

# Overseas Business Insights

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## Brazil’s Infrastructure: New Projects and Linkage to the Agricultural Sector

On March 10, President Rousseff announced a new round of infrastructure projects under Brazil’s \$133 billion 30-year Investment in Logistics Program. Highway, railway, airport, waterway, and port dredging concessions are being scheduled for launch. Highways concession feasibility studies have been completed, with tenders scheduled in the fourth quarter of 2015. Airport concessions in Porto Alegre, Florianópolis, and Salvador will be put out to tender in parallel with the restructuring of national airport authority Infraero. In May, feasibility studies for four stretches of waterways should also be completed, and tenders are ex-

pected by October. Port concessions in Paranaguá and Rio Grande have been awarded, and bids for dredging the Port of Santos were due on March 24. There have been recent indications from the Brazilian



government that it would now “partner with private companies before having them submit their actual bids.” The goal of this effort would be to obtain

feedback from companies at early stages of project development to better shape upcoming concessions procedures and ensure more broad-based industry participation.

Minister of Transportation Antonio Carlos Rodrigues plans to visit Washington DC in the autumn of 2015 for the plenary U.S.-Brazil Transportation Partnership meeting with U.S. Transpor-

tation Secretary Foxx. Both sides seek an opportunity for government officials and private companies to discuss ways for U.S. firms to increase their participation in Brazil’s infrastructure projects.

### Agricultural Sector:

Brazil’s agricultural sector represents six percent of the country’s GDP, employs ten percent of the labor force, and accounts for 38 percent of exports. Brazil ranks among the world’s top five in agricultural production and exports. The sector’s strength is directly related to its productivity; over the last 25 years, Brazilian agricultural production increased 180 percent, while farm land

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## Bolivia: Quinoa Trade Snapshot

According to local experts, Bolivian quinoa exports have grown over the last decade from approximately \$5 million to \$196 million in

2014. The United States is the largest market for Bolivian quinoa, and consumed 46% of all quinoa exports in 2014, followed by Europe at

23%. Additional export markets are Australia, Canada, and other Latin American countries. According to local experts, there are ap-

proximately 70,000 quinoa producers in Bolivia, and 85% of the export price goes back to the producers. The average quinoa producer farms between



## Bolivia Quinoa (cont'd)

10-15 hectares of land and is able to produce 500 kilos per hectare. Prior to its expulsion from Bolivia in 2013, USAID helped Bolivian quinoa farmers gain access to improved equipment that increased their production capacity, and reduced energy consumption in the sector, allowing them to increase exports to the United States.

In 2013, the “International Year of Quinoa,” the price of quinoa jumped from \$3,500 per ton to \$8,000 per ton, which motivated both Bolivia and neighboring Peru to bolster production. The price has more recently stabilized at around \$5,000 per ton. In



2014, Bolivians harvested 100,000 hectares of quinoa and in 2015 will harvest an estimated 130,000 hectares. In 2014, Peru surpassed Bolivia in production for the first time, producing 89,000 tons of quinoa to Bolivia’s 80,000.

Bolivian “royal quinoa” is only grown in a zone called the “southern altiplano” where the soil has a high mineral

content due to its location near the salt flats of Uyuni and the grain is able to grow larger due to plentiful sunlight. Local producers claim that “royal quinoa” is larger in size and has superior nutritional quality, such as a higher

*“In 2013, the price of quinoa jumped from \$3,500 per ton to \$8,000*

concentration of amino acids, to quinoa grown in other regions and countries. For the most part, Quinoa remains an artisanal crop in Bolivia.

Local processors of Quinoa typically purchase from a network of small producers and process it by removing the tough outer skins of the quinoa grain, washing, and drying it for export. Domestic consumption of quinoa and value-added production is also on the rise in Bolivia. Currently, ten percent of all quinoa exports are value-added products (such as vegetarian hamburgers, gluten free brownies, and granola bars) produced in Bolivia.

## Canada: Ontario’s Cap and Trade Moving Forward

On April 13, the province of Ontario (half of Canada’s GDP, 60% of population) unveiled its plan for implementing a cap-and-trade system for greenhouse gas (GHG) emissions. If the plan is approved, Ontario would join California and Quebec in the Western Climate Initiative (WCI), providing a market-based framework for governments to assign a fixed annual allowance for GHG emissions (a cap) in their jurisdictions. The move provides a cost incentive for companies to reduce GHG emissions and invest in green technology.

The proposed cap-and-trade system gives major industrial carbon emitters allowances to generate GHG. The allowances are then cut by a small percentage annually; companies can buy and sell allowances, leading to more cost

-effective pollution cuts and encouragement to invest in cleaner technology. Ontario’s membership in the WCI would combine its carbon market with that of California and Quebec, enabling refiners, power generators, and other carbon-market participants to trade carbon allowances and offsets between all three jurisdictions. The WCI’s February 2015 auction sold 100 percent of available allowances, generating \$1.02 billion dollars for clean energy and emissions reduction projects, consumer bill relief, and government operations.

The cap-and-trade plan must be approved by the cabinet before it is formalized. Once formally approved, policy details and stakeholder input will be considered out over the coming

months. The Ontario cap-and-trade plan is anticipated to generate between Canadian \$1-2 billion per year, depending on the price of carbon credits and the industry caps set. The provincial government would reinvest the carbon pricing revenue in green infrastructure, including public transit and energy retrofit projects.

Economists at Canada’s Ecofiscal Commission (EC) released a [report](#) on April 7, coinciding with the province’s cap-and-trade plan announcement. The commission concluded that provincial carbon pricing is “the most practical way to move forward in achieving meaningful, low-cost reductions” in emissions.



The Government of Peru forecasts a doubling of energy demand in the next decade due to new mining operations and efforts to expand access. Currently, 90% of Peruvians have access to electricity. Even with demand soaring, the government remains committed to keeping energy prices low. For example, large industrial users (over 500 kilowatt hour (kWh) per year) pay 7.44 cents/kWh, and household consumers pay on average 10 cents/kWh, low compared to regional average rates of 15 cents/kWh for industrial and 27 cents/kWh for households.

One of the latest additions to the sector is AEI's Fenix Power project, inaugurated on April 22. This \$900 million combined cycle natural gas-fired power plant is projected to produce 10% of Peru's energy. The 570 MW Fenix project draws fuel from the Camisea gas pipeline to drive three GE turbines. The project is located 40 miles south of Lima in the country's Chilca energy hub, which already has four power plants with over 2,800 MW of installed capacity.

Situated 270 meters above the high-tide mark, the new power plant includes a desalination plant, which provides ex-

cess water to the local community. This technology doubled Chilca's potable water capacity adding 2,000 cubic meters of water per day for the city's 33,000 residents. The new facility also features a company-sponsored health clinic, a security center with 14 vehicles, and USD 1.25 million investment in paved roads.

Since 2009, the investor protections of the U.S.-Peru Trade Promotion Agreement have become a key feature of the market in addition to the sectors' economic boom and estimated doubling of demand in the mid-term. According to public source materials, at least three other U.S. energy firms have invested here.

Dallas-based [Hunt Oil](#) holds 25% of the Camisea consortium, which produces 90% of Peru's gas and fuels 40% of power generation. Hunt Oil was a partner in the development of the gas pipelines that transport Camisea gas to Lima, but divested in 2013. The company is also the main shareholder and operator of Peru LNG, the first LNG export terminal in South America.

[Duke Energy](#) operates five subsidiaries focused on generation, transmission,

and distribution of electricity, as well as exploration, production, and refining of dry natural gas, liquefied petroleum gas, liquefied natural gas, and gasoline derived from natural gas. The company started in Peru in 1999 and, in addition to pipeline assets, now operates two hydroelectric power plants, eight gas thermoelectric plants, with a total capacity of 824 MW.



In energy distribution, San Diego-based Sempra Energy International has been in the market since the privatizations of the late 1990s. Sempra owns 80% of energy distribution company [Luz del Sur](#), which has over one million customers and \$720 million in annual sales. The company has invested \$900 million and distributes close to 30% of all the energy in the country, including districts of metropolitan Lima.

## Canada: Quebec's Energy Sector Plans

Organized by the University of Vermont in Burlington, the [Power from the North conference](#) on March 23 brought together academic and political leaders to evaluate the status of hydroelectric power exports from Quebec to Vermont. Over 300 participated in the event, including Quebec Premier Philippe Couillard and Minister of Natural Resources Pierre Arcand.

Hydro-Quebec (HQ) is the largest hydroelectric producer in Canada, and its TransEnergie division operates the largest power grid in North America, with nearly 21,000 miles of power transmission lines, many of which go to New England. Quebec's energy imprint in the region extends beyond electricity as well: Vermont's two major natural gas utilities are both owned by

Gaz Metro, Quebec's natural gas distributor.

On a per capita basis, the province of Quebec is one of the biggest energy consumers in both North America and Europe. For example, the province uses electrical space heating powered by hydroelectricity for 80 to 88 percent of its heating requirements. Quebec

## Canada - continued from page 3

has one of the lowest electricity costs in the world: an average household will pay \$67 in Quebec compared to \$130 per month in the rest of Canada. Hydroelectricity consumption is on the decline in the industrial sector. Even with promotion strategies and a 20 percent tariff discount on electricity, industrial consumption as a share of total hydroelectricity consumption has decreased from 42.7 percent to 31.5 percent over the last quarter of a century as Quebec's economy diversifies away from energy intensive sectors such as paper production and smelting.

The Quebec government plans to invest approximately \$2.2 billion in infrastructure projects to develop the northern region of the province in a 30-year strategic plan called Plan Nord, while Hydro-Quebec will invest \$16.5 billion during this period to develop hydroelectric projects, transmission lines, and improve energy access north of the 49th parallel. Quebec also continues to support oil and gas exploration in the province

through different partnerships with the private sector. There is currently a ban on fracking in Quebec pending an environmental review. It is estimated that 46 billion barrels of oil could be found in Quebec, which would be worth more than \$329 billion. Experts have estimated that Quebec's southern and eastern regions may contain between 20 to 50 trillion cubic feet of recoverable natural gas, theoretically enough to supply all of Que-



bec's gas needs for 50–100 years. Currently, the province relies on the United States, Western Canada, and overseas oil producers to supply more than \$12.3 billion in oil and natural gas imports. It continues to be the largest provider of hydroelectricity in Northeastern United States.

In April 2015, Quebec's Minister of Environment Heurtel announced that the province exceeded its original target and reduced its greenhouse gas emissions by eight percent between 1990 and 2012. The provincial government will release a new energy policy in the fall of 2015, and analysts expect Quebec to emphasize the use of new technology, energy efficiency, and renewable energy production. Already, 1,550 megawatts of hydroelectricity and wind farm projects are under construction. Quebec and Vermont have also joined forces to create the Quebec-Vermont electric vehicle corridor, and the province is pioneering the first North American carbon market with California, and now with Ontario. The province has targeted an 80 percent reduction of its carbon emissions by 2050.

## Brazil Infrastructure (continued from page 1)

usage grew by just 32 percent. Brazil is the world's leading producer of sugarcane and coffee, the second leading producer of soybeans and beef, third in corn, and fourth in poultry. This year, despite an historic drought in the southeast, Brazil is expecting a record-breaking soybean crop.

Moving agricultural goods throughout the country presents a challenge. Completion of the "North-South rail"

and Brazilian Highway 163 (BR-163), which both run in a north-south direction through the central-western states into the southern region, are believed critical to ensuring the agricultural sectors vitality.

The North-South railroad, once completed, could significantly increase agricultural cargo capacity. The project started in 1988, but progress has accelerated in recent years.

In May 2014, President Rousseff inaugurated the completion of a 532-mile section of the railroad connecting the state of Tocantins in the north to Goias state in the center of the country, marking the completion of 980 miles out of the planned total of 2,625 miles of track. Another 424 miles connecting Goias to northwestern Sao Paulo state is scheduled for completion by end of 2015. The northern end of the railroad ends 300

miles south of the closest port, and there is still an additional 910 miles of track to lay in the south, but no deadlines or budgets have been established for the remaining sections of railroad.

In the meantime, freight typically travels by truck. The BR-163 highway runs 2,780 miles from the state of Para in the north to Rio Grande do Sul in the south. Thirty percent of Brazil's soybean exports traverse this highway. The road is currently designed to handle 5,000 trucks per day, with a weight of six tons per

axle. It is estimated that actual usage is more like 10,000 trucks with weights as heavy as 10 tons per axle use the route daily, which can slow traffic flow and increase transport times. The highway is scheduled to be widened to double its current capacity, but financial and environmental concerns have delayed the project.

North-south transportation routes are important for moving agricultural commodities from the northern and central-western states of Brazil, to the Port of Santos in the southeastern state of Sao Paulo. Santos is the busiest container

port in Latin America, and the busiest overall port in Brazil, handling 28 percent of the country's exports. The amount of tonnage that passes through Santos has increased 226 percent in 20 years, and officials forecast continued annual growth of seven percent. There are \$4 billion of planned infrastructure improvements to the port awaiting approval by the Brazilian government. (See February 2015 issue of OBI for more on the Port of Santos).

### Other resources for anyone interested in overseas business news:

For Caribbean and Latin American Markets, the Department of Commerce has many resources to assist U.S. firms including market research, trade show calendars, trade delegation calendars, etc. Check out their "Trade Americas" and "Look South" websites:

<http://export.gov/tradeamericas/index.asp>

<http://export.gov/tradeamericas/looksouth/index.asp>



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The site connects U.S. business to detailed information about each project as well as information to contact U.S. embassies overseas. URL at <http://bids.state.gov/>



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