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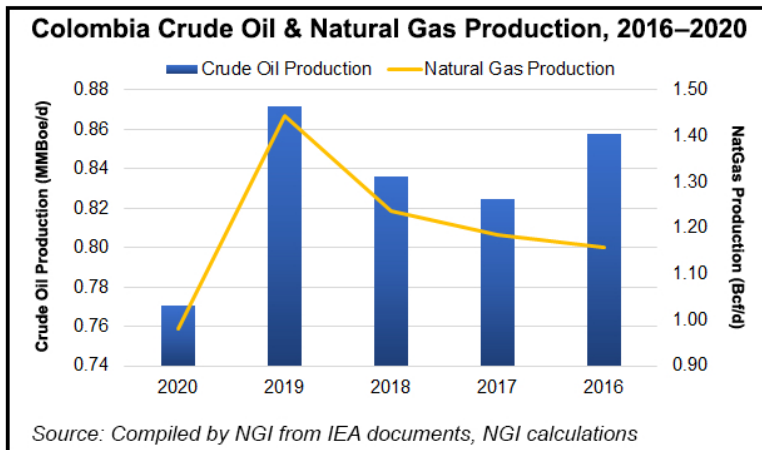
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Colombia's Petro Promises to Revamp Nation's Energy Sector

BY CHRISTOPHER LENTON
June 24, 2022

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Former Bogotá Mayor Gustavo Petro beat businessman and Tik-Tok star Rodolfo Hernández earlier this month to become Colombia's first leftist president with promises to upend the country's oil and gas sector.



Petro proposes “a very significant change in the energy sector,” Sergio Guzman, the director of local risk consultancy Colombia Risk Analysis told NGI.

During campaigning, Petro said he would end new oil and gas contracts. He also said he would ban hydraulic fracturing (fracking) pilots and offshore drilling.

“That’s going to create quite a significant shock,” Guzman said. About 80% of the country’s export basket is related to oil, gas and coal products, and their derivatives, he noted.

Colombia’s state-owned **Ecopetrol** SA recorded **total production** of 692,000 boe/d during the first quarter, up 2.4% year/year, with natural gas accounting for 19.8%. **Ecopetrol** reported net income of 6.6 trillion pesos (\$1.63 billion) during the first quarter, nearly double from 3.09 trillion pesos in the same period last year.

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Instead of extracting hydrocarbons, Petro has said he wants to transform **Ecopetrol** into a producer of wind and solar power.

Ecopetrol and a unit of Occidental Petroleum Corp. recently **signed a deal** to jointly explore four deepwater areas in the Caribbean. **Ecopetrol**'s 2040 "Energy that Transforms" strategy "seeks to maintain competitiveness in the hydrocarbons chain by increasing offshore exploration," CEO Felipe Bayón said recently.

Longer term, the "Energy that Transforms" plan envisions increased gas production, "along with a search for new commercialization options, seeking also to venture into regasification and storage," the company said.

Guzman said Petro has softened his tone in recent days. "I think Petro is meeting with different parties" and "potentially this could be negotiated," Guzman said. He said Petro's program was heavy on subsidies and **Ecopetrol** was the government's "cash cow."

Prior to the vote, **Ecopetrol** was involved in two horizontal drilling pilot programs, Kalé and Platero, in conjunction with ExxonMobil. Colombia has 55 Tcf of technically recoverable **shale gas resources**, which would place it fifth in South America, according to the U.S. Energy Information Agency.

Guzman said that **Ecopetrol** shares lost 12% of their value the day after the election and "I think Petro will want to bring calm." He added that any changes "won't be as sudden as he had us think," which would "be a relief to the energy sector."

During campaigning, Petro said **Ecopetrol** would assure fuel for Colombia for the next fifteen years.

In terms of Latin American national oil companies, **Ecopetrol** was already a leader in energy transition plans. Part of its strategy revolves around electrification. **Ecopetrol** last year purchased the Colombian government's 54.1% ownership stake in utility Interconexión Eléctrica (ISA). **Ecopetrol** has additionally pledged carbon neutrality by 2050.

Petro "will bring continuity to the energy transition program started under [former President Ivan] Duque," Guzman said. That could mean more investment in green hydrogen, and wind, solar and hydro power.

Analysts at Eurasia Group said Petro conveyed a conciliatory tone in his victory speech. "He will likely send initial signals of moderation, both ahead and after the change of government," the analysts said. His four-year term begins on August 7.

Still, they noted, policies "will shift to the left under Petro and grow more volatile over time."

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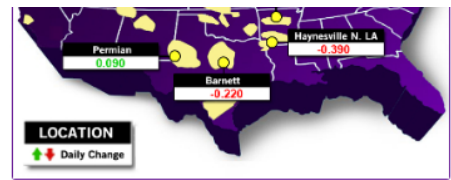
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CHRISTOPHER LENTON

[@lenton_chris](#)
chris.lenton@naturalgasintel.com



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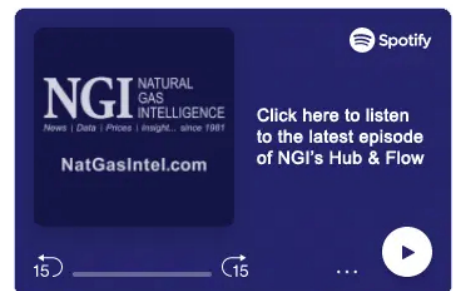
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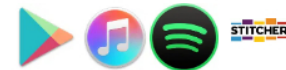
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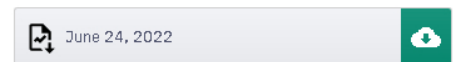


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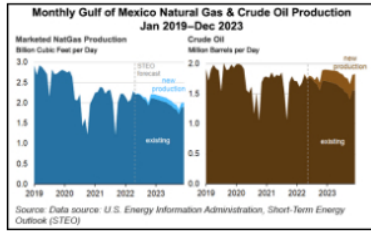


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Natural gas production in the U.S. Gulf of Mexico (GOM) is expected to decline for a fourth straight year in 2023, according to Energy Information Administration (EIA) analysts. GOM gas output is forecast to average 2.1 Bcf/d in 2023, down 0.1 Bcf/d from the expected total in 2022, said EIA analysts James Easton, Kirby Lawrence...

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