



RPC

# The Politics of Power

Interdependence and insurance in a changing world

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7 November 2018

# **The Oil And Gas Situation: Volatility, Trade Wars Beginning To Take A Toll**

**Venezuela: oil producer's slump  
reflects nation's decline**

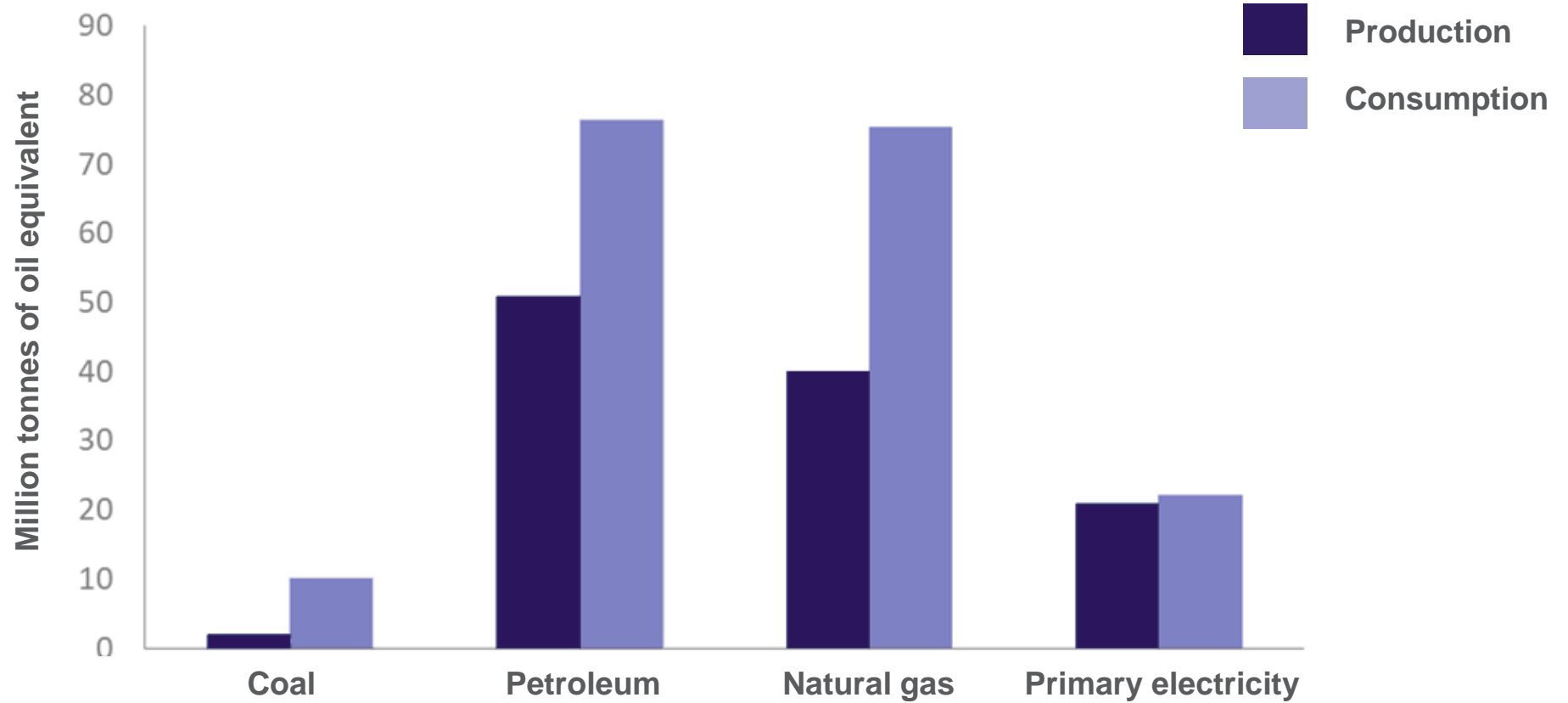
**Mexico and Brazil's Crude Politics**

**Uneasy calm for Argentine  
peso after IMF crisis**

***Turkey heads for a financial  
collapse, US dollar soars***

***Trade war tensions between China and  
US are hitting growth in key markets,  
says British bank***

# International interdependence



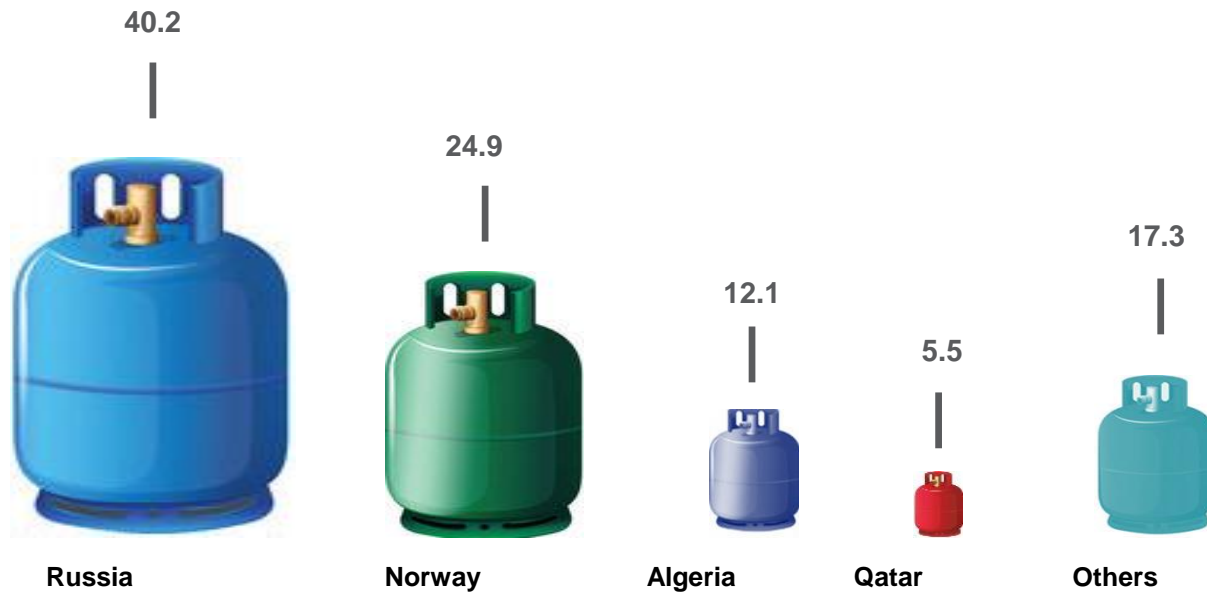
**UK production and consumption 2017**  
source: ONS

# UK 'big 6' energy companies



# EU energy dependence

EU imports of natural gas  
by partners 2016, (%)



Shares based on million cubic metres  
Source: EUROSTAT

# Risks and exposures



## BOTAS pipelines

- Nabucco gas pipeline to Central Europe (planned)
- Baku-Tbilisi-Ceyhan oil pipeline
- Baku-Tbilisi-Erzurum gas pipeline
- Baku-Supsa oil pipeline
- Baku-Novorossiysk oil pipeline
- Trans-Caspian gas pipeline (proposed)



# Who to believe - PDVSA



**PDVSA refinery explosion, Venezuela**



# Who to believe – Peru pipeline

## Damaged Peru pipeline leaks 3,000 barrels of oil into Amazon region

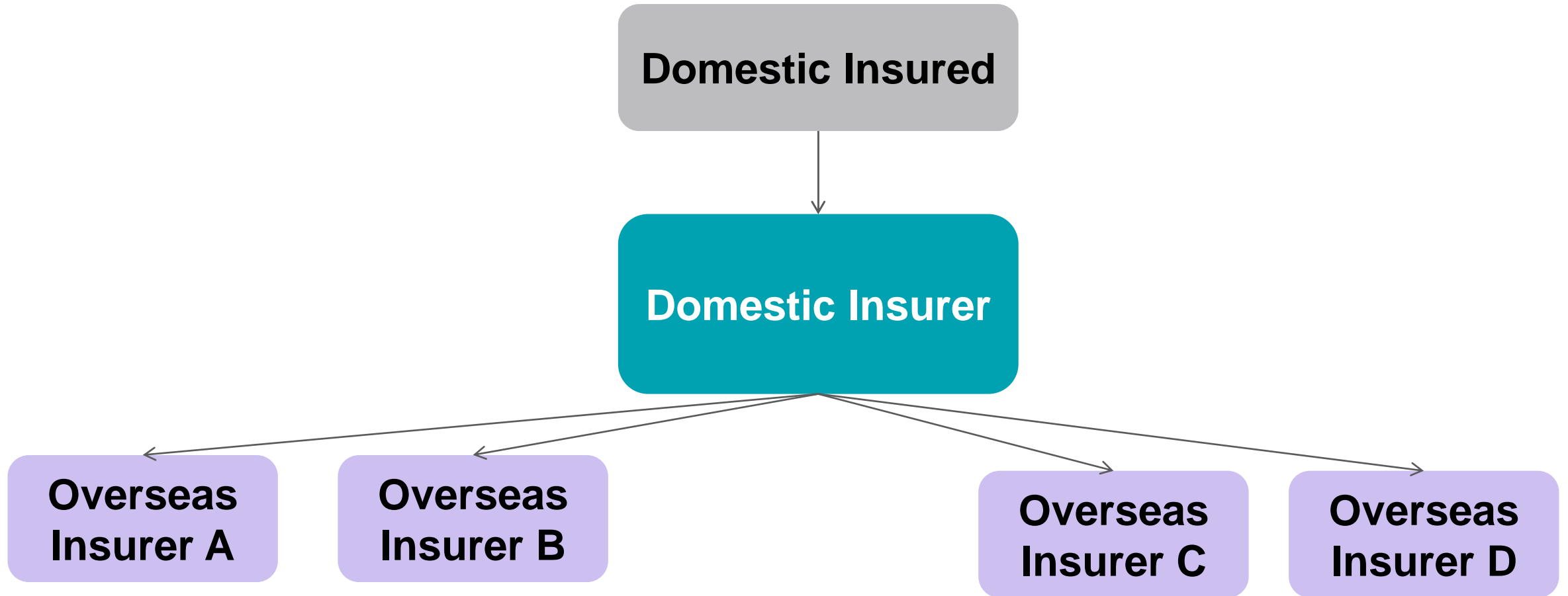
**Jungle covered in black sludge after a landslide caused the country's main oil pipeline to rupture, polluting rivers relied on by eight native communities**



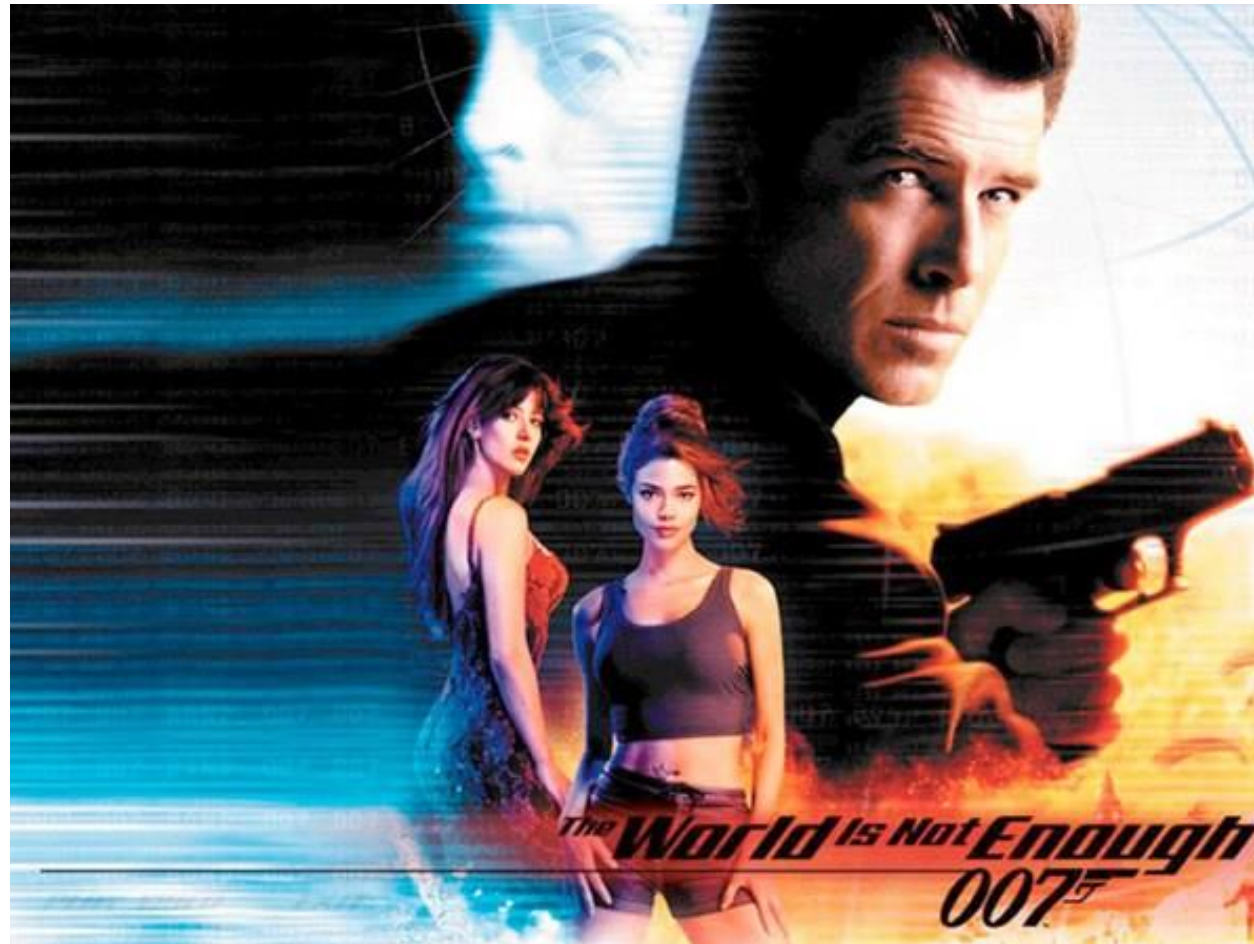
▲ There are fears that the leak could affect the health of villagers living in the Amazon jungle. Photograph: Steve Bloom Images / Alamy/Alamy

Ruptures in Peru's main oil pipeline have spilled 3,000 barrels of crude into the Amazon region, polluting two rivers that native villages rely on for water.

# Insurance issues



# Political risk and government policy



# Energy assets and Brazilian policy

## Brazil presidential contender Gomes would reverse privatizations

Pedro Fonseca, Rodrigo Viga Gaier

3 MIN READ

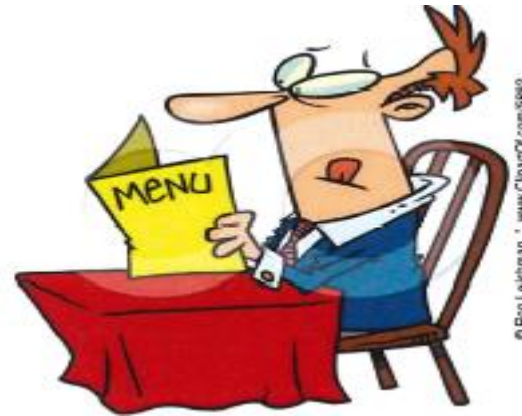


RIO DE JANEIRO (Reuters) - The most likely leftist contender in Brazil's presidential race, Ciro Gomes, is warning investors to hold off buying state assets in the energy sector because he would expropriate them if he wins in October.



# Political risk insurance

- Confiscation
- Expropriation
- Nationalisation
- Deprivation
- Forced divestiture
- Forced abandonment
- Selective discrimination



# Venezuela and Conoco

## Venezuela's state oil group agrees \$2bn Conoco payout

Venezuela's national oil company has agreed to pay \$2bn compensation to ConocoPhillips of the US, ending a dispute that had disrupted the state-controlled group's exports.

Conoco said on Monday that PDVSA had agreed to pay the full amount of \$2bn awarded by an International Chamber of Commerce tribunal in April, to compensate the US group for former president Hugo Chávez's nationalisation of stakes in two Venezuelan heavy oil projects in 2007.

The pressure on PDVSA to pay up increased in May, when Conoco secured court orders granting it control over the Venezuelan group's assets in Curacao, Bonaire, St Eustatius and Aruba. The orders caused difficulties for PDVSA, which had used ports, refineries and storage tanks in those islands as routes for Venezuela's oil exports. It had been forced to transfer oil between tankers at sea or in Cuba, to avoid having it seized under the grant of the ICC award.



# Argentina 'pesification'





# Argentina-US bilateral investment treaty



# Argentina-Chile gas exports

## 7.1 Chile

Chile was the country most affected by the Argentine gas cuts. Argentina has exported natural gas to Chile since 1997. A total of seven pipelines, all constructed between 1996 and 1999, link the two countries: Tierra del Fuego (Methanex) (2 mcm/d), El Cóndor-Posesión (2 mcm/d), and Patagónico (2.8 mcm/d) in the far south; GasAndes (9 mcm/d) and Gasoducto del Pacífico (9.7 mcm/d) in the central and southern regions; and GasAtacama (8.5 mcm/d) and Norandino (7.1 mcm/d) in the north.

In 2003, exports represented 7.2 bcm, up by 28% from 2002. Chile is almost completely dependent on Argentine gas imports and 37% of its electricity generation comes from gas. Chile is the largest market for Argentine gas, representing nine-tenths of its gas exports. Argentina's exports to Chile are under dollar-denominated contracts.

# Tanzania and Mechmar

**IPTL shareholders still in legal dispute**

The minority shareholder – VIP Marketing Company – says \$48 billion) it demands in damage amount.

VIP Engineering and Marketing owns a 30 per cent stake in the suit in the Supreme Court of New York, demanding \$485 million damages VIP has suffered. Standard Chartered Bank's conversion

**StanChart challenges ICSID jurisdiction ruling**

Can investors take disputes to international arbitration? Standard Chartered Bank thinks so

With Africa emerging as a major market, the ratified the ICSID Convention in the resource-rich region.

The latest saga involves an arbitration court on 11 May 2011. It has been in dispute with the subsidiary's funding of the

Proceedings were brought by the majority shareholder to take the case to an international

## Tanzania loses appeal, now Tanesco to pay \$148m

Tanzania will fork out \$148.4 million after it lost an appeal against a settlement made in favour of Standard Chartered Bank for a breach of power contract by its energy utility, Tanzania Electric Supply Company (Tanesco).

Washington-based International Centre for Settlement of Investment Disputes made the order in a case that began in 2001 concerning a purchase agreement in May 1995 between Tanesco and Independent Power Tanzania Ltd, whose rights were later taken over by Standard Chartered four years ago.

# Colombia and Electricaribe

**Colombian gov't orders liquidation of  
Gas Natural Fenosa's Electricaribe unit**



# Trade wars?



# Ongoing interdependence



# Q&A





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