

News Stories

SHALE & UNCONVENTIONAL

"Yael"- The New Energy Buzzword in Argentina

October 27, 2014

In Argentina they call it "yeil", the Hispanicized version of "shale". But while these unconventional gas and oil reserves are seen by many as offering a means to development and a route towards energy self-sufficiency, others believe the term should fall into disuse because the global trend is towards clean, renewable sources of energy.

Wearing an oil-soaked uniform, the drilling supervisor in the state oil company YPF, Claudio Rueda, feels like he is playing a part in an important story that is unfolding in southern Argentina.

"Availability of energy is key in our country," he told IPS. "It's an essential element in Argentina's development and future, and we are part of that process."

The first chapter of the story is being written in the Vaca Muerta shale oil and gas field in Loma Campana in the province of Neuquén, which forms part of Argentina's southern Patagonia region, where rich unconventional reserves of gas and oil are hidden in rocky structures 2,500 to 3,000 meters below the surface.

According to YPF, reserves of 802 trillion cubic feet of reserves put Argentina second in the world in shale gas deposits, after China, with 1,115 trillion cubic feet. And in shale oil reserves, Argentina is now in fourth place, with 27 billion barrels, after Russia, the United States and China.

According to projections, Argentina's conventional oil and gas reserves will run out in eight or 10 years and production is declining, so the government considers the development of Vaca Muerta, a 30,000-sq-km geological formation, strategic.

"Nearly 30 percent of the country's energy is imported, in different ways – a huge drain on the country's hard currency reserves," Rubén Etcheverry, coauthor of the book "Yeil, las nuevas reservas" (Yeil, the new reserves) and former Neuquén provincial energy secretary, said in an interview with IPS.

"We have been in intensive therapy for the last five years, with respect to the trade balance and the energy balance," he said in Neuquén, the provincial capital.

"We went from exporting nearly five billion dollars a year in fuel, 10 years ago, to spending 15 billion dollars on imports; in other words, the balance has shifted by 20 billion dollars a year – an enormous change for any economy of this size," Etcheverry said.

Imports include electricity and liquefied gas, natural gas and other fuels. Diego Pérez Santiesteban, president of Argentina's Chamber of Importers, said that at the start of the year, energy purchases represented 15 percent of all imports, compared to just five percent a year earlier.

Since 2009, accumulated imported energy has surpassed the Central Bank's foreign reserves of 28.4 billion dollars. Etcheverry sees Vaca Muerta as key to turning that tendency around, because the reserves found deep under the surface would be "enough to make us self-sufficient, and would even allow us to export."

According to the expert, Argentina could follow in the footsteps of the United States, which thanks to its shale deposits “could become the world’s leading producer of gas and oil in less than 10 years.”

Shale gas and oil are extracted by means of a process known as hydraulic fracturing or fracking, which involves pumping water, chemicals and sand at high pressure into the well, and opening and extending fractures deep under the surface in the shale rock to release the fossil fuels.

But there is a growing outcry around the world against the pollution caused by fracking in the water table and other environmental impacts in wide areas around the deposits. And in Argentina many voices have also been raised against the energy mix that has been chosen.

“This is an environmental point of view that goes beyond Vaca Muerta. The option that they are trying to impose in Argentina, as a solution to the energy crisis...has no future prospects,” said ecologist Silvia Leanza of the Ecosur Foundation.

“We’re basing all of our economic expansion on one asset here – but how many years will it last?” she asked.

Fossil fuels make up nearly 90 percent of Argentina’s energy mix. The rest is based on nuclear and hydroelectric sources, and just one percent renewable. The Intergovernmental Panel on Climate Change (IPCC) has concluded that the burning of fossil fuels to generate energy is the main cause of climate change.

“This situation, along with the greater availability of renewable sources, indicates the end of the era of dirty energy sources,” Mauro Fernández, head of Greenpeace Argentina’s energy campaign, said in a report.

This country’s dependence on fossil fuels has made carbon dioxide emissions per capita among the highest in the region: 4.4 tons in 2009, according to the World Bank.

Fernández said unconventional fossil fuels are not only risky because of fracking, but are also “a bad alternative from a climate and energy point of view.” “Unconventional deposits look like a new frontier for doing more of the same, fueling the motor of climate change,” he complained.

Argentina has set a target for at least eight percent of the country’s electricity to come from renewable sources by 2016.

“Staking our bets on fracking means reinforcing the current energy mix based on fossil fuels, and as a result, it spells out a major setback in terms of alternative scenarios or the transition to clean, renewable energy sources,” said sociologist Maristella Svampa, an independent researcher with the National Scientific and Technical Research Council.

“In the last decade, fracking has certainly transformed the energy outlook in the United States, making it less dependent on imports. But it has also made it the place where the real impacts can be seen: pollution of groundwater, damage to the health of people and animals, earthquakes, greater emissions of methane gas, among others,” she said.

Carolina García with the Multisectoral Group against Hydraulic Fracturing said that because of its rich natural resources, Argentina has other alternatives that should be tapped before exploiting fossil fuels “to the last drop.” “We finish extracting everything in the Neuquén basin and what do we have left?” she commented to IPS.

Etcheverry mentioned the possibility of using solar energy in the north, wind energy in Patagonia and along the Atlantic shoreline, geothermic energy in the Andes, and tidal and wave energy along the coast.

But the author said that for now the costs were “much higher” than those of fossil fuels, because of technological reasons, transportation aspects and energy intensity. He also said oil and gas are still necessary as energy sources and raw materials for everyday products.

For that reason, Etcheverry said, the transition from the fossil fuels era “is not simple.” First it is necessary to improve energy savings and efficiency, in order to later shift to less polluting fossil fuels, he added.

“In the first stage it would be a question of moving from the most polluting fossil fuels like coal and oil towards others that are less polluting, like natural gas. And from there, creating incentives for everything that has to do with clean or renewable energies,” he said.

Source: http://www.ipsnews.net/2014/10/yeil-the-new-energy-buzzword-in-argentina/?utm_source=rss&utm_medium=rss&utm_campaign=yeil-the-new-energy-buzzword-in-argentina

BIO-FUELS

Biodiesel production and export up 24.8% so far this year

October 28, 2014

IES also reported that the reduction on exports duties implemented as from middle 2014 helped the sector regain its export impulse and had a positive impact on production.

The survey results show that between January and September this year, the production amounted to 1.8 million tons, which means a 24.8 percent year-on-year hike.

On the other, domestic sales registered an accumulated growth of 2.7 percent so far this year, reaching a volume of 681.1 thousands of tons.

Source: <http://www.telam.com.ar/english/notas/201410/3569-biodiesel-production-and-export-up-248-so-far-this-year.html>

INVESTMENT

Redwood Capital Management starts USD 160m fund to invest in Argentine assets

October 28, 2014

Redwood Capital Management, a US hedge fund, has started a new fund with USD 160m available to invest in Argentine assets. The fund was created on 20 October and will invest in any kind of entity that has the majority of its assets in the country.

Redwood Capital Management manages USD 6.7bn in assets and is part of the Euro Bondholders group, holders of Argentine exchanged debt. The decline of almost 18% in the prices on Argentine bonds and shares during the last month attracted the interests of US hedge funds for local assets.

Hedge funds, including billionaire George Soros’s Soros Fund Management LLC, Perry Capital and Third Point LLC boosted their stake in Argentina’s state-run energy company YPF SA (YPF)’s ADRs in the second quarter, while others including Noctua International LLC and Callaway Capital Management LLC in the past year opened funds dedicated to the country.

Most recently Bienville Capital Management LLC started its Argentina fund in July, for which it plans to raise \$250 million by year-end.

Gramercy Funds Management LLC started a second Distressed Argentina Fund last month overseeing \$175 million, according to a person familiar with the fund.

Source: <http://www.cronista.com/economiapolitica/Otro-fondo-amigo-apuesta-us-160-millones-al-alto-rendimiento-de-los-bonos-del-canje-20141027-0112.html>

FINANCIAL MARKETS

Andes Energia PLC issue Shares

October 28, 2014

The Board of Andes announced the issue of 8,915,661 new ordinary shares at a price of 47 pence per share. Following admission of the 8,915,661 new ordinary shares, the total number of issued ordinary shares will be 523,723,129 ordinary shares.

Andes Energia is an oil and gas company focused on onshore South America with a market capitalization of circa GBP217 million. The Company has operations in Argentina and Colombia, with additional acreage in Brazil and Paraguay, representing three of the largest economies and three of the four largest oil producing nations in South America.

The Company has 20 million bbls of conventional 2P reserves in Argentina and certified resources of 659 million boe, primarily in the Vaca Muerta unconventional formation in Argentina and 7.5 million acres across South America.

The Company has approximately 2 million net acres in unconventional plays including 250,000 net acres in the Vaca Muerta formation, which is the second largest shale oil deposit in the world and the only producing shale oil deposit outside of North America.

Over 250 wells have already been drilled and fracked in the Vaca Muerta formation. Andes is the only AIM company on the London Stock Exchange with exposure to Vaca Muerta. The Company currently produces 1,590 bbls per day in Argentina from 6 conventional fields, generating positive cash flows.

Source: Regulatory News Service (this article requires subscription)

PAE to offer USD 105m in domestic floating-rate notes on 3 November

October 28, 2014

Pan American Energy, the Argentine oil company, will offer on 3 November domestic floating-rate notes for a total of ARS 900m (USD 105m at today's exchange rate) enlargeable until ARS 1bn (USD 117.5m). The issue is part of its USD 1.1bn global bond program.

The notes will carry quarterly interests at an interest rate -based on local benchmark BADLAR- to be determined in the auction and will pay capital amortization at maturity. Local banks BBVA Banco Frances, Galicia, Itau and Macro will act as underwriters.

Source: Bnamericas (this report requires subscription)

OTHER NEWS

Judicial Complaints against Kicilloff and the new Head of Argentine Securities Commission (CNV)

October 27, 2014

The federal Justice received a criminal complaint against the Minister of Economy, Axel Kicillof, and the new president of the National Securities Commission (CNV), Christian Girard, for breach of the duties of public servant and violation of ethics in the exercise of public functions, among other crimes.

The complaint, filed by the NGO Step by Step Argentina, says that "Christian Girard, officer responding to Axel Kicillof, was a Director of companies he should now supervise, as YPF Gas, Metrogas, Gas Natural and Siderar".

"That is way, for some specialists, according to the Capital Market Law, he cannot become a member of the CNV: there is an inconsistency, because it cannot be both judge and part as Girard represented the State in these companies," he added.

The complaint, led by entrepreneur and leader of the NGO, Juan Peron Mussa adds that, "The appointment of Girard shows the desires of the 'super minister' to do a job to link dissimilar functions of an administration in a hunting ground."

"According to the new Law on Capital Market -passed with strong support by the government to replace the 17.811-, paragraph a) of Article 9 states that 'may not be members of the CNV Board, shareholders or those who have been part of the management, administration or control or otherwise rendering services to entities subject to regulation and supervision by the CNV at the time of appointment and during the previous two years, "'it added.

The complaint illustrates that Girard's resignation in Metrogas board and it designation in the CNV "took place almost simultaneously, in open violation of the newly enacted law."

"The appointment of Girard grounds for invalidity of the appointment, a defect in the object of the administrative act, so that the CNV may be required to withdraw their own acts invalid, ex officio," argues the complaint, which requests that officials be investigated for "breach of the duties of public officials and violation of ethics in the exercise of public functions."

Source: <http://www.lavoz.com.ar/politica/denuncia-judicial-contra-kicillof-y-el-nuevo-jefe-de-la-cnv>

Argentina tries to delay payment of USD 185m arbitration awarded to British Gas to avoid new holdouts embargo

October 27, 2014

Argentina is trying to delay the payment of a USD 185.3m arbitration awarded by the US Supreme Court earlier this year to **British Gas** to avoid a new embargo request. Since the US Supreme Court ruled in March in favor of British company BG Group in its effort to reinstate the arbitration award against Argentina that a US appeals court had rejected in 2011, the country has been trying to delay the payment.

In August, Argentina's legal advisor Cleary, Gottlieb, Steen & Hamilton filed a 395-document based on the "manifest disregard" of the state of necessity that caused the country to adopt the pesification of the utilities rates that British Gas was complaining about.

The Argentine government wanted to emphasize that the judges that ruled against the country did not understand the economic and social crisis that occurred in 2001-2002 that drove the country to the pesification, devaluation and default.

The argument submitted by Argentina was rejected in first and second instance courts, and now the Supreme Court must decide whether to accept the review of the case or not. Unnamed lawyers said that Argentina's goal seems to be to gain time in this case, since it is unlikely that the Supreme Court will accept to review the case.

Source: <http://www.lanacion.com.ar/1738930-el-gobierno-podria-sumar-otro-embargo-en-eeuu>