Oil, Gas and Beyond

I was waiting for the ship to come in. In fact, so was everyone else in Nicaragua. Gas lines stretched around the block. The supermarket shelves were nearly bare. Lights went out again and again, plunging the country into frequent darkness. Telex machines couldn’t work, and we reporters had to depend on the few places with generators to file our stories (for younger readers, this was pre-computer and smart phones). U.S. President Ronald Reagan had imposed a trade blockade on Nicaragua in May 1985. The Soviets were sending oil, dodging the blockade.

We reporters did what we always do: we reported on the ship’s arrival. But we also breathed a collective sigh of relief. The arrival of the Soviet ship meant hot showers and light to read by.

Energy is intensely political. It shapes nations and trade and fuels wars and blockades. Energy, I discovered then, is also intensely personal. It shapes our lives on a daily basis. It’s not only a matter of how we get around or whether we have enough food to eat; energy production affects the communities that receive it and those that produce it. It shapes attitudes toward gender and race and nationalism and identity. It pollutes the air and the rivers. It offers immense economic opportunities. Or it does both.

You might not think of Latin America and the Caribbean right away as a big energy producer or consumer. But Venezuela stands ninth in global oil production with gas reserves almost triple those of Canada. Three countries—Venezuela, Brazil, and Mexico—account for about 90 percent of the region’s oil production. And Latin America and the Caribbean also have the capability to provide abundant alternative and renewable energy sources: wind, solar, geothermal and biomass, among others.

Perhaps because of my experience in Nicaragua, I started to conceive this issue in terms of meta-politics. And there is certainly a lot of politics related to energy in the region: the political upheaval of Brazil as a result of corruption scandals in the national oil company; the turmoil in oil-rich Venezuela; the impact of the semi-privatization of Mexico’s oil industry; the targeting of Colombia’s energy installations by guerrilla forces in a show of strength in the context of the ongoing peace process.

But then I thought back on how the arrival of oil had been experienced on a very local and personal level. I began to hear stories about the production of energy: what it felt like to grow up in an oil camp; how energy production affects indigenous women in one particular region; the impact of falling gas prices in Latin America; the physical targeting of the Extractive Industry in a particular community; the targeting of the Extractive Industry in a particular community; the targeting of the Extractive Industry in a particular community.

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Energy is political. Energy is personal.

Energy matters.
Añelo and Vaca Muerta
Opportunity or Threat?
BY MARIANA BARRERA

AÑELO, A ONCE FORGOTTEN TOWN 600 MILES southwest of Buenos Aires, Argentina, is now in the middle of an oil boom as a result of the discovery of the Vaca Muerta shale field. My first experience there, in February 2014, was terrifying, and it plunged me right into Añelo’s way of life.

Añelo has an unusual and sharp geographic split that splits the town into two areas with different altitudes. The industrial park and the new urban development are located on the high plateau. By the time I first visited the town, the upland was already cleared of brush, smoothed and divided into lots for several oil companies that fenced in their areas where trucks and cranes operated. Signs along the side of the road pointed to exploration areas in Vaca Muerta, the world’s second largest shale gas reserve and fourth largest shale oil reserve.

Upon my arrival and after a five-hour interview in the local mayor’s office, he offered me a task force examining the legal aspects of the concession. The mayor decided to lower his side window; immediately, all the aggressors crowded around to his side. They shouted at him. Some of the sticks and stones were now landing inside the car. I decided to slide under the back seat, where I had been sitting, to protect my face and my camera. Eventually, the way was cleared. One of the mayor’s advisors asked him to leave quickly. The mayor obeyed, and we escaped unscathed. The front window of the pickup was destroyed, and my neck felt stiff.

The family had been displaced, and the oil company, Mink, had evicted the pickup and run towards us, blocking the road. The mayor had to stop driving. They surrounded the car and pelted windows with stones and sticks. The noise was deafening: the sticks, the stones, the glass and the screams.

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The mayor filed a complaint, with me as a witness to the events. The news of the attack went viral in the local media under the heading “Añelo’s mayor was brutally assaulted.”

Since then, I’ve been back to Añelo a couple of times, more recently in May 2015. I always ask about the people living in the makeshift house up in the industrial park and the mayor’s car—I can’t avoid feeling guilty about the broken window. The family had been displaced, and the insurance paid for the pickup’s front window.

To try and elude this extensive influence, Mink launched his suit in Queens County, New York. He offered an inven
tive argument as to how a court in New York could prosecute alleged wrongdoing committed in Aruba. Because of the extensive business conducted between Standard Oil of New Jersey (Lago’s New York-based parent corporation) and its Louisiana subsidiary, Mink claimed, the two companies were one and the same, separated only by a “fictitious corporation veil.” This argument, while imaginative, ultimately failed to persuade the judges. They ruled Lago and Standard Oil separate entities, dismissing Mink’s case based on a “lack of jurisdiction.”

This verdict illustrated the breadth of corporate control at the Lago Refinery and within the Lago Colony. The company dominated the political and economic affairs of Aruba, much like the notorious United Fruit Company of Guatemala. Indeed, such authority undergirded the very existence of the refinery and its staff enclave, government concessions given to Lago because of its economic value. Corporate patronage, therefore, joined the beautiful bun
galows and pristine beaches as things essential to extractive life, realities that made their time in the Colony possible, even enjoyable. Perhaps the most valu
able aspect of this company power, however, was not its extent but its invisibil
ty. The true extent of Lago’s authority remained largely unseen in the Colony, hidden behind the fond memories of extractive life, the extensive privilege enjoyed in comparison to local labor
erers and, according to Mink at least, the false corporate veil separating Lago and Standard Oil of New Jersey.

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The Argentine flag flies on the lot of the makeshift house. A company truck stands in the field.
Although these new businesses will become an integral part of urban life, they are not necessarily committed to promoting a sustainable development in town. The lack of urban regulation means they can arbitrarily change Añelo’s urban landscape without permits or consultation.

The shale boom also overwhelmed an understaffed and underfunded municipal government. The mayor’s schedule has become busier because of the many companies seeking to set up shop in Añelo. The mayor also opened a satellite office in Buenos Aires, Argentina’s capital city, to strengthen ties with the national government and with YPF, the national oil company. As a result, longtime residents often can’t reach the mayor by phone or by knocking on his door or window at city hall.

In more academic terms, Añelo’s mayor detached from his constituency by transforming the historical horizontal relationship into a top-down one, and leveraged the interaction with the private sector through one-time agreements (known as one-off). Private investment represents a fast and inexpensive way to increase service delivery and urban investment.

Changes in local governance are enhanced by stakeholder parachuting. In essence, this means that many different entities with often conflicting interests seek to pursue their own particular speculative goals. The national government, for one, found in Vaca Muerta the opportunity to solve its energy and fiscal crises. Likewise, Añelo and its new resources provide a solution to the fiscal deficit of the provincial administration, and give oil companies (including YPF) a chance to develop new revenue and business alternatives.

In the absence of effective institutional mechanisms to channel both stakeholders’ claims, the overwhelmed mayor, as the local government representative, was responsible for arbitrating between them, but he couldn’t provide a solution. The lack of regulation and planning institutions undermined the ability to make clear decisions; this problem was also challenged by the lack of human and financial resources. I’m pretty sure that the family knew that the pickup was the mayor’s and that they proceeded to stone it because they could not find another way to make their voices heard. In a context of decentralization and a weak government, the result of these coexisting and competing rent-seeking interests was a critical and complex situation.

The good news is that this resource boom also brings the opportunity for innovating and developing better planning to address these opportunities and threats. In the particular case of Añelo, the discovery of Vaca Muerta represents the prospect of opening a conversation about how planning can be employed as a tool to avoid the resource curse at the sub-national level, and to translate resource discovery into better welfare for Argentina.