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Desiree Moreno Gutierrez

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THE STRUGGLE BETWEEN PERU'S ENERGY NEEDS, INDIGENOUS RIGHTS, AND ECOSYSTEMS

by Desiree Moreno Gutierrez*

Not far from the ancient streets of Cusco, the once mighty center of the Incan Empire, lays one of the most important natural gas discoveries in Latin America. An estimated 8.7 trillion cubic feet of natural gas and 411 million barrels of associated products (such as propane, butane, and condensate) make the Camisea field an important source of energy for Peru with enormous economic potential.¹ However, the Camisea field's location on the lower Urubamba valley among pristine natural areas home to isolated indigenous tribes² and hundreds of rare species of plants, birds, fish, reptiles, and small mammals³ creates a real challenge for the Peruvian government. Officials must carefully proceed with development while balancing the social aspects and biodiversity of the region.

With investment exceeding U.S. \$1.6 billion, Camisea represents the most ambitious energy project in Peru's history.⁴ Despite its discovery in the mid-1980s and the progress of four Peruvian administrations, construction only commenced under President Alejandro Toledo in 2002. Peru, seeking foreign capital and investment, granted rights to exploitation, transportation, and distribution of natural gas via international bids to some of the world's top energy firms.⁵ After completing two pipelines for liquefied and natural gas, the project became operational, connecting the gas source within the Amazon forest of Camisea to consumers in Lima, and the southern port city of Pisco. But despite progress and economic benefits, five ruptures in the liquid natural gas pipeline occurred, putting sensitive habitat and isolated indigenous communities in danger. These incidents resulted in heavy criticism of the government, particularly for a lack of involvement and oversight in the project's design and construction.

Local and international nongovernmental organizations are advocating for indigenous rights and environmental protection. Both Amazon Alliance and Amazon Watch recently cited an independent report by a California non-profit organization finding numerous deficiencies in the project.⁶ The report lists troubles including: a lack of supervision, little concern for indigenous needs, rushed construction to avoid U.S. \$90 million in contractual late fees, and allegations that nearly 40 percent of the pipe material came from defunct projects in South America. These accusations strengthened opposition to the project along the entire pipeline route.⁷ In response, Peruvian officials have countered these charges with studies indicating that the Camisea project met technical spec-

ifications and are compliant with international agreements protecting indigenous tribes and surrounding habitat. Officials assert the ruptures were caused by poor soil. Ultimately, an independent audit ordered by a special congressional commission will evaluate the real effects of the pipeline on neighboring communities.

As a result of the Camisea development, Peruvian gas usage continues to rise. However, project's true economic potential lies in exports. To complete the next phase, Peru requires U.S. \$400 million from the Inter-American Development Bank,⁸ but the bank has postponed any decision pending an independent study

to determine if the project meets sustainable development guidelines. The Camisea case represents a difficult struggle between economic potential in the impoverished Amazon Basin and the need for conserving pristine areas and indigenous rights. Sustainable development offers the best hope that political, economic, social, and environmental

concerns can coexist to reduce the poverty and increase the quality of life for all concerned. Any progress must consider long term outlook rather than short-lived profits. Nevertheless, Camisea may potentially benefit all Peruvians.



Camisea represents the most ambitious energy project in Peru's history.

Endnotes:

- ¹ Camisea Project, <http://www.camisea.com.pe> (last visited Feb. 28, 2007).
- ² See Diana Alberca Rivera, *Recursos Energéticos del Perú: Proyecto Camisea*, available at <http://www.monografias.com/trabajos34/recursos-energeticos-peru/recursos-energeticos-peru.shtml> (last visited Feb. 28, 2007).
- ³ See Smithsonian National Zoological Park, MAB: Camisea Project, <http://nationalzoo.si.edu/ConservationAndScience/MAB/conservation/camisea.cfm> (last visited Feb. 28, 2007).
- ⁴ See IDB America, *The Most Important Energy Project in the Country's History*, <http://www.iadb.org/iadbamerica/index.cfm?thisid=3665> (last visited Feb. 28, 2007).
- ⁵ See Camisea Project, *supra* note 1.
- ⁶ Carlos Salazar Tirado, *E-tech International: Evaluation Of Camisea Project Piping Failures and Long-Term Solutions*, AMAZON WATCH, Feb. 27, 2006, available at http://www.amazonwatch.org/newsroom/view_news.php?id=1050 (last visited Feb. 28, 2007).
- ⁷ See Kelly Hearn, *Bungle in the Jungle*, GRIST, Apr. 26, 2006, <http://www.grist.org/news/maindish/2006/04/26/hearn/index.html> (last visited Feb. 28, 2007).
- ⁸ See Inter-American Development Bank, Camisea Natural Gas Project, http://www.iadb.org/pro_sites/camisea/index.cfm?language=EN&parid=1 (last visited Feb. 28, 2007).

* Desiree Moreno Gutierrez is an L.L.M. candidate, May 2007, at American University Washington College of Law.