

# PERU

South America's  
investment hotspot

The fast-growing, open economy is attracting investors to a wide variety of sectors as government and industries focus on business-friendly, responsible and future-focused development.

# New momentum in the fast-growing Peruvian economy

The UK is on the right track to benefit from the opportunities in a country with many resources

For many, Peru represents fabulous landscapes, history and food. To astute investors, it is also a diverse, fast-growing economy that offers enticing opportunities. Over the past decade, its gross domestic product grew by an average of 5.5% a year and the IMF predicts 3.7% for 2019, compared with 0.1% for South America overall.

Peru, one of the world's 20 largest countries, is home to valuable resources including oil and gas, minerals, fish and fertile lands, which have made it a leader in high-value crops like asparagus, avocados and grapes. It also has an increasingly productive industrial sector. As a result, exports grew by 8% last year to over £40 billion. "We have a great future if we focus our efforts on developing our resources responsibly," says Minister of Foreign Trade and Tourism Edgar Manuel Vásquez Vela.

Efforts to do that and to attract investors have ramped up since pro-business Martín Alberto Vizcarra Cornejo became president in 2018. He inherited oversight of a country ranked joint first for macroeconomic stability by the World Economic Forum, where all economic sectors are open and foreign investors enjoy the same rights and in-



Martín Alberto Vizcarra Cornejo  
President

centives as domestic. Those investors benefit from Peru's membership of the Pacific Alliance economic bloc, plus free trade agreements with 54 countries including those in the EU. Reassuringly, the UK and Peru have guaranteed their businesses will continue to trade freely after Brexit. In 2017, that trade consisted of more than £575 million in Peruvian exports and almost £200 million in imports.

Vizcarra is now encouraging diversification and adding value to the economy, as well as developing agribusiness and mining. He is also working to reduce two challenges: corruption and infrastructure. For the latter, a national plan and



IMAGE: Christian Vincas/Promperú

Peru's capital, Lima, host of the 2019 Pan American Games

legislation have been enacted to boost investment in public-private partnerships and other projects. Between now and 2022, promotion agency ProInversión will offer 51 of these projects, worth over £7.5 billion and covering health, energy, mines, water, real estate, education, tourism, transport and communication.



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Francisco Ismodes Mezzano  
Minister of Energy and Mines

UK firms are in prime position to take advantage of these: a UK-Peru infrastructure task force has been set up by the two governments and the UK was lead partner for Peru's successful delivery of 2019's Pan American Games, in which construction specialists Arup and Mace played a key role.

The UK is already the second-biggest investor in Peru, a position cemented in 2018 when Anglo American started work on a £4.34 billion copper mine project. Over 50% of UK investment is in mining but interest is rising in other areas like sustainable infrastructure, agriculture and health. Minister of Energy and Mines Francisco Ismodes Mezzano confirms Peru's support for more investments: "We have a great relationship with the UK and are on the right track to deepening our trade dialogue."

## Copper-bottomed industries

Peru's mining and energy sectors are advancing quickly

Anglo American's investment in the new £4.34 billion Quellaveco copper mine is a milestone for both UK firms in Peru and that country's mining sector, which already accounts for about 10% of gross domestic product.

"We are Latin America's largest producer of gold, silver and lead, and second worldwide in copper," says Minister of Energy and Mines Francisco Ismodes Mezzano. Peru is also rich in many other minerals including zinc, tin, iron, molybdenum and lithium. Improving investment conditions have caused a flood of new interest in the sector. In 2018 and for copper alone, as well as Quellaveco, Peru's Minsur invested £1.3 billion and China's Chinalco over £1 billion. "For 2019, mining investments are expected to reach about £4.9 billion," adds Ismodes.

All new mining investments should be socially responsible and sustainable, says Ismodes, who notes that he is also focused this in another sector: energy. "We are proud that 50% of Peru's electricity comes from hydroelectric power and 5% from solar but this needs to be improved. We have a large potential for renewable energy, can become a benchmark for solar and wind investments and would like to foster a new market that creates healthy competition between traditional energy generating companies and new renew-



Francisco Ismodes Mezzano  
Minister of Energy and Mines

able projects," he says.

Five traditional thermal and hydropower generators are regulated by FONAFE, the national fund for financing state companies that oversees 35 entities in various sectors. "Our aim is to transition these to the private sector," says Roberto Martín Sala Rey, executive director; "The generators are the star performers, Peru has almost 50% oversupply."

Interest in Peru's mining and energy is expected to grow: "If you are looking to invest anywhere, Peru is the place and the time is now," says Marc Blattner, general manager of TUMI Raise Boring, a specialist in equipment for the mining, hydroelectric and engineering sectors. Ismodes agrees: "We will remain competitive because we constantly work towards offering a better investment environment."

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# A hydrocarbon sector meeting its responsibilities

## Modernisation of the industry leader will benefit all stakeholders

Peru has 1.2 billion barrels of confirmed oil reserves, 400 million cubic metres of gas and only three of its 18 basins with exploration potential are being exploited. As a result, there are opportunities for investors throughout the hydrocarbon value chain. Investments of over £1 billion are expected between 2019 and 2020, which should rise as the industry is developed in a responsible and sustainable way.

A key example of this development is Petroperú, the state-owned market leader for refining, transporting, distributing and selling fuels and other oil-based products nationally and internationally. It is also involved in extraction, says its president, Carlos Paredes Lanatta: "We are coordinating with Perúpetro, the agency that gives concession contracts and promotes investment, to see how we can work with operating companies to increase production."

Paredes is transforming Pet-



**Carlos Paredes Lanatta**  
President, Petroperú

roperú into "a more profitable, transparent, efficient, integrated and responsible company." One way he intends to achieve this is by opening the shareholding to private investors. Petroperú is also modernising and expanding its operations, as illustrated by a £3.8-billion project at one of its three refineries: Talara. Already Peru's second-biggest refining facility, this will increase capacity from



65,000 to 95,000 barrels a day and enable the production of cleaner and higher-value products. "It is about 75% complete and we hope to finish by the first quarter of 2021," he says.

Petroperú is also enhancing the North Peruvian Pipeline, which moves oil from jungle to coast, and ensuring its security. In the past, this has proved difficult due to a lack of trust from local communities towards the industry. Measures have been made to change



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**Carlos Paredes Lanatta**  
President, Petroperú

this, he notes: "We can be socially and environmentally responsible and efficient at the same time, and we are coordinating with all stakeholders to achieve this. The environment is high on our agenda and we have taken other steps, like working with Peru's branch of Transparency International to fight corruption."

Petroperú also plans to invest in its storage and distribution network and 672 branded petrol stations in order to "offer a world-class, efficient customer service experience," says former president Esteban Bertarelli Bustamante. "We invite investors to join us in our journey to becoming a modern company that can face global challenges. The potential is huge. Going forward, our task is to gradually transform into a clean energy company rather than an oil company. I would like to be able to change Petroperú's name to Enerperú in a few years, but not before we take important steps in this field," states Paredes.

## A spotlight on four sectors of opportunity in Peru



**Mining** in Peru is at the start of a new investment cycle, which many expect to last for well over a decade and potentially longer if technology keeps advancing rapidly. The country has large reserves of numerous minerals although, at the moment, most new investment is going into copper, gold, tin and iron. Growth in mining is leading to opportunities in related sectors, such as environmental engineering, construction, chemicals, satellites, water management and training.

**Agribusiness** is booming in a country with a vast array of ecosystems that profitably support a wide range of crops. Peru is a leading supplier of produce to regions like Europe and the US, annual exports are running at about £3.25 billion a year and the government aims to double this amount every five years. Currently, its most important export crops include asparagus, avocado, cocoa, mangoes, grapes and quinoa, along with organic coffee and bananas.



**Tourism** is a major draw for investors. In the second half of 2019 alone, 22 new hotels worth £639 million are being built. As the country opens up further to tourists, there are also opportunities in infrastructure, food and drink, and travel services. In addition, in 2020 investment promotion agency ProInversión will award

design, build, operate and maintain contracts for Choquequirao archaeological park, estimated at £179 million, and for a £10.24-million cable car for Lima's San Cristobal Hill.

**Energy** distribution is one of the government's priorities. For instance, ProInversión is seeking investors for a £324-million infrastructure project that will increase widespread usage of natural gas in seven central and southern regions of the country. The Ministry of Energy and Mines is also promoting a project to develop a pipeline to transport natural and liquid gas to the south of the country that will be called the Integrated Gas Transportation System for Southern Peru. In addition, in 2019 ProInversión put out a tender for three significant electricity transmission initiatives that require an investment of about £169 million.



## Sustainable resource management

### A new collaborative and forward-focused approach to oil and gas

Helping to ensure Peru more than doubles its hydrocarbon production rate to 100,000 barrels per day by 2023 is Perúpetro, the public-sector company tasked with promoting, negotiating, underwriting and monitoring contracts for oil and gas exploration and exploitation.

"Our driver is the efficient management of resources to boost their use in a sustainable way and contribute to energy security," says Seferino Yesquén León, Perú-

petro's president. To do that, the company has modernised its organisation and redefined Peru's resources into three axes, each with their own opportunities. "The first consists of lots that are being exploited. Here, the challenge is to maximise recovery and the problem is technology, as we have used very few improved recovery processes," he states.

The second axis contains reserves that are not being exploited. "The problems here are more related to social

and environmental tensions," Yesquén says. Progress has been made by introducing environmental legislation, and increasing cooperation between Perúpetro, local communities, government and firms. Through this type of process, in 2019 the UK's Tullow Oil gained approval to operate on two blocks and is working to secure more licences.

The third axis is exploration, he says: "Today, we have 14 exploration contracts. Our goal is to reach 44 by 2023." To help achieve this, Peru is improving its hydrocarbon law, which will extend contracts and establish incentives for investments, for example. Perúpetro has identified areas for exploration and



**Seferino Yesquén León**  
President, Perúpetro

exploitation, and is planning onshore and offshore bidding rounds. "There is significant interest because we have already produced 2.6 billion barrels — Peru has proven it has oil," he states.



# Explore PERU

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# Uncover the infinite treasures in tourism

A rich diversity in history, culture and nature and food provides unforgettable experiences

Tourism in Peru is growing as history buffs, culture lovers, wildlife enthusiasts, adventure seekers, beach fans, foodies and others realise that the country is the perfect holiday destination. "2018 was a record year. We received 4.4 million visitors, 10% more than in 2017, and there is great potential to increase this," says Edgar Manuel Vásquez Vela, Minister of Foreign Trade and Tourism.

Buzzing capital Lima is the gateway to Peru for most UK visitors, with British Airways offering two flights a week in winter and three in summer from Gatwick to the coastal city's Jorge Chavez International Airport, a facility ranked as the best in South America by the World Airport Awards 2019. Lima is home to a unique mix of new and old. Its historical centre is one of the country's 12 Unesco World Heritage sites, whilst it also boasts great museums and contemporary art galleries, ancient ruins, lively cultural events, world-renowned restaurants and fine beaches.



**Edgar Manuel Vásquez Vela**  
Minister of Foreign Trade and Tourism

From Lima, many head for the Andes mountains and Peru's most popular attraction: the awe-inspiring Machu Picchu. Over 1.5 million people visited the 15th-century Incan citadel in 2018, so the government has introduced entry restrictions to manage numbers and ensure the stability of one of the wonders of the modern world. The best base for travelling to Machu Picchu, either by train or by trekking

along the Inca Trail, is Cusco, the fascinating Incan capital that retains much pre-Columbian and colonial architecture.

Peru is packed with other archaeological remains, such as spectacular recent discoveries near the city of Chiclayo and the mystifying Nazca Lines, giant figures and lines etched into the desert around 2,000 years ago. "We value our heritage and our resources," Vásquez says in explanation of why so many remains have survived.

Other tourist magnets are tropical beach resorts like Mancora, Lake Titicaca, the world's highest navigable lake, and, of course, the Amazon. From Iquitos city, you can cruise or canoe through rainforest and come face to face with a myriad of flora and fauna. "Our jungle is an incredible resource. We have extensive reserves to protect areas for the future but sustainable tourism activities are possible in other parts," he says.

According to the minister, "Currently, the biggest challenge for our tourism is



February's Festival of the Candelaria in Puno is one of Peru's many vibrant cultural events

insufficient connectivity and infrastructure." In terms of accommodation, Peru has about 2,300 hotels, 54 of them 5-star, 90 youth hostels and 3 eco-lodges — and that number is growing. 22 4- and 5-star hotels are being constructed in five cities at the moment, including a new £115-million Hilton in Lima. Vásquez's ministry is also investigating how initiatives along the lines of Airbnb could benefit residents in remoter areas.

"In addition, we need to develop our airports and ports, and we have made a lot of progress in this," he states. At Lima's airport, the construction of a second airstrip



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Edgar Manuel Vásquez Vela  
Minister of Foreign Trade and Tourism

and new passenger terminal should be completed by 2022. Cusco also has an international airport but it is too small for large planes and the government plans to build a new one for the city that will be used by 2.5 million people a year by 2030. On top of this, "We want to develop a solution for Iquitos," says Vásquez.

Projects like this should help the government reach its goal of attracting 8 million tourists annually by 2030. "I would like to invite everybody in the UK to visit Peru. We are ready to receive visitors at our attractions and investors who want to take advantage of Peru's potential," he stresses.

## Peru: At the top of the gastronomic world

Ingredients, influences and inspiring chefs have turned the country into a culinary giant

From relative obscurity a decade ago, Peruvian cuisine is now hailed as one of the world's best, with three of its restaurants appearing in 2018's World's 50 Best Restaurants guide and the country being crowned as the top culinary destination at the 2018 World Travel Awards.

Part of the reason for this success is the incredible variety and complexity of Peru's cuisine. The country has a long history of immigration, with new arrivals adding to its indigenous recipes, such as pachamanca, spiced meat and vegetables dishes that are baked in hot stones, and cuy chactado, which is flattened and deep-fried guinea pig.

The Spanish, for example, brought onions, spices, the grapes that produce Peru's

famous spirit, pisco, and the citrus fruits that allowed the creation of its most iconic dish, ceviche. From Asia came "chifa" dishes, a fusion of Chinese methods with Peruvian ingredients, and nikkei cuisine, which mixes Japanese traditions with local raw materials.

Due to the country's hugely varied ecosystems, there are a vast number of those materials. On the coast, the speciality is fresh seafood, while the Amazon jungle is host to an abundance of fish, fruit and vegetables. In the Andean mountains, on other hand, a multitude of rare tubers and grains are grown including around 3,000 varieties of potato, most notably used in papa a la huancaína, where the boiled tuber is coated in a spicy, creamy sauce.

The country introduced ingredients like potatoes and avocados to the world a long time ago but another factor in its increasing culinary profile has been the international trend towards healthy eating and "superfoods" that enabled it to spread the word about more of its unique ingredients, like the protein-rich quinoa and fibre-filled amaranth seed.

To turn Peru into the culinary capital of South America, however, the country needed a food ambassador. This it found in chef Gastón Acurio, who opened his first restaurant in Lima with his wife Astrid Gutsche in 1994: Astrid & Gastón. By applying modern techniques to local ingredients, Astrid & Gastón became the first Peruvian restaurant to be ranked in the world's top 50



Lima's Astrid & Gastón is one of Peru's gastronomic stars

in 2011. That helped drive the transformation of Lima into a gastronomic powerhouse, with 42% of tourists visiting Peru now saying that food is a factor in their choice of the country as a destination.

Astrid & Gastón has since been joined on the top 50 list by two other Lima restaurants with similar philosophies: Maido, currently placed at number 10, and Central, that is rated as

the sixth-best restaurant in the world today.

It was the chef and owner of Central, Virgilio Martínez, who brought the new style of Peruvian cuisine to the UK and delighted diners with a whole range of previously unknown recipes and ingredients. In 2013, he launched Lima London in Fitzrovia, which was quickly awarded a Michelin star and was swiftly followed

by a second restaurant, Lima Floral.

In 2018, Martínez took another interesting step by opening Mil restaurant, high up in the Andes near Cusco, and he is planning to create another in a remote jungle location. At both, he intends to work closely with local artisan producers, research new ingredients and, hopefully, he will bring his tasty findings back to the UK.