

News+: Peru's 2014 record-breaking pipeline

Rosie Fitzmaurice

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Peru continued to experience one of the most dynamic economies in Latin America in 2013. The country's GDP is thought to have grown around five per cent over the year and this is set to rise in 2014, with a predicted surge in mineral production, thanks to the planned record-breaking investment into energy projects aimed at meeting soaring power demand.

Like many of its Andean neighbours, Peru's infrastructure needs are closely-linked to its mining sector. The imminent sale of Glencore Xstrata's Las Bambas copper mine is thought to symbolise the beginning of the end of a turbulent spell for Peru's mining industry, paving the way for increased infrastructure investment and accelerated economic growth.

Record breaking investment

Last year over half of the projects awarded by private investment agency ProInversión were energy-related. Among the most significant of the more than US\$2 billion portfolio of projects were the first two components of a project known as the "southern energy node", which were bid out in November 2013. This year the Peruvian Ministry for Mines and Energy has announced that it has given ProInversión the green light to promote energy projects totalling US\$8.1 billion, including US\$800 million worth of rural power projects, more than four times the 2013 portfolio.

One of the most significant projects in the pipeline is the US\$2.5 billion [gas pipeline](#) which will transport natural gas and liquid natural gas from the province of Anta towards the southern coast of Peru. The project will support the development of the recently awarded components of the "southern energy node", both of which form part of a multibillion dollar gas project introduced by President Ollanta Humala's administration, which is aimed at decentralising power generation from the central area of the country and promoting the development of a petrochemicals complex in the underdeveloped south. The project has suffered delays due to the sheer magnitude of the project, but is now set to be awarded in the first quarter of 2014.

An interesting aspect to ProInversión's pipeline of energy projects is its commitment to the use of hydro generation. ProInversión has announced it plans to award 1,100MW of hydro power contracts this year. There are few other countries in Latin America which have been so decisive about utilising hydro power, as many of its neighbours have experienced problems implementing such projects due to fierce environmental opposition.

Transmission lines also feature heavily in the pipeline. ProInversión has confirmed three 220kV transmission lines will be tendered in the second quarter of this year. The first to come to market is the US\$434 million Moyobamba-Iquitos project, which includes associated substations and will pass through the regions of San Martín and Loreto, followed by the US\$56 million La Planicie-Industriales project with associated substations and the US\$44 million Friaspata – Mollepata project, which includes the Orcotuna 220/60kV substation, and will pass through the regions of Huancavelica and Ayacucho.

Investment opportunities are by no means limited to the energy sector. Indeed, rapid urban growth in the country has accompanied the economic boom driven by commodity exports and, consequently, the transportation infrastructure pipeline proposed by ProInversión is also impressive.

Bids are due in the coming days for the US\$6.5 million [Line 2 Ramal Av. Faucett – Av. Gambetta Lima – Callao metro](#) project, for which it is thought 28 companies have purchased tender documents. Also set to arouse strong investor interest is the US\$556 million hotly anticipated Chinchero international airport which should also be tendered this quarter.

In late 2013 ProInversión awarded the second stretch of the US\$552 million second stage of the Longitudinal de la Sierra highway project to a Sacyr-led consortium and it plans to tender stretches four and five, the investment for both projects is yet to be determined, however, it is estimated the projects will now be awarded in 2015.

According to the agency, around 16 more projects are scheduled to be formally announced and bid out in the second semester of 2014 spanning the energy, transportation, sanitation and water sectors among others, demonstrating the breadth of Peru's infrastructure pipeline and proving that the country really is the one to watch in 2014.

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