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Panama: Canal Authority Green-Lights Increase in LNG Transits

The Panama Canal Authority (ACP) will lift daylight and encounter restrictions on liquid natural gas (LNG) tankers passing through the Panama Canal, significantly increasing total LNG transit capacity, effective October 1, 2018. The ACP is lifting "encounter restrictions" to allow two LNG vessels to navigate the Gatun Lake waterway in each direction at the same time. The restrictions had been self-imposed to allow Canal operators to properly assess the risks associated with large LNG shipments prior to accepting them en masse. The ACP noted that the decision reflects the "considerable experience" it has gained transiting LNG vessels in the two years since the new lane opened, which has translated into a readiness to safely transit more ships under the new rules.

The changes will increase the number of daily reservation slots for the new lane from just one (presently averaging roughly 5.5 transits per week) to two, which will permit up to 14 transits per week, plus occasional special accommodations for ships that arrive without a reservation. The ACP has already found that capacity can exceed its reservation re-

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Colombia's Unprecedented Tourism Boom

After more than a decade of steady growth, the Colombian tourism sector has entered the second year of an unprecedented boom, with annual tourist arrivals growing 24 percent from 2016 to 2017, and an extraordinary 44 percent from the first quarter of 2017 compared to the same period in 2018. Over the last decade, tourism has become a serious contributor both to the international value of the peso and to the diversification of the country's economy. The country's overall export profile continues to be dominated by oil ($13 billion), but the foreign income provided by tourism ($5.8 billion) has grown steadily, and now competes with Colombia's second leading export, coal ($7.4 billion). While Colombia has seen substantial rates of export growth in flowers (13 percent), bananas (23 percent), and coffee (34 percent) since 2010, the increase in foreign income from tourism (68 percent) has steadily outpaced these traditional agricultural exports.

The number of foreigner arrivals by air and sea increased by 24 percent from 2016 (2.9 million) to 2017 (a record 3.6 million). Government officials and private sector representatives believe

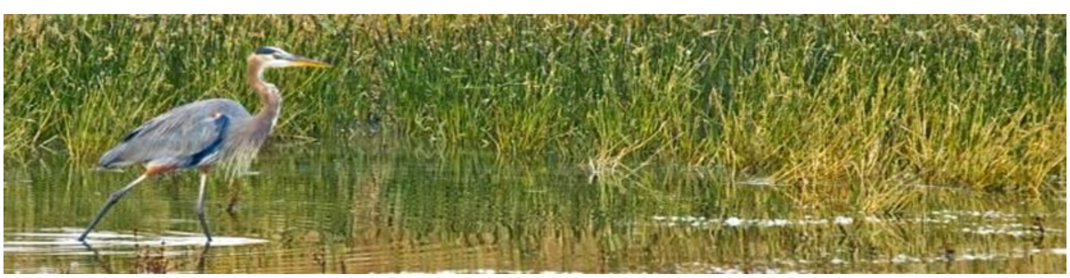
Colombia (continued)

that this unprecedented tourism boom was triggered by the 2016 peace accords between the Colombian government and the Revolutionary Armed Forces of Colombia (FARC). In February, President Juan Manuel Santos singled out tourism as "the sector that will most benefit from peace," and the government has made considerable efforts to help the sector blossom.

On the national level, the government's investments have focused on improving transportation, including a $15 billion investment in its Fourth-Generation highway system and a $1.6 billion push to modernize 16 airports, including a recently-completed $143 million expansion of El Dorado airport in Bogota. A planned $147 million expansion to Cartagena's airport is part of the same initiative, and complements a $1.5 billion proposal to relocate the country's principal naval base from Cartagena in order to make space for additional hotels and Caribbean cruise ships. On the smaller scale, the Colombian government has budgeted $28 million to the Ministry of Trade, Industry, and Tourism's Productive Transformation Program (PTP) in 2018 to improve the country's competitiveness, park infrastructure, and tourism promotion. PTP's current capacity improvement programming includes a range of courses on basic business, digital marketing, and English training in rural departments such as Cauca, Chocó, and Tolima.

Because Colombia is the most biodiverse country per square kilometer on the planet, rural areas have enormous potential for eco-tourism, wellness tourism, and observation of birds, known colloquially as "birding." This last category of tourism is especially promising, as international birders spend more in-country per capita than the average tourist, and Colombia's 1,900 species of birds is more than any other country in the world. Until recently, perhaps the biggest barrier to growth in Colombian birding was the country's reputation for rural insecurity. However, according to a post-accord study by the Audubon Society, the organization expects over 100,000 U.S. birders to visit Colombia over the next ten years, creating at least 7,500 new jobs and $47 million in additional revenue.

According to a prominent local economist, Colombian tourism went from representing 2 percent of GDP in 1999 to nearly 3 percent in 2017. The fastest period of the sector's growth has occurred in the past six years, with a 24 percent increase in revenue. Colombia's performance is impressive, and regional figures suggest further room for growth. In Peru, tourism represents 6 to 7 percent of GDP. In Mexico, the figure is 8 to 9 percent. In Costa Rica—a country with fewer than half as many bird species as Colombia—birding alone brings in about $3 billion per year, approximately 4.8 percent of its GDP.



Brazil: Another Successful Oil and Gas Auction

The fourth iteration of Brazil's *pre-salt* oil and gas auctions on June 7 was yet another success for American companies. Three U.S. international oil companies have now won the right to explore and produce Brazilian offshore fields in the last 10 months. Other winning companies were from Portugal, Norway, Great Britain, the Netherlands, and Brazil -- all of which have significant experience in Brazil's ultra-deep offshore.

The auction offered four offshore blocks: two in the Santos Basin (Tres Marias and Uirapuru) and two in the Campos Basin (Itaimbezinho and Dois Irmaos). The jewel in the crown was Uirapuru, won by a consortium. The consortium won by offering 75.49 percent of every barrel produced, well above the auction's minimum required bid of 22.18 percent, to the Brazilian government. Three other consortia vied for the Uirapuru acreage but none offered more than 72 percent of each barrel produced. A partnership won the rights to the Tres Maria block by offering 49.95 percent of each barrel produced. Dois Irmaos only had one offer from a consortium at 16.43 percent per barrel produced. The Itaimbezinho block had no bidders, with Brazilian regulators noting that Itaimbezinho could be brought to auction in future rounds in 2019.

The government of Brazil projected $840 million in signing bonuses or upfront payments, adding to the more than $4.7 billion in oil and gas bonuses previously collected in the three prior auctions under the Temer administration. The government came up only $40 million short of their bonus goal, even with the lack of bidders on Itaimbezinho. With $800 million in signing bonuses on June 7 alone, total oil and gas auction signing bonuses under this government now stand at $5.5 billion. Bonuses by U.S. companies alone were responsible for 39 percent ($2.1 billion) of the total bonuses in 2017-2018 auctions.

Peru's Government Seeks to Boost Public Investment, Advance Reconstruction

An executive decree issued May 25 redirects unused national government funds to boost public investment, authorizing the transfer of $790 million from Ministry budgets to regional and municipal governments for specific infrastructure projects, including reconstruction. It includes funding for infrastructure required for the Lima metro system Line 2 and road maintenance for regional and local governments. The decree cited Peru's economic slowdown, high fiscal deficit due to low government revenues, and persistent increases in current expenses as justification. An earlier decree approved on May 10 shifted budgetary authority from the central government to municipal and regional governments for $455 million worth of reconstruction-related projects. Separately, Congress approved legislative "fast track" authority May 17 allowing the executive branch to modify Peru's Reconstruction Law to speed up implementation of infrastructure projects in the flood-damaged northern region. Congress added protections for indigenous communities, development of a new urban land registration system, and stronger public oversight of the "Public Works for Taxes" program to the Administration's original proposal.

Panama (continued from page 1)

strictions—during one specific instance in mid-April, three LNG tankers successfully crossed the Canal in one day. The ACP expects to be able to offer three bookings a day for LNG carriers by 2022.

The ACP also reaffirmed its commitment to better identifying “ghost bookings”—reservations made by shippers who do not actually show up—noting that it now tracks ships with satellite technology to advise other customers within a one-to-three day period that a slot may become available. This change is likely to further leverage Canal capacity for use both by LNG and other vessels.

These decisions are aligned with the ACP’s previously announced intent to expand LNG transit capacity, acknowledging the Canal’s limited ability to service its fastest growing segment. The announcement was made days after the two-year anniversary of the Canal’s expansion, and represents an effort to continue to capitalize on the significant economic boon that Panama has experienced from the Canal’s expansion. The ACP reported in June that the Canal went from zero LNG shipments in 2015 to six million metric tons last year, for 358 total transits since the June 2016 inauguration of the new lane, with tolls collected ranging from roughly $500,000 to over $1,000,000 per transit. The ACP says it expects to see an additional 50 percent year-over-year increase, from 163 to an estimated 244 transits, by the end of FY2018. The ACP has previously stated that total LNG volumes transiting the Canal could reach 30 million metric tons before the end of 2020.

These developments bode well for U.S. LNG exporters. The easing of restrictions came just one week after Panama’s Costa Norte LNG trade hub, located just off the canal’s Caribbean side, received from Louisiana its first-ever LNG shipment. The dual-use Costa Norte facility is set to open in August and will provide feedstock for a Colon-located power plant to help power the Panamanian national grid. It will also serve as a regional LNG trading hub for transshipment of LNG to other ports. In April, the Canal transited the first-ever shipment of LNG from Maryland and additional U.S. East Coast LNG terminals are expected to come online by the end of 2020. The ability of LNG-carrying vessels to transit the Canal can reduce total travel times and distances by 10 days and more than 4,500 miles to Asia-Pacific markets, which have triggered the rise in global demand for LNG.

Other resources for anyone interested in overseas business news:

For Caribbean and Latin American Markets, the Department of Commerce has many resources to assist U.S. firms including market research, trade show calendars, trade delegation calendars, etc. Check out their "Trade Americas" and "Look South" websites:

http://export.gov/tradeamericas/index.asp

http://export.gov/tradeamericas/looksouth/index.asp

BusinessUSA
Discover. Connect. Grow.

The U.S. Government's main website to assist U.S. businesses at home and abroad. URL at http://business.usa.gov/

United States Department of State
BIDS
Business Information Database System

The Business Information Database System (BIDS) is a portal built to help U.S. businesses learn about significant international commercial opportunities. The site connects U.S. business to detailed information about each project as well as information to contact U.S. embassies overseas. URL at http://bids.state.gov/

Direct Line
For American Business

The Direct Line program provides a unique opportunity for American businesses, particularly small- and medium-sized enterprises, to engage directly via webcast with U.S. Ambassadors overseas. The program is open to U.S. companies – whether they are already in the country where the Ambassador serves or if they are interested in expanding their businesses there. Webcasts will vary in topic according to the specific needs for business in a given country. URL at http://www.state.gov/directline/

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