



The Giant Gas Reserve That Could Have Eased Today's Crisis

Description

Argentina, home to the world's second-largest shale gas deposit, cannot help gas-starved Europe, which is scrambling to obtain non-Russian natural gas after Russia's invasion of Ukraine. In fact, Argentina cannot even help wean itself off its energy import dependence in the short term despite the huge resources at the Vaca Muerta shale. The development of Vaca Muerta has hit various snags over the past half-decade, from perennial economic crises to global oil and gas crises and domestic foreign exchange limitations. Moreover, Argentina has failed to advance pipeline projects to take the gas out of Vaca Muerta to its neighbors first and to the global LNG market next.

Thus, the country holding one of the world's single biggest shale gas deposits can't do anything currently to alleviate the global natural gas crunch in a gas-starved market, in which Europe is outbidding Asia for LNG supply. Europe is attempting to reduce its dependence on Russian pipeline gas as Gazprom threatens to stop its supply [to more customers](#) who refuse to pay in rubles.

Despite its potential as a producer, Argentina imports natural gas and spent billions of U.S. dollars last year on LNG imports. It also lacks the pipeline and LNG terminal infrastructure to export its gas, more than one-third of which comes from the Vaca Muerta shale.

Despite plans from all presidential administrations of the past half-decade, authorities have just recently opened the tender for a new major gas pipeline, named Néstor Kirchner after the former president, to connect the Vaca Muerta shale gas play with a port town north of Buenos Aires.

"The ineptitude of our public servants means the aptly named Néstor Kirchner pipeline that could have saved the country some US\$7 billion in natural gas imports this year won't be done before 2024," Agustino Fontevecchia, Digital Director for Editorial Perfil, [wrote](#) earlier this year.

For years, Argentina has been betting big on boosting oil and gas production at its largest shale play, Vaca Muerta in the Neuquen province. Vaca Muerta—Spanish for 'dead cow'—has been dubbed the *Argentinian Permian*, although its geologic properties have been [compared more appropriately to the Eagle Ford](#).

The Vaca Muerta shale play is [estimated to hold](#) recoverable resources consisting of 16 billion barrels

of oil and 308 trillion cubic feet of natural gas. Those numbers make the Vaca Muerta the world's second-largest shale gas deposit.

Over the past few years, however, Argentina has missed the opportunity to capitalize on the huge gas resources by failing to advance infrastructure to bring those resources to its domestic demand centers and to the global market. Had Argentina made those advances, it could have helped in the current energy crisis, and it could have helped itself with gas export revenues, considering that Europe is more or less ready to pay any price for additional LNG supply that would replace Russian pipeline gas.

In recent weeks, Argentinian authorities have made some progress in kick-starting efforts to boost Vaca Muerta's development and the construction of pipelines to make Argentina self-sufficient in gas supply and an exporter of LNG.

Last week, Argentina [announced](#) it would allow easier access to foreign currency for energy firms in a bid to boost the development of the Vaca.

"Argentina has the energy the world needs. In order to take advantage of it, we have defined clear rules supporting investment and employment," Argentinian President Alberto Fernandez said, announcing the decision.

Argentina has had capital controls since 2019 to protect its foreign currency reserves. With eased access to U.S. dollars, energy firms will be able to import specialist equipment for development, especially for fracking.

Last week, Economy Minister Martin Guzman [discussed](#) with the governor of the Rio Negro province, Arabela Carreras, the potential of a liquefaction plant and an LNG export facility in the area.

Argentinian state-owned energy firm YPF is reviewing four locations in the provinces Buenos Aires and Rio Negro for a major LNG project that would cost \$11.5 billion and could make the company a net energy exporter, YPF president Pablo Gonzalez told national news agency [Telam](#) in an interview this week.

Argentina currently produces more gas than it can transport, and its existing pipelines are collapsing, the YPF executive said.

By Tsvetana Paraskova for Oilprice.com

Category

1. Economy-Business-Fin/Invest
2. Main

Date Created

06/03/2022