

The surge of Chinese investment into Ecuador

厄瓜多尔的中国投资的激增

Numerous Chinese investors have come to Ecuador in recent years to invest in a wide array of projects. Ecuador's natural resources, coupled with a surge in public spending, have increased international contractors' interest in many sectors, particularly in energy, infrastructure and mining. Both SOEs and Chinese private companies are involved in many of the projects that are currently underway, and the significant support by the Chinese "policy" banks (China Development Bank - CDB and Export-Import Bank of China - Chexim) has helped to make many of the projects financially viable.

近年来，多数的中国投资者在厄瓜多尔作了不同项目的投资。厄瓜多尔的天然资源加上公共开支激增，增加了国际工程承包商在许多业务的利益，特别是在能源、基础设施和采矿方面。无论是国有企业还是中国民营企业都在参与目前正在进行的项目。中国“政策”银行（中国国家开发银行和中国进出口银行）的大力支持，帮助了许多项目实现经济上的可行性。

This article describes the most significant projects carried out so far by Chinese companies in Ecuador that are indicative of Chinese investors' increasing interest in the country¹.

The Energy Sector

The energy sector, including both oil extraction and electricity generation, has been the preferred target for Chinese investment. One of the largest players within the Ecuadorian oil industry is a Chinese company and Chinese companies are building three very significant hydroelectric power generation infrastructures.

Andes Petroleum and PetroOriental²

In 2006, the Chinese oil and petrochemical giant China National Petroleum Corporation (CNPC) acquired Andes Petroleum Ecuador Ltd. and PetroOriental S.A. The company Andes Petroleum Ecuador Ltd. operates in the Tarapoa Block and the Lago Agrio Storage and Transfer Station (in the Ecuadorian province of Sucumbios), while

¹ Vid, in Spanish, <http://www.ecuadorenchina.org.ec>

² Vid <http://www.andespetro.com>

PetroOriental S.A. operates in concession Blocks 14 and 17 (in the Ecuadorian province of Orellana). Andes Petroleum Ecuador Ltd. purchased all oil exploration and extraction operations previously owned by the Canadian company EnCana Corporation for USD 1.42 billion.

The Electric Generation Projects

One of the many hydroelectric projects currently underway in Ecuador is the 1,500 MW, “Coca-Codo Sinclair” project³ (in the Ecuadorian provinces of Napo and Sucumbios), which, when finished, will provide 30% of Ecuador’s electricity supply. The project represents a USD 1.98 billion investment financed by Chexim and executed by the Chinese construction company Sinohydro Corporation. The EPC contract for the “Coca Codo Sinclair” project was executed by the Ecuadorian Government and Sinohydro on October 5, 2009 and the project is expected to be finished and operational by January 2016.

Harbin Electric International Co. Ltd., a local Chinese SOE, is currently building two electric generation projects in Ecuador: (i) the 275 MW “Minas San Francisco” hydroelectric project (in the Ecuadorian provinces of Azuay and El Oro), which is expected to be finished by January 2016 and represents a USD 507 million investment; and the 96 MW “Termoesmeraldas II” thermoelectric generation project (in the Ecuadorian province of Esmeraldas), which represents a USD 101 million investment.

China International Water and Electricity Corp (CWE), the international wing of China Three Gorges Corporation, is building the 254 MW “Toachi Pilatón” hydroelectric project (in the Ecuadorian province of Santo Domingo de los Tsachilas). This project represents a USD 500 million investment and is expected to be finished by late 2015⁴.

The China Gezhouba Group Co. Ltd., in joint venture with local Ecuadorian partner FOPECA S.A., is building the 487 MW “Sopladora” hydroelectric project (in the Ecuadorian provinces of Azuay and Morona Santiago). The project represents a USD 672 million investment. Chexim has provided 85% of the required funds with the Ecuadorian government contributing the remaining amount. The project is expected to be concluded by January 2015.

The Chinese company Hydrochina Corporation is building the 115 MW “Delsitanisagua” hydroelectric project (in the Ecuadorian province of Zamora Chinchipe), which represents a USD 195 million investment. The project should be finished by November 2015.

Finally, the China National Electric Engineering Co. Ltd. (CNEEC) is building the “Mazar Dudas” (21 MW, USD 49 million investment) and the “Quijos” (100 MW, USD 115 million investment) hydroelectric projects.

Considering all of the aforementioned electric generation projects jointly, Chinese companies are currently working in projects which will increase Ecuador’s generation potential by 2,848 MW, with an aggregate investment of over USD 4.12 billion.

³ Vid, in Spanish, <http://www.cocasinclair.com>.

⁴ Vid, in Spanish, <http://www.sectoresestrategicos.gob.ec/toachi-pilatón-generara-254-mw-para-el-pais/>

The Mining Sector

The “Mirador” site, located in the Zamora Chinchipe province, is one of the largest copper deposits in South America and the Chinese consortium Ecuacorriente S.A., a joint venture between the China Railway Construction Corporation (CRCC) and the Chinese copper mining heavyweight, Tongling Nonferrous Metals Group Holdings Co. Ltd., will make a USD 1.72 billion investment in the development of an open pit mine. The mining contract between the government of Ecuador and Ecuacorriente S.A. was signed on March 6, 2012.

The “Mirador” mine has proven reserves of 660 million tons of copper, gold and silver ores reaching grades of 0.53%, 0.17g/t and 1.41g/t, respectively. This roughly represents copper reserves of 3,490,000 tons, gold reserves of 112 tons and silver reserves of 927 tons. Once the project reaches its maximum production capacity, the annual output of copper concentrates will be 354,000 tons. The project will include the development of a USD 215 million hydroelectric project in order to make the mine electrically self-sufficient.

Chinese funding for Ecuadorian Investments

In addition to the earmarked financing agreements with Chexim, the CDB has loaned the Ecuadorian significant funds for investment projects in Ecuador. In this regard, the CDB has already granted several loans to the Ecuadorian government: a USD 1 billion loan in August 2010, a USD 2 billion loan in June 2011 and a USD 1.7 billion loan in 2012.

For further information please contact:

In Quito

Pérez Bustamante & Ponce Abogados
Sebastián Pérez Arteta

Av. República de El Salvador 1082
Quito, Ecuador
Tel: +593 2 400 7800
E-mail: sperez@pbplaw.com
www.pbplaw.com

In Beijing

Uría Menéndez
Juan Martín Perrotto

2909 China World Office 2
No. 1 Jianguomenwai Avenue
Beijing 100004, PRC
Tel: +86 (10) 5965 0701
E-mail: jmp@uria.com
www.uria.com

The information contained in this article is of a general nature and does not constitute legal advice.