

# Colombian industrial production to plummet under energy rationing

by Javier Almario

Draconian electricity rationing ongoing in Colombia is expected to cause a collapse in industrial production this year of at least 15%. Urban centers are currently subject to 15 hours a day of enforced blackouts, and industries are being asked to “voluntarily” cut back their energy consumption by at least 15%. In the majority of cases, this decline in consumption will directly translate into a comparable decline in production.

The rationing is the direct consequence of a suspension in infrastructural investment nearly one decade ago on orders of the World Bank and International Monetary Fund. Now, the impact of rationing is expected to be greatest upon those small and medium-sized industries which operate in “residential” areas. Unlike the large industrial plants, these small companies have only one work shift a day, and the extended hours of electricity rationing could wipe out their production capability in short order. The government has already demanded that these companies impose a “collective [unpaid] vacation” during Easter week.

The rationing plan was launched on March 15, when drought conditions threatened to exhaust the nation’s dwindling water reservoirs; the rationing may continue through mid-1993. At that time, the Guavio and Rio Grande hydroelectric works—expected to provide an additional 1,300 megawatts of installed capacity to the national energy grid—are supposed to come on line. But if drought conditions continue, the current electricity rationing could produce total paralysis in an economy already wracked by narco-guerrilla sabotage of the energy grid. Indeed, the government would appear to be in competition with the terrorist National Guerrilla Coordinator over which could wreak more economic havoc.

The Water and Sewage Company of Bogota has already suspended the water supply to the capital’s hydroelectric system, in an effort to prevent the aqueduct system from drying up. It is expected that sooner rather than later, water for human consumption will also suffer rationing, which could intensify the cholera epidemic afflicting the country, along with other public health problems.

## Problem is being covered up

In the beginning, the César Gaviria government blamed the need for rationing on labor conflicts in the energy sector, caused by the government’s determination to keep wage in-

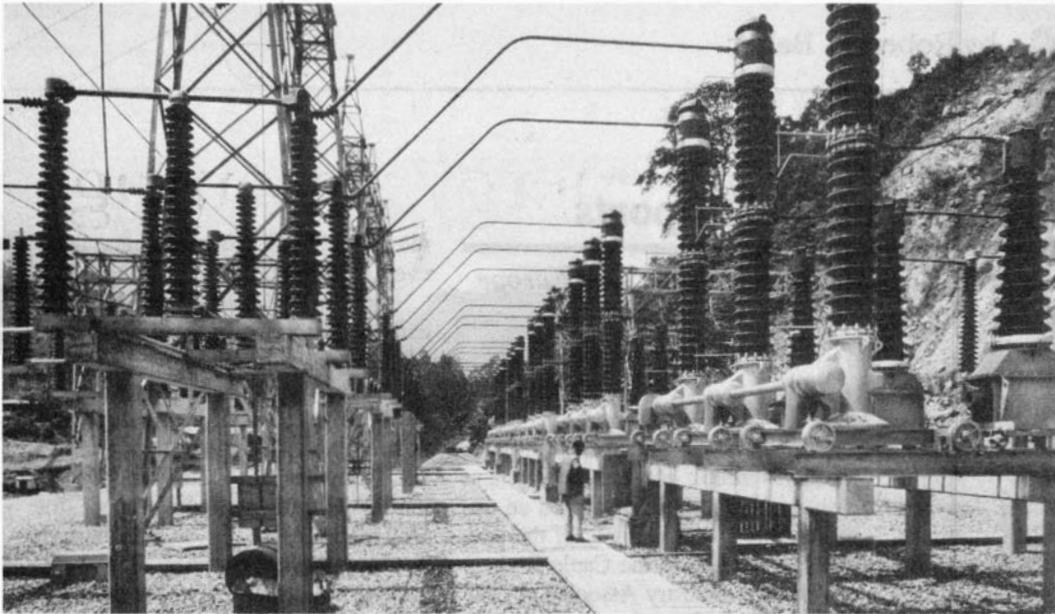
creases to 20%, despite the fact that the official inflation figure for 1991 was 27%. The start of the rationing was postponed until after the March 9 mid-term elections, but that didn’t keep the ruling party slates from taking a beating, nor prevent the lowest turnout at the polls in Colombian history.

The argument for the rationing then changed, from blaming strike threats in the electricity sector to blaming the phenomenon of the “Niño” ocean current, which recurs every eight years and has produced abnormal drought conditions in the country. It is true that the reservoir system that feeds the electrical grid is only storing 27% of its capacity, while the minimal acceptable level from a technical standpoint is 70%. However, the blame does not lie with “El Niño,” but with a deliberate suspension of infrastructure investment in the sector, on orders of the World Bank, a decade ago.

World Bank policy began to be enforced in the early 1980s, when credit for the electricity sector was suspended, and the Colombian government was obliged to create a company called the National Electrical Finance Company, to seek funds on the capital market to finance its projects. In 1986, the World Bank agreed to begin lending again, but under the now-familiar condition of submitting to an “Adjustment Plan,” which included: suspending investments in electricity generation; eliminating energy losses (caused by the common practice by poor people of tapping into existing cables without paying for the service); reducing personnel in the energy sector; and raising the cost of electricity.

To justify these measures, the Virgilio Barco government argued that the electric sector had been “over-built,” while Barco’s minister Guillermo Perry Rubio claimed an “over-investment” in energy generation beyond the country’s needs. The result of World Bank sabotage of Colombia’s energy needs—and of the Barco government’s complicity in that sabotage—is the brutal rationing to which the population is subjected today.

Investments in electrical energy were approximately \$650 million in 1980. They rose to nearly \$1.2 billion in 1984, and began to descend from there. Investment in 1988 was less than \$450 million. All new projects were canceled outright, and ongoing generating projects were postponed. The Guavio hydroelectric project was to have gone on line in 1989. Its completion was then postponed until late 1992.



*Hydroelectric power facility in Colombia. The current rationing of electric power, forced by wrong-headed economic policies, could paralyze the economy; yet the government is trying to blame everyone except itself.*

Now, because of financial and labor difficulties, it is hopefully scheduled to come on line in late 1993. The same is true of the Rio Grande project.

Construction on the Urrea I and Urrea II hydroelectric dam projects that were to have begun operating in 1993 has not even started. Urrea I, with a 340 megawatt capacity, is the only one of the two projects that has actually been approved, and is not expected to enter into production until 1999. Urrea II, which was to have added 1,000 megawatts to the national system, is viewed as lost.

The water reserve capacity of these two dams alone is 13.43 billion cubic meters, practically triple the combined storage of the eight most important reservoirs in the country. Further, these two dams hold enormous potential for developing agriculture and livestock in the Sinu river valley, and for preventing floods and droughts in a crucial sector of the Atlantic Coast.

Apart from the fact that between 1993 and 1999, when Urrea I will hopefully come on line, there will not be a single additional watt of energy added to Colombia's national energy grid, the very composition of the system itself defies all technical norms. With a 76% dependency on hydroelectricity and only 24% on thermal energy, Colombia is extremely vulnerable to climatic conditions.

According to experts, at least 50% of the country's energy capacity should be thermal, preferably nuclear. Not only would nuclear energy avoid the excessive pollution from coal, oil, and its derivatives, but it could be located much closer to areas of consumption, thereby significantly reducing fuel transportation costs. It would also help prepare Colombia's scientific and technical community for more advanced forms of energy generation.

The government's long-term "solution" to its energy

problem is privatization of the energy companies. However, this will not increase available wattage. What it will accomplish is the elimination of electricity as a public service, turning it into a private business that will triple the cost to families and businesses, and deprive the vast majority.

### **A programmatic solution**

Instead of privatization, Colombia's energy sector requires immediate alleviation of its enormous and largely illegitimate debt. Colombia's electricity companies are burdened with a \$5 billion debt, unpayable even with the constant rate hikes. The annual deficit of these companies is now \$1 billion, but is expected to increase to \$2 billion this year due to suspended energy sales under the rationing program. The greatest portion of the debt is with the World Bank and Inter-American Development Bank, both entities which have always imposed as their neo-colonial condition for funding energy projects, that bids for civil engineering works and turbine production go to foreign firms.

Apart from solving the debt problem, Colombia's central bank needs to be restructured, to enable it to issue low-cost infrastructure credit without the mediation of foreign creditors. Among the projects that will require such financing are 1) construction of multiple-use dams (electricity generation and water control) to feed hydroelectric plants with a 6,000 megawatt capacity; 2) construction of four 600 megawatt nuclear plants, to be installed in Colombia's principal consumer centers of Bogota, Medellin, and Cali, relying on advice from Argentina and Brazil, along with coal-based thermoelectric plants capable of adding another 2,000 megawatts; and 3) infrastructural integration with the rest of Ibero-America, through a series of great port, canal, highway, railroad, and electrical projects.