Up the ante
Luis ORTIGAS CÚNEO
Former President
PERUPETRO

Change for the better
Beatriz MERINO
President
PERUVIAN HYDROCARBONS SOCIETY

Consider the details
Rodney CARVALHO
General Manager
GASODUCTO SUR PERUANO
2015 International Bidding Rounds in Peru

06 Offshore
Next Bidding Round for Exploration Blocks
with newly acquired and reprocessed Seismic Data

an attractive country to invest in oil and gas activities

Technical Information of Available Areas in our Web Site: www.perupetro.com.pe
Block 192
for Exploitation
in North Marañon Basin

19 Onshore
Next Bidding Round for Exploration Blocks
Peru’s political regime has been shaken up over the past four years, with the replacement of several prime ministers, energy ministers and other cabinet positions. As Peru nears its 2016 presidential election, political instability will have to be put in check in order for the country to attract new investments to its oil and gas industry. The state must also maintain the public’s support for energy developments.

The Camisea Gas Project has been essential to Peru’s socioeconomic development. Since the production of natural gas and gas liquids began at the Camisea fields more than a decade ago, Peru has experienced steady growth and has been able to revolutionise its energy matrix, previously dominated by hydroelectric energy sources. Gas from the fields will be used to develop the Southern Energy Node with the aim of boosting prosperity in Peru’s southern regions.
We generate 10% of the energy currently consumed in Peru
The Year’s Focus: The Southern Peru Gas Pipeline

In May 2015, the Gasoducto Sur Peruano consortium broke ground on the Southern Peru Gas Pipeline. It will be the third major gas pipeline in Peru, after the double-pipe Transportadora de Gas del Perú, and will also transport gas from Camisea. Due to Peru's complex geography, the completion of the pipeline will not come without challenges.

Indigenous Communities

The Peruvian government has recently enacted legislation to address growing tensions between indigenous communities and energy companies. The prior consultation process seeks to avoid future conflicts that could interrupt energy developments and harm local groups. Peru’s former energy minister also implemented new criteria for environmental impact assessments with the goal of speeding up industry development.

Midstream & Downstream

Peru’s midstream and downstream sectors are projected to grow with the country’s expanding economy. The success of major oil and gas discoveries such as Camisea has created impetus in the country to revitalise older midstream and downstream facilities, as well as increase hydrocarbons infrastructure and capacity with the development of new pipeline and transportation networks.

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Power Generation

Perú’s National Energy Plan 2014-2025 has been created to handle the country’s rapidly growing energy consumption. With the goal of attracting $50 billion to the domestic energy industry, the report includes plans for the country’s power generation and transmission sectors. While hydroelectric plants will be a central focus in the future, expected to add 3.2 GW of power by 2021, the large amount of natural gas in Peru will significantly contribute to generation.

Due in part to Perú’s complex terrain, roads, ports and waterways in the country are in dire need of upgrades and expansions. The altitude of the Andes and the density of the Amazon pose major challenges to hydrocarbons companies working domestically. The construction of several cross-country highways will provide much-needed relief. However, the hold on other logistics projects remains problematic.

Low oil prices since 2014 have hampered the progress that Perú has been making with regards to its economic growth. However, a slew of new projects hold much promise for the country’s engineering and construction sector, which grew at a rate of nearly 10 percent each year between 2011 and 2013. Significant factors in ensuring that strong domestic sectorial growth continues are the Camisea development and the recently started Southern Perú Gas Pipeline project.
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Up the ante

Former president of Peru's state oil and gas licensing agency Perupetro, Luis Ortigas Cúneo, discusses obstacles caused by the country's adoption of new hydrocarbons legislation and permitting processes, as well as the impact such procedures have on increasing oil and gas reserves. Perupetro manages exploration and production licences in the country.

With numerous unexplored territories and many blocks not yet contracted, Peru is an ideal location for hydrocarbons investment. The oil-price slump may stifle investment in the short term. However, in the long term, Peru will remain the South American country with the most territory left for exploration, with basins in the rainforest, on the coast and offshore ripe for discovery.

NEW TENDERS: Perupetro completed one tender in December 2014, awarding blocks 3 and 4 in the Talara Basin to Peruvian conglomerate Graña y Montero Petrolera. This further expands the company’s exploration and production activities and diversifies its holdings away from construction, an industry in which it has historically had a role.

The award of the blocks also illustrates the continuing interest of local and foreign investors in Peru’s oilfields. The fact that Peruvian companies are taking on such a prominent role in the local oil industry is a positive sign.

In addition to completing the tender for these two blocks, Perupetro is tendering seven rainforest blocks, the largest number offered at one time since 2008. These blocks – including blocks 164 and 199 in the Marañón Basin, blocks 169, 175, 189 and 195 in the Ucayali Basin and the Madre de Dios Basin’s block 187 – represent some of the most promising unexplored territories remaining in the country.

We are confident that new players will take an interest in the tender, which will accept bids until May 2015. Perupetro is planning to present another tender for a batch of six offshore blocks in August 2015. We have agreed to do seismic pattern recognition, because very little technical information is available in these areas. We want to make this process much more interesting and complete for investors, so they can better decide on their bids. GX Technology, a subsidiary of US firm Ion Geophysical, will gather the seismic information and Norway’s Spectrum has already reprocessed the existing seismic data.

PRIOR CONSULTATION: In addition to the blocks that are up for auction, Perupetro held a tender for block 1-AB, also known as block 192. Former operator Argentinian Pluspetrol’s right to operate the block expired on August 29, 2015. Block 1-AB produces around 15,000-17,000 barrels of oil per day, equivalent to around a quarter of Peru’s total oil production. The block is very important and the new contract must further its exploitation.

Since the last time the block was licensed, the Peruvian government has passed a law regarding prior consultation, requiring that local communities be informed of planned developments and give their consent. This has turned out to be a lengthy and complicated process, with local groups objecting to the prospect of hydrocarbons development due to the record of environmental damage in the area since the 1990s, when it was operated by the US’ Occidental Petroleum. It now falls to the government and future operators to reassure local communities that future development will be managed responsibly.

Peru is a pioneer in the concept of prior consultation, which is supported by a 1989 International Labour Organisation mandate. In 2014, we finished five consultation processes for the blocks under the bidding round.

INCREASE RESERVES: Peru’s first priority must be to increase its hydrocarbons reserves. This translates into higher production and the government’s objective is to be able to satisfy internal demand and avoid hydrocarbons importation. Peru’s commercial balance of hydrocarbons is negative, despite increases in domestic production.

Over the next few years, several blocks may start producing, potentially doubling the country’s crude oil output. Even with this additional production, much work must be done to reach that point. To increase reserves, exploration wells need to be drilled.

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This is hampered by the fact that environmental permits are necessary for drilling. These permits take a long time to receive. With shorter wait times for permits, companies could drill many more wells. In 2014, only 12 exploratory wells were drilled. Perupetro would like to see around 30-50 exploratory wells drilled each year.

At present, there are 70 signed licence contracts, 28 of which are in a state of force majeure, meaning that the operators are unable to fulfil their contractual obligations to drill a certain number of wells because they have not yet received environmental permits. This is a critical problem for the country’s hydrocarbons industry. In these 28 blocks, at least another 20 exploratory wells could be drilled.
Prospects for progress

ProlInversión executive director Carlos Herrera Perret talks to TOGY about how to attract much-needed investment to Peru’s oil and gas industry. ProlInversión is a government agency tasked with the promotion of private investment in the country’s most critical infrastructure projects and finding companies capable of undertaking major developments for the entirety of their concession periods.

What can be done to attract more foreign investment in Peru’s oil and gas industry? The government has to strengthen policies to facilitate investment processes and improve Peru’s human capital. In addition to regulations developed to simplify and speed up investment processes, the Ministry of Economy and Finance has created a team to follow up on investments and support big projects step-by-step to resolve potential bureaucratic obstacles.

Proactive campaigns are essential for the dissemination of promotional information about the investment environment and attractive conditions of the local oil and gas market. ProlInversión has been implementing various promotion strategies in major cities across North America, Europe, Asia and Oceania.

We have identified potential investors in several markets and have provided them with information based on their business profiles and interests. Every year, we organise road shows in the main markets. In priority markets, we plan to implement communication campaigns to advertise opportunities in Peru.

What are the latest new concessions for natural gas projects and distribution? In July 2013, two distribution concessions were awarded to Spanish company Gas Natural Fenosa and Gases del Pacifico, a subsidiary of Colombia’s Promigas, under the Peruvian government’s Mass Supply of Natural Gas initiative. Over the next 20 years, these two concessions will ensure a minimum of 64,000 and 150,000 connections for the southern and northern concession areas, respectively.

The bidding process for another distribution concession is currently underway. This concession will enable the distribution of gas to 12 cities in the regions of Apurímac, Ayacucho, Huancavelica, Junín, Cusco, Puno and Ucayali.

What is the status of the concession for the Southern Peru Gas Pipeline (GSP)? The GSP will transport natural gas from the Camisea fields in blocks 88 and 56 to Peru’s southern coast. This 1,134-kilometre pipeline will require an additional $3 billion of investment for operation and maintenance during the 34-year concession.

What is the outlook of the GSP and how will it affect development in southern Peru? The GSP will increase natural gas transportation capacity, stimulate greater gas production from the Camisea fields and increase investment in exploration in surrounding blocks, allowing the local natural gas market to further develop.

The three thermal power plants that are being constructed – a 200-MW plant in Quillabamba and two 600-MW plants in Mollendo and Ilo – will be fired by natural gas transported through the GSP, decentralising and reinforcing power generation in the country.

The development of this pipeline is also expected to encourage productivity growth in the southern regions of the country. During the construction of the GSP from 2015 to 2019, 7,000 direct jobs and 25,000 indirect jobs are expected to be created.

How will transportation projects improve Peru’s logistical network? In the coming years, ProlInversión will continue to promote private-public partnership projects that will improve the connectivity of the country. Two additional sections of the 1,392-kilometre Longitudinal de la Sierra highway will be built to further integrate regions located in the Andes and complete the connection to Peru’s main maritime terminals.

A logistics centre will be developed near the Port of Callao to provide services for cargo movement. Logistics centres will also be created around the smaller ports in Piura and Pisco. Port upgrades for Salaverry and Chimbote have also been proposed.

In addition to improving internal commerce, these logistics projects will reduce business costs for the hydrocarbons industry. Oil and gas companies often have to build roads when they move into new areas. With the construction and upgrade of several port terminals and the road network, it will be easier to transport raw materials from the country’s interior to the coast for consumer use and export.

About ProlInversión

ProlInversión seeks out companies to carry out the final design, financing, construction, operations and maintenance of projects in Peru. In the last year, ProlInversión has awarded key projects aimed at the development of the country through the public-private partnership mechanism. Major projects have included the GSP, worth about $4 billion, the Southern Energy Node, valued at $826 million and the $589-million Mayobamba-Iquitos transmission line, among others.
As the largest refinery project in nearly half a century, Petroperú’s Talara refinery modernisation project will improve Peru’s refining efficiency and capacity significantly. The project will also enable the production of new fuels in the Peruvian market. The complete revamp of the facility, contracted to Spanish engineering company Técnicas Reunidas, will raise capacity from 62,000 to 95,000 barrels of oil per day and allow the production of fuels with a maximum sulphur content of 50 parts per million, in accordance with Peru’s new environmental regulations. About 14,000 jobs will be created during the construction phase of the project.

The newly created Peruvian Hydrocarbons Society has been a prominent voice of caution during the period of declining oil prices. Even before the oil price slump, Beatriz Merino, president of the society, had called for government support of the local hydrocarbons industry. Merino’s honest critiques of state policies have opened the doors for essential dialogue between private investors and regulators, something which has already contributed to successful initiatives such as the law on environmental regulation of the hydrocarbons industry, passed on November 2014. With Merino’s work, the society is positioned as Peru’s most authoritative representative of oil and gas industry interests.

The news that the China National Petroleum Corporation intended to enter Peru made significant waves. As China’s leading state-owned oil company and one of the largest in the world, the major is considerably bigger than Peru’s other operators. The company has stayed the ambitious course it set for itself at the end of 2013, when it announced the acquisition of Petrobras’ Peru assets for $2.6 billion. In May 2014, the company stated that it would invest $2 billion in seismic exploration and drilling at its blocks in Peru over the next 10 years. The process has already begun with the drilling of 12 new production wells in the Etanco field in block 10.

Graña y Montero Petrolera has excelled in more than one sector of the hydrocarbons industry in the last year. In the upstream sector, the company chose to pursue new blocks, despite the downturn in oil prices, winning contracts for blocks 3 and 4 in the Talara Basin in the December 2014 licensing round. In the downstream sector, the company is leading the way in gas distribution with its concession for mass natural gas supply in the high Andes, as well as building a branch line from the Transportadora de Gas del Perú pipeline to the city of Ayacucho. It also operates a hydrocarbons storage business through local subsidiary, Consorcio Terminales.

As part of the Southern Energy Node, two gas-fired thermal power plants, Engie Energy Peru’s Ilo plant and IC Power’s plant in Mollendo, will be key in Peru’s growth. These plants will generate 500 MW of new electricity each, powering industrial development and hundreds of thousands of residences throughout the country’s southern regions. The plants will also create the demand necessary to make the Southern Peru Gas Pipeline viable. The open-cycle power plants are expected to eventually be converted into combined-cycle plants, which could double the already significant generating capacity of the Southern Energy Node to more than 2 GW.

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PERU AT A GLANCE

**POLITICS**
- Official name: Republic of Peru
- Political system: Constitutional republic
- Head of state: President Ollanta Humala Tassa
- Capital city: Lima

**DEMOGRAPHY**
- Population: 30,147,935 (2014 estimate)
- Population growth rate: 0.99 percent (2014 estimate)
- Official languages: Spanish, Quechua, Aymara
- Unemployment rate: 7.6 percent (2014 estimate)

**ECONOMY**
- Currency: Peruvian nuevo sol ($1: PEN 0.3368)
- GDP (official exchange rate): $203 billion (2014)
- GDP (annual growth rate): 2.4 percent (2014)
- GDP (per capita): $6,594 (2014)
- Inflation rate: 3.22 percent (2014)
- Exports: $36.4 billion (2014 estimate)
- Imports: $40.3 billion (2014 estimate)
- Main industries: Mining and mineral refining, steel and metal fabrication, oil extraction and refining, natural gas extraction and liquefaction
- Major export partners: US (18.4 percent), China (17.8 percent), Canada (7 percent), Japan (5.2 percent), Brazil (4.3 percent), Switzerland (4.3 percent), Spain (4.2 percent), South Korea (4.2 percent)
- Major import partners: US (24.8 percent), China (15.3 percent), Brazil (5.3 percent), Argentina (4.8 percent), Chile (4.7 percent), Ecuador (4.6 percent), Mexico (4.4 percent)

**ENERGY**
- Proven oil reserves: 633 million barrels (2013)
- Oil production: 69,300 barrels per day (2014)
- Proven gas reserves: 425 bcm (15 tcf) (2014)
- Gas production: 35.4 mcm (1.25 bcf) per day (2014)
- 2013 electricity production: 43,330 GWh

**GEOGRAPHY**
- Area: 1,285,216 square kilometres
- Coastline: 2,414 kilometres

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Activity in Peru’s oil and gas industry has been sluggish over the last few years, with limited upstream development and few new companies entering the country. Complex environmental rules have resulted in many companies entering force majeure, while the law on prior consultation has created multi-year delays in licensing exploration blocks.

The Peru 2015 Investors Index reflects this stagnation in the market. When compared with the previous survey, results display a significant drop in confidence among investors. The slump in Peru’s index to 67.4 in 2015, from 80.8 in 2013, has certainly been influenced by the steep decline in oil prices in the second half of 2014, hurting short-term investor projections for spending and revenue growth. However, this 13-point drop also seems to reflect fatigue with the general climate of business in Peru and concerns about stifling government inefficiency.

**DOING BUSINESS:** Around 45 percent of investors described the ability to conduct business in Peru as easy and 55 percent said it was difficult. This suggests Peru is not the most promising country for investors. However, this is likely affected by depressed oil prices, with the fall that began in mid-2014 stunting investment across all oil and gas markets.

About 80 percent of those surveyed said it was difficult or extremely difficult to start a company in Peru. This response may suggest that few local services companies and operators will break into the market and that the hydrocarbons industry will likely continue to be dominated by established foreign players.

**SUPPORTIVE GOVERNMENT:** Investors were almost unanimous in describing Peru’s government as pro-business, with more than 93 percent affirming this in the index. The survey also revealed that 83.8 percent of investors would describe Peru’s oil and gas industry as either stable or highly stable, a strong vote of confidence in the country’s future prospects and a huge improvement on the 2013 survey, in which 49 percent of people surveyed thought of the Peruvian oil and gas market as an unstable investment opportunity. Despite corruption scandals in the country, more than 77 percent of respondents suggested that Peru’s oil and gas market was either transparent or very transparent.

**ABOUT THE INDEX:** The TOGY Investors Index is designed to measure confidence among oil and gas investors as expressed in their level of spending in any given market. The index is valued based on the responses of oil and gas executives in this market. The survey consists of five additional questions in which participants are asked to give positive or negative responses. A reading of more than 50 on the index indicates a positive perception among oil and gas investors, while scores of less than 50 suggest a negative outlook. The Peru 2015 investors index is based on responses of 31 industry executives.

**How would you describe the policies of this government vis-à-vis the oil and gas industry?**

| Pro-business | 22.5% |
| Pro-business, but restrictive | 70.9% |
| Anti-business, but accommodating | 9.67% |
| Anti-business | 0% |

**How would you rate the ease of doing business in Peru?**

| Very easy | 3.22% |
| Easy | 41.9% |
| Difficult | 54.8% |
| Extremely difficult | 0% |

**How would you rate the level of transparency in this oil and gas market?**

| Very transparent | 9.67% |
| Transparent | 67.7% |
| Not transparent | 22.6% |
| Corrupt | 0% |

**How would you rate the ease of starting an oil and gas business in this market?**

| Very easy | 6.45% |
| Easy | 12.9% |
| Difficult | 67.7% |
| Extremely difficult | 12.9% |

**How would you rate the level of political and economic stability in this oil and gas market?**

| Highly stable | 19.3% |
| Stable | 64.5% |
| Unstable | 12.9% |
| Highly unstable | 0% |

**How would you describe the level of political and economic stability in this oil and gas market?**

Source: The survey conducted by The Oil & Gas Year in Peru between October 2014 and March 2015
04 The Camisea field development reaches its 10-year anniversary.

05 The Camisea consortium announces plans to invest $500 million over the next two years for continued development of the Camisea gasfields.

12 Graña y Montero Petrolera wins the auction for blocks 3 and 4 in the Talara Basin.


19 Pacific Rubiales Energy announces that total oil reserves in its Peruvian blocks have risen 45 percent from 2012 numbers.

23 BPZ Energy announces the start of production at its CX15-7D well in block Z-1.

23 The Gasoducto Sur Peruano consortium signs a contract for the Southern Peru Gas Pipeline concession.

23 The government calls for bids on seven rainforest blocks in the Loreto, Ucayali and Madre de Dios basins for exploration and production activities, the first bidding announced since 2008.

30 A senior Brazilian official states that a project is under consideration to build a coast-to-coast railway through Peru. The railway would strengthen both country’s ties with China.

30 Maple Energy shares fall more than 30 percent in Lima after the company announced that talks about a company sale fell through.

31 Petroperú announces that fuel prices will decrease by 11 percent starting January 1, 2015.

21 Petroperú reports that the oil spill cleanup near kilometre 41 of the North Peruvian Oil Pipeline is complete.

23 Baron Oil announces that it will move into the production phase after discoveries in block 21.

23 BPZ Energy announces the start of production at its CX15-7D well in block 2-1.

04 The Camisea field development reaches its 10-year anniversary.

05 The Camisea consortium announces plans to invest $500 million over the next two years for continued development of the Camisea gasfields.

15 The government calls for bids on seven rainforest blocks in the Loreto, Ucayali and Madre de Dios basins for exploration and production activities, the first bidding announced since 2008.
8 Indigenous protesters seize a Pluspetrol base in block 1-AB, also known as block 192, halting oil production.

09 Upstream oil and gas company Philex Petroleum increases its stake in its subsidiary Pitkin to 53.43 percent.

11 One person is killed and 38 are wounded in a confrontation between anti-oil protesters and private security forces in Pichanaqui.

12 The Ministry of Energy and Mines announces a halt to Pluspetrol’s exploration in Pichanaqui.

12 State licensing agency Perupetro announces plans to issue $2.7 billion worth of bonds later in 2015.

12 Regulators in Peru announce that Perenco, Pluspetrol and Pacific Rubiales Energy have shown interest in bidding on block 1-AB.

20 Gran Tierra Energy Peru stock drops more than 30 percent after reserves estimates are downgraded.

21 Technip subsidiary Tipel wins the engineering and design contract for the Southern Peru Gas Pipeline project.

22 Construction begins on the Southern Peru Gas Pipeline, more than a month ahead of schedule.

23 A meeting takes place between Peru and Bolivia to discuss the possibility of linking Bolivia with the Southern Peru Gas Pipeline.

25 Antilles Oil & Gas acquires a 100-percent stake in block 105 in the Titicaca Basin, estimated to have reserves of 900 million barrels of oil.

26 Repsol announces plans to construct an LPG packaging plant in Cusco. The plant is to be completed by the first half of 2016 and produce 19,000 cylinders per day.

26 Reppol announces plans to construct an LPG packaging plant in Cusco. The plant is to be completed by the first half of 2016 and produce 19,000 cylinders per day.

02 Pluspetrol announces an oil spill at its pipeline in block 8, owing to an act of vandalism.

09 Upstream oil and gas company Philex Petroleum increases its stake in its subsidiary Pitkin to 53.43 percent.
15 Peru’s political hurdles

17 Facilitate growth
Edwin QUINTANILLA
Former Vice-Minister of Energy
Juan Israel ORTIZ GUEVARA
Former Director of Hydrocarbons

18 Handle with care
Jesus TAMAYO
President
SUPERVISORY BODY FOR INVESTMENT IN MINING AND ENERGY
Peru’s political hurdles

Under the leadership of President Ollanta Humala, Peru has seen six prime ministers in four years, as well as three energy ministers in less than 12 months. As the country strives to attract more foreign investment to its hydrocarbons industry, corruption and political volatility remain significant barriers to improving market confidence.

Corruption scandals in Peru have polarised public opinion. Liberal economic policies under President Ollanta Humala have helped the country maintain the fastest growth rate among South America’s larger economies in the last decade. However, Peru’s government has seen six prime ministers come into office since 2011. Furthermore, national GDP growth dropped to 2.4 percent – less than half of what had been forecasted – in 2014. Growth in 2013 stood at 5.8 percent.

While the state’s pursuit of an overhaul of the country’s schools, innovation and a diversification of the economy and crucial infrastructure initiatives has drawn international interest and investment, its public perception has been mired.

Consistent reshuffles in a bid to stem government scandals include the former Minister of Energy and Mines Eleodoro Mayorga, who was in office for only a year before being replaced.

Several scandals involving government officials have eroded the trust of investors and polarised public opinion on Peru’s energy market, necessitating a new era of industry development.

IN THE SPOTLIGHT: One of the most significant corruption scandals in Peru’s recent oil and gas history occurred less than two months after Mayorga took office in late February 2014.

Norwegian company Interoil Exploration & Production, operator of blocks 3 and 4 in the Talara Basin, had sued Peru a year earlier over a contract termination date for the two assets.

The company, which had been active in Peru for more than 30 years, wanted a contract extension, citing an interruption in development at the blocks due to an El Niño cyclone. Peru’s government denied the extension.

In spite of an international court ruling in favour of the government, Interoil continued operating the blocks at a profit, entitling Peru to compensation upon the exit of the company. However, Interoil has never paid the government. Not only did the company forego payments, but it was also awarded a 12-month contract extension.

This decision was made under the premise that the ministry needed more time to prepare a bidding round for the blocks and wanted to avoid losing out on revenues that would be incurred from ceasing production at the blocks during that period. The contract was renewed with no alterations to terms regarding taxes or royalties.

In October 2014, Interoil relinquished the two blocks to Panama-registered company United Oilfield, because it had been prohibited from participating in the new bidding round.

Mayorga was accused of misconduct, because he had previously advised Interoil on its Peru operations while he was a partner at local law firm Laub & Quijandría. The event resulted in a congressional hearing and a vote of censure that was defeated by a narrow margin.

In July 2014, facing considerable social protest, the minister pushed forward new environmental regulations exempting oil and gas firms from applying for environmental licences for seismic campaigns to speed up industry development.

Then, in December 2014, the energy minister was again in the spotlight, accused by the media of favouring Brazil’s Odebrecht, a member of the Gasoducto Sur Peruano consortium, in its bid to construct the Southern Peru Gas Pipeline. Mayorga responded that the tender was conducted in a transparent manner and was clearly documented.

A month later, it was claimed that he interfered in a public bidding round for a natural gas distribution contract by forcing an agreement between winner Sechura Oil & Gas and losing company Gases del Norte, managed by Colombia’s Promigas.

Both companies had allegedly made errors during the bidding process. However, the energy ministry allowed Sechura Oil & Gas to correct its errors, but did not extend the same opportunity to Gases del Norte. Promigas declared that it would file a complaint against the ministry if Gases del Norte was not awarded the contract.

In mid-February 2015, Mayorga demanded that Argentinian oil company Pluspetrol abandon its operations in block 108 in the Amazon following violent protests by indigenous groups that halted drilling. The demand raised concerns about the...
President Ollanta Humala has conducted several cabinet changes since he came into office in 2011.

**DETAIL**

**FORMER MINISTER OF ENERGY AND MINES**

**ELEODORO MAYORGA**

**TOOK OFFICE IN**

**February 2014**

**MAYORGA WAS REPLACED IN**

**February 2015**

**PERU WILL HOLD PRESIDENTIAL ELECTIONS IN 2016**

Government’s willingness to respect its exploration and production agreements.

**A NEW ERA OF ENERGY POLICY:** On February 17, 2015, the energy minister was replaced in a mass reshuffle that saw the departure of four other ministers, as President Humala tried to restructure his controversial Cabinet.

Despite the scandals, Mayorga had promoted the swift development of the energy industry and progressive involvement of state-owned Petroperú in upstream activities during his tenure as energy minister.

The new minister, Rosa Ortiz, a former president of state agency Perupetro, was quick to reorganise the ministry, replacing secretary-general Mario Huapaya, energy vice-minister Edwin Quintanilla and hydrocarbons director Juan Israel Ortiz Guevara.

It is uncertain what the impact of this transition in leadership will be, but it appears the new energy minister has less interest in Petroperú’s involvement in exploration and production activities than her predecessors, as the company is now concentrating its entire cashflow on the refurbishment of the Talara refinery, a fundamental downstream asset for Peru.

While the overall impact of a shifting government on the country’s energy industry will take some time to discern, the instability created by multiple Cabinet changes undoubtedly does little to reassure existing and potential investors.

**FUTURE ELECTIONS:** In the midst of uncertainty about the future of Peru’s energy policy, the country is preparing for presidential elections in 2016. Law bars President Humala from running for a second term. The mandate extends to any member of his immediate family, though a law review could allow the popular first lady, Nadine Heredia, to run. In the meantime, President Humala’s party, Gana Peru, is looking for an alternative contender to nominate for the position.

Running for the opposition party, Fuerza Popular, is the daughter of former President Alberto Fujimori. The former president is now serving a 25-year prison sentence for human rights abuses and embezzlement. His daughter, Keiko Fujimori, is seen as the most likely winner, after losing against President Humala in 2011.

However, Nobel Laureate author Mario Vargas Llosa has stepped in to voice his adamant opposition to Fujimori’s candidacy, as he did in the previous election, in which he was instrumental in gathering support for President Humala.

On the other end of the ideological spectrum is former President Alan García, who is expected to run for a third non-consecutive term. García held office from 1985 to 1990 and again from 2006 to 2011, when he led a pro-business government that presided over a period commonly known as “el Baguazo,” in which violent clashes between anti-oil protesters and police left 33 dead in the rural province of Bagua.

There will be a change in Peru’s leadership in 2016. Assessing the country’s future energy policies and regaining investor confidence will be essential for its oil and gas industry, the economy at large and, moreover, the longevity of Gana Peru.

**ECONOMIES**

Projected GDP of selected South American countries, 2015-2020 ($ billion)

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Source: International Monetary Fund, World Economic Outlook Database