



Observatorio Petrolero Sur

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Background information

Argentina and the hydrocarbon industry

By OPSur, September 3rd, 2013.- During the '90s neoliberal paradigm, an unprecedented federalization policy of natural resources took place (provinces now hold the sovereignty) and the whole sector was privatized and deregulated. The exportation pillage rapidly drained hydrocarbon reservoirs, terminating self-sufficiency and forcing to an increasing fossil fuel importation. In this context, private companies have become a key player. Its private ambition has been favored by subsidies, tax benefits and the virtual absence of controls over productions, exportation, environmental damage and local population impacts.

The hydrocarbon history of Argentina, over one hundred years, has been mostly centered in Patagonia and the Northwest of the country, where the most important basins are located. It has left an important footprint: population's health problems; water contamination, soil erosion and biodiversity loss; social consequences, such as the violation of indigenous people and creole rights, evictions of their territories and null participation in the region's destiny. The majority of these consequences could multiply if the hydrocarbon frontier continues expanding.

Since the previous measures were implemented, most of the provinces have launched an aggressive bidding campaign over hydrocarbon areas for exploration and exploitation. Moreover, other provinces have started to change and adapt their regulatory framework. As a résumé, all provinces, excepting Buenos Aires city, have reformed their policies towards the attraction of the industry. This expansionist process seems boundless: recent Brazilian offshore discoveries (pre-sal) also motivate exploration projects in the Argentinean Sea, in this case, by the National State. Another reason to this boost is the increasing fiscal necessities of the provinces and the national state, in a global context where fossil fuels are at their highest price and could potentially be considerable incomes.

A new context: unconventional power, resistances and the pursuit for other energy

In the last couple of years, major changes are giving birth to an innovative process of capital accumulation and pillage. As conventional oil production peaks, demand continues to increase and energy prices go higher new projects are able to unfold: unconventional hydrocarbons. Becoming the new objective of numerous countries and transnational companies, its expansion towards new regions presents new challenges as it redefines globally the map of fossil fuels. The introduction of new techniques -hydraulic fracturing, horizontal drilling and others- has allowed



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unlocking massive amounts of hydrocarbons but with huge environmental and social consequences. This experience has alerted and mobilized organizations and citizens globally, where important social movements have stopped the projects in their regions. France and Bulgaria are the best known cases due to the banning over hydraulic fracturing.

A similar trend can be seen in our country. According to USA's reports, Argentina is among the top 3 global resources of unconventional hydrocarbons; these are located in wide regions of the country including those with scarce or null hydrocarbon activity.



*Unconventional
formations: Basins and
exploration campaigns.*

Source: YPF.

Public and private actors push to construct a positive 'environment' for international investors and, consequently, valorize these resources: internal prices have risen (almost tripled in the case of gas), deductions to exportations have decreased and considerable modifications in the regulatory framework have been made. Among the changes introduced in public policy is important to notice that the State's role as law enforcement authority in environmental and social policies has been reduced: in the recently created unconventional hydrocarbon areas these issues are addressed in joint work between the State and the private companies. Moreover, public investment is diverted to ease companies' costs in roads, infrastructure and other facilities as health, education and other priorities are set aside. Nevertheless, companies continue pushing for better conditions and prerogatives.

National government argues that the main reason of these actions is trying to resolve the increasing energy imports (nowadays around US\$ 10.000 million per year). Throughout the recent years, a context of economic growth (which directly translates in increasing energy demand) is facing an important reduction of matured and declining conventional production. Therefore, hydraulic fracturing is done under the flag of self-sufficiency and sovereignty, the only solution 'for the people' is this road. Nevertheless, there is no ambitious plan to diversify the energy matrix



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(with high dependency on fossil fuels, over 85%) and, even less, to reduce demand and systemic change.

Even though, when read between the lines, there is a double joint strategy of local supply and, eventually, exportation. Moreover, the recently partially nationalized YPF has set as strategic objective 'Argentina energy exporter'. The country's flag over YPF is a new challenge since it touches deep down the countries 'pride'. Besides this, the potential exploitation has already attracted big players –like Exxon, Shell, Total and Petrobras- and junior companies. Between exploration and initial development, only in Neuquén province more than 250 wells were drilled in 2012 and 2013, accounting 10% of its total production, and until 2018 more than 3,000 are projected.

Nevertheless, the territorial expansion and legal changes where done slow and quiet but a recent event has been an inflexion point: YPF and Chevron signed last July an agreement for hydrocarbons in Vaca Muerta shale formation. These actors where now accountable and had to give explanations of their operations and objectives, the technique (fracking) and the corporation's and government's goals became a national issue. Fracking is increasingly a wide spread term and hydrocarbon industry's activity has eyes set on it.

This scenario is not a contingency. Patiently and regularly, a wide and heterogenic group of organizations have pushed to create it. Holding national and provincial meetings and public activities for empowerment, knowledge sharing and campaigning, different actions and even new networks where created -like Neuquén's Multi-sectorial Platform Against Fracking, Buenos Aires' Platform for Energetic Sovereignty and Movement for Fracking Free Entre Ríos. Moreover, a campaign to declare 'Argentina free of fracking' was created and promoted by organizations from numerous parts of the country.

This movement had important victories. In March, due to social and political pressure and advocacy Neuquén's parliament conducted a seminar over Unconventional Hydrocarbons and Environment, setting a greater conscience in the society and forcing the representative's to take a stand about the situation. Since elections are being held these months, fracking and Chevron's agreement are important aspects of the candidates and the political agenda reinforces the issue. In June, Mapuche people mobilized with pacific resistance and infrastructure occupation in Neuquén, taking an important role in the debate and pushing priorities towards the movement.

Moreover, 15 municipalities have declared themselves 'fracking free' by banning the technique. They spread throughout the country: Río Negro, Entre Ríos, Mendoza, Buenos Aires and Neuquén provinces. Also, in the south of Buenos Aires province, sixteen city councilors have started to meet, socialize information and work together to protect a wide region intended for coalbed methane exploration. In Chubut province, wells were stopped with legal demands by mapuche communities due to ILO's 169 Convention violation and different public activities were held.