

## Insecurity and Peace Talks - What Lies Ahead for Energy Companies in Colombia?



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FARC troops stand at attention

**Colombia has experienced a dramatic increase in attacks on its energy infrastructure over the past year. Robert Shaw worries these assaults will indeed undermine the latest peace talks between the government and the FARC, and therefore the country's energy-related security.**

By Robert Shaw for ISN Security Watch

The Caño Limón oil sands that surround the town of Arauca on Colombia's extensive border with Venezuela represent at once the new economic engine of South America and the heart of one of its most serious security challenges. In the first eight months of 2012, targeted attacks across the country by the Revolutionary Armed Forces of Colombia (FARC) and the National Liberation Army (ELN), resulted in the deaths and kidnappings of oil workers, a three-fold increase in the bombing of pipelines, and made a significant dent in national oil output. Colombia's largest petrol construction site - the Bicentennial Pipeline - has also been hit several times in recent months.

Meanwhile, [FARC representatives prepare for peace talks \(http://www.bbc.co.uk/news/world-latin-america-19835197\)](http://www.bbc.co.uk/news/world-latin-america-19835197) with Colombian authorities in Oslo in mid-October and have proposed a cease-fire that could end attacks on energy targets. No estimates currently exist of how much damage their sabotage causes to the Colombian economy or the activities of domestic and foreign energy companies. However, if a peace agreement is signed, [Colombia's gross domestic product \(GDP\) could grow \(http://finance.yahoo.com/news/rebels-step-attacks-colombia-energy-targets-181308106.html\)](http://finance.yahoo.com/news/rebels-step-attacks-colombia-energy-targets-181308106.html) by one or two percent, according to Finance Minister Mauricio Cardenas.

### Big Oil Meets Guerrillas

Following the announcement of peace talks, Myles Frechette, a former US ambassador to Colombia, [said \(http://colombiareports.com/colombia-news/news/26220-uribe-created-conditions-for-peace-talks-ex-us-ambassador.html\)](http://colombiareports.com/colombia-news/news/26220-uribe-created-conditions-for-peace-talks-ex-us-ambassador.html) that it was the ex-President Alvaro Uribe's democratic security policies that laid the groundwork for improved security conditions. However, other commentators view Uribe's policies differently. "Perhaps the only tangible achievement of the democratic security policy...is that it forced the guerrillas from the major economic centers in the country to the deep forests of the Llanos Orientales and the hills of Huila and Cauca," says Ariel Avila, an investigator at the [New Rainbow Corporation. \(http://www.arcoiris.com.co/\)](http://www.arcoiris.com.co/) "But it turns out that much of the new oil exploration like the Bicentennial Pipeline is also taking place in these same remote regions of the country".

This new exploration has brought an explosion of wealth into uncharted rural territories like Arauca, where FARC and ELN attacks have focused on the country's energy and extractive sectors. As a major route for drug-trafficking and gasoline smuggling, the heavily militarized town is also strategically attractive for organized criminal groups. In particular, smugglers take advantage of the huge differential between the subsidized [Venezuelan gasoline price of \\$0.09 cents per gallon and the \\$5.96 per gallon \(price\) charged in Colombia. \(http://www.bloomberg.com/slideshow/2012-08-13/highest-cheapest-gas-prices-by-country.html#slide61\)](http://www.bloomberg.com/slideshow/2012-08-13/highest-cheapest-gas-prices-by-country.html#slide61)

Maria Tonelli, Director of Social Outreach for Colombia's largest oil company, Ecopetrol, laid out the complex

trajectory that lies ahead for the Bicentennial Pipeline, which passes through Arauca. "The first phase of construction for the Bicentennial Pipeline will be a line about 150 miles long that will carry 120,000 barrels a day of crude from Araguaney, the offloading station for the eastern Llanos basin, to the Banadia station in the northeastern state of Arauca," explains Tonelli. "The pipeline will then hook up with the...Caño Limón pipeline and continue another 450 miles west to the Caribbean port of Coveñas."

### **Limited Security and Maximum cost**

"Of course, much of the project passes through FARC and ELN territory ... And we are doing everything we can to lower the security risks for this project," adds Tonelli. "We use the best technology to protect the tubing along with private security, cameras and drones."

However, in spite of these measures, security for the extractive industry in Colombia has deteriorated significantly since late 2011. Colombian and foreign companies find themselves charting a dangerous path when they attempt to extract crude oil in previously untouched regions of the country.

"The costs for this type of work in these areas are mind-boggling," according to a former Colombian military officer interviewed for this article. "The security budget is impressively high with the Colombian Ministry for Defense retaining up to 80,000 soldiers - over 25% of the army's infantry ranks - at a yearly cost of approximately \$1 billion USD", to protect the growth of the energy infrastructure across the country. According to the Defense Ministry's website, the 2012 defense budget stands at \$13 billion, much of which is spent on technology and equipment.

The ex-officer - who now works for a security company in the mining sector - reports that his company's security budget has also increased since President Santos came to power in 2010. He further estimates that it will spend close to \$12 million on security operations in 2013. "However, our costs pale in comparison to the oil industry," he says, whose security costs he estimates could easily be more than \$100 million a year.

### **Army Limitations**

"The army is both sending out 8 new battalions to protect these companies and is also kick-starting its 2003 energy and road protection plan to free up combat units," he reported. "But the dilemma is that they need at least 20,000 more soldiers and they're already operating at close to maximum capacity".

High costs together with logistical limitations make protecting these extensive pipelines nearly impossible. According to another military source active near the border town of Arauca, at least 1 soldier per kilometer would be needed to properly protect the pipelines. "As it stands, we've only got 1 soldier every 20 kilometers along with air surveillance 3 times a week," he explains.

Nevertheless, "the stark reality in Colombia is that, as it stands, security still boils down to three core elements - private security, army protection and extortion," explains the ex-officer. "For us, extortion is not an option. The only viable option here for hands-on protection is the army, but they also have a limited number of boots they can put on the ground."

### **The Extortion Racket - Subcontractors' Survival**

Late 2011 witnessed a spate of attacks on oil transports connected with the Bicentennial Pipeline. These attacks occurred on such a regular basis that they generated tensions between some companies (the Chinese-run Emerald Energy, for example) and their subcontractors. The issue has been further aggravated after President Santos [threatened companies with expulsion from the country \(http://articles.latimes.com/2012/feb/03/world/la-fg-colombia-rebels-gangs-20120204\)](http://articles.latimes.com/2012/feb/03/world/la-fg-colombia-rebels-gangs-20120204) should they be found to be complying with armed groups.

However, contrary to this official stance, New Rainbow Corporation's Ariel Avila predicts that "extortion will continue to be the major security issue facing the industry in the short term, given the continued expansion of the industry into areas controlled by armed groups. Everyone is paying, whether it's directly or 'laundered' through sub-contractors". According to a military source in Arauca, these contractors can end up paying an average of \$5 per barrel of crude oil.

However, profits are now so high that companies can afford to send their full-time employees into high-risk areas. Yet, in the name of maximizing profits, more and more cases arise where this risk is instead transferred to the sub-contractors. "As oil and mining companies outsource operational activities to sub-contractors, a myriad of weak links open up in the chain [...] Transport companies, private security firms and pipeline repair outfits don't have direct access to military protection and are totally exposed to extortion and racketeering", says Jorge Restrepo, Director of CERAC (<http://www.cerac.org.co/en/>), a local conflict analysis group.

Another sub-contractor for one of the major oil companies (who had previously been kidnapped by the ELN) reveals that while security protocols exist for employees of the oil and mining companies, sub-contractors rarely factor into these plans. The subcontractor also recalled a meeting between the private security firm she worked for and the military following an attack on a caravan of transport workers by the ELN. "The army colonel told the others that he simply didn't have any more soldiers to give them". In response, "the company chief and the security expert simply sat there gob-smacked in their leather chairs".

### **The Calm before the Storm**

While attacks in the south and northeast of the country [dropped by 70% in September](http://colombiareports.com/colombia-news/news/26295-farc-attacks-drop-70-in-september.html) (<http://colombiareports.com/colombia-news/news/26295-farc-attacks-drop-70-in-september.html>), following the announcement of peace talks, Avila says that this is "simply the calm before the storm". As the [International Crisis Group \(ICG\) report 'Colombia: Peace at Last?'](http://www.crisisgroup.org/en/regions/latin-america-caribbean/andes/colombia/045-colombia-peace-at-last.aspx) (<http://www.crisisgroup.org/en/regions/latin-america-caribbean/andes/colombia/045-colombia-peace-at-last.aspx>) explains, a "deal would not eliminate violence. It likely would fail to convince some FARC elements to lay down arms, notably those deeply involved in the drugs trade. There would still be significant security threats from illegal armed groups rooted in the officially demobilized paramilitaries and from other organized criminal gangs".

"The attacks will spike again when the FARC decides it's time to play hardball at the negotiating table," adds Avila. "And when the FARC pulls back from attacking energy lines, the ELN or the [bandas emergentes \(BACRIM\)](http://www.insightcrime.org/news-analysis/colombias-bacrim-common-criminals-or-actors-in-armed-conflict) (<http://www.insightcrime.org/news-analysis/colombias-bacrim-common-criminals-or-actors-in-armed-conflict>) will fill the gap through extortion and kidnapping."

"The parent companies need to step back, figure out what's going wrong and conduct a proper diagnosis of the area and context where they work," concludes Restrepo. "They need to do some thorough risk analysis and build their security operations around it".

For additional reading on this topic please see:

[Dismantling Colombia's New Illegal Armed Groups](http://www.isn.ethz.ch/isn/Digital-Library/Publications/Detail/?fecvnodeid=106440&groupot593=0c54e3b3-1e9c-be1e-2c24-a6a8c7060233&dom=1&fecvid=33&ots591=0c54e3b3-1e9c-be1e-2c24-a6a8c7060233&lng=en&v33=106440&id=143944) (<http://www.isn.ethz.ch/isn/Digital-Library/Publications/Detail/?fecvnodeid=106440&groupot593=0c54e3b3-1e9c-be1e-2c24-a6a8c7060233&dom=1&fecvid=33&ots591=0c54e3b3-1e9c-be1e-2c24-a6a8c7060233&lng=en&v33=106440&id=143944>)

[Situación actual de las FARC](http://www.isn.ethz.ch/isn/Digital-Library/Publications/Detail/?fecvnodeid=106440&groupot593=0c54e3b3-1e9c-be1e-2c24-a6a8c7060233&dom=1&fecvid=33&ots591=0c54e3b3-1e9c-be1e-2c24-a6a8c7060233&lng=en&v33=106440&id=151952) (<http://www.isn.ethz.ch/isn/Digital-Library/Publications/Detail/?fecvnodeid=106440&groupot593=0c54e3b3-1e9c-be1e-2c24-a6a8c7060233&dom=1&fecvid=33&ots591=0c54e3b3-1e9c-be1e-2c24-a6a8c7060233&lng=en&v33=106440&id=151952>)

[Improving Security Policy in Colombia](http://www.isn.ethz.ch/isn/Digital-Library/Publications/Detail/?id=118154&lng=en) (<http://www.isn.ethz.ch/isn/Digital-Library/Publications/Detail/?id=118154&lng=en>)

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International Relations and Security Network (ISN) (<http://www.isn.ethz.ch/isn/Digital-Library/IR-Directory/Detail/?ots591=4888caa0-b3db-1461-98b9-e20e7b9c13d4&lng=en&id=13306>)




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