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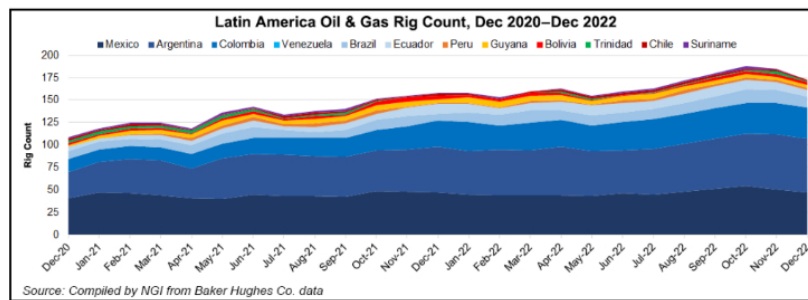
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Latin American Nations, Long Focused on Oil, Look to Monetize Natural Gas Resources

BY CHRISTOPHER LENTON
March 15, 2023

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Expect more natural gas output from Latin American nations, according to recent earnings calls and presentations from regional government officials and executives.



Management at Brazil's state oil company Petrobras SA said they were working to employ more of the natural gas from the prolific offshore pre-salt deposits. "We will search for new segments for our natural gas production, yes, because burning natural gas is part of the energy transition," CFO Rodrigo Araujo said during the company's fourth quarter earnings call. "It's better than burning diesel or burning fuel oil or burning coal, it's better. We are evolving in doing that for humanity, and for Brazil... And we know how to do it."

He said, "We can fuel trucks in Brazil instead of diesel with natural gas. We will go through that path."

The momentum also comes as Bolivia, for a long time the principal exporter of natural gas to places like Brazil and Argentina, **has seen production wane.**

Petrobras has also been able to improve its natural gas economics through "commercial diversification" and indexing contracts to spot prices such as the Japan-Korea Marker, or JKM. The Rio de Janeiro-headquartered company currently produces around 2.6 million boe/d, with liquids accounting for some 80% of output.

Vaca Muerta LNG

In Argentina, state oil company YPF SA CEO Pablo Iuliano said the country's **Vaca Muerta Shale** rivaled "top of the class" assets within the U.S. shale industry.

"And achieving these levels of competitiveness in Vaca Muerta makes the cornerstone of our focused strategic path going forward, particularly within the global geopolitical context that puts energy back at the center of economic and social debate," he said during the company's recent earnings call. "Piggybacking on the global trends, we have immersed ourselves into the task of accelerating the monetization of Vaca Muerta."

He said shale natural gas resources in Argentina "could last for centuries at current level of local consumption. We are committed to development of LNG infrastructure to enable its rapid and efficient monetization."

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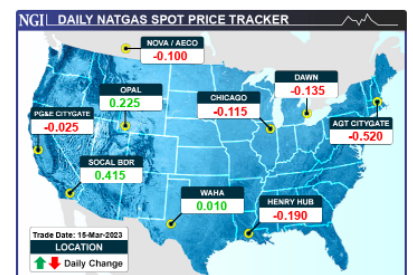
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YPF and Malaysian national oil company Petronas signed a memorandum of understanding last September to study the potential **for an integrated liquefied natural gas export project**. Capacity would be 25 million tonnes/year, Iluiano said, with start-up as early as 2026, but “the bulk capacity of the first stage would probably not be ready for commercial operation before 2028.”

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Guyana's Second Stage

Guyana is fast becoming a major oil producer, and it also now wants to develop its natural gas.

“The gas to energy program is going to start producing by 2024,” Guyana’s vice president Bharrat Jagdeo told the audience **at CERAWEEK earlier this month**. Natural gas for a power plant would come from the **offshore Stabroek block**, where some 11 billion boe have been discovered since 2015. ExxonMobil is building a 141-mile offshore natural gas pipeline for the power plant in the capital city of Georgetown.

Jagdeo said the offshore resource also has as much as 17 Tcf of associated natural gas, and the power plant was a first step. “We are having a conversation to move to monetize this gas,” he said. Jagdeo said natural gas would be the “next wave,” adding, “We believe that Guyana has a huge potential of becoming a gas producer.”

Ecopetrol And The Transition

Colombia’s **Ecopetrol** SA meanwhile is trying to employ more natural gas in its portfolio. Executives **have called natural gas** “the hydrocarbon of the energy transition.”

Natural gas and its derivatives were 24% of total company output in 2022, executives said. **Ecopetrol** has set a goal of getting this number to 35% by 2030 as part of their energy transition strategy.

In terms of total overall proved reserves, 75% are liquid and 25% are gas, executives said in a conference call. Without any new finds, this would provide the company with hydrocarbons for a little over eight years.

Mexico Gains

Mexico’s natural gas production **also continues to rise**, easing slightly the need for piped imports from the United States. Domestic production in Mexico averaged 4.25 Bcf/d in January, up from 3.99 Bcf/d in January 2022. State oil company Petróleos Mexicanos (Pemex) supplied 4.03 Bcf/d of the total, up from 3.77 Bcf/d, according to data from upstream regulator Comisión Nacional de Hidrocarburos (CNH).

“Pemex is increasing activity for a significant drilling campaign,” Rice University’s Francisco Monaldi told *NGI’s Mexico GPI*. He added that Pemex leadership “seems to be requesting more money from the government, so that would mean more investment in exploration and production.”

Political Challenges

Policy in the region could stymie these plans, however.

In Colombia, **Ecopetrol**’s well-respected CEO Felipe Bayón recently stepped down from the company. The **government of Gustavo Petro** has also imposed a new tax regime on the oil and gas industry.

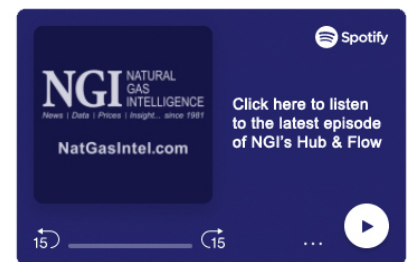
“The announcement of Felipe Bayón leaving **Ecopetrol** puts a lot of emphasis on who is going to be the successor,” Monaldi said. He added that along with the fiscal regime change, the resignation “was a worrisome sign for the sector.”

Recent news that Colombia would return to importing natural gas from Venezuela via pipeline could also slow development of homegrown resources, in particular offshore, Monaldi said.

In Brazil, President **Luis Inácio Lula da Silva**, or Lula, has also imposed a new export tax on hydrocarbons. “So both Brazil and Colombia have broken something very important in the sector, which is the change in the government’s take.”

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He added that, “Clearly Lula wants and the Brazil government wants to bring the natural gas from the offshore for Brazil to use. But Petrobras officials at CERA said that the reinjection needs of the offshore wells and the economics were not there for what the government is pushing them to do.”

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The U.S. Energy Information Administration (EIA) on Thursday reported a withdrawal of 58 Bcf natural gas from storage for the week ended March 10. The result was well below comparable prints of the recent past but close to market expectations. Nymex natural gas futures forged ahead following the EIA result. Ahead of the 10:30 ET...

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