

WHERE THE OPPORTUNITIES LIE

For U.S. companies exploring opportunities in Cuba, look to biotechnology and energy

By Anya Landau French



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Recently, Akin Gump had the pleasure of hosting Cuba's Ambassador to the United States, Dr. José Ramón Cabañas Rodríguez, at our Washington offices to discuss bilateral trade and investment opportunities in Cuba with our clients and partners. I asked Ambassador Cabañas: Are there a couple of high-potential sectors in Cuba that U.S. investors haven't yet tapped into? Yes, he said, energy and biotechnology.

His response was consistent with priorities that Cuba has reiterated throughout its increasing engagement with the United States over several years now. Cuba's well-funded biopharmaceutical sector has generated interest—and business—around the globe, including in the United States, for over two decades now. Cuban scientists developed the world's first meningitis B vaccine, an important cattle tick vaccine, a highly anticipated cancer vaccine, and a promising therapy to treat and close diabetic foot ulcers, to name a few.

Until just last year, U.S. regulatory barriers deterred all but a handful of intrepid Americans from pursuing such unique opportunities in Cuba. While the Cuban biotechnology industry long welcomed U.S. scientists and companies, those companies couldn't move forward without approval from U.S. regulators who, more than once, approved the R&D without the crucial approval for commercialization that would make any such venture viable.

But in October 2016, the Treasury Department issued a general license to allow U.S. research and investment in Cuba's biopharmaceutical sector. And with

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new rules facilitating professional research travel, it's now easier for U.S. companies to travel to see the research ongoing in Cuban biopharmaceutical centers, discuss opportunities with dozens of companies under the BioCubaFarma umbrella, and proceed with negotiations to ink new deals in this sector.

In the case of energy, a range of opportunities are available. One hundred and ten energy-related investment projects are listed in the Cuban government's foreign investment portfolio for 2017. With a population of 11 million and nearly 4 million visitors in 2016, Cuba needs energy, and lots of it. The outdated electrical grid is still powered by heavy crude oil extracted from onshore wells in a joint venture with Canada's Sherritt International. The entire grid needs to be updated.

While Cuba's own crude oil is used for about half of Cuba's electricity generation, to meet the rest of its energy needs Cuba had been importing up to 100,000 barrels of oil a day from Venezuela, exchanged for Cuban doctors deployed to underserved Venezuelan communities. As the price of oil has fallen and Venezuela has become less economically stable, Cuba has begun to look elsewhere for its oil imports, such as Angola or Algeria. Wherev-

er Cuba goes for oil, it won't find as good a deal as it had with Venezuela. Cuba might find good prices much closer to home, but with no U.S. license explicitly allowing oil exports to Cuba, a U.S. oil company with good prospects to make sales to Cuba will need to blaze a trail and make the case to U.S. regulators for how this business will advance U.S. interests.

Other energy sector opportunities to explore include renewables, such as wind, hydro, biomass, and solar power. The Cuban government plans to spend \$3.5 billion over the next decade developing renewable energy, with the hope of obtaining nearly a quarter of Cuba's energy from renewable sources by 2030. Right now the figure stands at less than 5 percent. To get all the way there, Cuba is going to need investment partnerships.

With no established path for U.S. regulators to follow in licensing for U.S. participation in such innovative projects, there is a potential premium on the table for U.S. companies that recognize business opportunities in Cuba's energy sector to get down to Havana to start the conversation. ★

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