



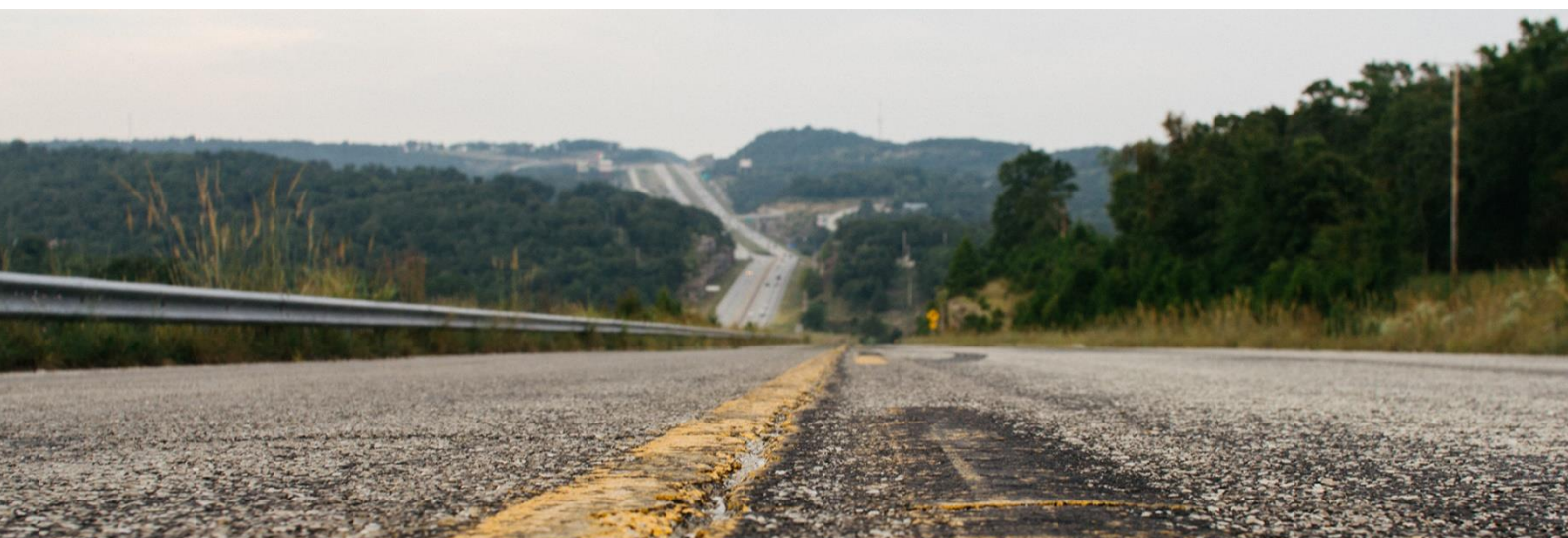
# MONTHLY MARKET ANALYSIS LATAM JANUARY 2019

Writers: Vera Ruffato and Carolina Muñoz |

Editor: Benedict De Meulemeester | Designer: Joke Bruneel

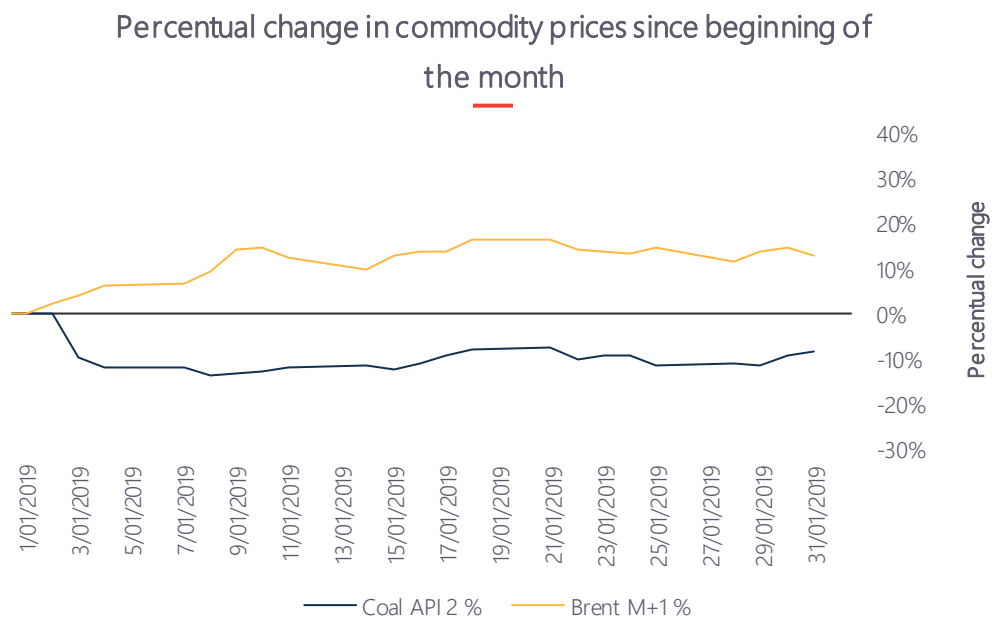
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## INTRODUCTION

Oil prices rebounded from the bearish trend we saw at the end of last year. The oil market was mainly driven by OPEC production cuts compliance, reducing the global supply significantly, ongoing geopolitical tensions in different countries, talks between China and US to stop the trade war and the sanctions US has imposed to the state-owned Venezuelan oil company PDVSA. However, a surge in US supply and signs of a slowing Chinese economy keep putting a downward pressure on the oil prices. Coal prices were reasonably stable and LNG markets softened in January.



# BRAZIL

## POWER MARKET

The 2018 ends with a big change scheduled for 2019. The ordinance no. 514/2018 published at the end of December defines new limits for contracting electricity in the Brazilian free market.

As of July 1st, 2019, consumers with a demand of more than 2500 kW, regardless of their voltage, can contract electricity as free consumers. The resolution also foresees a reduction of the minimum demand to 2000 kW as of January 1st, 2020. There are no changes for special consumers.

**Ordinance No. 514/2018 that establishes new load limits for the contracting of energy in the free market**

The market is optimistic with the new government that has just taken over, after the new Minister of Mines and Energy, Admiral Bento Albuquerque,

declare that it will continue the process of privatization of Eletrobás and the reform of the electric sector regulation initiated in the previous government. The objective of both measures is to increase the dynamism of the sector and strengthen the free market.

The new minister also stated that he intends to resume investments in nuclear generation. The resumption of Angra 3's works, paralyzed after allegations of corruption, would be the first step. The new minister was director

general of Nuclear and Technological Development of the Navy.

On the first business day of the year, CCEE presented the projection of the PLD for 2019, which would average R \$ 142 / MWh in the Southeast / Center-West submarket. The average LDP in 2018 was 288 R \$ / MWh. The values were influenced by a more optimistic hydrological scenario for the coming year.

On the other hand, the PLD in January had a strong bullish trend, ending the last week at the price of 377.10 R \$ / MWh in the sub-market southeast / center west and south, 137.50 R \$ / MWh in the northeast and 83.06 R \$ / MWh in the North.

The main factor of high was the reflection to the levels of rains, much lower than expected for the month of January. The reservoirs of all subsystems are at lower levels than when compared to the same period last year.

The increase in SPOT market prices during September also influenced the slightly increase in the prices of forward contracts traded on the OTC market, especially in the short-term product for 2019.

spot electricity prices  
(PLD)

forward electricity prices

Inflation index

# BRAZIL

## GAS MARKET

Adjustment of  
natural gas tariffs in  
São Paulo can reach  
37,6% to the  
industry

In the last moments of 2018, former President, Michel Temer, signed a decree, taking a few more steps to implement the new regulatory framework

for the gas sector, Gas for Growth. The decree approved some measures that did not depend on legal changes. The complete program is still waiting for a vote in the congress.

In the first weeks of government, the new Minister of Mines and Energy declared his goal to change the regulation of the natural gas sector. The objectives are to provide transparency and ensure free access to the transport system and foster the development of the free gas market.

In the state of São Paulo, the readjustment for the industrial sector can reach an increase between 24,1% and 37,6%. The prices increase was driven by the devaluation of Real against the dollar and the increase in the price of NG in the international market.

BRENT



# MEXICO

## POWER MARKET

On January 31st, the Energy Secretariat determined the cancellation of the 2018 Long Term Auction, according to a statement from the National Center for Energy Control. SLP-1/2018 was suspended since December 3, 2018 while its objectives and scope were reviewed by the Federal Electricity Commission, the Energy Secretariat and the CENACE.

The fourth auction  
of long-term electric  
power was  
cancelled.

The Business Coordinating Council called the government to continue clean energy auctions.

On the other hand, CENACE published the

called for the Medium-Term Auction SMP-1/2018 with the purpose of assigning electricity coverage contracts for the purchase and sale of capacity and electric power with delivery date in September 2019. Any interested party, participate or non-participant in the wholesale electricity market, can participate in it by submitting purchase or

sale offers. The Auction will be carried out in accordance with the provisions of the Tender Conditions issued by CENACE, which will be published on February 5, 2019.

In the wholesale power market, it is worth to mention the increase in participation during last year compared to 2017. Up to November, 62 operators were registered in the Wholesale Market, 53 corresponding to the private initiative and only 9 to CFE, which signed a total of 126 contracts.

At the beginning of the year we saw a stable and almost flat evolution in CFE rates nationwide with a slight increase compared to last December rates. Despite the decrease in price during the last months, the current CFE tariff has increased in double compared to 2018 prices.

CFE prices

Wholesale spot prices

# MEXICO

## GAS MARKET

Pemex published the application formulas for the calculation of VPM until June 2019. As a reference price for Zone 3, the formula HSCH + 0,445 USD/MMBTU is maintained.

**Mexico supplies 66%  
of its total  
consumption  
through imports  
from the US**

January has been a month marked by the crisis of the "huachicoleros". The president of Mexico, Andrés Manuel López Obrador, presented on Thursday 10th a plan to

end the theft of fuel to the state company Pemex, which during the year 2018 has cost 66 300 million pesos (about 3 330 million dollars) to Pemex.

López Obrador explained that this plan is "strategic, necessary and urgent". Currently, 66% of consumption in Mexico is supplemented by purchases from the United States.

The volume of LNG purchased by Pemex in January is estimated in 166 774,19 MMBTU / day, which means 12% more than the same month last year. However, it is a much lower figure than imports in the last quarter of the year 2018. The price of LNG purchased by Pemex stood at 9,89 USD / MMBTU.

US gas prices

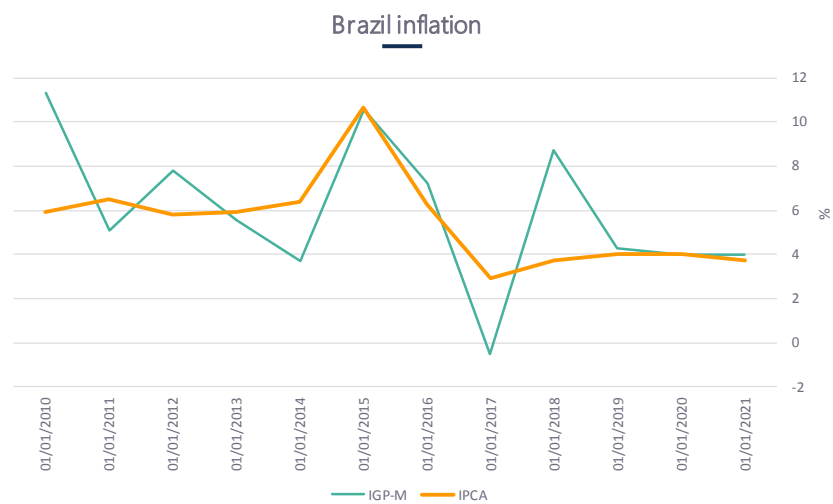
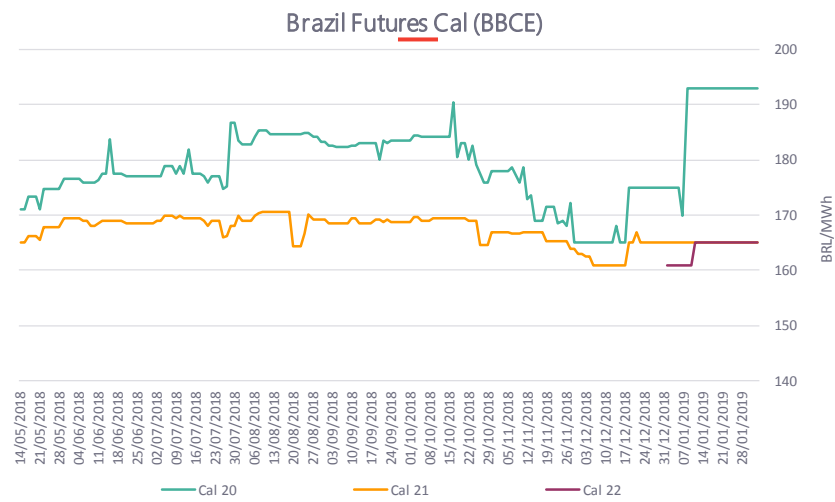
VPM prices

Exchange rate

LNG prices







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