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Chile’s New Lithium Strategy Envisions Opportunities for New Development

Chile accounts for 27 percent of global lithium reserves and more than 40 percent of global lithium production, according to the U.S. Geological Service. Until now, only two private companies have been licensed to extract lithium in the country, and both firms operate in the same salt flat (*salar*), the Salar de Atacama.

On January 25, Chile’s president announced a new national policy to guide the future development of Chile’s lithium sector. The policy, which



was based on the conclusions of the National Commission on Lithium, maintains lithium as a non-concessionable material of “strategic interest,” and places state-owned copper firm Codelco in charge of overseeing future exploration and extraction. At the same

time, the policy envisions opportunities for Codelco to partner with private firms with experience in lithium. Codelco subsequently announced the launch of new tenders to choose partners to explore and develop the Salar de Maricunga and the Salar de Pedernales.

One of the principal objectives of the government’s new lithium strategy is to develop value-added activities in Chile that use lithium (such as the production of batteries and electric cars), so that the country becomes more than just an exporter of raw materials. During her announcement of the government’s new policy, the president announced a series of initiatives to incentivize research and development initiatives in Chile using lithium.

Quebec : \$11 Million for Electric Transport Research

Quebec’s Premier announced that the provincial government’s investment arm, Investissement Québec, will work with Peugeot Citroen, Exagon Motors, and

Hydro-Québec to share the research and development costs of new electric car components. The Government of Quebec will take a \$6.9 million equity share and provide a \$4.1 million loan to the

project. Hydro-Québec, a state owned entity, will contribute an additional \$2.7 million to the project. This project is part of Quebec’s 2015-2020 Electric Transport Plan, which aims to stimulate innova-

tion in the electric transport sector. The initiative’s first research project will be a feasibility study on the production of components for high performance electric vehicles in Quebec.



Bolivia and Peru Sign \$400M Deal for Titicaca Cleanup

Lake Titicaca, South America's largest freshwater lake, straddles the border between Bolivia and Peru at 12,470 feet above sea level. An important cultural treasure and tourist attraction, Titicaca is also a prominent feature of daily life in both countries because an estimated three million people depend on its resources in one way or another. Over the past years, the lake has been plagued by contamination resulting from nearby mining and industrial activity as well as by sewage runoff from the nearly one million people who now reside in the Bolivian cities of El Alto and La Paz. Shorter rainy seasons, evaporation due to more intense solar radiation and disappearing glaciers have resulted in a slow shrinking of the lake, according to

studies published by American University and Stanford University dating back to 2001. A 2009 report estimated that Titicaca receded by approximately one inch per week that year and predicted more rapid shrinkage in subsequent years.

At a public event in La Paz on January 7, Bolivia's Environment and Water Minister Alexandra Moreira and her Peruvian counterpart Ma-



nuel Pulgar-Vidal signed an agreement to restore and preserve Lake Titicaca formally entitled "Guidelines and Actions for the Environmental Recovery of Lake Titicaca and its Biodiversity." The bilateral deal will involve a joint investment of more than \$400 million over the next 10 years. According to a local expert, there will be an initial investment from Bolivia of \$63 million to improve water treatment and a medium-term investment of \$117 million. Both governments will jointly decide later how to distribute and administer the remaining \$220 million by 2025. Peru has separately announced a \$437 million investment to construct 10 wastewater treatment plants around Lake Titicaca.

The recently inked agreement sets forth a six-point strategic plan:

- I. Decrease pressure on the lake by minimizing the toll of waste water treatment, solid waste and other contaminants.
- II. Strengthen the resiliency of the lake's ecosystems by restoring the lake's capacity to both meet the external demands of those who depend on the lake for livelihood and to maintain its natural equilibrium.
- III. Improve public health by considerably reducing the risk of waterborne illness through preventative measures.
- IV. Adapt to climate change by incorporating it as a cross-cutting dimension in all areas of environmental management.
- V. Increase research and monitoring in order to better understand the lake's ecosystem, its functioning, and its vulnerabilities and to ensure that future decisions and measures are informed by data.
- VI. Educate civil society and encourage its participation in the government's efforts to protect Lake Titicaca.

Bolivia plans to raise its initial \$63 million contribution from credits it holds with the Inter-American Development Bank. Also, some of the projects that Bolivia has agreed to undertake in furtherance of the accord—such as the construction of a new dam-- have already been funded and are merely awaiting implementation. Bolivia has also been courting the European Union in hopes of receiving additional funding for research and technical support.

Montreal's Apparel Sector Redefining Itself

Quebec is culturally attached to the fashion sector and Montreal remains a North American leader in the fashion industry despite the decline in apparel manufacturing in Canada over the last 15 years. In May 2015, Montreal launched Mmode, a new cluster aimed at promoting innovation in the sector and shifting the focus from “apparel manufacturing” to the broader “fashion industry” in order to generate high value added positions and compete globally. Montreal’s fashion cluster is a private-public partnership with an operational budget of over \$400,000 over the next three years to create strategies that will improve the performance of Montreal’s fashion cluster. The Government of Canada will provide millions of dollars in grants to execute these strategies – similar to how Montreal’s other industrial clusters function. The fashion cluster will focus on branding Montreal as a fashion capital, training its workforce, offering technological support, and developing an export-oriented market.

Smaller, boutique fashion designers and retailers dominate Mmode’s steering committee, with Peerless Clothing and

Groupe Dynamite being the larger exceptions. The fashion cluster’s steering committee emphasizes design, retailing, logistics, freight coordination, and merchandising, rather than manufacturing. Many of Montreal’s major clothing retailers have incorporated Montreal-based design teams to make exclusive clothing lines, which are often manufactured in factories located in countries with lower labor costs. Mmode has plans to help SMEs incorporate new advanced technologies. The University of Quebec in Montreal, Concordia



University, and many community colleges (CEGEP), offer programs specifically dedicated to the fashion industry.

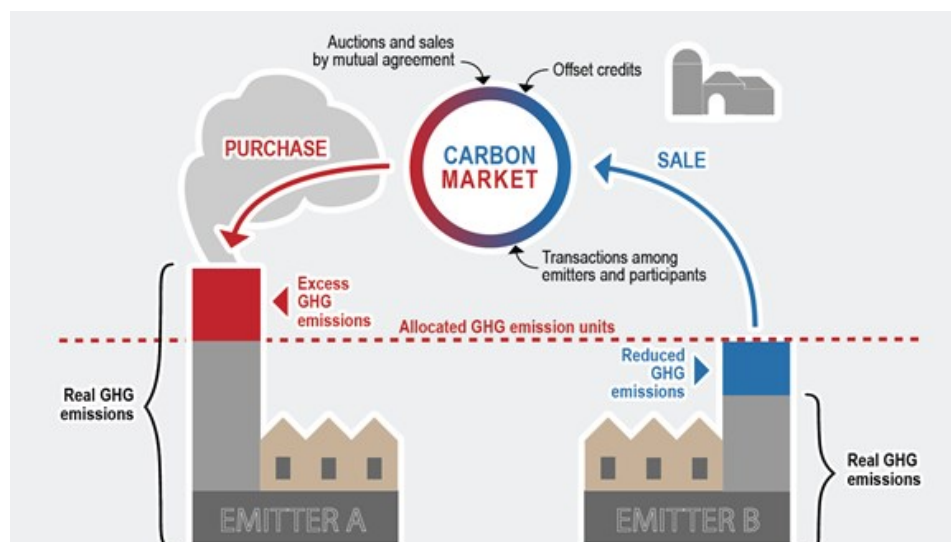
More than half of Canada’s apparel manufacturing capacity remains in Quebec, despite the number of jobs in the sector falling to less than a quarter of what they were fifteen years ago. Today the sector supports about 11,740 jobs. Quebec’s apparel exports have also fallen, but stabilized around \$400 million in 2009, and have remained constant over the past five years. The majority of Quebec’s apparel exports still go to the United States, but exports to the United States are declining in favor of Australia, Spain, and the Netherlands. Quebec imports over \$1 billion in women’s clothing, and over half a billion in men’s clothing. Two-thirds of Quebec’s apparel manufacturing capacity is in Montreal, and Montreal’s apparel industry contributes roughly \$1 billion to Quebec’s GDP annually. There are about 2000 businesses active in Quebec’s apparel manufacturing industry.

Quebec's Carbon Market 101

Created in 2013, Quebec's carbon market was the first in North America, covers 85 percent of its economy, and has been linked to California's carbon market since 2014. The system requires each greenhouse gas emitter to own enough carbon allowances to cover the amount of emissions that the business reported for that year. In the carbon market, there are generally quarterly carbon auctions with participants from Quebec and California, and each business submits confidential offers for carbon allowances to determine the price that clears the market. Since inception, prices have remained stable, but they have been close to the minimum price set by the market. Quebec created 65 million tons of greenhouse gas (GHG) allowances, and the province will gradually reduce the number of allowances by four percent each year. Quebec issued free allowances to industrial emitters during the transition phase. There have been six joint carbon auctions to date, and the next joint auction is expected to take place on May 18, 2016.

In Quebec's carbon market, the market requires each greenhouse gas (GHG) emitter to own enough carbon allowances to cover the amount of emissions that the business reported for that year. Emission units are denominated in tons of GHG emissions, and the annual reporting process starts on November 1. The Government of Quebec and California operate a joint, online tracking system, the Compliance Instruments Tracking System (CITSS), to track emission allowances. Carbon market partic-

An Introduction to the Carbon Market



Source: Government of Quebec

ipants created the Western Climate Initiative (WCI) Inc. to handle administrative tasks like registering businesses, managing financial guarantees, and collecting revenues.

Any business that generates more than 10,000 tons of GHG emissions has to report its annual emissions, and businesses that report more 25,000 tons of GHG must have their GHG emissions report verified by an accredited auditor. When Quebec launched its carbon market in 2013, the cap-and-trade system covered industrial emitters and electrical utilities, but in 2015, Quebec added fossil fuel distributors to the system. Until 2015, Quebec gave industrial emitters free emission allowances in the auction process to prevent them from relocating to regions without a cap-and-trade system.

Businesses trade carbon emission allowances at auctions that generally take place quarterly. Each business submits confidential offers for carbon units to determine the price that clears the market, and the carbon market distributes all allowances at that

price. At the market's inception, the minimum price for each one metric ton allowance unit was \$10, which will rise by five percent over inflation each year until 2020. Bidders can purchase GHG emissions allowances for the current year or future years, and are able to sell unused allowances in the auction. Any business or individual can participate in the carbon market. In a joint auction with California, bids may be placed in either currency, but there is no distinction between Quebec units and California units. Some businesses are able to create carbon allowances with offset projects, but only a few sectors, like waste management, can do so in Quebec. See also, June 2015 OBI, for more on Quebec's carbon trading with California. There have been six joint carbon auctions to date, and the next joint auction is expected to take place on May 18, 2016.

Ecuador Seeks To Transform Energy Matrix

Renewables form a key element in the government of Ecuador's energy matrix strategy. The government is constructing eight hydroelectric dams with a total projected generating ca-

capacity of 2,800 megawatts while also seeking investment in 13 additional hydroelectric and geothermal projects. The largest of the dams under construction, Coca Codo Sinclair, is projected to cost \$2.25 billion

and have a generating capacity of 1,500 megawatts. The Coordinating Ministry for Strategic Sectors has stated publicly that the eight dams under construction would be operational by the end of

2016. The government has also invested in numerous photovoltaic, biofuel, and wind energy projects, the most significant of which is the 16.5 megawatts Villonaco wind farm which came online in 2013.



The Villonaco wind farm in Loja Province

Chile Unveils Its Long-Term Energy Strategy to 2050

On December 30, Chile's Ministry of Energy presented its long-term strategy for achieving a 70 percent renewable energy share by 2050. The "Roadmap to 2050: Toward a Sustainable and Inclusive Energy Future" was drafted by the Consultative Committee on Energy 2050, a committee formed of 27 energy sector experts, members of civil society and academics, and headed by the Ministry of Energy.

The Energy 2050 plan

identifies goals for 2035 and 2050. Highlights from the plan include: achieve 60 percent renewable energy by 2035 and 70 percent by 2050; lower energy prices such that Chile would be placed among the top five least expensive energy markets within OECD countries by 2035 and the top three by 2050; the promotion of international energy interconnections through the Andean Energy Interconnected System (SINEA) and with MERCOSUR countries;

and the recognition that Chile's renewable energy targets will help it achieve its emissions reductions targets. These provisions are described in greater detail below.

70 percent Renewable Energy by 2050

The government of Chile proposes that renewable energy sources should account for at least 70 percent of Chile's energy grid in 2050. As of December 2015, Chile's total non-conventional renewable energy (NCRE, which excludes hydropower projects over 20 megawatts) generation currently accounts for approximately 12 percent of total generation. Chile has a legal mandate to achieve 20 percent of renewable energies by 2025.

To reach the target of about 70 percent by 2050, the roadmap points to a higher penetration of solar and wind technologies, with targets to deploy more than 20 gigawatts of each. In this way, 19 percent of Chile's electricity demand would be met by solar energy, 23 percent by

Chile (continued from page 5)

wind energy and 29 percent by small hydro, run-of-river hydro or hydroelectric reservoirs. While the roadmap favors generation from solar and wind sources, supplemented by some hydroelectric developments, the plan envisions a progressive incorporation of other emerging sources including geothermal, and biomass and a steady shift from coal to natural gas. The roadmap also indicates the need to install mechanisms for intelligent regulation of demand and storage technologies as the percentage of wind and solar increase.

Interconnected by 2035

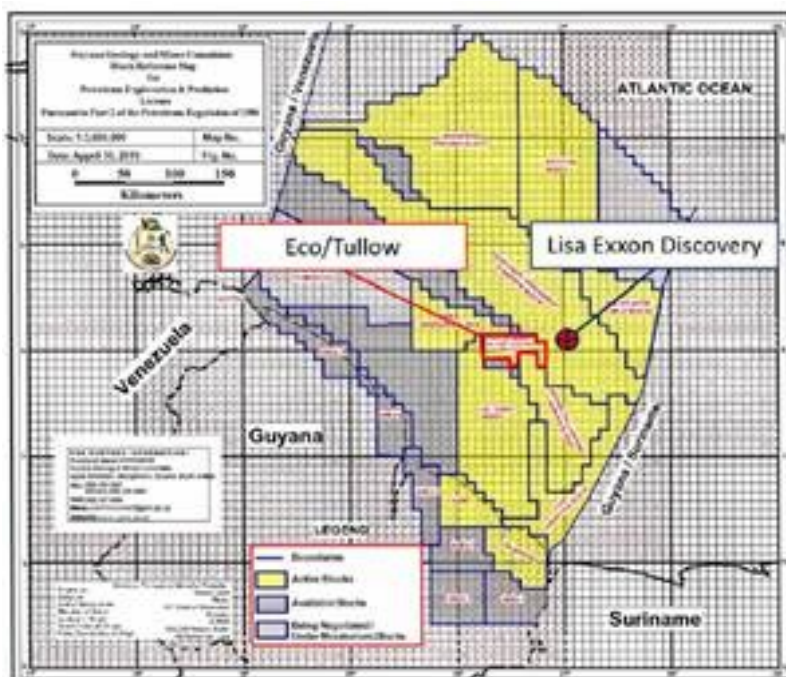
The Energy 2050 plan sets a clear target for an interconnected grid within South America:

- By 2035-Chile establishes international interconnection with the country members of SINEA as well as other countries in South America, mainly MERCOSUR; and
- By 2050- Chile implements mechanisms and tools for regional territorial planning and regulation that take into account the main guidelines of the Energy Policy.

Following on the Connect 2022 agenda and new opportunities for energy cooperation with Argentina, Chile will seek to link its electricity transmission system with its neighbors. Energy analysts point to the challenge of interconnecting Chile's internal grids—slated for 2018—as the key next step.

Guyana: Government Grants Additional Petroleum Concession Signaling Commitment To Its Energy Future

The government of Guyana has granted a Petroleum Prospecting License (PPL) and signed a Production Sharing Agreement (PSA) with a British-Canadian joint venture consortium. On January 20, 2016, the government signed a PPL and PSA with the joint venture team of Tullow Guyana, B.V. and Eco (Atlantic) Guyana, Inc. for a small concession of 1800km², called the



Orinduik Block, just off the coast of Guyana. The agreement calls for a work program involving a geological and geophysical evaluation which will inform a 3D seismic acquisition, all within the initial period of the ten-year license. Their agreement obligations are to perform 3D seismic surveys in the first four years and then drilling an exploration well in years five and six.

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>



The U.S. Government’s main website to assist U.S. businesses at home and abroad. URL at <http://business.usa.gov/>



The Business Information Database System (BIDS) is a portal built to help U.S. businesses learn about significant international commercial opportunities. 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/>



The Direct Line program provides a unique opportunity for American businesses, particularly small- and medium-sized enterprises, to engage directly via webcast with U.S. Ambassadors overseas. The program is open to U.S. companies – whether they are already in the country where the Ambassador serves or if they are interested in expanding their businesses there. Webcasts will vary in topic according to the specific needs for business in a given country. URL at <http://www.state.gov/directline/>

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