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From issue: **Media in the Americas: Threats to Free Speech** (Fall 2013)

■ AQ FEATURE

Venezuela's Electricity Deficit

BY [César Batiz](#)

When will the lights come back on?

Venezuela is currently suffering its second electricity emergency in three years. The first was declared by the government in February 2010.

Closings of major roads, public complaints in the media and frequent outage reports on the #Sinluz (No light) Twitter account paint a grim picture of daily life in Venezuela. The reasons are fairly straightforward: since it nationalized the electrical system, the government has failed to build enough new power plants and to maintain existing ones.

According to the Ricardo Zuloaga Group—a group of electricity-sector experts based in Venezuela—the fact that the domestic demand for electricity exceeds the amount available for consumption is at the heart of the issue. The country currently generates about 18.3 thousand megawatts (MW) daily, but needs about 19.3 thousand MW—a gap that has required urgent measures to stabilize the electricity system.

But throwing money at the problem may not be enough. Despite pumping more than \$3.8 billion into the sector since 2010 to put 40 new plants on stream, lack of transparency, mismanagement and corruption continue to hobble regular access to electricity.

According to the newspaper *El Nacional*, there have been 10,647 failures in the SEN (National Electric System) between January and June 2013. The states of Zulia, Anzoátegui, Miranda, Amazonas, and Aragua have been the most affected by the current crisis— leaving populations in those areas seething with anger.



Lights out: An employee of a business closed during a blackout stands behind the door with a notice reading "There's No Light," in Caracas on September 3, 2013. Photo: Juan Barreto/AFP/Getty

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On August 11, 2013, in the central states of Carabobo and Aragua, the western state of Falcón and the eastern state of Anzoátegui, blacked-

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out customers vented their frustrations on Twitter. Three days later, in the city of Valencia, in Carabobo state, residents blocked the highway for seven hours after a day without electricity. Consumers soon found themselves short of candles, since the power outage had closed stores

as well.

Meanwhile, businesses—from factories to restaurants—are using diesel-based generators to stay open, further driving up the cost of goods and services in a country where inflation is already raging at over 20 percent. Some families purchase small generators to produce electricity when blackouts occur, but this has led to tragedy as well: between April 2012 and January 2013, 10 people died after inhaling the fumes produced by the machines.

Are the Lights On at the Energy Ministry?

One of the ironies of Venezuela's energy shortages is that the headquarters of the Ministry of Electric Energy is located in an area frequently affected by blackouts. The head of the ministry, Jesse Chacón—who had participated in the 1992 coup d'état led by then-Lieutenant Colonel Hugo Chávez and later served as his interior and justice minister—announced in August the stabilization of the area's electricity system under a new 100-day plan.

The plan, initiated this May (one month after the government declared an energy emergency), proposed a 1,000 mw reduction in consumption and a 1,000 mw increase in production. But at the end of the 100 days, the energy savings reached only 43 percent of the stated goal, while production exceeded the mark by 138 percent. To reduce consumption, the ministry launched a campaign for smart consumption with the private and public sectors. Yet the savings were still not enough.

To increase production, Chacón planned two phases: the reactivation of plants under maintenance and an accelerated construction schedule for a number of plants already being built. The minister mentioned 35 projects that were 80 to 90 percent complete but never presented a full list. According to the ministry, the 100-day plan brought 1,130 mw online thanks to the renewal of nine already existing power plants and the activation of a new solar plant.

However, a study done by the Venezuelan newspaper *Últimas Noticias* using the government's own data showed that only 22 projects were more than 80 percent complete. Nineteen of the projects are still facing delays of over two years. If brought online, they would generate more than 7,000 mw.

An electricity-sector professional, who asked not to be identified because of his government connections, explained that many factors cause construction delays, including the government's failure to make payments to the companies and a lack of planning. Worse yet, the source claims that because of the delays, the construction contracts for 40 new plants have already expired.

Tons of Money and Little Energy

In April 2013, former Minister of Electric Energy Héctor Navarro claimed that in one decade the Chávez government had quadrupled the electricity-sector investment made by the governments of Carlos Andrés Pérez, Ramón J. Velázquez and Rafael Caldera in the 1990s. Government supporters claim that in the past decade, electric installations were abandoned because of the plan to privatize the sector.

Venezuelan engineer and electricity-sector expert José Aguilar explains that although it is true that \$38.5

billion have been invested on over 40 projects and that 5,105 mw have been brought online between 2008 and 2012, only 3,343 of the new mw are available for consumption, due to mismanagement and likely corruption. According to an analysis by Aguilar, the average cost of the 40 planned projects is already 256 percent over estimates, based on global market prices.

A study published jointly by *Últimas Noticias* and *El Mundo Economía y Negocios* in September 2011 demonstrated that Bariven—a subsidiary of the state oil company PDVSA—overpaid \$403 million to acquire 17 electric power plants from three recently created midsize companies: KCT Cumaná, Ovarb and Derwick. The last company, Derwick, has been in the media spotlight recently due to corruption scandals.

Between October 2009 and December 2010, the company—which had no previous experience in the sector—was awarded 12 state contracts to participate in electricity projects. One of its directors, Leopoldo Betancourt López, has since been linked to the disappearance of \$500 million later found in bank accounts of the Corporación Venezolana de Guayana (CVG) in Lebanon.

And the situation is likely to get worse. According to the Ricardo Zuloaga Group, one of the reasons to declare an emergency is that it allows the state to award power plant construction projects without opening them to public tender—in violation of the Law of Public Contracts.

According to data from the Ministry of Electric Energy, 85,054 residential and industrial customers are on the grid. But as the government itself has recognized, of the total installed generation, only 18,350 mw are available for consumption, while peak demand—registered this May—can reach more than 19,300 mw.

The greatest example of the strain occurred on September 3, 2013, when, according to official reports, 19 states and Caracas experienced a four-hour power outage caused by the failure of a transmission line.

In the midst of the current crisis, two questions remain: when will those remaining plants be ready to come online? And what has happened to the record amounts of money poured into the sector? On both questions, unfortunately, Venezuelan citizens are still in the dark. Literally.

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