

ECOPETROL S.A. (ECOPETROL)

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End-of-day quote Bolsa De Valores De Colombia - 2022-12-21
2247.00 COP **-1.45%**

09:26a Sector Update: Energy Stocks Rally Premarket Friday
 09:05a Sector Update: Energy
 07:23a Colombia's oil theft soars, leaving trail of environmental harm

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Colombia's oil theft soars, leaving trail of environmental harm

12/23/2022 | 07:23am EST



TUMACO, Colombia (Reuters) - In a clearing of Colombia's Pacific jungle, the dense canopy encircles an area of desolation left by a clandestine refinery, where oil waste blackens everything underfoot, seeping into the soil and coating the vegetation.

The scent of moist earth and flowers is overpowered by the stench of chemicals from stagnant pools - the waste product from a rudimentary refining process that turns oil stolen from a nearby pipeline into a bootleg fuel known as pategrillo, or 'cricket's foot', because of its greenish hue.

The makeshift gasoline is used to make cocaine and helps fuel Colombia's drug trade. The leaves of coca plants are soaked in pategrillo - or other fuels, like gasoline - to extract alkaloid compounds to make the narcotic, according to national police. It is also used to power heavy machinery at illegal mining operations, the police said.

With Colombia's potential cocaine production hitting record levels, according U.N. estimates, oil theft is on the rise: the volume stolen from two of Colombia's major oil pipelines has more than trebled since 2018 to an average of 3,447 barrels a day as of Nov. 30, according to police data.

But little is known about the scale of the environmental impact of spills from tapping pipelines and from illicit refineries, which are often in remote and dangerous regions.

Reuters accompanied a police unit tasked with tackling oil theft in September to two sites near Tumaco, a Pacific port in southwest Colombia that is the terminal for the country's Transandino oil pipeline.

The jungle clearing sheltering the clandestine refinery - larger than a soccer pitch - remained blackened by oil though it was raided by police in March and the operation dismantled.

Police said the refinery had belonged to the Urias Rondon faction of dissident FARC rebels - who reject a 2016 peace deal with the government - to produce pategrillo for making cocaine.

Reuters was not able to confirm that independently nor to contact the Urias Rondon group for comment.

Twisted metal from destroyed barrels and more than a dozen metal cooking stills - capable of processing 500 to 1,000 gallons of oil - littered the site, just over an hour's walk from the small town of La Guayaicana.

Nearby trees had been stripped of their leaves by polluting vapors that escape during the refining operations.

"The damage is extreme. The animals, the trees - everything is totally burned," said Colonel Johan Pena, commander of the police unit charged with tackling oil theft in

Financials		COP	
Sales 2022	170 451 B	Capitalization	92 389 B
Net income 2022	36 486 B	EV / Sales 2022	1,05x
Net Debt 2022	85 896 B	EV / Sales 2023	1,11x
P/E ratio 2022	2,78x	Nbr of Employees	18 378
Yield 2022	14,0%	Free-Float	10,4%

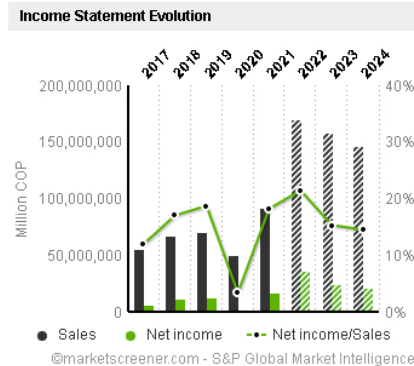
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Technical analysis trends ECOPETROL S.A.			
Short Term	Mid-Term	Long Term	
Trends	Bearish	Neutral	Bearish

» Technical analysis



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Consensus	
Mean consensus	OUTPERFORM
Number of Analysts	8
Last Close Price	2 247,00 COP

World Europe America Asia

- S&P 500 3838 +0.41%
- DOW JONES 33177 +0.45%
- NASDAQ 100 10961 +0.05%
- TSX COMP 19469 +0.62%
- FTSE 100 7473 +0.05%
- DAX 13941 +0.19%
- CAC 40 6505 -0.20%
- EURO STOXX 50 3817 -0.16%
- MSCI CHINA 63 -1.05%
- TOPIX 1898 -0.54%
- MSCI EMERGING 954 -0.99%
- MSCI WORLD 2602 +0.25%

After hours (Indicative prices)

- DAX +0.05%
- FTSE 100 +0.06%
- CAC 40 -0.03%

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VOLKSWAGEN AG	+0.76%
NETFLIX, INC.	-1.06%
ASML HOLDING N.V.	-1.13%
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ALIBABA GROUP HOLDIN...	-1.92%

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APA CORPORATION	+5.12%
HESS CORPORATION	+4.28%
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CONOCOPHILLIPS	+3.90%
PIONEER NATURAL RES...	+3.46%
DEXCOM, INC.	-1.68%
ENPHASE ENERGY, INC.	-1.82%
PARAMOUNT GLOBAL	-2.18%
CARNIVAL CORPORATION	-2.86%
MODERNA, INC.	-4.14%

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Energy Utilities Basic Materials

Narino, a province bordering Ecuador that is known for cocaine production.

"Words aren't enough to show the world the damage."

Much of the nearby Transandino pipeline - which carries oil from Putumayo province on the far side of the Andes to Tumaco - runs above ground, making it an easy target for thieves.

Around 951 barrels per day were stolen in the first 11 months of the year from the Transandino, up around 5% on theft levels through the end of last year.

Pipeline operator **Cenit**, a subsidiary of majority state-owned company **Ecopetrol**, did not respond to questions about the challenges facing clean up operations in remote areas.

RAIDS

Colombia's police had knocked out 112 clandestine refineries in the region of Tumaco as of mid-October this year, compared with 103 raided all of last year and 112 destroyed in 2020, Colonel William Castano, director of Colombia's rural Carabineros police force, told Reuters.

Typically, only one third of the stolen crude is used after it is refined at such sites, Castano said; the rest is dumped into the ground.

Castano said that an illegal refinery contaminates an average of three square kilometers of the surrounding environment, according to a police estimate. Reuters was unable to determine on what that estimate was based.

"It damages the fauna, the flora, pollutes the air, damages the soil, the subsoil, damages groundwater and also harms the tributaries that pass through these parts of the country," he said.

Colombia, one of the world's mega-diverse countries, boasts tens of thousands of different species and contains almost 600,000 square kilometers of jungles and forests, whose preservation is vital for tackling climate change because they store large amounts of carbon.

Reuters approached more than a dozen environmental groups, rights advocates, government agencies and international organizations who either said they had no detailed information on the extent of the environmental damage in Colombia from oil theft or did not respond to questions.

"We still don't know the environmental impacts it causes, because this is an illegal, clandestine process, hidden in unsafe places," said Hector Hernando Bernal, an official at the United Nations Office of Drugs and Crime (UNODC) responsible for the disposal of seized drugs and chemicals.

Colombia's Ministry of Mines and Energy said in a statement that continued spills "that harm people and ecosystems" were worrying and the government was investigating the issue.

MEETING DEMAND

Potential cocaine output rose 14% to a record high of 1,400 tonnes in 2021, according to the UNODC, while demand for fuels used in the cocaine trade rose to between 447 million and 705 million liters, the organization told Reuters.

It was not possible to say what quantity of the fuel was pategrillo, the UNODC said.

"Theft of hydrocarbons also strengthens the military might of (illegal armed) groups," said Katherine Casas, an investigator for energy advocacy group Crudo Transparente.

Pategrillo is the third-largest source of income for Colombia's gangs after drugs and illegal mining, helping them to buy weapons and other equipment, Casas said.

Guerrillas of Colombia's National Liberation Army (ELN) and dissidents from the demobilized FARC rebels are also known to tax pategrillo at around \$2.10 a barrel, according to a report from German foundation Friedrich-Ebert-Stiftung published this summer.

LONG-TERM IMPACT

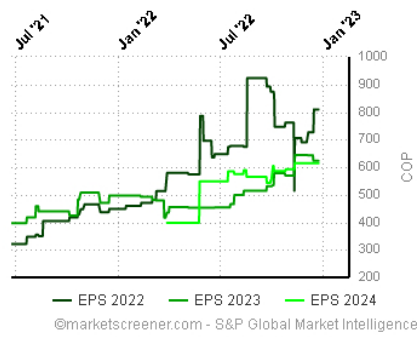
Oil pipelines are often tapped with hand drills, leaky valves and plastic tubing, and crude

Average target price **2 802,71 COP**

Spread / Average Target **24,7%**

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EPS Revisions



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Alberto Consuegra Granger	Chief Operating Officer

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	1st jan.	Capi. (M\$)
ECOPETROL S.A.	-16.47%	19 422
CHEVRON CORPORATION	48.87%	332 741
CONOCOPHILLIPS	56.41%	140 681
EOG RESOURCES, INC.	42.18%	74 187
CNOOC LIMITED	22.17%	59 833
CANADIAN NATURAL RESOU...	35.88%	58 861

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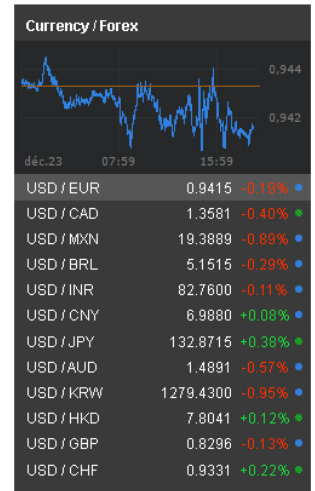
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Rankings **Nasdaq 100**

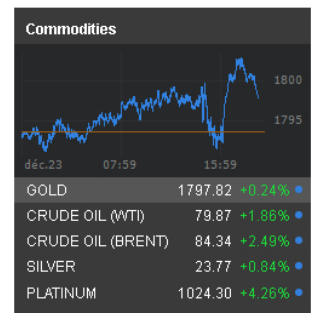
PAYCHEX, INC.	+2.75%
CHARTER COMMUNICATI...	+2.34%
ALPHABET INC.	+1.53%
OLD DOMINION FREIGHT...	+1.45%
BOOKING HOLDINGS INC.	+1.38%
SEAGEN INC.	-2.22%
CROWDSTRIKE HOLDIN...	-2.23%
DOCUSIGN, INC.	-2.64%
LUCID GROUP, INC.	-3.05%
MODERNA, INC.	-4.14%

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is stored and refined haphazardly, resulting in frequent spills, according to police, analysts and the UNODC.

Once it gets to illegal refineries, the oil is transferred to cylindrical stills and cooked at high temperatures. The resulting vapor, once cooled, makes pategrillo.

Depending on the size of a spill, ground contaminated by oil can take decades to heal and longer than a century to fully recover, Narino's environmental authority, Corponarino, said in a statement.

Police, analysts and scientists provided Reuters with similar estimates.

Oil spills on land smother soil pore spaces, restricting microorganisms' access to oxygen, said Martha Daza, a professor at Cali-based university Universidad del Valle's school of engineering of natural resources and the environment.

"By clogging these pores, water cannot circulate and the availability of oxygen for biotic activity in the soil is reduced, both for macroorganisms, like earthworms, ants, and plant roots, as well as for microorganisms," Daza said. "It's very damaging."

In Tumaco, Reuters journalists saw settlements within 200 meters of the Transandino pipeline. Oil had dripped from an illicit valve, and the tendrils of a black cloud of crude spiraled through a stagnant puddle below.

Rural communities not connected to mains water supply depend on rivers and face health risks from spills, according to Bram Ebus, a consultant for the International Crisis Group who has investigated Colombia's illicit oil industry.

"Illicit valves placed on pipelines quickly become dislodged. The crude that pours into rivers and creeks can pollute aqueducts servicing entire towns," Ebus told Reuters.

Regional health authorities in Narino did not immediately respond to questions about the health impact of oil spills.

(Reporting by Oliver Griffin; Editing by Daniel Flynn)

By Oliver Griffin

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Stocks mentioned in the article

	Change	Last	1st jan.
CO BRENT OIL	2.48%	84.3	5.52%
CO ECOPETROL S.A.	-1.45%	2247	-16.47%
CO GOLD	0.29%	1797.94	-0.80%
IN NASDAQ COLOMBIA	2.06%	287.231625	-23.16%
IN S&P GSCI GOLD INDEX	0.53%	1051.12	-0.21%
CO SILVER	0.85%	23.76	2.83%
CO WTI	1.81%	79.807	4.14%

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