

Projects & Procurement - Ecuador

Industry Update

Contributed by **Coronel & Pérez**

April 16 2002

[Airports](#)
[Electricity](#)
[Natural Resources](#)

The [Overview \(September 2001\)](#) discussed the legislative background to investment in airports, electricity and natural resources in Ecuador. This update discusses recent developments in these business sectors.

Airports

The airport system in Ecuador is currently undergoing some changes. Airports in Guayaquil and Quito are now under the control of Guayaquil's and Quito's respective city halls. From April 2002 the city halls will be able to create, regulate, reformulate, establish, collect and abolish taxes and charges for airport services.

The Foundation Airport Authority of Guayaquil is scheduled to develop the designs for three new works in the Simon Bolívar Guayaquil Airport. These works are expected to begin in March 2002 after the bid to elect a contractor, and are expected to end by September 2002.

The Corporation for the Quito Airport and the Free Zone of Quito announced that it would implement a security plan to improve airport security by March 2002.

Electricity

The Ecuadorian electricity sector has been transformed in the last few years. Currently the state is committed to selling the country's generating and distribution companies through the State Modernization Authority.

The government has elected to sell the distribution business first in order to make the generating business more attractive. The authority will sell 51% of the shares of the distribution companies during 2002.

The distribution companies have been divided into regional groups.

The sale of shareholding in the distribution companies has not avoided political criticism. There have been two adverse decisions by the Constitutional Tribunal (the highest constitutional authority in the state) and several strikes during the process.

The only distribution company not included in the groups is EMELEC, which has been serving Guayaquil, the most populous city of Ecuador with approximately 2.5 million residents, for decades. However, EMELEC will no longer distribute energy to Guayaquil, and therefore the state regulator initiated a bid for the energy distribution business. The winner of the bid will sign the concession contract with the regulator and also purchase the EMELEC assets.

Natural Resources

This area has also been transformed in the last few years.

Fuel and petroleum account for almost half of the country's exports, and finance nearly half the state budget each year.

In 2001 the government licensed the construction of a new oil pipeline to a consortium led by Techint. The pipeline is expected to come into operation in March 2003, and will enable the transportation of between 390 and 450 barrels of oil per day (an increase of approximately 50% with respect to the current oil pipeline). The project is known as the Heavy Crude Oil Pipeline and requires an investment of at least \$1.1 billion.

Officials of PETROECUADOR have recently confirmed the existence of additional

Author

Jaime Arosemena



reserves of oil in an area known as the Ishpingo Tambococha Tiputini triangle. The reserve is estimated at 693 million barrels.

The concession for the exploration and exploitation of this area is expected to be allocated during the ninth round of concessions, which is planned for this year.

For further information on this topic please contact Jaime Arosemena at Coronel & Pérez by telephone (+593 4 519 900) or by fax (+593 4 320657) or by email (jarosemena@coronelyperez.com).

The materials contained on this website are for general information purposes only and are subject to the [disclaimer](#).

ILO is a premium online legal update service for major companies and law firms worldwide. In-house corporate counsel and other users of legal services, as well as law firm partners, qualify for a free subscription. Register at www.iloinfo.com.

Online Media Partners



© Copyright 1997-2013 Globe Business Publishing Ltd