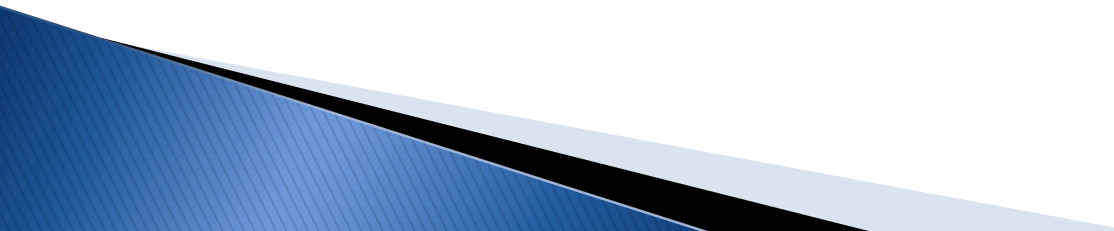


# The Shifting Politics of Oil in Latin America

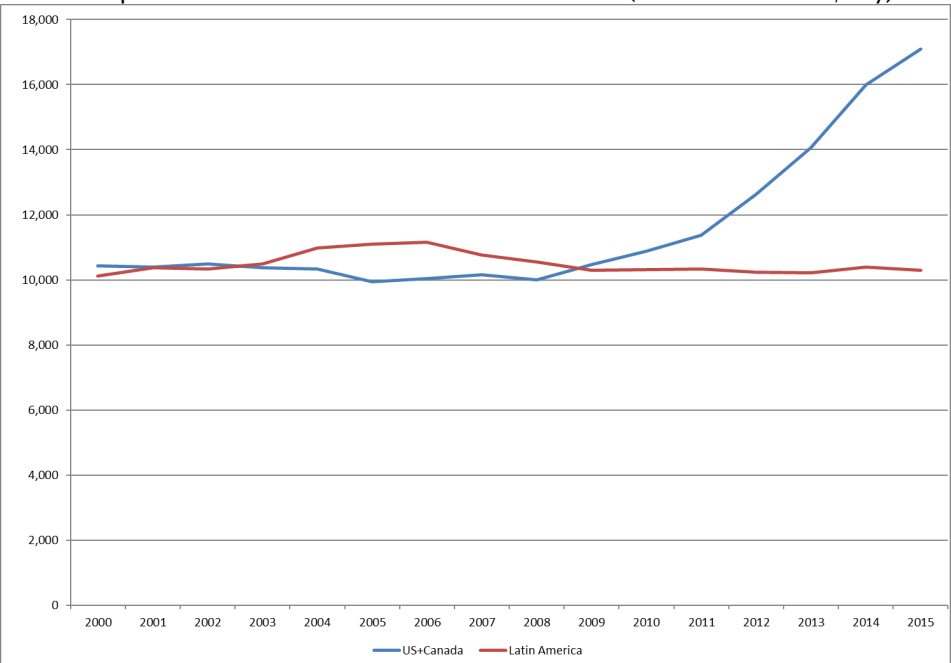
**Francisco Monaldi, Ph.D.**

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# Shifting Politics

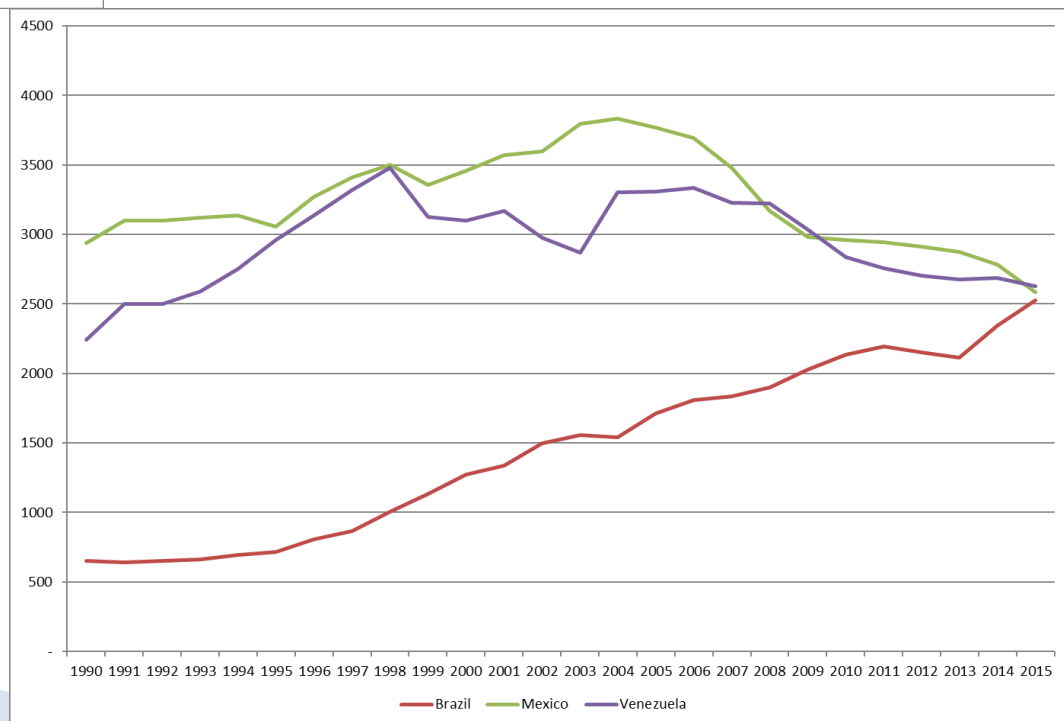
- ▶ Most Latin American countries had a golden decade in 2000s to mid 2010s. Commodities boom, low interest rates, high growth, social gains, popular politicians, left-turn. Larger middle classes became more demanding.
  - ▶ After the boom. Lower growth, inflation pressures, high dissatisfaction, corruption scandals. Right turn except Mexico.
  - ▶ The region keeps being volatile, but better macro management than in the past.
  - ▶ Democracies appear consolidated, but governance challenges are significant.
- 

Oil production: US + Canada vs. Latin America (thousand barrels/day)

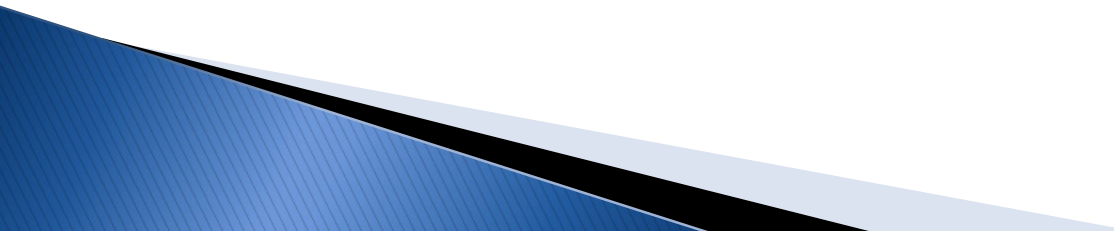


**During the Boom:  
Divergent Trajectories**

The Big Three: Oil production (thousand barrels/day)



# Key characteristics shaping the politics of the oil sector

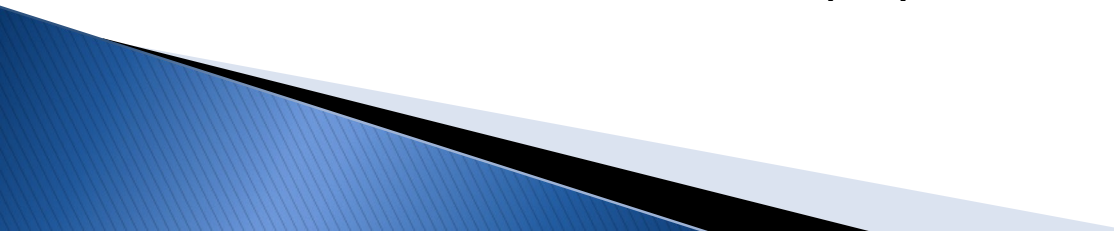
- Resource nationalism is the norm. Countries open to foreign investment only because they have to.
  - High **rents**, but **variable** among projects and **volatile** in time.
  - High **sunk costs** and long maturity of investments (except shale).
  - Variable and evolving **risks**.
  - Prevalence of **national oil companies**, except in high risk, low rent: natural gas, unconventional, marginal and frontier plays.
  - Widespread domestic consumption makes pricing politically salient.
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# What drives oil policy risks?

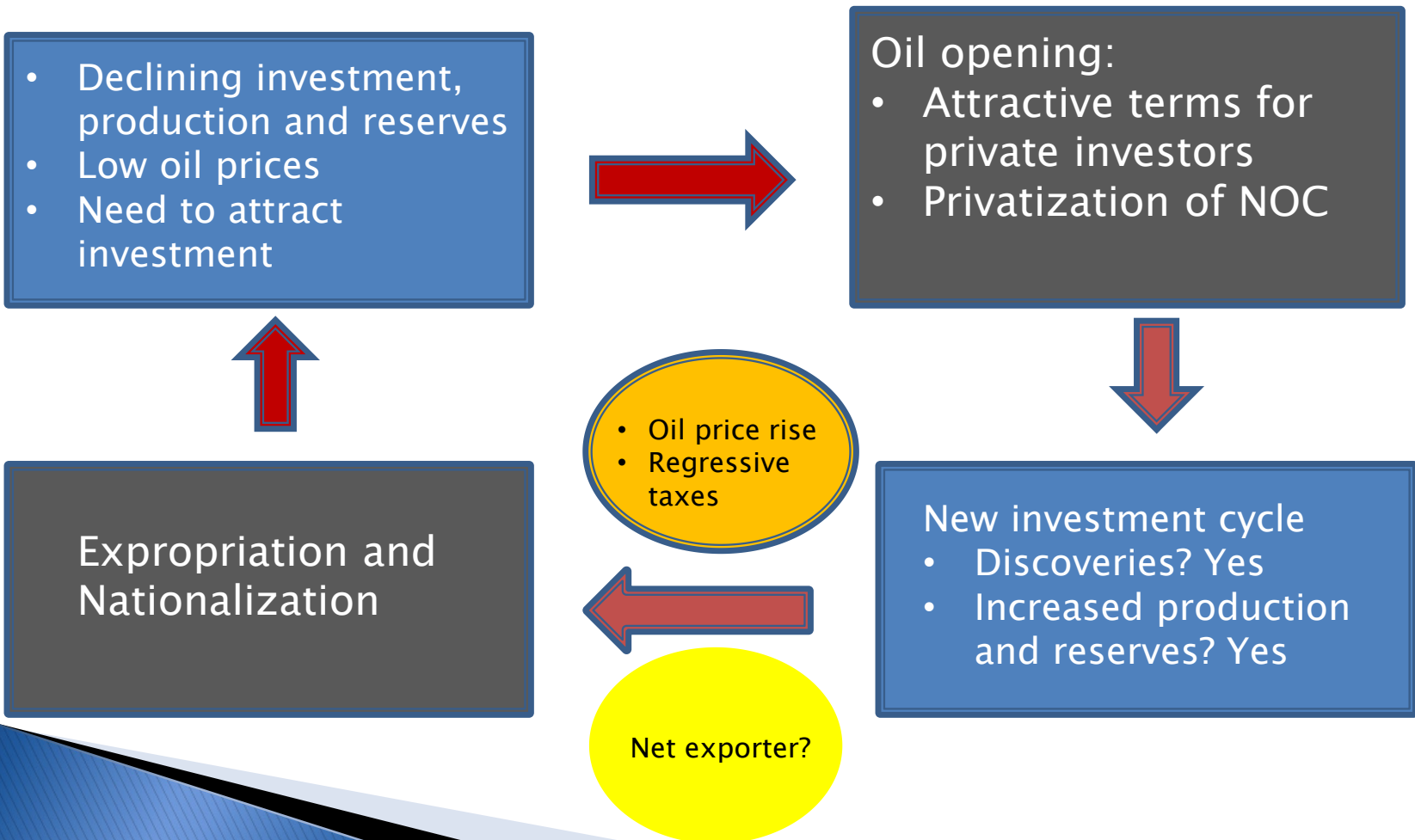
Structural factors driving fiscal/regulatory risks:

- ▶ Price cycles. Expropriation and regulatory changes likely at high prices.
- ▶ Expropriation likelier after large discoveries and decline in geological risks.
- ▶ Expropriation likelier after a significant investment cycle ends.
- ▶ Expropriation likelier in net exporters, with increased reserves and production.

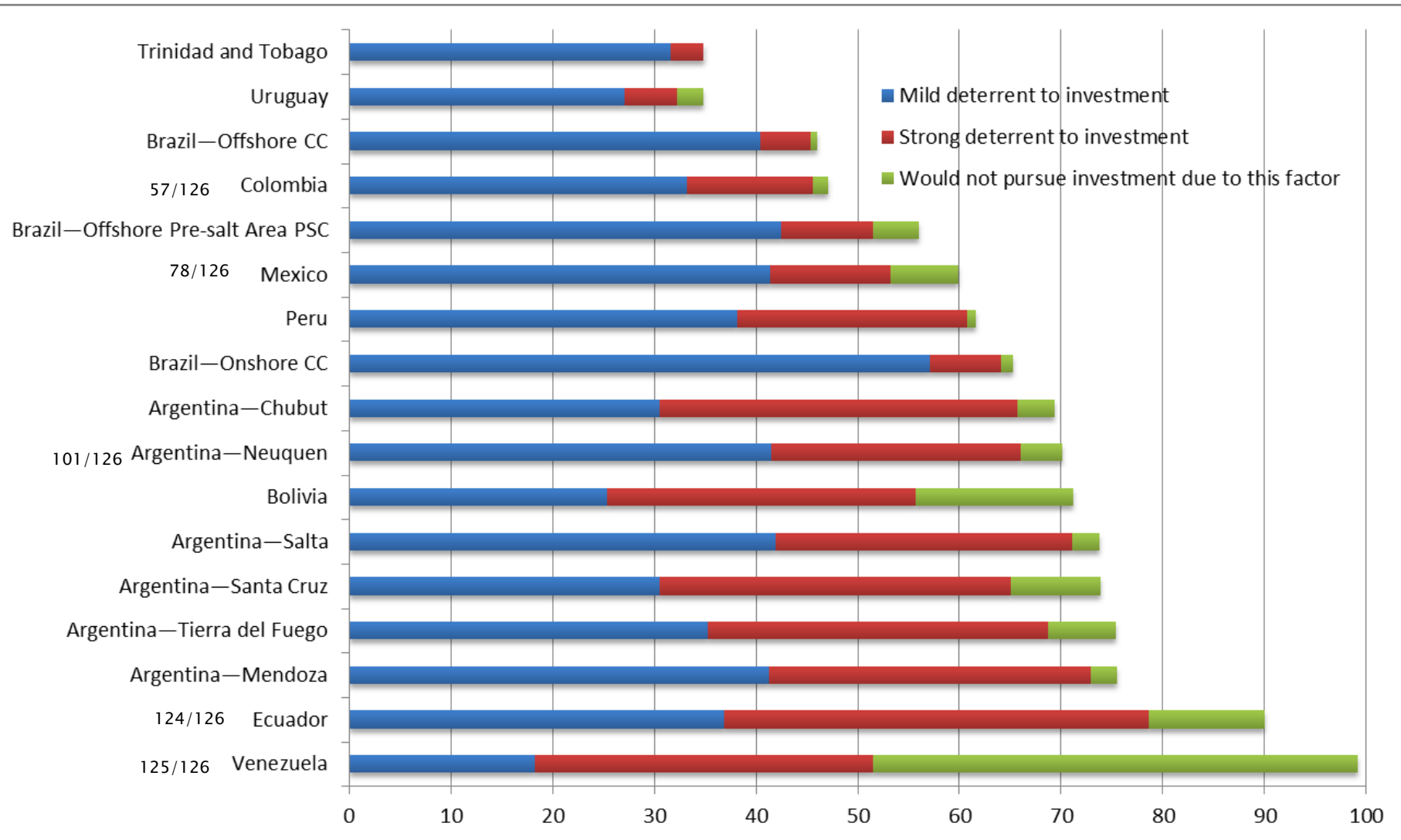
Political/institutional factors:

- ▶ Ideological pendulum (left–right)
  - ▶ Checks and balances, veto players.
- 

# The Investment / Expropriation Cycle



## Fraser Institute Global Petroleum Survey 2015: Policy perception index



Thanks for your attention

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