Costa Rica Halts Chinese-Funded Refinery Remodel

SAN JOSE, Costa Rica (AP) — A planned $1.3 billion project to remodel Costa Rica's only oil refinery with Chinese money was halted Thursday after the government learned that a firm doing a feasibility study is owned by the company paying for the renovation, China's National Petroleum Corp.

The Comptroller General's Office said in a statement posted on its website that HQCEC , the Chinese company in charge of the study, is tied to National Petroleum, which it said "is prohibited and a breach of contract."

The refinery, in Puerto Limon, is small and old and refines about 18,000 barrels of imported crude a day. The planned upgrade could boost production to 65,000 barrels a day, with the Chinese sharing in the profits.

Environment Minister Rene Castro asked the oil refinery company, known as RECOPE, to revise the modernization plan and present a new proposal within six months.

RECOPE President Jorge Villalobos Clare resigned hours after the decision was announced, local media reported.

In 2007, Costa Rica switched its diplomatic recognition to China after years of allying itself with Taiwan and shortly afterward sought help from China in updating the refinery.

But the project is under debate in Costa Rica, with economists and politicians questioning the Chinese feasibility studies, and saying the money would be better spent seeking alternative forms of energy.

Costa Rica's government has said that the deal only means having a line of credit available and that the administration has asked state universities for an analysis to determine whether the project is feasible.

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