

UNCLASSIFIED

CONFIDENTIAL
n/a

Page: 1

CONFIDENTIAL PTQ8253



PAGE 01 LIMA 05344 01 OF 03 111815Z
ACTION EB-00

INFO	LOG-00	NP-00	AID-00	CEA-01	CIAE-00	CTME-00	DINT-00
	DODE-00	DOEE-00	DOTE-00	WHA-00	SRPP-00	EAP-00	EXIM-01
	E-00	FAAE-00	VC-00	FRB-00	H-01	TEDE-00	INR-00
	ITC-01	LAB-01	L-00	VCE-00	AC-01	NSAE-00	OES-01
	OIG-03	OMB-01	OPIC-01	PM-00	PRS-00	ACE-00	SP-00
	IRM-00	SSO-00	SS-00	STR-00	TRSE-00	USIE-00	EPAE-00
	ECA-00	PMB-00	DRL-02	G-00	NFAT-00	SAS-00	/014W

-----F602C2 111815Z /38

O 111811Z OCT 02
 FM AMEMBASSY LIMA
 TO SECSTATE WASHDC IMMEDIATE 7841
 INFO AMEMBASSY BOGOTA
 AMEMBASSY CARACAS
 AMEMBASSY LA PAZ
 AMEMBASSY QUITO
 AMEMBASSY SANTIAGO
 USDOC WASHDC
 NSC WASHDC

RELEASED IN PART
B6

C O N F I D E N T I A L SECTION 01 OF 03 LIMA 005344

DEPT FOR EB ASSISTANT SECRETARY TONY WAYNE

DEPT FOR EB/ESC, WHA/AND, WHA/EPSC

STATE PLEASE PASS TO OPIC, EXIM

CONFIDENTIAL

PAGE 02 LIMA 05344 01 OF 03 111815Z
 DOC FOR 4000/WILLIAM LASH; 4320/WALTER BASTIAN;
 4320/VALERIE DEES; 3134/USFCS/OIO/WH/DDEVITO

E.O. 12958: DECL. 10/08/07
 TAGS: ENRG, EINV, ECON, ETRD, PE
 SUBJECT: PERUVIAN ENERGY AND MINES MINISTER SEEKS CAMISEA
 FINANCING

CLASSIFIED BY CHARGE JOHN CAULFIELD FOR REASONS 1.5 (B/D)

1. (C) SUMMARY. IN AN OCTOBER 3 MEETING ON THE MARGINS OF
 THE USG-SPONSORED ANDEAN REGIONAL TRADE AND INVESTMENT
 CONFERENCE IN LIMA, PERUVIAN ENERGY AND MINING MINISTER
 QUIJANDRIA SALMON TOLD VISITING EB A/S TONY WAYNE THAT THE
 GOP SEEKS HELP IN FINANCING ITS HUGE CAMISEA NATURAL GAS

n/a
CONFIDENTIAL

Pag»

UNITED STATES DEPARTMENT OF STATE
 REVIEW AUTHORITY: NORMAN M BOUTON
 DATE/CASE ID: 27 JAN 2004 200302345

UNCLASSIFIED

n/a

PROJECT. THE MINISTER STRESSED THE PROJECT'S IMPORTANCE TO PERU'S ECONOMY AND TO THE TOLEDO ADMINISTRATION. A/S WAYNE RAISED U.S. MINING COMPANY CONCERNS OVER DECLINING COMPETITIVENESS IN PERU, BUT THE MINISTER EXPRESSED OPTIMISM OVER PERU'S MINING SECTOR PROSPECTS. HE SAID PERU'S ELECTRICITY SECTOR IS MORE TROUBLED, WITH PLANNED PRIVATIZATIONS FACING SUBSTANTIAL POLITICAL OPPOSITION.
END SUMMARY.

MINISTER OF ENERGY AND MINES SEEKS CAMISEA SUPPORT

2. (SBU) ASSISTANT SECRETARY OF STATE FOR ECONOMIC AND BUSINESS AFFAIRS ANTHONY WAYNE VISITED LIMA OCTOBER 1-3 ON THE OCCASION OF THE USG-SPONSORED ANDEAN REGIONAL TRADE AND
CONFIDENTIAL

PAGE 03 LIMA 05344 01 OF 03 111815Z
INVESTMENT CONFERENCE, AND HELD PRODUCTIVE MEETINGS WITH PRESIDENT TOLEDO AND SEVERAL PERUVIAN MINISTERS (REPORTED IN SEPTELS). A/S WAYNE ALSO HELD AN UNSCHEDULED MEETING WITH PERUVIAN ENERGY AND MINES MINISTER JAIME QUIJANDRIA SALMON, WHO WAS ESCORTED BY AMCHAM PRESIDENT AND DUKE ENERGY PERU PRESIDENT MICKEY PETERS. A/S WAYNE WAS ACCOMPANIED AT THE MEETING BY CHARGE JOHN CAULFIELD, WHA DESK OFFICER FOR PERU RICHARD MILES, EB INVESTMENT AFFAIRS OFFICER MARY BRETT ROGERS, AND ECON DEPUTY (NOTETAKER).

3. (C) MINISTER QUIJANDRIA SALMON TOLD A/S WAYNE THAT THE GOP SEEKS UNSPECIFIED HELP IN FINANCING THE HUGE, \$1.4 BILLION CAMISEA NATURAL GAS PROJECT. THE PROJECT CONSISTS OF THE DEVELOPMENT OF NATURAL GAS FIELDS, LOCATED APPROXIMATELY 500 KILOMETERS EAST OF LIMA IN CUSCO DEPARTMENT, AND THE CONSTRUCTION AND OPERATION OF TWO PIPELINES TO DELIVER NATURAL GAS PRODUCTS TO A PROCESSING PLANT ON THE COAST AND FURTHER DELIVERY OF LNG TO LIMA. THE MINISTER SAID THAT THE \$1.4 BILLION EFFORT IS THE LARGEST SINGLE PROJECT THAT WILL BE UNDERTAKEN BY THE TOLEDO ADMINISTRATION, AND WILL ADD 1.5 PERCENT TO PERU'S GDP ANNUALLY FOR AT LEAST THE NEXT THREE YEARS.

4. (C) QUIJANDRIA EMPHASIZED THAT THE PROJECT WILL HAVE A LONG-TERM IMPACT SINCE PERU HAS 50-100 YEARS OF CLEANER BURNING NATURAL GAS, BUT ONLY FIVE OR SIX YEARS OF OIL RESERVES. HE EXPLAINED THAT THE MULTINATIONAL CONSORTIUM BEHIND THE CAMISEA PROJECT IS LED BY AN ARGENTINE FIRM BUT INCLUDES U.S. COMPANY HUNT OIL, AMONG SEVERAL OTHER INTERNATIONAL FIRMS. THE MINISTER CLAIMED THAT THE CONSORTIUM HAS SECURED AROUND \$300 MILLION IN FUNDING FROM

n/a
CONFIDENTIAL

Pag»

CONFIDENTIAL

PAGE 04 LIMA 05344 01 OF 03 111815Z
THE IADB AND ANDEAN FINANCE CORPORATION (CAF), BUT NEEDS
ADDITIONAL SUPPORT. HE SAID EXIM BANK IS CONSIDERING
INVOLVEMENT IN A PORTION OF THE PROJECT.

NGOS HAVE RAISED ENVIRONMENTAL CONCERNS

5. (C) CHARGE JOHN CAULFIELD SAID HE HAS MET WITH SOME OF
THE NGOS AND OTHER GROUPS WHICH HAVE EXPRESSED CONCERNS
ABOUT POTENTIAL NEGATIVE ENVIRONMENTAL EFFECTS OF CAMISEA.
THE MINISTER RESPONDED THAT THE GOP HAS INSTITUTIONS IN
PLACE TO ASSESS SUCH IMPACTS AND THAT THE GOVERNMENT HAS A
STRONG INTEREST IN AVOIDING ENVIRONMENTAL PROBLEMS. CHARGE
CAULFIELD CONCLUDED THAT THE GOP SHOULD TAKE CARE TO ENGAGE
IN DIALOGUE WITH ALL INTERESTED PARTIES, INCLUDING LOCAL
CITY AND COMMUNITY REPS, NGOS, FISH MEAL PLANTS AND THE
CONSORTIUM, TO MINIMIZE POTENTIAL PROBLEMS WITH THE
PROJECT.

MINING: A CRITICAL SECTOR FOR PERU

CONFIDENTIAL

CONFIDENTIAL PTQ8258

PAGE 01 LIMA 05344 02 OF 03 111815Z
ACTION EB-00

INFO LOG-00 NP-00 AID-00 CEA-01 CIAE-00 CTME-00 INL-00
DINT-00 DODE-00 DOEE-00 DOTE-00 WHA-00 SRPP-00 EAP-00
EXIM-01 E-00 FAAE-00 VC-00 FRB-00 H-01 TEDE-00
INR-00 ITC-01 LAB-01 L-00 VCE-00 AC-01 NSAE-00
OES-01 OIG-03 OMB-01 OPIC-01 PM-00 PRS-00 ACE-00
SP-00 SSO-00 SS-00 STR-00 TRSE-00 USIE-00 EPAE-00
PMB-00 DRL-02 G-00 NFAT-00 SAS-00 /014W

-----F602D5 111816Z /38

O 111811Z OCT 02
FM AMEMBASSY LIMA
TO SECSTATE WASHDC IMMEDIATE 7842
INFO AMEMBASSY BOGOTA
AMEMBASSY CARACAS
AMEMBASSY LA PAZ
AMEMBASSY QUITO
AMEMBASSY SANTIAGO

n/a

USDOC WASHDC
NSC WASHDC

C O N F I D E N T I A L SECTION 02 OF 03 LIMA 005344

DEPT FOR EB ASSISTANT SECRETARY TONY WAYNE

DEPT FOR EB/ESC, WHA/AND, WHA/EPSC

STATE PLEASE PASS TO OPIC, EXIM

CONFIDENTIAL

PAGE 02 LIMA 05344 02 OF 03 111815Z
DOC FOR 4000/WILLIAM LASH; 4320/WALTER BASTIAN;
4320/VALERIE DEES; 3134/USFCS/OIO/WH/DDEVITO

E.O. 12958: DECL. 10/08/07
TAGS: ENRG, EINV, ECON, ETRD, PE
SUBJECT: PERUVIAN ENERGY AND MINES MINISTER SEEKS CAMISEA
FINANCING

6. (C) A/S WAYNE RELATED TO MINISTER QUIJANDRIA U.S. MINING COMPANIES' CONCERNS THAT LOW MINERALS PRICES AND DECLINING PERUVIAN COMPETITIVENESS (PARTICULARLY VERSUS CHINESE OPERATIONS) HARM THEIR OPERATIONS IN PERU. A/S WAYNE NOTED THAT U.S. FIRMS ARE PARTICULARLY CONCERNED THAT THE GOP MAY ADOPT INFLEXIBLE LAWS ON EMPLOYEE DISMISSALS, WHICH WOULD HAMPER PROSPECTS FOR NEW AND EXISTING INVESTMENT. THE EXAMPLE OF SPANISH-OWNED TELEFONICA HAVING TO REHIRE DISMISSED WORKERS WAS MENTIONED. THE MINISTER SAID THAT PERUVIAN LEGISLATIVE ACTIVISM IN THE SECTOR IS NORMAL, AS IT IS IN OTHER ECONOMIC SECTORS IN POST-FUJIMORI PERU, AND DISCOUNTED ITS IMPACT ON GOP PLANS FOR THE MINING SECTOR.

7. (SBU) THE MINISTER EMPHASIZED TO A/S WAYNE THE KEY ROLE THAT MINING PLAYS IN THE ECONOMY, EXPLAINING THAT THE SECTOR HAS GROWN EIGHT PERCENT ANNUALLY FOR A DECADE. QUIJANDRIA SAID PERU HAS TREMENDOUS MINERAL PRODUCTION POTENTIAL, ADDING THAT THE COUNTRY IS THE WORLD'S EIGHTH-LARGEST GOLD PRODUCER. HE NOTED THAT A 1992 MINING LAW IMPLEMENTED THE MOST THOROUGH REFORM IN ANY ECONOMIC SECTOR, EXPLAINING THAT THE STATE ROLE IN MINING REGULATION AND OVERSIGHT IS QUITE LIMITED. HE EXPECTS CONTINUED

CONFIDENTIAL

PAGE 03 LIMA 05344 02 OF 03 111815Z
INVESTMENT, ESPECIALLY FROM THE U.S. AND CANADA, TO FLOW INTO THE SECTOR, NOTABLY IN GOLD MINING.

n/a
CONFIDENTIAL

Pag»

UNCLASSIFIED

ENERGY SECTOR MORE PROBLEMATIC

8. (SBU) THE MINISTER ALSO DISCUSSED THE SITUATION IN PERU'S ENERGY SECTOR, WHICH HE CONSIDERS MORE DIFFICULT. HE RELATED HOW ENERGY PRIVATIZATION STALLED UNDER FUJIMORI AFTER 1996, EXPLAINING THAT NOW REGIONS CONSIDER LOCAL ENERGY ASSETS THEIR PROPERTY AND ARE THUS RESISTANT TO ENERGY PRIVATIZATION EFFORTS. (NOTE: THIS IS WHAT HAS HAPPENED IN THE EGASA AND EGESUR PRIVATIZATION EFFORT IN SOUTHERN PERU. END NOTE). THIS PROBLEM WILL LIKELY BE COMPOUNDED, THE MINISTER CONTINUED, AFTER NOVEMBER ELECTIONS ESTABLISH A LAYER OF REGIONAL GOVERNMENTS WHICH COULD PRESENT A NEW HURDLE TO PRIVATIZATION. OPPOSITION HAS ARISEN IN SPITE OF A LAW DIRECTING THAT 50 PERCENT OF GOP PRIVATIZATION REVENUES SHOULD GO TO INFRASTRUCTURE SPENDING IN REGIONS CONTAINING PRIVATIZED ASSETS.

9. (SBU) EVEN SO, QUIJANDRIA CONTINUED, THE NATIONAL GRID SHOULD CONTINUE TO EXPAND, WITH THE CURRENT LEVEL OF COVERAGE OF 70 PERCENT OF NATIONAL TERRITORY EXPECTED TO RISE TO 95 PERCENT BY 2010. HE SAID THE NATIONAL GRID WILL SOON CONNECT TO ECUADOR AND CHILE, AND THAT THE GOP HOPES TO SOON SELL EXCESS POWER TO BRAZIL.

10. (SBU) [REDACTED] TOLD A/S WAYNE THAT REGIONAL POPULATIONS HAVE CONFLATED THE IDEAS OF RESOURCE
CONFIDENTIAL

B6

PAGE 04 LIMA 05344 02 OF 03 111815Z
DISTRIBUTION AND CORRUPTION, BASED ON THE UNHAPPY PAST HISTORY OF CORRUPT PRIVATIZATIONS UNDER FUJIMORI. HE DESCRIBED HOW OPPOSITION PARTIES ARE RAISING THE SPECTER OF CORRUPTION IN OPPOSING NEW PRIVATIZATION DEALS, AND STRESSED THAT THE GOP MUST EXPLAIN CLEARLY TO THE PERUVIAN PUBLIC THE BENEFITS OF PRIVATIZATION. A/S WAYNE RESPONDED THAT THIS WOULD BE HELPFUL IN RAISING TRANSPARENCY AND STRENGTHENING GOOD GOVERNMENT IN THIS AREA.

COMMENT

11. (C) MINISTER QUIJANDRIA CAME ACROSS AS A SINCERE, SHARP INTERLOCUTOR WITH WHOM THE USG COULD ENGAGE EFFECTIVELY. THE MINISTER SEEMED INTERESTED IN GAINING WIDER USG SUPPORT FOR THE PROJECT BEYOND THE ONGOING PROCESS WITH EXIM BANK. WITH AN ADHERENCE TO INTERNATIONAL ENVIRONMENTAL STANDARDS, CAMISEA IS AN EXAMPLE OF THE TYPE

n/a

OF PROJECT THE COUNTRY NEEDS TO TAKE ADVANTAGE OF ITS
NATURAL RESOURCE BASE. THE PROJECT ALSO OFFERS THE
ENVIRONMENTAL ADVANTAGES OF A SHIFT FROM OIL TO CLEANER-
BURNING NATURAL GAS. POST WILL FOLLOW UP TO SEEK MORE
DETAILS OF WHAT QUIJANDRIA HAS IN MIND REGARDING U.S.

CONFIDENTIAL

CONFIDENTIAL PTQ8254

PAGE 01 LIMA 05344 03 OF 03 111815Z
ACTION EB-00

INFO	LOG-00	NP-00	AID-00	CEA-01	CIAE-00	CTME-00	DINT-00
	DODE-00	DOEE-00	DOTE-00	WHA-00	SRPP-00	EAP-00	EXIM-01
	E-00	FAAE-00	VC-00	FRB-00	H-01	TEDE-00	INR-00
	ITC-01	LAB-01	L-00	VCE-00	AC-01	NSAE-00	OES-01
	OIG-03	OMB-01	OPIC-01	PM-00	PRS-00	ACE-00	SP-00
	IRM-00	SSO-00	SS-00	STR-00	TRSE-00	USIE-00	EPAE-00
	ECA-00	PMB-00	DRL-02	G-00	NFAT-00	SAS-00	/014W

-----F602DD 111815Z /38

O 111811Z OCT 02
FM AMEMBASSY LIMA
TO SECSTATE WASHDC IMMEDIATE 7843
INFO AMEMBASSY BOGOTA
AMEMBASSY CARACAS
AMEMBASSY LA PAZ
AMEMBASSY QUITO
AMEMBASSY SANTIAGO
USDOC WASHDC
NSC WASHDC

C O N F I D E N T I A L SECTION 03 OF 03 LIMA 005344

DEPT FOR EB ASSISTANT SECRETARY TONY WAYNE

DEPT FOR EB/ESC, WHA/AND, WHA/EPSC

STATE PLEASE PASS TO OPIC, EXIM

CONFIDENTIAL

PAGE 02 LIMA 05344 03 OF 03 111815Z
DOC FOR 4000/WILLIAM LASH; 4320/WALTER BASTIAN;
4320/VALERIE DEES; 3134/USFCS/OIO/WH/DDEVITO

E.O. 12958: DECL. 10/08/07
TAGS: ENRG, EINV, ECON, ETRD, PE
SUBJECT: PERUVIAN ENERGY AND MINES MINISTER SEEKS CAMISEA
FINANCING

n/a

CONFIDENTIAL

Pag»

UNCLASSIFIED

CONFIDENTIAL

n/a

Page: 7

SUPPORT, WHAT THE PROJECT NEEDS TO SUCCEED AND POTENTIAL ENVIRONMENTAL DOWNSIDES.

(NOTE: THIS CABLE HAS BEEN CLEARED BY A/S WAYNE. END NOTE).

CAULFIELD

CONFIDENTIAL

<< END OF DOCUMENT >>

n/a

CONFIDENTIAL

Pag»

UNCLASSIFIED