Montreal Light Rail Project Opens $3 Billion Request for Qualifications to International Bidders

Quebec’s public pension fund manager (La Caisse de dépôt et placement du Québec) launched a $3 billion request for qualifications to construct Montreal’s electric light rail system (réseau électrique métropolitain - REM) with no Canadian content requirements. Bidders have until August 26, 2016 to register with provincial authorities and submit their qualifications to La Caisse, which will select three companies, or consortiums, to bid on the project. Once completed in 2020, the REM will be the third longest automated transportation system in the world with more than 42 miles of track and 200 vehicles. The REM will connect Montreal to Montreal’s Pierre Elliot Trudeau International Airport, and its predominantly English-speaking suburbs on the west island.

Chile Looks to Liquefied Natural Gas

On June 11, the first ever shipment of U.S. shale gas arrived to the GNL Quintero liquefied natural gas (LNG) regasification terminal in central Chile, after circumnavigating the tip of South America and Strait of Magallanes. While the shale gas on this shipment was liquefied at the Sabine Pass facility. The shipment was received with much anticipation as Chile’s energy market depends heavily on expensive imported fossil fuels and just two years ago the cost of imported natural gas exceeded $9 per million BTU (MBTU). According to available data from the Chilean National Energy Commission, prices for landed natural gas in Quintero in early 2016 were down by 50 percent, to $4.50 per MBTU.

Gas Exports to Argentina Flowing

The Chilean government announced in February 2016 it would begin exporting natural gas to Argentina...
Argentina Relaxes Restrictions on Foreign Ownership of Rural Land

President Macri enacted on June 29 a decree (820) that amended the 2011 Rural Land Ownership Law to ease restrictions on foreign ownership of rural land. While the 15 percent foreign ownership restriction remains in place, the decree restricts when the Rural Land Law applies by changing the definition of “foreign legal entity” to an actor with more than 51 percent of outstanding capital owned by foreign individuals or legal entities rather than the previous 21 percent. The decree also modified reporting requirements and the penalties for failing to comply with them. The government said this measure would increase foreign investment in Argentina’s timber and agribusiness industries.

Peru: National Fiber Optic Network Inaugurated

Former President Humala inaugurated Peru’s National Fiber Optic Backbone, which stretches 13,500 kilometers, connecting Lima with 22 regional capitals and 180 provincial capitals. Besides providing internet access to underserved areas, the Government of Peru’s $333 million investment will establish international connections with Bolivia, Brazil, Chile, and Ecuador. A decrease in the price of data transport from $100-150 to $27 per megabyte per month is expected when the network is fully operational. The concession for the installation, operation, and maintenance of the network was awarded by OSIPTEL, the national telecommunications regulator, to Mexican consortium TV Azteca-Tendai in 2014 and will last for 20 years.

Investment Opportunities

In April 2016, Vietnamese company Bitel (Viettel) signed the first contract to provide internet and communication services to six regions via the Red Dorsal (National Fiber Optic Backbone Network). Peruvian and multinational firms reportedly aim to provide internet, telephone, and cable TV services to newly-accessible corners of Peru. Netline plans to invest up to $25 million to set up fiber optic networks in Abancay, Arequipa, Cusco, Puerto Maldonado, Puno, Juliaca, and Tacna, with the goal of hooking up Red Dorsal connection points to the fiber gateways of the main towns.

The Government of Peru is also developing the Regional Fiber Optic Network (Red Regional), which seeks to provide high-speed Internet to 21 regions. Of the regional concessions, eight have already been awarded, three have been sent to the investment promotion agency, ProInversión, for bidding, and ten are in the planning and feasibility stage. The 21 projects are expected to require over $1.9 billion in total investment.
Chile has made enormous strides in recent years in boosting investment in cleaner and non-conventional renewable energy (NCRE), which is defined by Chilean law as renewable energy that excludes hydropower projects over 20 MW. Chile’s target is to have 20 percent of the energy matrix be from NCRE sources by 2025, and the country is already well on its way to realizing this ambitious goal. Since 2011, the total volume of electricity generated in Chile by NCRE sources has increased by more than five-fold, from 540 MW to more than 2,900 MW, and NCRE sources now account for about 11.6 percent of the national energy grid.

Chile’s progress in encouraging investment in NCRE has come despite the fact that the government offers no subsidies to help NCRE generators compete against conventional sources. Instead, the Chilean government worked to adjust its institutional framework in order to improve the environment facing NCRE projects. Key legislation enacted in April 2008 – Law N° 20,257 – aimed to promote NCRE sources, such as geothermal, wind, solar, tidal, biomass and small hydroelectric plants. Through an amendment in 2013, it established the target to achieve 20 percent renewables by 2025, set annual thresholds that power generators should meet for NCRE, and prescribed fines when they are not met. Meanwhile, the government revised its auction system to make it easier for NCRE projects to compete. For example, in a significant departure from past practice, Chile’s National Energy Commission (CNE) altered the rules to allow NCRE developers to supply energy at certain blocks of time and for eight-hour blocks, suiting the intermittent nature of technologies such as solar and wind.

These measures had results. In December 2014, the CNE organized a tender that attracted 17 new generation contracts and successfully brought in two new major international generation companies—Spain’s GDF-Suez/ECL and France’s EDF—into the market. For the December 2014 tender, renewable developers took almost 20 percent of the power awarded under 15-year contracts, while NCRE projects took fully 100 percent of the power awarded in a tender the following year, in October 2015. Meanwhile, costs continued to drop. In December, Minister Pacheco announced that Chile had already achieved the Energy Agenda goal of reducing energy prices by 25 percent. The average price in December 2014 dropped to $107/MWh down from $128 MWh from the 2013 auction, while the average price of electricity at the 2015 tender (in which NCRE investors claimed all of the power awarded) dropped to just $79.30/MWh.
Canada: Hydro-Québec Signs New Battery R&D Collaboration with German Institute

On July 15, Hydro-Québec signed an agreement with Germany’s Fraunhofer Institute for Silicate Research (ISC) to conduct joint R&D into next-generation non-flammable battery technologies for electric vehicles. Fraunhofer representatives indicated that the development of a new generation of batteries could double the energy density of existing batteries that are used in electric vehicles. The R&D partnership will focus on lithium-ion batteries, lithium-air batteries, and glass-ceramic electrolytes.

Quebec Grocery Stores Began Selling Imperfect Produce

Two Quebec grocery stores, L’Intermarché and Loblaws, have begun selling ‘naturally imperfect’ peppers, onions, and mushrooms, which producers had previously discarded, at 30 percent off the prices of their regular counterparts. Food analysts report that Canadian consumers throw away more than ten pounds of food each week, half of which is fruits and vegetables. In the past year, the price of fresh fruits and vegetables in Canada rose roughly 19 percent, making ugly produce appealing to Quebec consumers. Loblaws notes the produce brand is becoming popular and it hopes to expand the program next month.

Energy: Alberta Government Announces New Oil and Gas Royalty Incentives

On July 11, the Alberta government announced two new royalty programs designed to boost oil and gas production in the province. Successful applicants under both programs will receive the minimum royalty rate of 5 percent over a specified benefit period. The Enhanced Hydrocarbon Recovery Program (EHRP) will replace the former Enhanced Oil Recovery Program (EORP) and will take into account the higher costs associated with enhanced recovery methods. Unlike the EORP, natural gas and natural gas liquids will be eligible for the EHRP along with crude oil. The new program will also extend eligibility to additional recovery methods and injection materials such as water or gas (i.e. water flooding or gas cycling), as well as polymer. The Emerging Resources Program will encourage development of new oil and gas resources in higher-risk and higher-cost areas with large resource potential. Detailed program and application guidelines will be available in the coming months. Both programs will come into effect January 1, 2017 with the option for producers to opt in to programs early. Existing royalties will remain in effect for 10 years on investments already made.
Colombia: Landmark Customs Reform To Facilitate Trade

Decree 390, the landmark customs reform issued on March 7, is the culmination of a six-year effort to establish a legal framework to implement and bring Colombia into compliance with the U.S.-Colombia Trade Promotion Agreement (CTPA), Kyoto Convention, and WTO Trade Facilitation Agreement. Per the terms of the CTPA, the reform creates advanced rulings, strengthens the role of risk management to support trade facilitation, and includes plans to automate the import process, all this with the purpose of reducing import processing times to a 48-hour average. National Directorate of Taxes and Customs (DIAN) has already started to implement an advanced rulings system, which private sector representatives explain will provide greater certainty about how their goods will be treated at the time of import, particularly with regards to tariff classification, origin, and valuation methods. This reform will help DIAN improve consistency in how customs officials treat merchandise entering the country. The customs reform also promises to provide prior (advanced) notifications of risk categories to importers.

Experts agree that the customs reform will improve some aspects of competitiveness by speeding up the flow of goods, and saving importers costly port storage fees. Savings on port storage fees will be of particular significance for importers. The reform also institutionalizes simultaneous inspections by DIAN, agriculture (ICA), and health (INVIMA) authorities, which will speed up the import process. A 2015 Ministry of Trade, Industry, and Tourism-sponsored study found that between duty tariffs, sanitary and phytosanitary measures, and burdensome customs procedures, the tariff equivalent for some imports can be up to 400 percent. Companies hope the customs reform will lower this figure.

Petroleum Find Offshore of Guyana Larger than Expected

In early July, ExxonMobil announced that the Liza-2 exploratory well confirms a world class discovery in Guyana, which now accounts for a recoverable resource estimated to be between 800 million and 1.4 billion barrels of oil-equivalent. This recoverable resource includes high quality petroleum and natural gas. The results of this secondary well in the Stabroek block are even more positive than the results of the first well, Liza-1, which was the largest discovery in the world by any company in 2015. In addition, industry geologists and other experts have said that there are six to ten “mirrors” or geologically similar deposits in other parts of the 8.1 million gross acre Stabroek block located some 120 miles offshore of Guyana.
between May and September 2016 to meet extra demand during the colder winter months. In mid-May, Chile’s national oil company, ENAP, reported that it began exporting approximately 1.5 million cubic meters of gas (at an estimated $6.90 per million BTU) per day to Argentina from a LNG terminal in Mejillones (Northern Chile), while a second contract, which began June 1, is currently pumping 3 million cubic meters daily (at an estimated $7.20 per million BTU) from the LNG terminal in Quintero (Central Chile) to Argentina. LNG exported to Argentina is provided by Chile’s National Petroleum Company (ENAP), ENDESA Chile, and Metrogas and it is received by the Argentinean Energy Company, ENARSA.

Plans for a Third Terminal in Concepcion

On June 30, the Chilean government approved the environmental permit for a floating regasification terminal that would bring still more LNG from the United States to Chile; when finished, the terminal would create a third avenue for U.S. natural gas to reach Argentina in addition to the four existing pipelines. There is a direct demand for gas from industries in Concepción, Temuco, and Valdivia in addition to the planned combined cycle plant, El Campesino, to generate electricity.

Southern Chile’s Unconventional Gas Potential

Gas production in the Magallanes Region has been on the decline in recent years. In 2013, Chile produced 33 billion cubic feet (Bcf) of natural gas and imported 133 Bcf. Despite Magallanes’ declining production, several companies are investing in exploration, with almost 200 exploratory wells under development. In early 2016, the U.S. Geological Survey finalized its unconventional gas assessment for the Magallanes region and estimated that 8.3 trillion cubic feet (Tcf) of technically recoverable gas reserves exist.
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

BusinessUSA

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

BIDS
Business Information Database System

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/

Direct Line
For American Business

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/

PLEASE TELL US HOW WE ARE DOING

Overseas Business Insights is for you. Tell us how we can improve it, what you think of it, what you are interested in hearing about in the future, etc.

Contact us at WHA-OBI@state.gov

All issues of Overseas Business Insights are available upon request. Just email us at the above address.

DISCLAIMER: The U.S. Department of State provides the information contained in the Overseas Business Insights newsletter solely for our readers’ information. Every effort has been made to provide accurate and complete information. However, neither the U.S. government nor the Department of State guarantees or assumes any legal liability for the accuracy, completeness, or usefulness of any information disclosed in the Overseas Business Insights newsletter.