

United States House of Representatives
Committee on Foreign Affairs
Subcommittee on the Western Hemisphere



Energy Opportunities in South America Hearing
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I would like to thank you Mr. Chairman and ranking member Sires for giving me the opportunity to underscore South America's energy potential and its contribution to a broader regional energy integration within the Western Hemisphere.

My oral comments will be summarizing my written statement.

Oil Resources

The Western Hemisphere holds approximately 35 percent of the world's proven oil reserves, 49 percent of the world's undiscovered conventional oil resources and 38 percent of the world's technically recoverable shale oil resources. (USGS)

Natural Gas Resources

The Middle East and Russia are the world's largest holders of proven natural gas reserves with approximately 73% of total share. (EIA)

Not as large; but very important and strategic within the regional context are the Western Hemisphere's natural gas reserves representing 10 percent of the world's proven natural gas reserves and 42 percent of the world's technically recoverable natural gas shale resources. (USGS)

It is the ability to produce and monetize these natural gas reserves that gives the Western Hemisphere a competitive advantage by being the second largest natural gas producing region in the world; as its Liquefied Natural Gas LNG trade demonstrates. (EIA)

The Main Actors

Crude oil and natural gas resources abound in South America; Venezuela, Guyana, and Trinidad and Tobago in Northern South America Caribbean region; Colombia, Peru, Bolivia, and Ecuador within the Andean community; Argentina and Uruguay in the Southern Cone and Brazil.

Challenge

The challenge in Latin America Mr. Chairman is not the lack of oil and natural gas resources but the host countries onerous contractual and fiscal terms and conditions, regulatory environment and the lack of political stability and continuity that international oil companies need in order to invest and sustainably monetize and commercialize those resources.

A good example is Venezuela, the world's largest holder of oil reserves surpassing those of Saudi Arabia; but who is unable to develop its potential as its production has declined from a high of over 3.0 mmbd to less than 2.0 mmbd. (OPEC)

It is also important to highlight that these oil and natural gas resources are concentrated in unconventional deposits and frontier areas making its sustainable and economical extraction challenging as advance technology, high capital requirements and operational knowhow are critical for their development.

Renewables

The region's energy potential is not only in hydrocarbons as more than a quarter of primary energy in Latin America today comes from renewables, mainly from hydropower and biofuels.

However all countries in the region are developing other renewable energy sources, such as wind, solar and biomass-based electricity.

Brazil, Chile and Mexico ranked amongst the top ten global renewable energy markets in terms of investment in 2015.

The United States, Brazil and Argentina produce today about 73% of world's production of Biofuels. (ENI)

Western Hemisphere Energy Integration

I would like to address Mr. Chairman the importance of regional energy integration as the cornerstone to the Energy Security of the United States.

Please note that I avoid mentioning the idealized concept of Energy Independence since I am deeply concerned that the use of the term would lead us to a state of complacency which would prevent us from recognizing external threats and risks to our Energy Security, a much broader and strategic concept.

The United States needs to support the building of infrastructure and logistic assets which would allow us to monetize and commercialize the Western

Hemisphere's crude oil, natural gas, refined products and electric power potential.

We should look at the Western Hemisphere as an integrated, interdependent and self-sufficient energy market which would provide the United States uninterrupted performance of our energy infrastructure and the ability to react quickly to changes in supply-demand disruptions.

Despite a 70% increase in domestic crude oil production since 2008 the United States still imports 49% of the crude oil it refines. Canada and Mexico constitute approximately half of all US imports with an additional 18 percent coming from South America. (EIA)

In 2016 the United States exported over 5.0 mmbd of crude oil and refined products of which nearly 50 percent were destined to Latin America. (EIA)

The U.S. largest fuel customer in the region is Mexico with approximately 33% of total U.S. refined product exports to Latin America; followed by Brazil, Colombia and Ecuador. (EIA)

This new regional trade pattern is expected to continue since declining refining capacity in Latin America makes it unable to meet its growing demand for clean transportation fuels.

U.S. Gulf Coast refineries, operating at 90 percent of utilization, have become the de-facto oil refining center for Latin America. (EIA)

Venezuela-Cuba

Mr. Chairman I would like to briefly address the current situation in Venezuela as I believe that U.S. imports of Venezuelan crude oil and the operations of its U.S. refining subsidiary CITGO could be threatened by external and internal events as a result of the political and economic crisis that Venezuela faces today.

The U.S government should be ready with contingency plans on possible short term alternatives on how to replace Venezuelan imports until the free market find its own solutions just like it did during the 2003 Venezuelan oil strike.

Also a casualty from the possible collapse of the Venezuelan government is Cuba who depends on Venezuela to meet its oil imports.

The Island already is beginning to identify and diversify its oil supply sources and it seems that Russia could play the same supplier role as it did during the cold war period.

The result for Cuba could very well be a second “special period”, however the economic impact would not be as dire as in 1991-1992; but this time social unrest in our opinion could pose a risk to the political stability of the country.

Thank you very much Mr. Chairman and members of the Subcommittee; I look forward to answering any questions that you might have.

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Clause 2(g) of rule XI of the Rules of the House of Representatives and the Rules of the Committee require the disclosure of the following information. A copy of this form should be attached to your written testimony and will be made publicly available in electronic format, as required by House rules.

1. Date of Hearing: May 17, 2017

2. Your Name: Jorge R. Piñón

3. Organization or organizations you are representing:


Self. The opinions and analyses expressed in my testimony are my own and do not reflect the views of The University of Texas at Austin.

4. Since January 1, 2013, have you or your organization(s) received any Federal grants or contracts (including subgrants and subcontracts) related to the subject of the hearing or your representational capacity at the hearing? Yes **No** (select one)

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7. Are you an active registrant under the Foreign Agents Registration Act (FARA)? Yes **No** (select one)

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Please attach a copy of this form to your written testimony.

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Mr. Piñon began his thirty-two year career in the energy sector when he joined Shell Oil Company's supply and transportation organization in 1975. He was president and CEO of Transworld Oil USA prior to joining Amoco Corporation in 1991 as president of Amoco Corporate Development Company Latin America. In this position Mr. Piñon represented the business development and joint venture efforts in Latin America between Amoco Corporation and state oil companies.

In 1994 he was transferred to the downstream oil sector to serve as president of Amoco Oil de México and president of Amoco Oil Latin America, based in Mexico City. He was a member of the board of INROADS de Mexico, an organization developing underserved youth in business and industry and preparing them for corporate and community leadership. In 1997, while vice-president and member of the board of directors of the American Chamber of Commerce of Mexico -AMCHAM-, Mr. Piñon received the "Yiacatecutli" award for distinguished service in the promotion of U.S.-Mexico business relations.

After the 1999 merger between Amoco and BP, Mr. Piñon was transferred to Madrid, Spain, to manage BP Europe's western Mediterranean petroleum supply and logistics operations. He retired from BP in 2003.

With international experience in business development, joint ventures and relationship management in emerging and transitional markets, and a network of senior energy contacts in Latin America; he is recognized as an independent analyst of regional energy issues, as well as the geopolitics of oil and natural gas in Latin America.

He has conducted research and country risk assessments as a Visiting Energy Fellow at the University of Miami's Center for Hemispheric Policy (2005-2010) and at Florida International University's Latin American and Caribbean Center (2010-2011) prior to joining The University of Texas at Austin in 2012.

Mr. Piñon has testified before the U.S. Senate and the U.S. House of Representatives, as well as before the Texas Senate and Texas House of Representatives committees on issues of energy policy and Latin America; he holds a degree in International Economics and a certificate in Latin American Studies from the University of Florida, Gainesville.

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