

# RECOPE

## COSTA RICA'S PILLAR OF COMPETITIVENESS





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*Costa Rica's national hydrocarbons importation, refining and distribution company Refinadora Costarricense de Petroleo SA (Recope) is taking a leading role as the country prepares to lead the region in green energy*

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The situation for obtaining gasoline, diesel oil and other oil products in Costa Rica is not ideal just at present. Following an accident in 2011 it was decided that the country's refinery at Moin, part of the Caribbean, or east coast, port of Limón, was too expensive to run, and since then the country has relied entirely on imported petroleum products. Costa Rica is the most developed and stable democracy in Central America and it is happily named – it has a lot of coast on the isthmus that links the continents of North and South America, and though not rich, it is prosperous enough, strategically placed for trade, and its 4.5 million citizens enjoy a good standard of living with a per capita income of around \$10,000.

According to CIA figures and estimates, Costa Rica's economy was affected fairly mildly by the global recession. It contracted 1.3 percent in 2009 but resumed growth at about 4.5 percent annually between 2010 and 2012. While the traditional agricultural exports of bananas, coffee, sugar, and beef are still the backbone of commodity export trade, a variety of industrial and specialised agricultural products have broadened export trade in recent years. High value-added goods and services, including microchips, have further bolstered exports. Tourism continues to bring in foreign exchange, as Costa Rica's prolific biodiversity makes it a key destination for ecotourism. Last year Costa Rica's oil sector generated \$2.175 billion.

Foreign investors remain attracted by the country's political stability and relatively high education levels, as well as the incentives





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offered in the free-trade zones; and Costa Rica has attracted one of the highest levels of foreign direct investment per capita in Latin America. Four years ago Costa Rica's leaders declared that it would become the world's first carbon-neutral nation by 2021, taking transportation, energy, into consideration, and everything else including agriculture, which accounts for a staggering 37 percent of Costa Rica's emissions.

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The country won't be able to achieve these goals without its own refining capacity. The organisation responsible for hydrocarbon products is 50 years old this year. Recope was established by the legislative assembly, or Congress, as a commercial company, though it remains 100 percent government-owned. And the company is already playing its part in the battle against emissions, having implemented a decision in 2011 to lead the entire region in introducing low sulphur diesel. Needless to say, ensuring a constant supply has been a challenge, though Recope's distribution division, located at El Alto de Ochomogo in the town of Cartago and led by




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# 60,000 BPD

Capacity of new Recope refinery

its sales and distribution manager Francisco Rojas Esquivel, has stepped up well.

Recope has built up an adequate infrastructure across the country, with four tank farms strategically located to supply the main towns. They are linked with each other and to the oil port at Moin by a network of pipelines. Three pipelines run from the Atlantic, or Caribbean coast to the capital San Jose, and three more from the Pacific coast. “We do not have any problems with pumping – we have enough capacity to supply all demand at this moment, and are building new tanks to ensure we have enough products to supply to our clients in the future,” says Rojas.

Recope also has operations in Costa Rica’s three international airports at Liberia, Limón and San Jose itself, as well as the main domestic airports. “We do have an issue with tank capacity, and we are working on that right now to increase aviation fuel capacity at these airports.” A new tank farm and sales terminal is being constructed at Liberia airport in the north of the country, and will be in operation by the end of the current year, he says. The aviation fuels side of the business was probably the segment that the recession hit hardest, though it affected all products. “We had a hard time in the 2008 crisis but we are recovering from it now!”



His problems will be over when the new and expanded refinery has been built at the Moin site, and that could be delivered by 2018, he says. However there are one or two hurdles to be overcome before that happens. In 2009, Recope and the China National Petroleum Corporation (CNPC) formed Soresco, an equal joint venture, to upgrade and expand the 25,000 barrels per day (bpd) Limón refinery that was badly damaged by fire in August 2011. The project was to have been carried out with a loan of up to \$900 million from China Development Bank.

Once built, the refinery would be leased back to Recope for 15 years. However the feasibility study on which the project was based was rejected by the Costa Rican

Controller’s office because it was carried out by HQCEC, a subsidiary of CNPC — an arrangement prohibited under the Soresco JV agreement. The office also said the study may have underestimated costs to inflate the project’s estimated rate of return of at least 16 percent, and further that it failed to address project risks, analyse the Costa Rican oil market and regulatory framework, or provide financial details to back up its calculations.

Costa Rica has been commended for sticking to best practice in this matter, but its task now is to get the project back on track. “A new feasibility study has been commissioned,” says Rojas, “and we are working to a Plan B as requested by the government.” The revised plan will increase the capacity of the refinery

“A NEW FEASIBILITY STUDY HAS BEEN COMMISSIONED FOR THE REFINERY PROJECT”



## “THE REVISED PLAN WILL INCREASE THE CAPACITY OF THE REFINERY DRAMATICALLY”

dramatically, tripling to 60,000 bpd. It has been prepared with the help of experienced regional partners like Petrobras in Brazil and Ecopetrol in Colombia, to include the products that will take Costa Rica towards its carbon neutral future: products like biodiesel and bioethanol, produced from crops like corn and sugar cane. The great advantage of bioethanol for the environment is its potential to be carbon neutral on a lifecycle basis – meaning the carbon dioxide (CO<sub>2</sub>) emitted during its use is offset by the amount it absorbs from the atmosphere during its growth.

Though Recope will probably not be producing its own bioethanol, it will be able to obtain it locally, among other places from the modern plant of the sugar refiner CATSA, for blending into increasingly low-emission fuels. Another green innovation at the refinery will be the introduction of LNG to provide the heat required in its processes, and the existing electrical equipment at the plant is being assessed for conversion. At present it is not clear, he says, whether Recope will be given the mandate to distribute LNG as its use

increases nationally. From its incorporation it was given a monopoly to import, refine and distribute hydrocarbon products but whether LNG comes under this statute is disputed. It would make sense though, as Recope has the infrastructure and the expertise to undertake this work seamlessly,

Currently Recope employs around 1,800 people, and construction work at the refinery will provide up to 2,500 construction jobs, though a high proportion of these may be filled by Chinese contract labour. But however it is delivered, it can't come too soon for Francisco Rojas. It will, he says, allow Recope to play its full part in the regional leadership position that Costa Rica has adopted where it comes to adopting low emission fuels on the road to a carbon-neutral country.

The job of overseeing the implementation of Plan B for the refinery, as well as completing expansion of the Moin oil port and upgrading the tank farm to increase Recope's LPG and oil storage capacity, has been given to veteran company president Litleton Bolton Jones following the collapse of the earlier agreement. The harbour expansion is well under way and should be complete by the end of 2014 – the \$96 million project funded by Recope and built by a Mexican-Costa Rican consortium will allow the oil terminal on the country's Caribbean coast to accommodate tankers of between 40,000 and 80,000 tons. **BE**

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