

Regional Outlook: Latin America – Energy Sector

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Energy is a binding constraint upon many of the economies of South America. Limited infrastructure, antiquated and under-funded generation, transmission, and distribution systems, poor access to increasingly expensive feed stock, low refining capacity, poor and/or erratic government policy, and limited access to capital and expertise have taken their toll upon growth in the region. These conditions, however, present an excellent opportunity for growth within and between the countries of the region. Coupled with changes in US and European policies, the time is right to reduce the constraint energy places on economic growth in Latin America.

Political shifts in Argentina resulted in the reduced sales of natural gas to Chile which has expanded its energy infrastructure predicated upon reliable flows of natural gas from Argentina. Chile is in the process of building Liquefied Natural Gas (LNG) receiving terminals. A strained political relationship with Bolivia prevents economic exploitation of natural gas from that country leaving Chile few options at present. Lack of natural gas feed stock will impact economic growth as costs are either absorbed by government, business, and/or consumers. Chile has many renewable natural resources which could be employed to meet long-term electric growth demand. Solar, wind, hydroelectric, and tidal/wave power are all viable technologies in the area. Renewable energy was not a priority while government policies favoring expansion of natural gas facilities used reliable Argentine gas. The removal of this resource has created the possibility to expand renewable energy generation in Chile.

Changes in US policy have created a unique opportunity for the expansion of sugar cane ethanol production. For Peru this is a golden opportunity to revive its ailing sugar industry. The newly signed free-trade agreement between Peru and the United States will allow Peru to export ethanol to the US without the US\$0.54 per gallon tariff attached to exports from Brazil. Many companies have already started to invest in Peruvian ethanol, with expectations that sugar cultivation will more than double in the next ten years. Columbia, Costa Rica, and the Dominican Republic, among others enjoy similar trade relations with the US. Ethanol use in Latin America is increasing with Brazil leading the way with flex-fuel technologies that allow vehicles to run on almost any mix of liquid fuel. Brazil already produces vehicles with this technology enabling them to run on 100% ethanol,

100% gasoline, bio-diesel, or some combination. Additionally, government policies, requiring a minimum of 25% ethanol be blended into all gasoline sales, ensures excellent growth for ethanol production in the region. In the United States and Europe, expansion of ethanol consumption exceeds local output and will necessitate importation of vast quantities over the next several years. Growth potential over the next several years is enhanced by changes in government attitudes towards renewable energy and the need to take action now.

Latin America offers many opportunities to grow and expand your business. Euroasian offers several financial products that will help meet your financing funding needs. We look forward to working closely with you to achieve your business vision.