



Evolution of the PETROCARIBE Energy Cooperation Agreement

Intra-Regional Relations

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Printed in the Permanent Secretariat of SELA, Caracas, Venezuela.

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F O R E W O R D

This report on the PETROCARIBE Energy Cooperation Agreement is drafted in compliance with Activity 1.1.1 of the Work Programme of SELA Permanent Secretary for 2015, entitled "Follow-up report on the integration agreements in Latin America and the Caribbean: Andean Community (CAN), Caribbean Community (CARICOM), Southern Common Market (MERCOSUR), Central American Integration System (SICA), Bolivarian Alliance for the Peoples of Our America (ALBA-TCP), PETROCARIBE, Alliance of the Pacific (AP) and UNASUR".

In Chapters I and II, the institutional evolution of the PETROCARIBE Agreement is analysed, starting from 2013. In Chapter III, a description of the operation activities is presented, such as the financing scheme, the preferential conditions of payment of the oil invoice and the evolution of the financial mechanisms created within its framework: the PDV Caribbean Company, the ALBA Caribbean Fund and the ALBA Food Fund.

In Chapter IV, an assessment is made on the evolution of the Agreement and, in Chapter V, its future challenges are described, especially, the creation of the PETROCARIBE Economic Zone and the proposal of an ALBA-CARICOM-MERCOSUR-PETROCARIBE Complementary Economic Zone.

Chapter VI analyses the relation of this Agreement with the regional integration in energy developments, from CELAC and integration schemes that shared members. Finally, some conclusions are presented.

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EXECUTIVE SUMMARY

PETROCARIBE is an energy cooperation agreement based on a political and institutional framework between the Bolivarian Republic of Venezuela and countries of the Caribbean, Central America and South America aimed at supplying and using energy resources, mainly oil resources, to launch energy security, socioeconomic development, integration and cooperation among its signatory countries.

It is a scheme that facilitates energy policies and plans by using natural energy resources for the benefit of its member States, and participating in the coordination and management of their energy interrelations.

In almost 10 years of operation, PETROCARIBE has set a landmark on the issue of energy cooperation, because its objectives go beyond the simple supply of crude oil with easy payments terms, to include: i) planning the energy policy of the member countries, from exploration and production to transportation; ii) new capacities for refining and storage; iii) development of the petrochemical industry; iv) commercialization; v) technological training and assistance; and vi) creation of energy state-owned companies in countries that do not have them.

PETROCARIBE represents a scheme of energy cooperation and complementarity based on two basic pillars: first, the solidarity of a country having an energy surplus, like Venezuela, with countries having scarce energy sources and resources; second, the acknowledgement of the asymmetries between a country of a relative medium economic development, like Venezuela, and countries of smaller size and relative development, such as the remaining countries participating in this Agreement.

According to official figures, the positive impact of this Agreement on the economies of signatory countries has been a 25% of the Gross Domestic Product (GDP), on average, in the last 10 years, which in the energy sphere has approximately assured a 32% availability of their oil demand. In a scenario of a constant drop in oil prices in the world market such as today's, the continuity of this mechanism was ratified by its member States in May 2015, when it was also approved a series of projects that will give the necessary resources to the financial support instruments to develop more social and cultural programmes, from the oil supply obtained under the pre-established preferential conditions.

On the other hand, the creation of an *Economic Zone* between the PETROCARIBE member countries has continued to be consolidated as a PETROCARIBE leading project, it consists of five structural programmes that cover tourism, production development, transportation, social and cultural development, and trade and investment. Likewise, the proposal of a *Complementary Zone with ALBA-TCP, CARICOM and MERCOSUR* made in 2014, which is in the process of being created, is an initiative of energy complementarity that has the greatest relevance to Latin America and the Caribbean.

In short, it can be stated that PETROCARIBE has contributed to revitalize the way of dealing with the energy issue in Latin America and the Caribbean, by heightening the expectations for a complementarity and exchange resulting from the regional and subregional energy integration agreements, which are deemed possible in the Community of Latin American and Caribbean States (CELAC), as well as in the different integration schemes that share members with PETROCARIBE.

INTRODUCTION

This document aims at carrying out a follow-up to the evolution of the PETROCARIBE Energy Cooperation Agreement, in particular, starting from the document entitled "PETROCARIBE Energy Cooperation Agreement" (SP/Di N° 3-13), prepared by the Permanent Secretary of SELA in 2013, in which the development of this regional cooperation mechanism was analysed, since its creation in 2005 until July 2013.

In the following chapters, I and II, the institutional evolution of the Agreement is studied since 2013, as well as the increase in the number of members until 2014, with the accession of Haiti and several Central American countries, and the conduction of high-level meetings contemplated in its decision-making administrative structure.

In Chapters III and IV, an assessment is made of the Agreement procedures and operation activities, such as the financing scheme and preferential conditions of payment of the oil invoice, and the evolution of the financial mechanisms of the Agreement formed by *PDV Caribe Enterprise*, *ALBA Caribe Fund* and *ALBA Food Fund*. Likewise, a balance sheet for the execution of PETROCARIBE is prepared; it shows that the Agreement has covered 32% of the energy demand of the member countries, and funded 50% of their oil invoice.

Chapter V describes the challenges of this Agreement in the near future, especially with respect to the creation of the *PETROCARIBE Economic Zone* and the proposal of a *Complementary Economic Zone* with the Bolivarian Alliance for the Peoples of Our America and Trade Treaty of the Peoples (ALBA-TCP), the Caribbean Community (CARICOM) and the Southern Common Market (MERCOSUR), currently in the process of being established.

Chapter VI highlights the contribution of PETROCARIBE to a larger energy complementarity and convergence of Latin America and the Caribbean, on the one hand, due to its links with integration regional agreements, and on the other hand, the subregional agreements of integration.

Finally, some conclusions are presented on the evolution of the Agreement and the perspectives of larger energy complementarity and convergence in the region.

I. PETROCARIBE COOPERATION AGREEMENT

The PETROCARIBE Cooperation Agreement was formally established on 29 June 2005, by means of the legal and institutional instrument signed within the framework of the First Energy Meeting of Heads of State and Government of the Caribbean on PETROCARIBE, held in Puerto La Cruz, Venezuela. Through this instrument the 14 countries¹ that signed it, agreed on the essential objective of contributing to energy security, social and economic development and the integration of the Caribbean countries using the energy resources found in the region.

PETROCARIBE was conceived as an enabling scheme of energy policies and plans, using the natural energy resources for the benefit of its member States, and participates in the coordination and management of the energy relations among its member. This mechanism is a response to the fact that the Caribbean economies are highly vulnerable: their geographic location causes isolation, high instability when facing natural disasters, lax security for their citizens and a heavy dependence on foreign capital.²

PETROCARIBE sets out³ to achieve regional energy security from different strategies and activities, such as:

- Offer energy supply with a financial arrangement that would allow supporting social and productive projects.
- Build the infrastructure to manage hydrocarbons in each country. Enhancing the opportunities for further access to electrical energy, by increasing generation capacity.
- Foster transfer of technology and exchange of knowledge through the creation of binational and grand-national⁴ mixed enterprises.
- Widen the refining and petrochemical capacities in the region. To boost projects on energy conservation and the use of renewable energy sources.
- Make easier the access to gas by the installation of plants for liquefaction, supply of piped gas and filling of gas cylinders for domestic use. To encourage local production by means of swapping goods and services for hydrocarbons.
- Supply fertilizers at competitive prices. To support local production of food through financing the agriculture productive sectors.

Membership

PETROCARIBE consists of 19 member States: Antigua and Barbuda, Bahamas, Belize, Cuba, Dominica, El Salvador, Grenada, Guyana, Haiti, Honduras, Jamaica, Nicaragua, Dominican Republic, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname and Venezuela (Table 1). This number represents approximately two thirds (66%) of the membership of the Community of Latin American and Caribbean States (CELAC). Although the membership includes

¹ Antigua and Barbuda, Bahamas, Belize, Cuba, Dominica, Grenada, Guyana, Jamaica, Dominican Republic, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname and Venezuela. Between 2007 and 2014, Haiti and four Central American countries have joined, so there are 19 signing States.

² SELA (2014), Production and Industrial Development Policies in LAC.

³ PETROCARIBE (2009), Development Engine for the Caribbean Peoples.

⁴ "The *grand-national* concept is contained in the ALBA-TCP conceptual basis. It is essentially a political concept, but encompasses all the aspects of the life of our nations". See in that regard the documents of the VI Summit of ALBA, ALBA Web site, Caracas.

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granting Observer⁵ status to a country, PETROCARIBE does not have a member with such a status at the present time.

TABLE 1
PETROCARIBE member countries

Country	Year
Antigua and Barbuda	2005
Bahamas	
Belize	
Cuba	
Dominica	
Grenada	
Guyana	
Jamaica	
Dominican Republic	
Saint Kitts and Nevis	
Saint Vincent and the Grenadines	
Saint Lucia	
Suriname	
Venezuela	
Haiti	2007
Nicaragua	
Honduras	2008
Guatemala	2012
El Salvador	2014

Source: *PETROCARIBE*

It should be duly noted that Bahamas, Guatemala and Saint Lucia, in spite of having signed the Agreement, have not applied it in practice. In contrast, Cuba is considered a PETROCARIBE *de facto* member because, although the supply and exchange with Cuba are done under the scheme of this Agreement, they are contractually derived from the Comprehensive Cooperation Agreement (CIC) between Venezuela and Cuba, signed in 2000. In fact, Cuba is the country with the highest established quota among all members, 98,000 barrels per day.⁶

Since 2007, the Agreement gained regional relevance when Haiti, Honduras, Nicaragua, Guatemala and El Salvador signed it. At present, based on data from the World Bank, it represents a space of almost 2 million square kilometres, and a bit more of 100 million inhabitants, with a Gross Domestic Product (GDP) of US\$ 7,498.66 (2013) per person, on average, showing big differences among its members: for example, Bahamas' US\$ 22,312, compared to Haiti's US\$ 819.9.

⁵ PETROCARIBE Statute, Art 6.d "institutionalized the definition of Observer country, whose definitive membership depends on the will of the country and the unanimous approval of the Ministerial Council.

⁶ See Table 8 about the quotas in 2015.

TABLE 2
PETROCARIBE economic data in 2013

Countries	Population (thousands)	Surface (km2)	Per capita GDP (US\$)
Antigua and Barbuda	89,985	442	13,342.10
Bahamas	377,374	13,943	22,312.10
Belize	331,900	22,966	4,893.90
Cuba	11,265,629	109,884	-
Dominica	72,003	751	7,175.60
El Salvador	6,340,454	21,041	3,826.10
Grenada	105,897	344	7,890.50
Guatemala	15,468,203	108,889	3,477.90
Guyana	799,613	214,969	3,739.50
Haiti	10,317,461	27,750	819.9
Honduras	8,097,688	112,492	2,290.80
Jamaica	2,715,000	10,991	5,290
Nicaragua	6,080,478	130,373	1,851.10
Dominican Republic	10,403,761	48,192	5,879
Saint Kitts and Nevis	54,191	261	14,132.80
St Vincent & the Grenadines	109,373	389	6,485.70
Saint Lucia	182,273	539	7,328.40
Suriname	539,276	163,820	9,825.70
Venezuela	30,405,207	912,050	14,414.80
Total	103,755,766	1,900,086	7,498.66

Source: Based on data from: World Bank (2015), Connectivity for Caribbean Countries.

II. SUMMITS OF HEADS OF STATE AND GOVERNMENT AND MINISTERIAL COUNCILS

The PETROCARIBE administrative structure consists of an Executive Secretariat with headquarters in Caracas, and two high-level political entities for decision-making and follow-up of its execution: the Summit of Heads of State and Government, and the Ministerial Council, whose meetings are listed in Tables 3 and 4.

TABLE 3
PETROCARIBE Summits of Heads of State and Government

Number	Year	Host country
I	2005	Venezuela
II	2005	Jamaica
III	2007	Venezuela
IV	2008	Cuba
V	2008	Venezuela
VI	2009	Saint Kitts and Nevis
VII	2012	Venezuela
VIII	2013	Nicaragua
IX	2015	Venezuela

Source: *PETROCARIBE*.

In the period of this study, it should be highlighted for its great relevance the IX Summit of Heads of State and Government of PETROCARIBE, named "Special Summit", held in Caracas, on 6 March 2015, after the last meeting in June 2013. With an outlook for oil international prices decreasing considerably, this meeting expressed the will to continue the operation of this Agreement under the pre-established conditions, acknowledging PETROCARIBE as a sustainable scheme that combines hydrocarbon supply and financing for development and trade, through the mechanism of complementary clearing.

This Summit issued the following Declaration,⁷ which is transcribed in its entirety due to its utmost importance:

1. Welcome the celebration of the Special Summit of Heads of State and Government of the PETROCARIBE countries.
2. Ratify our commitment to strengthen PETROCARIBE continuously, as a mechanism to boost the development of our nations, as a reflexion of the advances made in the process of regional integration based on solidarity, cooperation and complementarity, without detriment to the independence and sovereignty of the peoples.
3. Reassert that the Caribbean is a zone of peace, where the nations inspire processes of integration and friendship, aimed at guaranteeing constantly the greatest happiness for our peoples.
4. Reaffirm the need to move forward in the establishment of the PETROCARIBE Economic Zone, using as a starting point trade clearing.
5. Reiterate the will to continue moving forward in the projects on PETROCARIBE air and sea interconnection, so that they would become invigorating axes of the cooperation between our countries.
6. Congratulate the advances in PEZ social and cultural issues, in particular, what is related with the creation of the University Common Space and the execution of the "Hugo Chavez" Plan for the Eradication of Hunger and Poverty.
7. Receive with pleasure, the evaluation of the PETROCARIBE financing schemes, in what is related to the default interests generated from financing of the oil invoice.

⁷ Declaration of the Special Summit of Heads of State and Government of PETROCARIBE, Caracas, 2015.

8. Support the expansion of the ALBA Caribbean Fund in additional two hundred million dollars, to lever up the socio productive development in the Caribbean countries, as well as to finance the advancing of complementary energy.
9. They agree to move forward in the development of an Orinoco Oil Belt block for PETROCARIBE, so it is necessary to set up the corresponding technical commissions of evaluation.
10. They agree to constitute a high-level commission to establish the PETROCARIBE Economic Zone projects, in a sixty (60) day term, with its corresponding plan of action.
11. Ratify the founding spirit of PETROCARIBE as a mechanism of solidarity, cooperation and friendship of the peoples of our region.

The Agreement stipulates that each year a meeting of the Ministerial Council will be held, consisting of Ministers of Energy or their equivalent by member country, as well as many special meetings deemed necessary. However, a total of five meetings of the Council were held in four member countries, between 2013 and 2014 (Table 4).

TABLE 4
PETROCARIBE Ministerial Council (2013-2015)

Number	Year	Host country
X	2013	Nicaragua
XI	2013	Haiti
XII	2013	Venezuela
XIII	2014	El Salvador
XIV	2014	Venezuela
XV	2015	Venezuela

Source: PETROCARIBE.

The 11th PETROCARIBE Ministerial Council, held on 6 and 7 September 2013, in Petion-Ville, Haiti, was focused in the development of the PETROCARIBE Economic Zone, production lines, trade and integration. The 12th Ministerial Meeting, held on 17 December 2013, in Caracas, took place within the framework of the II ALBA-TCP/PETROCARIBE Special Summit that will be referred to in Chapter VII of this document.

The 13th Ministerial Council was held in San Salvador, on 2 June 2014, and adopted a series of resolutions oriented to the strengthening of the PETROCARIBE Economic Zone, such as:

1. Approve the accession of El Salvador.
2. Support the works of the 1st Meeting of the "Hugo Chavez Plan of Action for the Eradication of Extreme Poverty" of PETROCARIBE, held on 3 and 4 April 2014, in Caracas.
3. Approve the financing mechanism of the "Hugo Chavez Plan of Action for the Eradication of Extreme Poverty".
4. Endorse the proposal of Venezuela for the development of a PETROCARIBE Energy Assessment aimed at devising a productive and efficient energy matrix of the region, identifying integration opportunities and potential, taking advantage of the energy

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complementarity between the member countries, and strengthening the institutional capacities in the field of statistics and strategic planning.

5. Accept the proposal of Venezuela to hold the 1st Energy Seminar of the Caribbean.
6. Welcome the initiative of Venezuela to create the Regional Supply Trading Company of the Caribbean (COMSURCA).
7. Set up a group, led by Venezuela, the PETROCARIBE Executive Secretary and PDV Caribe to organize a productive and commercial alliance for rice. Similarly, instructions were given to start actions for the creation of a Mixed Company for the production and commercialization of rice.
8. Increase the Network of Fuel Storage and Distribution.
9. Expand the PETROCARIBE Clearing Mechanism as an instrument to lever up the production chains in the region.
10. Form an *Ad hoc* team in each country to carry out follow-up and control of pledges undertaken within the PETROCARIBE framework.
11. Back the will of moving forward in the projects on transportation of people, goods and services as an essential axis for swapping and trade.

The 14th Ministerial Council, held on 20 November 2014 in Caracas, included in its debates the aspects related to the creation of the Complementary Economic Zone that will be made up by ALBA-TCP, CARICOM, MERCOSUR and PETROCARIBE.

About this Council, it should be noted that Venezuela reaffirms its will to continue the energy cooperation policies that has followed until now; the accession of El Salvador to the Memorandum of Understanding for the Development of the Economic Zone; moving forward in the projects on air and sea interconnection; establishing a coordination mechanism for the complementarity of farming production, aligned with the policies to mitigate the climate change effects and ease the processes of adaptation to safeguard populations found in the productive farming sectors, aimed at turning PETROCARIBE into a rice import free zone and, the creation of the PETROCARIBE Coordination Forum in Food and Agriculture Policies, among other important aspects that consolidate the activities of the Agreement.

Likewise, the PETROCARIBE Second Technical Workshop was held in May 2015, in Caracas. This meeting aimed at developing specific proposals based on the objectives of the PETROCARIBE Economic Zone, an issue on which advances were made in the development of the *"Hugo Chavez Plan for the Eradication of Hunger and Poverty,"* the Project on the PETROCARIBE Common University Space, the creation of a Council of Ministers of Higher Education, the update of the Clearing Manual and the creation of the PETROCARIBE Route of Urea.

The 15th Ministerial Council of PETROCARIBE held on 29 June 2015, in Caracas, within the bounds of the commemoration of the 10th Anniversary of this energy cooperation mechanism. Among the most relevant aspects derived from this meeting are the signing of a Statement of Commitment for the evaluation of the new launching of the PETROCARIBE Economic Zone, as well as the signing of a Memorandum of Understanding between Venezuela and Nicaragua for the supply of solar panels, wind turbines and energy-saving⁸ light bulbs, aimed at the diversification of the regional energy matrix.

⁸ PDVSA (2015). PETROCARIBE continues to build the future among brothers in the region.

III. REGULATIONS AND FINANCING AND CLEARING MECHANISMS

1. Scheme for financing and payment conditions

The PETROCARIBE Agreement establishes a long-term financing of the oil invoice according to which when the international price of the oil barrel exceeds US\$ 40, the term for payment of products will be extended to 25 years, with a two-year grace period included and an interest rate at 1%. When the price of the oil barrel is below US\$ 40, the term for payment of products will be 17 years, with a two-year grace period and an interest rate at 2%,⁹ whereas short-term payment foresees a period between 30 and 90 days. This financing mechanism was adjusted during the V Summit of Heads of State and Government held in 2008.

Venezuela has received goods and services as part of the oil invoice clearing from the oil recipient countries. In this connection, see Table 11.

TABLE 5
PETROCARIBE current line of financing

Price per barrel in US\$	% to finance	Condition
≥ 15	5	2-year grace period 17 years to pay at a 2% interest rate
≥ 20	10	
≥ 22	15	
≥ 24	20	
≥ 30	25	
≥ 40	30	2-year grace period 25 years to pay at a 1% interest rate
≥ 50	40	
≥ 80	50	
≥ 100	60	
≥ 150	70	

Source: PETROCARIBE.

As it was pointed out in the previous chapter, in the IX Summit of Heads of State and Government of PETROCARIBE, it was agreed to assess the present scheme of financing, in particular, the interest earned from the oil invoice, paying attention to the new dynamics of the oil prices since 2014.

2. PDV Caribe

The Agreement recognized the necessity of creating an enterprise, subsidiary of Petróleos de Venezuela (PDVSA), responsible for the operating capacity of the Agreement. To this end, PDV Caribe was created, as a subsidiary enterprise that ensures a direct relation with the supply to the

⁹ Información provided by the Executive Secretariat of PETROCARIBE on 3 June 2015.

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local enterprises, as well as the design and organization of a logistic network of storage, transport, refining and distribution of fuels and by-products, promoting the strengthening of local professional capacities and the use of renewable energy sources.

The Agreement also stipulates that the existence of public bodies to conduct energy operations will be required, and for this purpose, Venezuela offers the technical cooperation for establishing such bodies in the member countries. To date, eleven mixed enterprises have been undertaken between PDV Caribe and public enterprises of eleven member countries, and there are possibilities of expansion to Antigua and Barbuda and Saint Lucia, as a mechanism to implement the energy policy derived from the Agreement. Likewise, through the PDV Cuba enterprise, subsidiary of PDV Caribe, five mixed enterprises¹⁰ have been established.

TABLE 6
PETROCARIBE Mixed Public Enterprises

COUNTRY	ENTERPRISE	SETTING-UP
Belize	ALBA PETROCARIBE (Belize Energy) Limited	55% PDV Caribe S.A / 45% BELIZE PETROLEUM AND ENERGY LIMITED
Dominica	PDV CARIBE (Dominica) LTD	55% PDV Caribe S.A / 45% DOMINICA NATIONAL PETROLEUM COMPANY LTD
El Salvador	ALBA PETROLEOS El Salvador, S.E.M.	60% PDV Caribe S.A / 40% ENEPASA
Grenada	PDV GRENADA LTD	55% PDV Caribe S.A / 45% PETROCARIBE GRENADA LTD
Haiti	Société d'investissement Petion Bolívar, S.A.	49% PDV Caribe S.A / 49% Haitian State
Jamaica	PETROJAM LIMITED	49% PDV Caribe S.A / 51% PETROLEUM CORPORATION OF JAMAICA
Nicaragua	ALBA de Nicaragua, Sociedad Anónima	51% PDV Caribe S.A / 49% Empresa Nicaragüense de Petróleo (PETRONIC)
Dominican Republic	Refinería Dominicana de Petróleo, S.A.	49% PDV Caribe S.A / 51% Dominican State
Saint Kitts and Nevis	PDV ST. KITTS NEVIS LIMITED	55% PDV Caribe S.A / 45% ST. KITTS AND NEVIS ENERGY COMPANY LIMITED
Saint Vincent & the Grenadines	PDV SAINT VINCENT AND THE GRENADINES LTD	55% PDV Caribe S.A / 45% PETROCARIBE ST. VINCENT AND THE GRENADINES (SVG) LIMIEDT
Suriname	PDV SURINAME N.V	50% PDV Caribe S.A / 50% SURFUEL
Cuba	PDVSA CUBA, S.A.	100% PDV Caribe
	CUVENPETROL, S.A.	49% PDVSA CUBA, S.A / 51% COMERCIAL CUPET, S.A
	Transportes del ALBA INC.	50% PDVSA CUBA, S.A / 50% INTERNATIONAL MARITIMA, S.A

¹⁰ PETROCARIBE. Management Report March 2015.

COUNTRY	ENTERPRISE	SETTING-UP
	TROCANA World INC.	50% PDVSA CUBA, S.A / 50% WAGONEER INTERNATIONAL LIMITED
	TOVASE Development CORP.	50% PDVSA CUBA, S.A / 50% VARIATION LIMITED
	CUVENPEQ, S.A.	14% PDVSA CUBA, S.A / 51% GRUPO EMPRESARIAL DE LA INDUSTRIA QUÍMICA (GEIQ), 35% PEQUIVEN, S.A

Source: PETROCARIBE.

Within the framework of the principles established in the Agreement, the mixed enterprises should perform the following activities: i) to boost cooperation, transfer and exchange of knowledge and expertise in managing the energy business; ii) to support planning, organization and development of capacities for fuel transport, storage and distribution; iii) to put into practice a social management in keeping with the principles of the Agreement, as well as the national plans of development of the countries. It should be noted that the preservation of the environment should be guaranteed in the activities of these enterprises, by the implementation of "Contingency Plans for Oil Spill Treatment" in each one of the mixed enterprises already mentioned.

The education of the human capital working in such enterprises has also been a matter of interest for PETROCARIBE, by supporting the training of local personnel in the countries where these enterprises have been established, in particular, in the areas of planning, operations, risk control, marketing and project management. In the same way, actions have been agreed upon to start training programmes in the areas of refining and operation of LPG gas plants.

3. ALBA Caribe Fund

The ALBA-Caribe Fund has been earmarked for the financing of social and economic programs, with contributions from financial and non-financial instruments, prioritizing access to health care, education and housing, as well as being oriented to develop socio productive projects that promote economic development, through small cooperatives and medium-sized industries.¹¹

In the 4th Meeting of the PETROCARIBE Ministerial Council, the Mechanism of Auditing and Verification of Supply Volumes and the Resources of the ALBA Caribe Fund were approved; it is responsible for auditing and checking the true destination of oil supply, as well as the distribution and use of the resources allocated by the Fund.

In the IX Summit of Heads of State and Government of PETROCARIBE, an agreement was reached to support the increase in the ALBA Caribe Fund of additional US\$ 200 million, aimed at strengthening the productive development in the signatory countries and financing the advance of complementary energy.¹² This figure rises fourfold the established one in the creation of the Fund, which was US\$ 50 million.

The Agreement established that in the case of the projects to be financed within the framework of the ALBA Caribe Fund and the social management of the mixed and subsidiary enterprises, these must be conceived as: i) mechanisms for the promotion of exercising economic, social and cultural

¹¹ SELA (2013), PETROCARIBE Energy Cooperation Agreement.

¹² Declaration of the Special Summit of Heads of State and Government of PETROCARIBE, Decision 8.

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rights; ii) organizers of the conditions for exercising these rights in the communities; iii) promoters of the leading and participatory exercise in decision-making where the local communities participate in all the stages of the projects, like formulation, execution and evaluation; iv) creators of educative and organizational balance in the basic community organizations linked to deep and lasting changes in the life conditions of people.¹³

4. ALBA Food Fund

The ALBA Food Fund was created with the purpose of contributing to food self-sufficiency, by means of the support to the comprehensive rural support, the sustainable agricultural production and the distribution and swapping of products, to face the speculation and the use of food as raw material to fuel production.

According to the United Nations Food and Agriculture Organization (FAO), during the 2012-2014 period, 12.4% of the PETROCARIBE population presented signs of undernourishment, this figure doubled the regional average (6.1%). Since the entry into force of PETROCARIBE, such percentage has decreased by 2.5% in the member countries. Haiti, Nicaragua, Dominican Republic, Guatemala and El Salvador, which are essential countries in the food programmes of PETROCARIBE, presented percentages greater than average.

TABLE 7

Proportion of undernourished population in PETROCARIBE countries

Percentage (%) (2005-2014)

Country	2005-2007	2009-2011	2012-2014
Belize	<5	5.9	6.5
Cuba	<5	<5	<5
El Salvador	10.7	12	13.5
Guatemala	15.7	14.7	14.3
Guyana	10.4	11.9	10
Haiti	57.3	50.5	51.8
Honduras	16.4	14.9	12.1
Jamaica	7	7.9	7.9
Nicaragua	23.2	20.3	16.8
Dominican Republic	24.5	18.2	14.7
Saint Vincent & the Grenadines	9.2	6.8	5.7
Suriname	11.5	8.7	8.4
Venezuela	9	<5	<5
PETROCARIBE	14.9	13.2	12.4
LAC	8.7	7	6.1

Haiti represents a case for differentiated attention in the Caribbean Basin and, in particular, in the PETROCARIBE member countries, because 51.8% of its (2012-2014) population is undernourished, a percentage higher than the one of the (2000-2011) previous period, in which the impact of

¹³ People's Ministry for Energy and Petroleum (2005). Guidelines for Social Projects within the PETROCARIBE Framework, p.4.

natural disasters and food availability is a local and regional challenge for the execution of the ALBA Food Fund.

IV. GENERAL ASSESSMENT

Within the energy field, the PETROCARIBE Agreement has guaranteed the energy availability for its member countries by meeting 32%, on average, of their oil demand. Likewise, it has increased access to energy resources by financing approximately 50% of the oil invoice, almost US\$ 28,000 million and the trade clearing of goods and services in more than US\$ 3,247 million¹⁴ in almost 10 years of existence.

Nowadays, the supply of hydrocarbons is shipped to thirteen countries under a quota of 129 thousand barrels per day, which has been met in 74.4% of the total, up to January 2015. Important decreases are shown in the shipments to Suriname, Dominican Republic, Antigua and Barbuda and Dominica. In contrast, El Salvador and Haiti have received fuel in volumes larger than those established in the corresponding quotas.

As indicated, Cuba is part of PETROCARIBE, although the oil supply from Venezuela is implemented through the CIC, it has the largest established quota among all the members, 98,000 oil barrels per day and an active participation, through the (PDV Cuba) subsidiary of PDV Caribe, in Mixed Enterprises and the Camilo Cienfuegos Refinery. According to PDVSA, in 2014, 95,000 oil barrels per day were shipped compared to 105,000 oil barrels per day registered in 2013.¹⁵

TABLE 8
Quotas and actual supply of fuel to PETROCARIBE countries
2015 and Thousands of barrels per day (MBD)

Country	Quota	Actual average	% Performance
Dominican Republic	30	7.5	25
Jamaica	23.5	20.7	88
Nicaragua	27	22.3	83
Haiti	14	20.7	148
Guyana	5.2	4.9	94
Antigua and Barbuda	4.4	1.8	40
Grenada	1	0	0
Saint Kitts and Nevis	1.2	0	0
Dominica	1	0.3	26
St Vincent & the Grenadines	1	0	0
Belize	4	3.2	80
Suriname	10	1.6	16
El Salvador	7	12.9	184
Total	129	96	74.4

In the course of the operation of the Agreement, 307 million oil barrels have been supplied to 13 member countries, although the main destinations have been Dominican Republic, Jamaica,

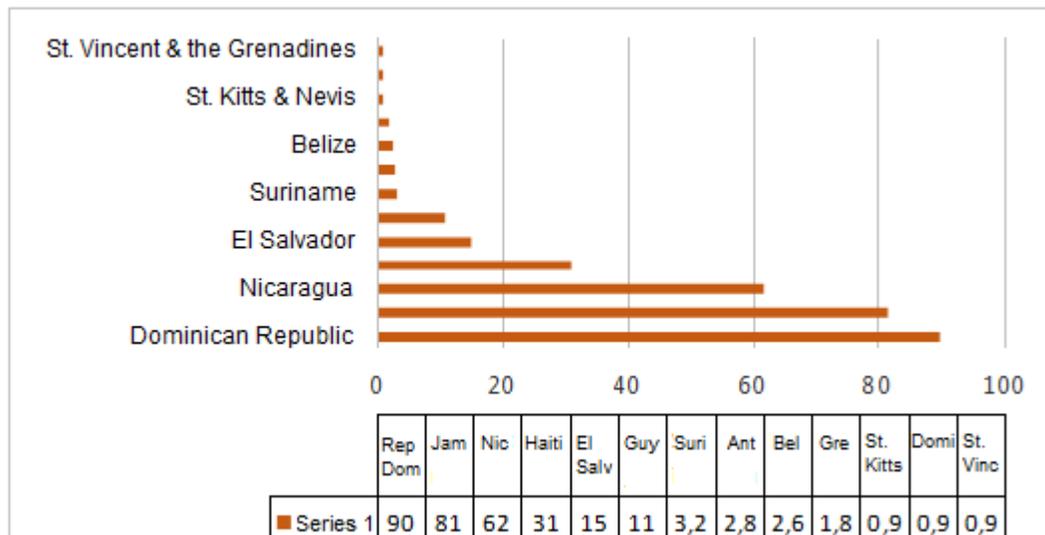
¹⁴ PETROCARIBE, Management Report March 2015.

¹⁵ PDVSA (2015). Management Annual Report 2014. p.82.

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Nicaragua and Haiti, and in relation with the accumulated volume supplied in the 2005-2014 period (Chart 1), these four countries received 87% of total supply within the framework of PETROCARIBE, so that between 25% and 36% of the total oil demand of all members¹⁶ was met.

CHART 1
Accumulated supply of fuel to PETROCARIBE countries
2005-2014 and millions of barrels



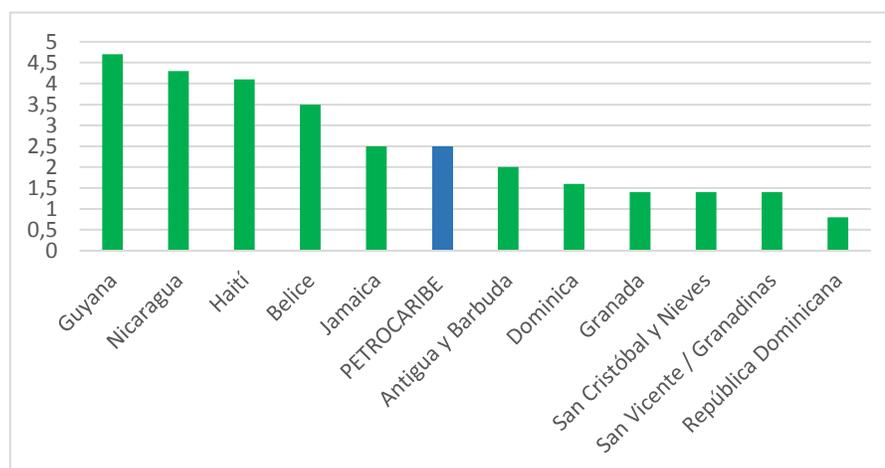
Source: Prepared by the author, based on PETROCARIBE data.

By 2014, the impact of PETROCARIBE on the economies of the member countries was placed in 2.5% of their GDP,¹⁷ on average, according to estimations of the International Monetary Fund (IMF). Countries like Guyana, Nicaragua, Haiti and Belize show a larger impact on their GDP, stood at 4.7%, 4.3%, 4.1% and 3.5%, respectively, followed by Antigua and Barbuda, Dominica, Grenada, Saint Kitts and Nevis, Saint Vincent and the Grenadines and the Dominican Republic, the largest recipient in terms of crude volume.

¹⁶ IDB (2015), Caribbean region quarterly bulletin, Volume 4, issue 1.

¹⁷ IMF (2015), Cheaper oil in Petrocaribe countries: Sweet and Sour.

CHART 2
Financing of PETROCARIBE to member countries
 2014 Percentage of GDP



Source: IMF (2014).

PETROCARIBE has become a reality during its execution for the CARICOM countries, by financing oil purchases in the order of 3.5% of GDP, on average, and around 6% of GDP for the members of the Organization of Eastern Caribbean States (OECS),¹⁸ in a period of instability in the world oil market and a trend towards high prices.

The Agreement has meant for the member countries as a whole a hydrocarbon storage capacity of 617 thousand barrels and a refining capacity of 135 thousand barrels per day, distributed in facilities found in Cuba, Jamaica and the Dominican Republic, as well as a maritime transport capacity of 461 thousand barrels.

These numbers are particularly important for the Caribbean economies, because the oil imports represent between 40% and 60% of their revenues due to total exports, for countries like Jamaica and Guyana that rely on a higher degree of industrialization. In the case of countries with tourism and services activity predominant in the economy, such as Belize, Grenada, and Saint Vincent and the Grenadines, the oil imports account for 13% to 30% of the total revenues from exports.¹⁹ The development of the energy infrastructure in the recipient countries has also been a goal supported by PETROCARIBE, because recorded investments exceed US\$ 1,200 million.

In the social area, the Agreement has contributed with the socio economic development of the member countries, through social and socio productive projects from three sources of financing: i) ALBA Caribe Fund; ii) social management of the Mixed Enterprises and their subsidiaries; and, iii) long-term invoicing.²⁰

A total of 432 projects that account for US\$ 3,944 million in investment, have been implemented by PETROCARIBE since its creation until 2014. The sector of home public services (electricity,

¹⁸ ECLAC (2014), Regional integration: towards a strategy of inclusive value chains, p.100.

¹⁹ CARICOM (2013), Caribbean Community Regional Aid for Trade Strategy 2013-2015, p.12.

²⁰ It is a deferred payment of the financing of a portion of the oil invoice, administered autonomously by each one of the countries that are active in the supply.

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drinking water, domestic gas) is the main destination of these projects that received 34% of such resources, which amounts to US\$ 1,326 million, it is followed by housing, habitat and road construction with 21%, and institutional strengthening with 12% of the resources. Regarding the number of projects implemented, housing, habitat and road construction lead off the list with 115, followed by culture and sports with 50, and agriculture and food with 45 (Table 9).

TABLE 9
PETROCARIBE (2005-2014) investment projects

Sector/activity	No. projects	Investment total %
Home sectors	41	34%
Housing, habitat and road construction	115	21%
Institutional strengthening	44	12%
Production sectors	33	11%
Agriculture and food	45	10%
Education	31	4%
Environment	23	2%
Social welfare and assistance	19	2%
Public services	20	2%
Culture and sports	50	1%
Health	11	1%
Total	432	100%

Source: PETROCARIBE

From the total of implemented projects, 276 (63.8%) have been financed under the heading of long-term invoicing, 88 (18.6%) by the ALBA Caribe Fund, 54 (12.5%) by the Management of the Mixed Enterprises and its subsidiaries and 11 (2.5%) by the ALBA Food Fund.

Human Development Index

When measuring the social impact of PETROCARIBE, the Human Development Index (HDI)²¹ provides a variable that includes parameters beyond economic growth, such as life expectancy, access to education and schooling. All the member countries of PETROCARIBE showed an increase in this index, during the period between the entry into force of the Agreement and 2013, reaching an average of 0.698 in 2013 (Table 10). According to these figures, PETROCARIBE finds itself on an average level of medium HDI, with member countries; only Haiti is found in the threshold of "low level" with 0.614, whereas Cuba presents a "very high" index, only surpassed in Latin America and the Caribbean by Chile (0.822). It is obvious that PETROCARIBE has largely contributed in this important evolution.

According to CAF-development bank of Latin America, a greater access to modern and clean sources of energy, like gas distributed by networks and electricity and a larger consumption per inhabitant of those sources, tends to be related with higher levels of HDI.²² This is due to some

²¹ The HDI is a parameter developed by the United Nations Development Programme (UNDP) to measure the level of development of a country or region, by evaluating the relative distance that separates its inhabitants from an ideal standard of living, in a scale between 0 and 1.

²² CAF (2013), Energy: a vision of challenges and opportunities in Latin America and the Caribbean, p.10.

extent to PETROCARIBE contributions, not only by supplying energy, but also by financing education and food programmes in its member countries.

TABLE 10
HDI in member countries of PETROCARIBE
2005-2013

Country	2005	2013
Cuba	0.786	0.815
Bahamas	0.787	0.789
Antigua and Barbuda	-	0.774
Venezuela	0.716	0.764
Saint Kitts and Nevis	-	0.75
Grenada	-	0.744
Belize	0.71	0.732
St Vincent & the Grenadines	-	0.719
Dominica	0.708	0.717
Jamaica	0.7	0.715
Saint Lucia	-	0.714
Suriname	0.672	0.705
Dominican Republic	0.668	0.7
El Salvador	0.64	0.662
Guyana	0.584	0.638
Guatemala	0.576	0.628
Honduras	0.584	0.617
Nicaragua	0.585	0.614
Haiti	0.447	0.471
PETROCARIBE	0.654	0.698

Source: Based on UNDP data.

1. Trade clearing

It is a fact that Venezuela received 10% fewer products, mainly food, in 2013 than in 2012, as clearing for the oil shipments from four countries. However, because of the amount and protein value stand out the shipments of white rice, skimmed milk, and liquid sugar.

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TABLE 11
Products received by Venezuela as clearing of the oil invoice
*2013 and Metric Tons*²³

Country	Product	Unit	Amount received	
			2013	2012
Guyana	White Rice	MT	118,395	66,143
	Paddy Rice	MT	102,702	146,141
Nicaragua	Oil	MT	23,874	27,128
	Sugar	MT	173,318	187,014
	Coffee	MT	40,669	90,090
	Beans	MT	11,601	14,480
	Meat	MT	30,619	39,400
	UHT Milk	MT	17,562	25,774
	UHT Flavour Milk	MT	4,648	1,137
	Skimmed Milk	MT	11,301	1,066
	Tuna Loin	MT	-	135
	Palm Oil	MT	35,466	5,427
	Stabilak	MT	-	1
	Paddy Rice	MT	20,000	103,415
	Bean Seeds	MT	175	1,322
	Young Bulls	UNIT	21,725	21,362
	Heifers	UNIT		750
Dominican Republic	Liquid Sugar	MT	11,544	5,142
	Food for Animals	MT	20,896	-
	Macaroni Products	MT	7,807	10,854
Jamaica	Clinker	MT	19,640	-
Total		TM	650,217	724,668
		US\$	22,506	22,112

Source: 2014²⁴ PDVSA Management Report.

Consistent with official data, a total of US\$ 3,247 million has been cleared by the end of 2014. This figure is equivalent to 2,781,980 MT of the products indicated in Table 11. Countries like Guyana, Nicaragua and the Dominican Republic have continued to supply food products towards Venezuelan enterprises, such as *Agropatria*, *Corporación Venezolana de Alimentos (CVAL)*, *Corporación de Abastecimiento de Servicios Agrícolas (CASA)* and *Petroquímica de Venezuela (Pequiven)*.

In the case of Jamaica, the *clinker* product, which is one of the basic components used in the manufacture of cement, was added to clearing in 2013. This compound has been used on a large scale in Venezuela for the construction of infrastructure, in particular, in the *Venezuela Housing Mission*, a Venezuelan government social programme for popular housing construction, created in 2011.

In 2014, there were added to the clearing system of the oil invoice new products, such as soy flour, brownish-grey bulls and Swiss bulls from ALBALINISA, aimed at satisfying the requirements of the

²³ The PDVSA Management Annual Report for 2014 does not have this year's figures of the products received by Venezuela as clearing of the pending oil invoice of the PETROCARIBE countries.

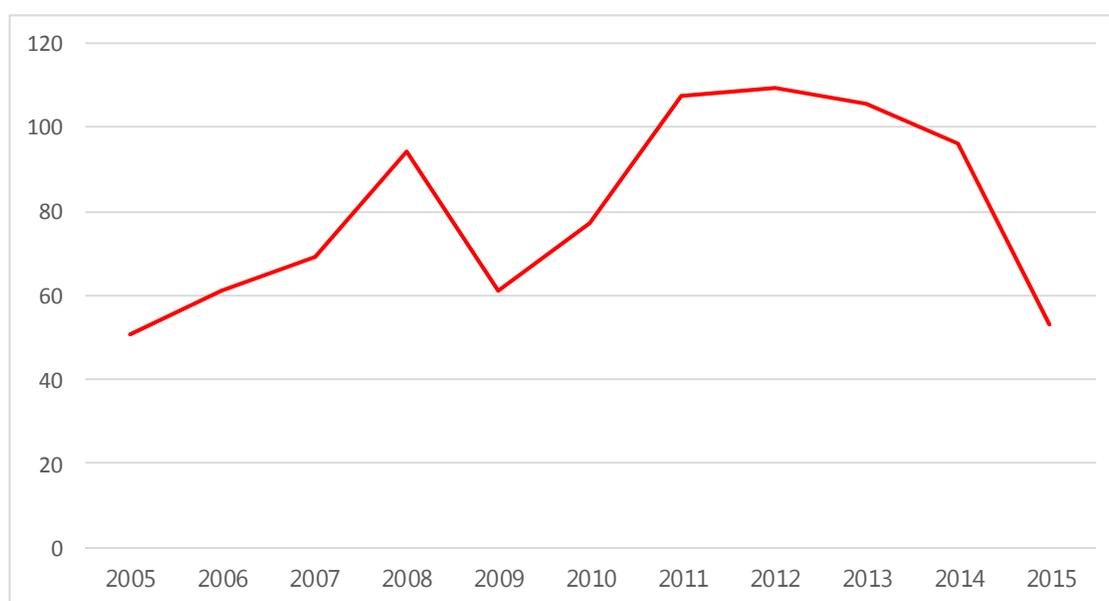
²⁴ PDVSA (2014), PDVSA Management Report 2013.

CVAL Venezuelan enterprise. With the accession of El Salvador to PETROCARIBE, US\$ 5.7 million in medications have been provided to the health sector to satisfy the national demand. Similarly, Venezuela received the first shipment of raw sugar (12,500 TM) and it is estimated that soy oil, white rice, sugar, coffee, black beans, tuna loin and UHT milk for long-term storage will be arriving soon.

2. Oil prices

The oil price showed an erratic behaviour during the 2005-2014 period, as it can be seen in Chart 3. In the period of validity of the Agreement, the oil international prices have registered an average value of US\$ 88.5 per barrel that is the reference basket price of the Organization of Petroleum Exporting Countries (OPEC), which according to the agreed financing scheme, corresponds to a total payment of the products in 25 years, with a 2-year grace period included, and at 1% interest rate.

CHART 3
Behaviour of oil prices
2005-2015 US\$ per barrel (OPEC basket)



Source: OPEC (2015)

The PETROCARIBE Agreement became the most important source of financing concessions in the Caribbean Basin,²⁵ during the period of oil high prices and a world economic crisis; it is even more relevant because these countries are, in general, highly fallen into debt.²⁶ In 2012, the average of the relation between total debt and GDP of the Caribbean countries was considerably higher than

²⁵ Norman Girvan (2008), ALBA, PETROCARIBE and CARICOM: key issues in a new dynamics.

²⁶ See SELA (2013) document: "The debt burden and fiscal sustainability in the Caribbean region", Di N° 16-13, Caracas, October. In this paper an analysis of the debt situation in each country of the Caribbean is made, it combines debt indicators and the sustainability analysis, and presents some policy recommendations. The same document was the basis for the "Meeting of Experts on debt burden in the medium income countries in Latin America and the Caribbean", held in the ACS headquarters, on 24 February 2014.

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the rest of LAC as a whole (50.4%)²⁷. The member countries of PETROCARIBE are in the very high debt rank (higher than 90%): Antigua and Barbuda, Grenada, Jamaica and Saint Kitts and Nevis, all of them having dependence on tourism and service trade.

3. Fuel storage and distribution

The Agreement has allowed for developing a fuel storage capacity of 617 thousand barrels per day, and the member country with the largest installed capacity is El Salvador. By means of projects underway in Nicaragua and Saint Vincent and the Grenadines, the storage capacity is expected to increase to 1,114 barrels per day in the region.

TABLE 12
Projects of energy infrastructure completed for fuel supply

Country	Project	Capacity	Objective	Responsible for project execution	Total
		MB			US\$ Million
Saint Vincent & the Grenadines	Plant for filling LPG cylinders	20,000 cylinders per month	To cover 60% of demand for domestic gas at lower cost, stabilizing the LPG price	PDV Caribe	1
Dominica	Plant of fuel storage and distribution Wai'tukubuli	39	To supply the local market	PDV Caribe	36.4
Nicaragua	Plant of fuel storage and distribution Benjamín Zeledón	200	To supply HFO to the electric plants of ALBANISA	ALBANISA	10.5
Saint Kitts and Nevis	Additional fuel tank for electric plant Needs Must	5	To increase autonomy of electric plant Needs Must	PDV Caribe	2.2
El Salvador	Plant of fuel storage and distribution "Schafik Handal" Acajutla	355	To increase storage capacity	PDV Caribe	111.4
Grenada	Additional fuel tank for electric plant GRENLEC	18	To increase autonomy of electric plant GRENLEC	PDV Caribe	6.2
Total		617			167.7

Source: PETROCARIBE.

²⁷ Íbidem.

4. Refining

The scope of PETROCARIBE does not confine itself to supplying oil and by-products to member countries, it also considers local refining through the already mentioned Mixed Enterprises, attaining a refining capacity of 135 thousand barrels per day using three refineries (Table 13). These installations process crude from Venezuela and allocate the final products to meet the local demand of each one of the recipient countries.

TABLE 13
PETROCARIBE Refinery Structure

Country	Refinery	Capacity	Investment
		MBD	US\$ Million
Cuba	Refinería Camilo Cienfuegos	65	166
Jamaica	Refinery of Kingston (PETROJAM Ltd)	36	64
Dominican Republic	Refinería Dominicana de Petróleo, S.A (REFIDOMSA)	34	130
Total		135	360

Source: PETROCARIBE

In 2014, the volume of processed crude in the Camilo Cienfuegos Refinery, in Cuba, was 50 MBD, the output obtained was: 7 MBD of gasoline and petrol, 17 MBD of jet fuel and distillates, 24 MBD of long residuum and 2 MBD of other products and special refined products. Regarding the PETROJAM Refinery of Jamaica, 19 MBD were processed in 2014, its production was: 3 MBD of gasoline and petrol, 4 MBD of jet fuel and distillates, 10 MBD of long residuum and 2 MBD of other products. Lastly, the REFIDOSA Refinery of the Dominican Republic processed 27 MBD of crude oil, in 2014, its output was: 6 MBD of gasoline and petrol, 12 MBD of jet fuel and distillates, 7 MBD of long residuum and 2 MBD of other products.²⁸

The expansion of this refining capacity in the region presents two ongoing projects at present, by adding Central America to this refining matrix. The first project is the expansion of the refining capacity of the current Camilo Cienfuegos Refinery in Cuba, by 50 thousand barrels per day, an increase that represents 130% when compared with the present one. The second project is located in Nicaragua, by means of The Supreme Dream of Bolivar Industrial Complex, with a refining capacity of 150 thousand barrels per day. Both proposals would increase the refining volume of PETROCARIBE in 370 thousand barrels per day.

²⁸ PDVSA. Management Annual Report 2014. p.76

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5. Generation and access to electricity

The cost of electrical energy in the Caribbean countries is one of the higher costs in the world²⁹ and their access to electricity is more limited than in most countries of Latin America. According to the Latin American Energy Organization (OLADE), the surface covered by electricity in the PETROCARIBE member countries is varied, Haiti stands out because only 28.3% of the population have access to electrical energy; Nicaragua (66.72%), Guyana (80.4%), Guatemala (82%), Honduras (85%), Suriname (90.35%), El Salvador (92.54%), Belize, Dominican Republic and Jamaica (93%), Grenada (96.71%), Cuba (97.8%) and Venezuela (99.74%).³⁰

In 2014, electric power generation increased by 352.4 megawatts (MW), distributed in Haiti, Nicaragua and Saint Kitts and Nevis. Regarding the complementary energy, PETROCARIBE has supported the development of the Alba Rivas Aeolian Park (Nicaragua), by means of the ALBANISA enterprise, representing savings of 4.2% (40 MW) in consumption and favouring more than 145 thousand households, and nowadays it is the electricity enterprise with the larger installed capacity in Nicaragua. In Haiti, 61 MW have been installed through three local plants: i) Carrefour (Port-au-Prince); ii) Gonaives; and, iii) Cap-Haitien, the last two represent the only source of electric power supply in those localities, creating 185 work posts in the whole country.

The execution of electric power generation projects by PETROCARIBE is carried out in Nicaragua, where an expansion of the Alba Rivas Aeolian Park is considered, as well as increasing the capacity of electric plants in Saint Kitts and Nevis, and Saint Vincent and the Grenadines, which amounts up to 40% of the local demand (Table 14).

TABLE 14
Electric power projects in PETROCARIBE countries

Country	Project	Capacity	Reach	Responsible/Project Executor
Nicaragua	Stage II Alba Rivas Aeolian Park	63 MW	Annual impact on generation of the country (4.5%)	ALBANISA
Saint Kitts and Nevis	Expansion of Electric Plant	4 MW	To cover 18% of the total demand	PDV Saint Kitts and Nevis Ltd / Saint Kitts Electricity Department
St Vincent and the Grenadines	Expansion of Electric Plant	8.6 MW	To cover 40% of the total demand	PDV Saint Vincent and the Grenadines Ltd / VINLEC y MAN Diesel Inc.

Source: *PETROCARIBE*

In 2015, the Comprehensive Programme of Energy Efficiency and Savings was implemented, through the donation of 130 thousand saving light bulbs by Venezuela, manufactured by the *Vietven* factory, subsidiary of PDVSA Industrial. This programme, by means of swapping incandescent light bulbs with saving ones, has been applied in Jamaica, Guyana, Antigua and Barbuda, Belize, Saint Vincent and the Grenadines, Grenada, Haiti, Saint Lucia and the Dominican

²⁹ Brookings Institution (2014). *Changing Energy Dynamics in the Western Hemisphere: impacts on Central America and the Caribbean*, p.1.

³⁰ OLADE (2013), *Energía Sostenible –Perspectiva Regional: Centroamérica – América Latina y El Caribe*.

Republic,³¹ resulting in savings of more than US\$ 40 million per year in fuel, and US\$ 160 million in investment.³²

6. Supply of Urea

Since 2007, fertilizers have been distributed from Venezuela to PETROCARIBE member countries, reaching 240 thousand tons of urea, aimed at being used mainly in the agriculture sector as fertilizer and in the chemical industry as raw material. The most favoured countries from this have been: Cuba with 100 thousand tons, Nicaragua with 80 thousand tons and the Dominican Republic with 11 thousand tons.

One of the proposals to be implemented, within the framework of the PETROCARIBE Economic Zone, is the creation of the "Route of Urea in PETROCARIBE", having as a record in the near past the supply of 18 thousand tons of this fertilizer only in 2014.³³

V. FUTURE CHALLENGES FOR PETROCARIBE

The energy diversification of its Member States is part of the goals of PETROCARIBE. In the text of the Agreement, it is established the need for ensuring coordination and coordination of energy policies, including the exploitation of alternative sources, such as wind, solar energy and others, because the Agreement is a promoter of an energy matrix in the region that is not limited to the use of fossil resources.

The small economic scale of the Caribbean countries, their macroeconomic and environmental vulnerability, limited production basis, high dependence on foreign markets and a continuous exposure to natural disasters make mandatory that these economies receive more cooperation from Latin America. PETROCARIBE is a mechanism that has moved forward to achieve this goal, expanding the geographical area to Central American countries, which has made it gain regional relevance.

In this scenario, the Agreement has important challenges ahead that could be concentrated on two big projects, multilateral in nature and with large regional impact, their conceptual and operation foundations started to be defined in 2013-2014, namely: the PETROCARIBE Economic Zone (PEZ) and the Complementary Zone of PETROCARIBE-ALBA/TCP-CARICOM-MERCOSUR, whose characteristics are described as follows:

1. PETROCARIBE Economic Zone (PEZ)

The PETROCARIBE Economic Zone (PEZ), proposed in 2013, represents the broadest economic project that has been undertaken since the institutionalization of PETROCARIBE. Its strategic aim is the use of *productive chains* through the existing comparative advantages in the member countries,³⁴ which would create a strong mechanism that would guarantee the efficient use of the resources available in the member countries. This proposal has received a broad political support and has turned out to be part of the agenda of the decision-making political entities of

³¹ In the Dominican Republic 10 million incandescent bulbs have been swapped for saving light bulbs in 31 states, savings for 146 MW are expected.

³² People's Ministry of Foreign Affairs (2015), PETROCARIBE drives an energy efficiency plan in Suriname.

³³ People's Ministry of Petroleum and Mining (2015), PETROCARIBE has destroyed myths regarding regional cooperation.

³⁴ In this regard, see SELA document (2014) "Opportunities and challenges for coordination and convergence of subregional integration mechanisms in Latin America and the Caribbean", SP/Di. No.12-14, Caracas, November.

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the Agreement, translated into a series of programmes focused on diversifying the benefit gained from the fuel supply to the member countries, obtained in preferential conditions.

In the VII Summit of Heads of State and Government in 2013, the essential components of this proposal were outlined in five *Structural Programmes*, each one with a member country as responsible. Venezuela is part of all of them, as a main facilitator or companion (Table 16).

TABLE 16
Work outline of the Permanent Committee of the PETROCARIBE Economic Zone (PEZ)

Programme	Main facilitator country	Companion facilitator country
Transport and communications	St Vicente & the Grenadines	Jamaica - Venezuela
Production chaining	Venezuela	Jamaica - Nicaragua - Suriname
Tourism	Dominican Republic	Jamaica - Saint Kitts and Nevis - Venezuela
Trade and investment	Nicaragua	Cuba - El Salvador - Honduras - Venezuela
Social and cultural	Haiti	Cuba - Dominica - El Salvador - Jamaica - Venezuela

Source: *PETROCARIBE*

Transport and communications

Air transport

Because most of the PETROCARIBE member countries are islands, it is necessary to make an assessment of the situation of its air and sea connectivity, at intra-regional level as well as with third countries, as a key factor for their economic and social development.

The Caribbean countries present looser air connectivity between each other than with the rest of the world. According to the World Bank, only 18% of the air traffic in the Caribbean subregion is intra-regional, focused in three countries only: Bahamas, Trinidad and Tobago, and Belize.³⁵ The United States and the European Countries, England in particular, have greater air connectivity with the Caribbean islands than with the rest of Latin America and the Caribbean itself. An example is Belize, a country that does not have any air connectivity with the rest of the Caribbean, while Suriname and Guyana have flights only to the Economic Zone, going through Panama, Trinidad and Tobago, and Venezuela.

The proposal of a Framework Agreement between the Companies: *CONVIASA* of Venezuela and *LIAT* of Antigua and Barbuda, for the air interconnection between the Eastern Caribbean and Venezuela, considered in the VIII Summit of PETROCARIBE in 2008, is an important step to meet the aim of bringing closer the populations of PETROCARIBE, that might, if signed, be expanded to other regional air companies.

³⁵ World Bank (2015). Connectivity for Caribbean Countries. p.33.

TABLE 17
Operational destinations of the CONVIASA and LIAT air companies within PEZ 2015

CONVIASA		LIAT	
<i>City</i>	<i>Country</i>	<i>City</i>	<i>Country</i>
Havana	Cuba	Saint John's	Antigua and Barbuda
Saint George	Granada	Roseau	Dominica
Georgetown	Guyana	Saint George	Grenada
Managua	Nicaragua	Georgetown	Guyana
Caracas	Venezuela	Santo Domingo	Dominican Republic
Porlamar		Basseterre	Saint Kitts and Nevis
Puerto Ordaz		Castries	Saint Lucia
		Kingstown	St Vincent & the Grenadines

Source: Prepared by the author.

An example of another airline that has important routes in the region is *Caribbean Airlines*, based in Port of Spain. Although Trinidad and Tobago is not part of the Agreement, it represents along with Barbados the base of operations of various subregional routes in the Caribbean that must be taken into account for the development of this sector within the framework of the Economic Zone. Likewise, national airlines like Bahamas' *Bahamasair*, Belize's *Maya Island Air*, Jamaica's *Fly Jamaica Airways*, Suriname's *Surinam Airways*, Cuba's *Aero Caribbean* and *Cubana de Aviación* could be included in this air space of the Economic Zone, based on their current intra-regional operations.

The importance of air transportation for the Caribbean countries is also seen in the direct employment that it creates at local level and its contribution to GDP. According to the Caribbean Development Bank (CDB), in Jamaica, this sector creates around 21,000 jobs, generating 2.1% of GDP; in Haiti 15,000 (GDP 0.7%); in Bahamas 10,600 (GDP 6.6%); 2,700 in Saint Lucia (GDP 5.1%); 2,300 in Antigua and Barbuda (GDP 8%) and 1,700 jobs in Grenada (GDP 3.7%),³⁶ therefore, it is an important activity for the economic and social development of the PETROCARIBE member countries.

Therefore, air connectivity among the PETROCARIBE member countries represents a challenge that requires a modern infrastructure, as well as trained local human capital. The same is valid for the Central countries that are members of PETROCARIBE, because they have poor connectivity with the Caribbean.

Maritime transport

The maritime connectivity, due to the mentioned geographical characteristics of their member countries, also represents an imperative challenge within the PEZ. The maritime transport of people, as well as that of goods is undoubtedly essential for the socio-economic development of the countries, not limited to modern and accessible craft. Likewise, the port infrastructure is an element that besides adding competitiveness allows for connecting the Caribbean and Central American peoples and economies with the centres of regional and global trade.

³⁶ CDB (2015), *Making Air Transport Work Better for the Caribbean*, p.25.

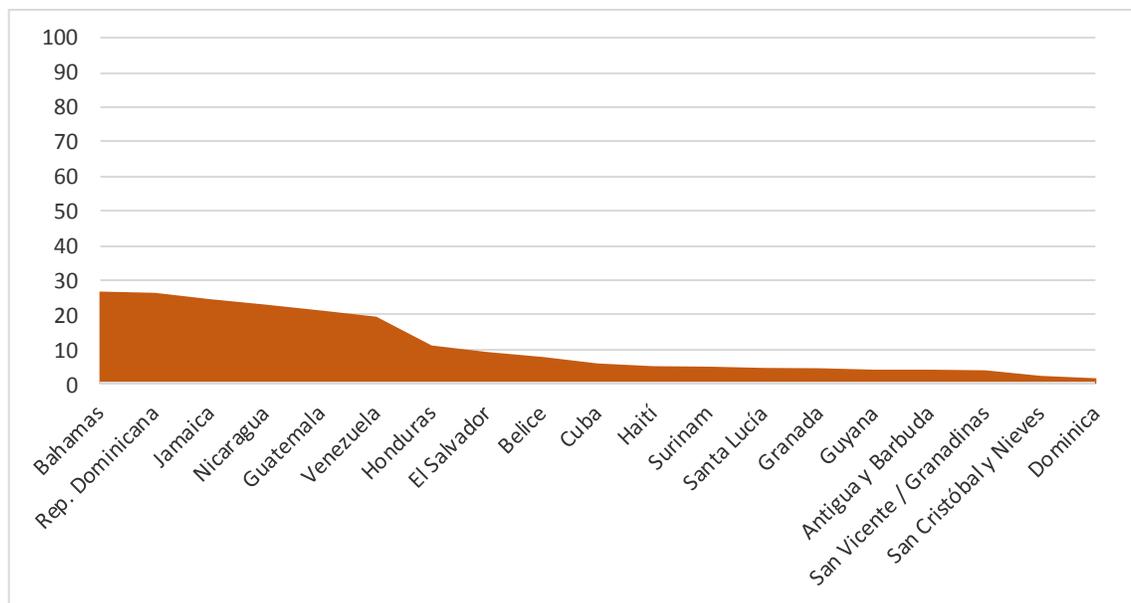
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SELA has warned that it is important for the Caribbean, while advancing towards structured integration of its maritime space, to facilitate the development of suitable and efficient maritime transport systems, in particular for the movement of agricultural products³⁷ in harmony with the support given by PETROCARIBE to the eradication of hunger and the strengthening of food sovereignty. Similarly, the region has reached its own maritime transport capacity of 461 thousand barrels per day of fuels thanks to PETROCARIBE.

The UNCTAD Liner Shipping Connectivity Index (LSCI) allows for assessing the integration level of a country in the maritime transport networks at world scale on the basis of five components: i) number of ships; ii) transport total capacity of ship containers; iii) ship maximum size; iv) number of services; and v) number of enterprises offering the services of their container ships to navigate from and to the ports of a country.

In 2014, the PETROCARIBE LSCI stood at 11.06 over a maximum range of 100. Bahamas, Dominican Republic and Jamaica lead the PETROCARIBE members with an index higher than 20; Dominica, Saint Kitts and Nevis, and Saint Vincent and the Grenadines are most assuredly left behind with regard to the insertion in the world networks of maritime trade, as can be seen in Chart 5.

CHART 5
Liner Shipping Connectivity Index (LSCI) of PETROCARIBE countries (2014)



Source: Prepared by the author, based on UNCTAD data

The ports of Freeport (Bahamas); Caucedo, Haina, Puerto Plata and Santo Domingo (Dominican Republic); Kingston (Jamaica); Puerto Cabello, La Guaira, Guanta and Maracaibo (Venezuela); Puerto Cortés and Puerto Castilla (Honduras); Santo Tomás de Castilla, Puerto Barrios and Puerto Quetzal (Guatemala); La Habana (Cuba); Acajutla (El Salvador); Nieuwe Haven (Suriname); Georgetown (Guyana); Vieux Fort and Castries (Santa Lucia), represent the core of the PETROCARIBE maritime trade,³⁸ with respect to the movement of goods through containers at regional level.

³⁷ SELA (2013), Regional cooperation in cross-border integration: A Caribbean perspective, p. 24.

³⁸ See 2012 Ranking of ECLAC's Infrastructure Service Unit.

The transport of passengers by *ferry* is an alternative for the accessible movement that presents today little connectivity between the PETROCARIBE member countries, focused on the Eastern Caribbean and, to a lesser extent, Guyana and Suriname. Nowadays, the local market gathers 66% of the ferry transport market in the Caribbean, like Saint Kitts and Nevis, Antigua and Barbuda, and Saint Vincent and the Grenadines, followed by a 30% connectivity with extra-regional countries, and only 4% within the region,³⁹ a figure of potential development for PETROCARIBE and its Economic Zone.

In summary, facilitating air and maritime interconnection in the PETROCARIBE member countries requires a huge investment in port and airport infrastructure, as well as the expansion of the current regional connection centres, located in Saint Lucia, El Salvador, Jamaica, Dominican Republic and Venezuela.

Land transport

Lastly, it is evident that land connectivity also deserves to be strengthened within the Economic Zone and the programmes that have PETROCARIBE financial support. The border integration has potential to compensate local and regional asymmetries regarding development,⁴⁰ by bringing towns and production centres closer. The PETROCARIBE border axes are: i) Venezuela-Guyana; ii) Guyana-Suriname; iii) El Salvador-Guatemala-Honduras; iv) Guatemala-Belize; and v) Haiti-Dominican Republic; which are key objectives to be developed within the framework of the Economic Zone, adding experiences already in execution from other mechanisms of border regional cooperation as the Meso-America Project and UNASUR.

Production chains

The PETROCARIBE production development, led by Venezuela, has as a goal to promote specific regional sectors with further possibilities for productive articulation, in particular, in the food and agricultural sector, given the characteristics of the member countries, especially in the areas of agriculture and fishing. To date, eleven project proposals have been presented, mostly in agricultural production, by four member countries: Cuba, El Salvador, Nicaragua and Suriname.

The activities foreseen in this programme are:

- Legal and tax evaluation of existing integration mechanisms and necessary information exchange.
- To include programmes of technical assistance and cooperation.
- Coordination between the universities of the region, not only from the standpoint of academic matters.
- To identify alternative forms of production.

Tourism

This programme, leaded by the Dominican Republic, is aimed at fostering the joint investment and the movement of the Caribbean population, what will allow for an increased rapprochement and deepening of cultural bonds and the like, as well as fostering activities that represent the main source of revenues in several countries.

³⁹ World Bank (2015). Connectivity for Caribbean Countries, p. 68.

⁴⁰ SELA, Regional cooperation in cross-border integration: A Caribbean perspective, p. 24.

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The activities foreseen in this programme are:

- Legal evaluation of the existing integration mechanism and exchange of necessary information on the subject.
- To carry out an assessment of the main difficulties encountered for the tourism development on the part of the member countries.
- To identify tourism projects that would boost the increase of tourism flows originated in the region.

Tourism is one of the main economic activities in the Greater Caribbean, it is the first source of revenues and creates jobs for a considerable number of PETROCARIBE member countries. Among them, Antigua and Barbuda, Bahamas, Saint Lucia, Belize, Jamaica, Dominica, Saint Kitts and Nevis, and Grenada stand out as countries where tourism represents a GDP percentage higher than the PETROCARIBE average (21.3%) in 2014 (Table 18).

TABLE 18
Tourism contribution to GDP of PETROCARIBE countries, 2014

Country	GDP Percentage
Antigua and Barbuda	58.3
Bahamas	43.6
Saint Luca	39.5
Belize	39.2
Jamaica	27.7
Dominica	26.4
Saint Kitts and Nevis	25.5
Grenada	24.2
Saint Vincent and the Grenadines	19.9
Dominican Republic	16
Honduras	15.9
Cuba	10.4
El Salvador	10.1
Nicaragua	9.9
Haiti	9.5
Guatemala	8.8
Venezuela	8.6
Guyana	8
Suriname	2.7
PETROCARIBE	21.3
World	9.8

Source: Prepared by the author, based on data from WTTC Travel & Tourism. Economic Impact 2015.

The Caribbean subregion received 22.5 million international tourists in 2014,⁴¹ which shows a continuous growth since 2000, in spite of the international financial crisis in 2007 and the increase in oil prices. The international tourists that travel for relaxation and recreation⁴² to the Caribbean

⁴¹ World Tourism Organization, 2014.

⁴² ACS (2014), Association of Caribbean States 1994-2014. 20 years fostering cooperation in the Greater Caribbean.

and Central America reached 76% and 58%, respectively. These figures must be taken into consideration in planning regional public policies on tourism promotion, based on the profile and needs of the visitors in the PETROCARIBE member countries.

The member countries were the most visited second destination for international tourists in Latin America and the Caribbean, reaching 18.5 million visitors (Table 19); this figure is only surpassed in the region by Mexico that received 23.7 million international tourists in the year indicated.

TABLE 19
Arrival of international tourists (2013)

Country	Thousands
Dominican Republic	4,690
Cuba	2,829
Jamaica	2,008
Bahamas	1,364
Guatemala	1,331
El Salvador	1,283
Nicaragua	1,229
Venezuela	986
Honduras	863
Saint Lucia	319
Haiti	295
Belize	294
Suriname	249
Antigua and Barbuda	244
Guyana	177
Grenada	116
Saint Kitts and Nevis	107
Dominica	78
St Vincent & the Grenadines	72
Total	18,534

Source: UNWTO and World Bank.

The World Tourism Organization (UNWTO) points out that most of international travels take place in the own region of origin of travellers, four in every five arrivals in the world have their origin in the same region. This should be clearly highlighted within the framework of the formulation and design of regional public policies for the PETROCARIBE Economic Zone programmes of tourism and communications and transport, to increase tourist flows within the Zone.

The creation of a PETROCARIBE tourism brand shared by the member countries can pose an interesting initiative for this programme, by uniting national and local strategies to promote the region as a wider tourism destination in the Caribbean.

The development of tourism is closely related with the strengthening and gradual growth of transport and communications, this zone has its own characteristic of relative geographical

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proximity between its members, which facilitates the planning of the so-called intra-regional multi-destination tourism.⁴³

Trade

This programme is aimed at giving a new dimension to trade relations, taking into consideration the existing trade mechanisms. It consists of the following activities:

- Legal evaluation of the existing integration mechanisms and exchange of necessary information.
- Exchange of statistical information on trade.
- Evaluation of the existing tariff structures in the region.
- To draw up an inventory of existing potentialities.
- To continue to boost and deepen the fair trade mechanism of PETROCARIBE.
- To list critical goods and services susceptible to trade clearing for the long-term payment of the oil invoice.
- To provide a mechanism of automatic allocation of quotas per country of native products, for clearing of the long-term oil invoice.

Trade between the Caribbean countries is minor when compared with their trade with the rest of LAC. The countries of the Eastern Caribbean that are part of PETROCARIBE export their products in a larger amount to non-Caribbean countries.

However, PETROCARIBE is an emerging market, whose economies have as a whole, a higher growth rates than the rest of Latin America and the Caribbean. Its population that stands at more than 100 million people is one of the attractions for production investment on the part of regional and local economic factors. In Cuba, for instance, the relevance of Central America and the Caribbean economies of CARICOM members for its external sector is still minor,⁴⁴ but this is not the case of Venezuela.

As regards CARICOM, its member States are all members of PETROCARIBE with the only exception of Barbados and Trinidad and Tobago. SELA has suggested a series of measures⁴⁵ aimed at increasing trade and investment between the Caribbean and Central America, which could be adopted by PETROCARIBE within the framework of the Economic Zone:

- a) the continued collaboration between the public and private sectors to promote trade missions, fairs and conferences would benefit the relations, as well as the support to the institutionalized contacts between the private sectors of both groups;
- b) the acknowledgement of the need to expand CARICOM's participation in such exchanges, by fostering the participation of small and medium-sized enterprises, as well as representatives of OECS, Guyana and Suriname;
- c) the establishment of a facilitation office of the CARICOM trade in the negotiations conducted in Central America, that can play a role similar to that of the PROCOMER

⁴³ In this connection, see the ACS ongoing programmes in: SELA (2015) Evolution of the Association of Caribbean States, SP/Di No. 3-15, Caracas, June.

⁴⁴ SELA (2013), Analysis and recommendations to promote trade between the Republic of Cuba and the countries of Latin America and the Caribbean.

⁴⁵ SELA (2012), Mechanisms and modalities to foster trade between the Central American Common Market and the Caribbean Community, SP/Di. 12-12, Caracas, May.

- office in Port of Spain, would contribute to the goals of export promotion, but the modalities would have to be carefully analysed;
- d) the creation of single window systems for border management, aimed at accelerating the transaction time and reducing the transaction costs, as well as a more coordinated effort to achieve greater port efficiency; and
- e) to boost active promotion of the service trade in view of the prevailing role of that sector and its higher degree of competitiveness in many economies.

TABLE 20
Exports of Caribbean countries to LAC 2012

Country	Total export percentages
Saint Vincent and the Grenadines	90.9
Dominica	78.4
Grenada	58.7
Saint Lucia	44.9
Guyana	31
Antigua and Barbuda	29.1
Dominican Republic	25
Suriname	14.6
Saint Kitts and Nevis	13.8
Belize	13.7
Jamaica	7.8
Cuba	5
Bahamas	3.1
Haiti	2.8

Source: Data from SELA (2015) and CEDIC-SELA (2013).

Social and cultural programme

The programme in this area, headed by Haiti, is aimed at becoming a cross axis and coordinating element of the PETROCARIBE Economic Zone. It is intended to include the university sector of the region in the PETROCARIBE outreach, taking into account that the lack of education is a strong obstacle to escape poverty and contributes to its multiplication.⁴⁶ Similarly, food sovereignty is the central part of the activities of this programme, namely:

Making education universal

In this field, the proposal for the creation of the Common University Space of PETROCARIBE has been approved through coordination between universities and other educational institutions of the member countries, with the *Universidad Latinoamericana y del Caribe* (ULAC) in an advisory capacity. As a central activity, the First International Meeting on Education will be held, organized by the Executive Secretariat of PETROCARIBE, PDV Caribe and ULAC, with the participation of educational institutions of Caribbean and Central American countries, for the creation of the common university space and the coordination of regional universities, within the framework of the activities that are developed in the Economic Zone.

⁴⁶ ECLAC (2014), Social Outlook for Latin America 2014, p.78

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Food security and sovereignty

On this matter, in Nicaragua, support is given to the public programmes for the eradication of hunger and poverty, such as the Food Productive Basic Beans CRISSOL, Zero Hunger and Develop the Livestock Sector, among others.⁴⁷ This goal could be implemented along with the “Meso-America Plan without Hunger” (2014), a joint initiative of Mexico, FAO and Panama, which also includes six member countries: Belize, El Salvador, Guatemala, Honduras, Nicaragua and the Dominican Republic.

2. Complementary Economic Zone of PETROCARIBE–ALBA/TCP–MERCOSUR–CARICOM

Within the framework of the XXVIII Summit of Heads of State of MERCOSUR, held on 29 July 2014 in Caracas, an agreement was reached to foster the establishment of a Complementary Economic Zone between the member States of MERCOSUR, ALBA-TCP, CARICOM and PETROCARIBE with the purpose of strengthening the relations between said regional processes and creating a space to promote productive integration in a solidary and fair way, based on the use of the complementarities and already existing regional integration mechanisms. This Complementary Economic Zone would be made up by 27 countries and around 350 million people.

Among the guiding aspects⁴⁸ of this proposal are:

- i. Increase in trade in native goods.
- ii. Evaluation of the trade agreements and legislations subscribed aimed at identifying coincidences in the set of rules of trade disciplines, potentialities, and the economic complementarity between them.
- iii. Definition of joint cooperation programmes aimed at identifying and developing projects on economic complementarity.
- iv. Design of mechanisms that would ensure a greater equilibrium in trade, taking into account the need to reduce the existing economic asymmetries between the Parties.
- v. Coordination between enterprises of the public and private sectors of the member States of the intervening regional processes, through projects on production integration to boost improvement in productivity and the economic complementarity.
- vi. Promotion of joint projects, alliances and joint ventures for the development of science and technology applied to innovation in the production processes.
- vii. Promotion of the development of the SMEs, cooperatives and business initiatives of the member States and the intervening regional processes.
- viii. Intensification of regional trade, particularly, in higher value added products.
- ix. Management of fairs, missions and exhibitions, besides complementary activities that would expand trade relations between the respective production sectors of the member States of intervening regional processes.
- x. Development of actions aimed at the creation of capacities to generate and assimilate new knowledge in the sectors that have greater technological dynamism in the region.
- xi. Dissemination of the programmes of cooperation and technical assistance implemented by the member States of the intervening regional processes that promote job creation and improvement in the standard of living of the population.

⁴⁷ FAO (2015), Countries of the PETROCARIBE Zone move towards the eradication of hunger.

⁴⁸ Joint Declaration for the Establishment of a Complementary Economic Zone (2014), Caracas.

Afterwards, in November 2014, a formal agreement was reached to create the PETROCARIBE–ALBA/TCP–MERCOSUR–CARICOM Economic Zone, within the framework of the First Meeting of Ministers of Foreign Affairs of the Pacific Alliance and MERCOSUR, held in Cartagena de Indias.

VI. PETROCARIBE AND REGIONAL INTEGRATION

The role of PETROCARIBE has contributed to invigorate the way of dealing with the subject of energy in LAC, particularly because of its links with the regional integration process. This has been possible because the Member States of PETROCARIBE belong, similarly although indistinctly, to regional and subregional integration mechanisms, in which energy projects accompanying the goals of PETROCARIBE have been addressed, with high or low intensity. The shared membership can be seen in Table 21.

TABLE 21
Members of PETROCARIBE belonging to LAC integration mechanisms

Country	ACS	ALBA	CARICOM	OECS	SICA
Antigua and Barbuda	X	X	X	X	
Bahamas	X		X		
Belize	X		X		X
Cuba	X	X			
Dominica	X	X	X	X	
El Salvador	X				X
Grenada	X	X	X	X	
Guatemala	X				X
Guyana	X		X		
Haiti	X		X		
Honduras	X				X
Jamaica	X		X		
Nicaragua	X	X			X
Dominican Republic	X				X
Saint Kitts and Nevis	X	X	X	X	
St Vincent and the Grenadines	X	X	X	X	
Saint Lucia	X	X	X	X	
Suriname	X	X	X		
Venezuela	X	X			

Source: Prepared by the author.

Following is a description of how the various regional and subregional integration mechanisms have developed and dealt with the issue of energy in the last few years.

1. Links of PETROCARIBE with Regional Agreements

1.1 CELAC

CELAC included the subject of energy in its working agenda and areas of imperative action since its creation in 2011. In the Havana Plan of Action for 2014, as well as the San José Plan of Action for 2015, the Community explicitly agreed to continue with the activities according to the Montego Bay Plan of Action in 2013 and to hold the meetings of the CELAC Ministers of Energy. The III Ministerial Meeting, held in San Jose in November 2014, is the most recent one.

The guidelines established by the different plans and statements issued by CELAC in the 2013-2015 period, are described next:

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II Meeting of Ministers of Energy of CELAC

In this II Meeting, held on 23 October 2013 in Montego Bay, the Ad Hoc Working Group was established; its coordination corresponded to the CELAC Pro Tempore Presidency with the technical support of OLADE. Its purpose was to propose and analyse scenarios on policies and strategies in the energy sectors of the CELAC member countries. Although all the PETROCARIBE members belong to CELAC, only five member countries of PETROCARIBE have been interested in participating in this Ad Hoc Working Group, namely: Cuba, Haiti, Jamaica, Dominican Republic and Venezuela.

The mandate of this Working Group is to perform, among others, the following activities:⁴⁹

i) To propose areas, methodologies and scope of the formulation of proposals for policy and strategy guidelines for the Energy Sector; ii) propose guidelines of policy and strategic scenarios, linking them with an impact analysis of the energy situation on each country; iii) conduct research on issues related with energy, including the energy complexities of the Developing Small Island States, the possibilities of interconnectivity between countries and groups of countries within CELAC, and the economic efficiencies and financial possibilities; iv) establish a database on developed and implemented projects in the region, aimed at underlining the successful projects and fostering the best practices; and v) characterize the mechanisms adopted by the countries of the region to assure an effective exercising of the sovereign right to manage natural energy resources in accordance with their own development strategies.

II CELAC Summit (2014)

The II Summit of Heads of State and Government of CELAC continued with the goals set in the first meeting, held in Santiago de Chile in 2013. Two detailed objectives on energy were established, focused on making access sustainable from different energy sources, namely: i) reaffirm the need to foster development and the application of policies that guarantee access and a socially including energy supply, respectful with the environment and legal dispositions and rules of the CELAC countries; and ii) encourage an efficient use of renewable, non-renewable and non-conventional energy sources in a balanced way, with due consideration of the special needs and circumstances of each country.

Then in the Havana Plan of Action for 2014, CELAC adopted the following guidelines: i) To support the continuity of activities outlined in the Lima Plan of Action, aimed at constructing CELAC energy balance; and ii) to hold during 2014, the III Meeting of Ministers of Energy of CELAC.

III CELAC Summit (2015)

The III Summit of CELAC, held in San Jose in January 2015, supported the efforts undertaken by the *Ad Hoc* Working Group, and in the San Jose Plan of Action for 2015 the Community adopted the following guidelines: to carry out a follow-up of the activities identified by the *Ad Hoc* Working Group and hold the second meeting in the first semester of 2015, in order to prepare a project of CELAC energy strategy, with the support of OLADE, for its approval in the 4th Ministerial Meeting of Energy, that will be held apart from the XLV Meeting of OLADE.

⁴⁹ Montego Bay Plan of Action, 2013.

It should be noted that OLADE has become the technical adviser of CELAC on the issue of energy. Thirteen of its members are part of PETROCARIBE, namely: Belize, Cuba, Grenada, Guyana, Haiti, Jamaica, Dominican Republic, Suriname, El Salvador, Guatemala, Honduras, Nicaragua and Venezuela.

1.2 ALBA-TCP

Cooperation between PETROCARIBE and ALBA-TCP has been extensive and constant since their very beginnings, by means of the execution of multiple programmes and projects. Proof of this are: A shared membership, two joint meetings of Heads of State and Government, PDV Caribe enterprise, ALBA-Caribe Fund, ALBA-Food Fund, the Hugo Chavez Plan of Action for the Eradication of Hunger and Poverty, and the proposal for a Complementary Economic Zone between ALBA-TCP, CARICOM, MERCOSUR and PETROCARIBE. In turn, PETROCARIBE has acknowledged that such cooperation represents an expression of the correct ALBA-TCP policy for the autonomous management of energy resources.⁵⁰

II Summit between ALBA and PETROCARIBE

On 17 December 2013, the II Special Summit between ALBA-TCP and PETROCARIBE was held in Caracas. It was aimed at strengthening the rapprochement between the two mechanisms created to develop "policies aimed at meeting the needs of the peoples, with projects sustained in the principles of solidarity, cooperation, complementation and respect to sovereignty".

This meeting worked out its commitment with the conjunction of the Economic Space of the ALBA-TCP (ECOALBA) and the PETROCARIBE Economic Zone into one single economic zone of inter-dependent shared development, a sovereign and solidary zone, destined to consolidate and expand a new model of economic relations to strengthen and diversify the production system and trade, as well as to establish the bases for the multilateral instruments that the countries subscribe in this matter.⁵¹

Specifically, the commitments adopted in this II Summit were focused on creating the Complementary Zone with other regional mechanisms of Latin America and the Caribbean, such as MERCOSUR and CARICOM, with a special emphasis on identifying the potentialities of the production chains.

1.3 UNASUR

UNASUR has a South American Energy Council, which could be helpful in establishing links of different nature with the programmes and objectives posed by PETROCARIBE. Likewise, infrastructure and cross-border integration in the South American countries that are member of PETROCARIBE (Guyana, Suriname and Venezuela) can be supported by the South American Council of Infrastructure and Planning (COSIPLAN), which is the successor of the Initiative for the Integration of the South American Regional Infrastructure (IIRSA).

⁵⁰ PETROCARIBE Political Declaration of Heads of States and Government, III Summit, Caracas, 2007..

⁵¹ Declaration of Heads of State and Government of the member countries of ALBA-TCP and PETROCARIBE, Caracas, 2013.

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1.4 Meso-America Project

The Meso-America Project, in which six PETROCARIBE member countries⁵² participate, has developed a series of projects defined within the integration of energy, communications and regional infrastructure that can well be complementary to the efforts attained by PETROCARIBE and the objectives laid out in the PETROCARIBE Economic Zone. The projects are: (i) Electric Interconnection System of the Central American Countries (SIEPAC); (ii) Meso-American Programme of Biofuels (PMB); and (iii) the Meso-American Network of Research and Development of Biofuels (RNIDB).

The Meso-American Agenda of Energy (2014) and the Meso-American Programme for the Efficient and Reasoned Use of Energy (2012) are recent initiatives that foster energy cooperation and gradual use of renewable energy in the member countries.

1.5 Renewable Energy Observatory for LAC

This initiative of the United Nations Industrial Development Organization (UNIDO), mainly formed by South American countries, includes two members of PETROCARIBE: the Dominican Republic through the National Commission of Energy (CNE), and Cuba through the Ministry of Basic Industry. This space for consultation and technical cooperation can be used by the other PETROCARIBE member countries, by incorporating them to the different programmes of the Observatory that are designed to allow the less favoured people to increase their access to modern energy services and to foster the use of renewable energy for industrial purposes in the region.

2. Links of PETROCARIBE with Subregional Agreements

2.1. CARICOM

In the case of CARICOM, only Barbados and Trinidad and Tobago are not part of the Agreement of PETROCARIBE, the latter is an important source of energy resources in the region and was acknowledged as such in the Agreement itself. CARICOM has worked in the energy field, and when its Energy Policy was approved, the objective was to reach the transformation of the energy sectors in the Member States, through the sustainable provision of energy supply in a way that would minimize the energy waste in all sectors. Therefore, to guarantee that all the citizens of CARICOM would have access to a clean and reliable energy supply at affordable and steady prices, and to facilitate the growth of regional industries that are competitive at international level.⁵³

In 2004, this organization created its own Oil Fund, as a mechanism of donations of quick expenditure on a non-discriminatory basis between the member States to bring relief in the context of high prices of oil and its by-products in the international market.

The Caribbean Community Aid for Trade Strategy (2013-2015), established by the General Secretariat of CARICOM, is based in three main objectives,⁵⁴ all in agreement with those of PETROCARIBE, namely: i) modernization of key infrastructure, like maritime transport, encouraging Information and Communications Technologies (ICTs), and energy; ii) improving competitiveness

⁵² Belize, El Salvador, Guatemala, Honduras, Nicaragua and the Dominican Republic.

⁵³ CARICOM Energy Policy, p.16.

⁵⁴ CARICOM. Caribbean Community Regional Aid for Trade Strategy 2013-2015, p. 19.

and fostering trade expansion and diversification; and iii) deepening regional integration and maximising the benefits derived from the trade agreements.

Within the framework of the V Summit between CARICOM and Cuba, held on 8 December 2014 in Havana, Caribbean countries acknowledged the importance of taking advantage of the potential offered by the different regional and subregional integration mechanisms,⁵⁵ with PETROCARIBE among them.

2.2. OECS

The countries of the Eastern Caribbean – Dominica, Grenada, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, and Montserrat – represent an important part of the membership of PETROCARIBE, because of the number of countries as well as their location and geographical characteristics of the islands, and also because of the relative size of their economy with respect to the rest of the members. As it was mentioned, the PETROCARIBE financing of oil purchases represents 6% of GDP for the OECS members.

The six countries of the OECS participate in a series of programmes on energy that PETROCARIBE has launched, such as: i) Eastern Caribbean Energy Regulation Authority (ECERA), created in 2011; ii) Maritime Cluster; iii) Distribution and Transport Company; and iv) Council of Ministers of Tourism.

2.3 SICA

In the Central American Integration System (SICA), six of its eight members are part of PETROCARIBE. SICA has implemented a series of energy integration projects, mainly electric and cross-border endeavours, which can converge with the objectives and programmes of PETROCARIBE and its Economic Zone; in particular, those within the bounds of the Committee of Hydrocarbons Cooperation in Central America (CCHAC); the Council of Electrification of Central America (SE-CEAC); the Regional Commission of Electric Interconnection (CRIE); the Central American Commission on Maritime Transport.

In 2007, the II Summit of Heads of State and Government of CARICOM and SICA was held in Belmopan, Belize. This Summit made a call to reinforce joint cooperation in the area of energy between the Caribbean and Central America, by diversifying energy sources as well as energy conservation, joint ventures, harmonization of regional energy policies and strengthening of the regional energy sector.⁵⁶ This meeting has already a Joint Plan of Action, addressing subjects such as trade and investment and air connectivity. It is an example of coordination between integration mechanisms that can be replicated in the programmes already defined by PETROCARIBE, such as the Complementary Zone with other regional integration organizations.

2.4. MERCOSUR

MERCOSUR could be integrated into PETROCARIBE once the proposed expanded Complementary Economic Zone materializes, as foreseen in the regional integration agenda since 2014. The Guidelines for Energy Policies in MERCOSUR (1993) establish the need to optimize production and use of the energy sources of the region; to favour integration between the energy markets of the Party States, with freedom of energy buy and sale between the energy enterprises

⁵⁵ Havana Declaration, V Summit between CARICOM and Cuba, 2014.

⁵⁶ Joint Declaration of the II Summit between CARICOM and SICA, 2007.

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and free passage of energy products; and to foster production and use of renewable energy based on economic and environmental sustainability, among others.

The Memorandum of Understanding on the Electric Exchanges and Electric Integration in MERCOSUR (1998) provides a record of subregional electric integration and interconnection, and it is already one of the projects implemented by PETROCARIBE.

CONCLUSIONS

The PETROCARIBE Agreement is a novel energy cooperation mechanism in Latin America and the Caribbean, not only because of the number of member countries, but also because of its system for energy supply and clearing that goes beyond plain trade. In addition, it was created not only to guarantee a reliable oil supply and a financing scheme under preferential conditions, but also to contribute to the economic and social development of the signatory countries.

The Agreement has gained prestige and relevance to the extent that it has improved the energy availability of the Caribbean Basin by covering approximately between 25% and 36% of its total oil demand, as well as having financed countless development projects with social impact and energy infrastructure, which surely would not have been possible without the savings that now the oil invoice represents within the framework of PETROCARIBE for its member countries.

The Agreement has increased the access to energy resources and trade by financing approximately 50% of the oil invoice of the recipient countries, around US\$ 28,000 million, and the trade clearing of goods and services in more than US\$ 3,247 million.

It is important to underline that within the framework of PETROCARIBE, fifteen mixed enterprises have been started between PDV-Caribe and State enterprises of eleven member countries, with a view of expanding towards Antigua and Barbuda, and Saint Lucia. The Agreement has allowed for developing a fuel storage capacity of 617 thousand barrels per day, and El Salvador is the member country with the largest storage capacity installed. The development of the energy infrastructure has also been an objective attained by PETROCARIBE, by making investments in fuel storage, refining and distribution projects that exceed US\$ 1,200 million in its member countries.

Therefore, the PETROCARIBE Agreement is a native energy cooperation mechanism in the region that each time has more economic relevance as a cooperation instrument, to the extent that it has contributed to invigorate the way in which the energy subject is dealt with in LAC, encouraging the possibilities of complementation and exchange, which is already considered possible in CELAC as well as in the different integration schemes that share part of the membership with PETROCARIBE.

As a result, PETROCARIBE is an important contribution to develop the complementation and exchange among the energy policies all over Latin America and the Caribbean.

Such contribution will be even larger as long as the programmes and projects consolidate and yield results within the PETROCARIBE Economic Zone, and when the Complementary Zone with ALBA-TCP, CARICOM and MERCOSUR takes shape. The Complementary Zone will consist of 27 countries and will have around 350 million people.

In this context, an area of complementation and convergence, in which the whole LAC has a special interest, can contribute to develop alternative and sustainable energy, around which projects can be identified and conducted within that Complementary Zone, working under cooperation schemes with those regional and subregional mechanisms that have started programmes in this area.

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