wire service reported.

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have the capacity or resources to manage all the projects and will count on private sector participation to offload the costs of operations and investments that it cannot bear alone. Sheinbaum and Energy Secretary Luz Elena González have said on several occasions that the private sector will be a key ally in the energy transition, suggesting a greater involvement in renewable energy projects. The oil and gas sector will remain strong under Sheinbaum, as she is committed to continuing the legacy of former president Andrés Manuel López Obrador and strengthening Pemex's prominence in the sector. At the same time, Sheinbaum will promote the investment in and the development of renewable energy, with a particular focus on natural gas and solar power, as the auctions show. These intentions distinguish her energy policy from that of AMLO."

> **"The government ... will count on private sector participation to offload the costs of operations and investments that it cannot bear alone."**
>
> **— Marina Pera**

A **Larry Pascal, partner, and Carlos Alva, associate, both at the International Practice Group at Haynes Boone:** "Private sector participation in the projects to be tendered this month is still uncertain, as CFE could still decide to develop the projects by itself. However, it is expected that CFE will decide to include private sector participation for the projects to reduce costs and risks, although SENER did not mention in its public communication the locations of the projects, or the investment amount required. Private sector participation will largely depend on the provisions of the bidding rules and contract structure that CFE uses for its 'Mixed Development' structure (for example, whether or not the Mexican government contributes capital to the project). The bids are an outgrowth of the national energy policy, which seeks to increase power production in order to achieve the 2030 power generation goals established in the 'Plan México' strategy, which aims to reach energy self-sufficiency. To achieve such goals, CFE will likely need some private investment. Recently, Pemex announced its intention to enter into association contracts with private companies in July for the development of oil fields to increase oil production. The foregoing is a positive sign that the government is trying to address Mexico's current energy challenges. Nevertheless, it will be important to see how

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RENEWABLES NEWS

Brazil Reportedly Eyes Tax Breaks for Data Centers

Brazil's government plans to offer significant tax breaks to technology firms looking to build data centers in the South American country, four sources close to the matter told Reuters Monday. Brazilian Finance Minister Fernando Haddad plans to travel to Silicon Valley in California beginning on Friday in order to pitch data center investments to tech executives, the sources said. Brazil's finance ministry estimates that by exempting firms from most income taxes and import duties, Brazil could attract $352 billion in investment in data centers by the mid-2030s, Reuters reported. Non-IT investments, including the construction of physical data center facilities and any associated energy infrastructure, would not be exempt from federal taxes under the government's plan, according to the wire service. The four government sources told Reuters that they expect the tax exemption plan for tech firms to result in a net boost to the bottom line of Brazil's federal budget. Haddad intends to highlight Brazil's renewables-heavy electricity supply as he seeks investments in power-hungry data centers in his meetings this week and next, the wire service reported. Hydroelectric power, solar power and wind power account for more than 80 percent of Brazil's annual electricity generation, according to data from the International Energy Association. Last year, solar energy became Brazil's second-leading power source behind only hydropower, domestic solar industry advocacy group ABSOLAR announced in a report earlier this year. [Editors' note: See related Q&A in the Feb. 7 issue of the Energy Advisor.]

POLITICAL NEWS

Colombian Rebels Recruiting Youths Via Social Media: Official

Colombian rebel groups are using social media platforms such as Facebook and TikTok to recruit youths, a United Nations official told the Associated Press in an interview published Wednesday. Scott Campbell, the top U.N. human rights official in Colombia, also called on social media companies to increase efforts at content moderation. "These companies are not putting enough resources into online content moderation in the global south," Campbell told the wire service. Social media companies make greater efforts at moderating content in the global north, where they face more political pressure to do so, he added. Campbell, a former technology and human rights specialist at the United Nations' office in Geneva, said he recently met with representatives of Facebook owner Meta, which he said vowed to work on the issue, and that he is seeking a meeting with representatives of TikTok. Meta told the AP in an email that it bans terrorist organizations from using Facebook and that it works with law enforcement agencies to fight criminal groups efforts to recruit children. "We also collaborate with other companies to share information and take actions against these evolving threats across the Internet," Meta said, the AP reported. In a separate email, TikTok told the wire service that it has guidelines that bar violent and hateful organizations from using its platform and that it works with Colombian police as well as the country's army to close accounts that violate its community guidelines. Colombian rebel groups last year recruited 409 children under the age of 18, according to Colombia's human rights ombudsman, the AP reported. That figure was twice the number of children recruited in 2023. Rebel groups' increased recruitment of children has come as President Gustavo Petro has sought talks and peace deals with rebel groups under his "Total Peace" policy. While the 200-member Comuneros del Sur rebels agreed in early April to start handing over explosives was promising, Petro's peace efforts have had shortcomings, Laura Lizarazo, associate director for the Andean region at Control Risks, told the daily Latin America Advisor in a Q&A published April 22. "Constant backtracking, improvisation, miscommunication and contradictions within Petro's own cabinet undermined the credibility

ADVISOR Q&A

Will the U.S.-China Trade War Be a Boon for Brazil's Farmers?

Q **Top Brazilian and Chinese agricultural officials met in Brasília in mid-April to discuss ways to increase Brazilian agricultural exports to China, the South China Morning Post reported. The talks focused on ways to address gaps caused by U.S. tariffs, Brazilian officials said. How will U.S. tariffs and the trade war between the United States and China affect agricultural exports between Brazil—as well as other Latin American countries—and China? Who would benefit from increased agricultural ties between Latin America and China? How would stronger Latin America-China agricultural ties affect farmers in the United States?**

A **David L. Ortega, professor and Noel W. Stuckman Chair in Food Economics and Policy at Michigan State University:** "The ongoing trade war and escalating tariffs between the United States and China are driving a major realignment in global agricultural trade—one that increasingly favors Brazil and other Latin American exporters. As both countries impose steep, triple-digit tariffs that threaten to sever bilateral trade, China is accelerating efforts to diversify its agricultural supply chains, particularly for key commodities like soybeans. Since the 2018-2019 trade conflict, China has steadily deepened ties with alternative suppliers, easing its reliance on U.S. imports. Brazil has emerged as the primary beneficiary, though Argentina, Paraguay and Uruguay are also well-positioned to capitalize on China's growing demand for grains and meat. During the previous trade war, Brazil significantly boosted its agricultural exports to China, stepping in to fill the gap left by U.S. producers. Today, China's deepening engagement with Latin America—through expanded market access and joint agricultural initiatives—is strengthening these partnerships. For U.S. farmers, this renewed conflict is a stark reminder of recent economic hardships. The first trade war resulted in over $25 billion in lost exports, reduced crop acreage and substantial government subsidies that provided temporary relief—at taxpayer expense. Today, however, the stakes are even higher. While China can more readily pivot to alternative suppliers, U.S. farmers face shrinking export opportunities, intensifying pressure on already tight margins, and mounting uncertainty. These tariffs risk inflicting lasting damage on the competitiveness and resilience of American agriculture."

EDITOR'S NOTE: More commentary on Brazil-China agricultural ties appears in the Q&A of Tuesday's issue of the daily Latin America Advisor.

NEWS BRIEFS

Russian Foreign Minister Meets With Counterpart in Dominican Republic

Russian foreign minister Sergey Lavrov on Wednesday visited the Dominican Republic, where he met with Dominican foreign minister Roberto Álvarez and announced an agreement to open a Russian embassy in Santo Domingo, the Associated Press reported. The counterparts discussed the crisis in Haiti, as well as enhancing commercial ties between Russia and the Dominican Republic, the AP reported. Lavrov also attended a closed-door meeting with Dominican President Luis Abinader on Wednesday, newspaper Listín Diario reported.

Chilean Police Arrest 23 in Raid Following Robberies in U.S.

Police in Chile, aided by the U.S. Federal Bureau of Investigation, arrested 23 people and seized $1.36 million worth of real estate and other property in raids that targeted people who have committed robberies in the United States, Reuters reported Wednesday. Authorities carried out the raid, called "Operation Pennsylvania," in dozens of homes in Santiago on Tuesday night.

U.N. Refugee Agency Closing Offices in Mexico Amid U.S. Aid Freeze

The United Nations' refugee agency has laid off 190 employees and plans to shutter four of its offices in Mexico due to a funding shortage, a U.N. official told Reuters on Tuesday. At least two of UNHCR's six active field offices in Mexico will be closed, the U.N. official said. The administration of U.S. President Donald Trump on Jan. 20 ordered a pause on non-essential foreign aid, affecting a significant portion of funding for the U.N. agency, Reuters reported. [Editor's note: See related Q&A in the March 6 issue of the daily Latin America Advisor.]

and effectiveness of the Total Peace initiative," she said.

Carney's Liberal Party Wins Canada's Federal Election

The Liberal Party won Canada's federal election on Monday, securing a fourth consecutive term in power for the country's dominant center-left party and a full mandate for Prime Minister Mark Carney, the Associated Press reported. Liberals won 169 districts, or ridings, 25 seats more than the opposition Conservative Party, according to Elections Canada, the country's independent federal elections agency. Carney's Liberal Party remains three ridings short of a full majority in Parliament, but it is expected to secure support from a number of smaller parties for a governing majority, The New York Times reported. The social-democrat New Democratic Party, which won seven seats in Monday's election, formed a coalition government with the Liberals as recently as 2022. The Liberal Party's win marked a sharp reversal in public opinion; Conservatives led national polls by nearly 30 percentage points as recently as January, The New York Times reported. With nearly all ballots counted, Liberals won 49.3 percent of the vote, ahead of Conservatives with 42.0 percent. In addition to missing out on becoming prime minister, Conservative Party leader Pierre Poilievre lost his race for his home constituency in Ontatio province near Ottawa, according to Elections Canada. Poilievre, who on the campaign trail adopted the slogan "Canada First," was harmed by voters' perception that he would be friendly with U.S. President Donald Trump, the AP reported. Poilievre conceded defeat to Carney early Tuesday morning. Poilievre said the Conservatives would work with Carney and Canada's other political parties in "defending Canada's interests" and "protecting our sovereignty," CNN reported. Carney on Monday said he would prioritize pushing back against Trump in trade negotiations, The New York Times reported. "President Trump is trying to break us so he can own us. That will never happen," Carney said, the newspaper reported.

BUSINESS NEWS

Fintech Clara Raises Additional $80 Mn for Growth Efforts

Brazil-based financial technology company Clara has raised an additional $80 million as it works to strengthen its operations in Brazil, Mexico and Colombia, Bloomberg News reported Tuesday. The company, which is headquartered in São Paulo, focuses on corporate spending management and is seeking to become profitable by the end of the year. Citi Ventures and Kaszek Ventures were among the participants providing the equity portion of the financing, which amounted to $40 million, Bloomberg News reported. The remaining $40 million came from debt-like growth funding that General Catalyst provided through its Customer Value Fund. "This allows us to confidently lean in and accelerate our investments especially on the growth side, continue to sustain the investments in our products and continue on our path to global profitability, which we expect to attain over the coming months," Clara's co-founder and chief executive officer, Gerry Giacomán Colyer, told the news service in an interview. Clara plans to use a significant portion of the funding to expand its sales teams in Brazil, Mexico and Colombia, the company said in a statement. The company hit the break-even point in Brazil last year, and the other two markets are expected to reach that milestone soon, said Giacomán. "Mexico's trending very well, it'll reach profitability independently just like Brazil did before we reach global profitability," he told Bloomberg News. "But we already have a good line of sight to both of those milestones," he added. Clara, which was launched in 2021, works with around 20,000 companies and helps to automate cross-border payments, Bloomberg News reported. Earlier this month, the Financial Times listed Clara as Latin America's fastest-growing fintech. Originally established in Mexico, Giacomán and the company's co-founder, Diego García, moved the company to Brazil in 2023 after the South American country's central bank granted it a license to operate, Bloomberg News reported.

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these projects will be developed and the role of the private sector, given the current energy policy that establishes a greater role for Pemex and CFE."

A

Dino Barajas, chair of the Global Project Finance Practice Group at Baker Botts L.L.P.: "Having worked on Mexican power sector transactions dating back to the Enertek and Merida III projects in the early 1990s, I have had a unique perspective of watching Mexico change from Latin America's foreign investment darling to its current position of a power sector market with immense potential, but with high change-in-law risk, which has undercut investor confidence. With the latest round of power sector government proposal requests, Mexico will face the challenge of a world-wide scarcity of gas-fired turbines to equip much-needed thermal power plants that it needs to increase reserve margins throughout the country. On the renewable energy front, Mexico will provide solar developers with a much-needed alternative to the U.S. development market, given increasing uncertainty surrounding import tariffs and long-term renewable energy sector tax policy in the United States. In order to incentivize solar developers to return to the Mexican market, investors need long-term payment certainty relating to government obligations and protections against future policy changes by the federal government, such as the policies enacted by the AMLO administration which eroded energy sector investor confidence. Investors and lenders will require enforceable protections against future policy changes that would negatively affect private sector participants in favor of government entities such as CFE. Threats of any future market manipulation by the federal government will need to be counterbalanced with market-exit protections, such as those previously contained in the early CFE power purchase agreements, which incorporated 'put rights' for private sector participants in the event of a 'government force majeure' or change in law."

> **"Mexico will provide solar developers with a much-needed alternative to the U.S. development market ..."**
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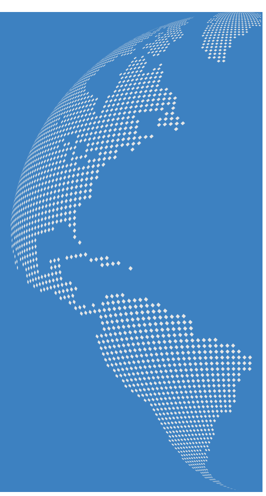
> **— Dino Barajas**

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta.

Upcoming Event



Hacia un sector privado activo en el fortalecimiento del Estado de derecho

May 13, 2025 | 5:00 p.m. Buenos Aires time

LATIN AMERICA ENERGY ADVISOR
is published weekly by the
Inter-American Dialogue ISSN 2163-7962

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Latin America Energy Advisor is published weekly, with the exception of some major U.S. holidays, by the Inter-American Dialogue
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