

With Oscar Arias in, oil moratorium is out

San José, Costa Rica

New Costa Rican President Oscar Arias has signaled he will end the moratorium on oil drilling declared by his predecessor, saying his two-month-old administration is “studying the viability” of oil exploration about 50-60 miles off Costa Rica’s Caribbean coast.

Arias made the announcement on May 30, the day he and members of his administration met with representatives of Brazil’s government-controlled oil company Petrobras and Brazilian Development, Industry and Foreign Trade Minister Luiz Fernando Furlan.

Aside from exploring the possibility of offshore-oil development, the officials discussed the progress of a project to build a plant that would distill ethanol from African palms. The US\$20 million plant, for which an environmental-impact study is now under way, would be built in Costa Rica with capital from as-yet unspecified Brazilian and Costa Rican investors.

Ethanol from the plant would be exported to the United States once Costa Rica ratifies the Central American Free Trade Agreement (Cafta), Furlan says. (Costa Rica is the only Cafta signatory that has not yet ratified the trade agreement. But Arias and his National Liberation Party, which holds a majority of seats in the national Legislative Assembly, support it.)

Arias says the palm-to-ethanol project could create 10,000 to 20,000 new jobs, pointing out that the employment would occur in poor areas of Costa Rica where palm plantations flourish.

Arias’ predecessor, Abel Pacheco, staked a great deal of political capital on environmental defense, declaring a moratorium on oil exploration and open-pit mining and making it a centerpiece of his four-year presidency.

Pacheco’s approach won praise from environmentalists, but critics called it obstinate and blame it for embroiling Costa Rica in a legal battle with Harken Costa Rica Holdings, a subsidiary of U.S.-based Harken Energy.

Harken announced last month it will sue the Costa Rican government for US\$13 million, alleging the Pacheco administration in 2002

unfairly rejected the environmental-impact study for its project shortly before declaring the moratorium on new oil projects.

Ricardo Dobles, Costa Rica’s new environment and energy minister, says no oil exploration contracts will be awarded until the Harken issue is settled, a process he estimates will last until next year or longer.

Dobles defends the lifting of the drilling moratorium. Estimating that 70% of Costa Rican energy is imported, he says: “We’re subject to the price swings of the international market, which impoverishes the population.”

Costa Rica imports all of its petroleum

products, but generates most of its electricity with hydroelectric plants. Dobles says the country must prepare for an eventual worldwide oil shortage by building its own domestic stocks.

Responding to questions about possible environmental damage from oil drilling, Brazil’s Furlan said in a statement, “What must prevail are the interests of the country: the people want cheaper gas.”

Environmental activists disagree—among them, the Costa Rican Environmental Conservation

Federation (Fecon),

one of the most vocal environmental watchdogs here, and Oilwatch International, an Ecuadorian-based network opposed to fossil-fuel projects in the tropics.

These two groups mounted an anti-drilling campaign in response to the government’s announcement.

“Releasing all the carbon underground is one of the worst ways a country can contribute to the destruction of the planet and to climate change,” says Fabián Pacheco, an environmental advocate here who is former President Pacheco’s son and a member of Oilwatch. “The past policy was one of the most concrete and significant actions to detain climate change.”

The new government has yet to say whether it also intends to lift the inherited moratorium on open-pit mining.

—Robert Goodier



Costa Rican President Oscar Arias (AP/Wideworld Photos)

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