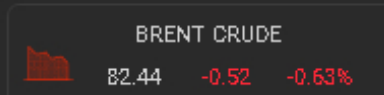




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New Gas Discoveries Offer Glimmer of Hope for Colombia's Energy Sector

By [Felicity Bradstock](#) - Mar 07, 2024, 4:00 PM CST

- ▶ Colombia's oil and gas sector is facing challenges from decreased investments and President Petro's focus on renewable energy, despite the country's potential to boost oil output.
- ▶ State-owned Ecopetrol announced significant offshore natural gas discoveries, aiming to invest heavily in energy transition and maintain production levels despite lower crude prices.
- ▶ The industry grapples with the likelihood of becoming reliant on gas imports due to decreasing onshore production and delayed operationalization of new offshore discoveries.

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Despite significant potential, Colombia's oil and gas industry has had a variety of highs and lows due to political disruption, varying international interest and other determining factors. With a more stable political outlook for the coming years, Colombia hopes to get its oil output back on track, but it is still uncertain whether the South American country will achieve this goal. Further, socialist President Gustavo Petro is aiming to decarbonise the country's economy as it undergoes a green transition, making the outlook more unclear.

At the end of 2023, despite high commodity prices and oil output, the future of Colombia's oil and gas industry was [shrouded in uncertainty](#). A Bnamericas report showed that rig numbers had decreased to the lowest number since the beginning of 2021, during the Covid pandemic. Meanwhile, private-sector exploration investments were expected to fall by 33 percent in 2023, to roughly \$300 million. Lower levels of investment were blamed on President Petro's anti-oil rhetoric, as he talked of a future rooted in renewable energy.

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Despite clear challenges, Colombia reinvigorated its offshore activities, supported by several discoveries bringing in new investments. Ecopetrol, Petrobras, Chevron and Shell are all pursuing operations in Colombia in 2024. Nevertheless, there were no new licensing rounds and none are expected under Petro, as he sticks to [plans for a green transition](#), even at the cost of new oil revenues.

Going into 2024, in February, state-owned Ecopetrol announced the discovery of two natural gas accumulations at its offshore Orca Norte-1 well. An Ecopetrol [statement](#) said of the discovery, "Orca Norte-1 is the first deepwater well operated 100% by Ecopetrol with one of the best operational

...non-operated, recently completed, in that one of the best operational performances of the wells [drilled] in the Colombian Caribbean [sea]." The company added, "Important subsoil information was also obtained both in the delimitation objective and in new intervals of exploratory interest found." This marks one of several recent gas discoveries off Colombia's northern coastline.

Although recent discoveries offer optimism, Colombia could face gas shortages in the latter half of this decade, as its natural gas production falls as operational onshore fields mature. At present, Colombia's average gas demand is around 960 million cubic feet per day (MMcfd), which has remained stable for the last six years. This falls below its 1,050 MMcfd production rate. However, as demand increases and the country's gas supplies dry up, Colombia is likely to become reliant on gas imports to meet its needs.

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At present, Colombia relies on just three onshore provinces – Llanos; Lower Magdalena; and Middle Magdalena Valley, to provide [85 percent of its gas demand](#). Most of the fields in these regions are mature and are experiencing a decline rate of between 5 and 11 percent. While there is hope for the development of recent offshore discoveries – Gorgon, Uchuva and Glaucus, these are not likely to be operational until the 2030s, meaning that it will be a difficult transition period. However, once operational, gas output will likely be higher than current levels.

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Meanwhile, Ecopetrol is struggling as it posted a 2023 fourth-quarter net profit of just over \$1.07 billion, down 38 percent from the previous year. This was largely due to the reduced market price of crude, down by \$17 a barrel. Nevertheless, Ecopetrol [plans](#) to invest up to \$6.8 billion in 2024 "to maintain the historic levels of execution that we reached in 2023, with an emphasis in the energy transition," according to the company's CEO Ricardo Roa. Ecopetrol experienced its highest output in eight years in 2023, with an average production of 737,000 barrels of oil equivalent per day, which was 3.8 percent higher than in 2022. This success was largely owing to successful production rates from its stake in the U.S. Permian Basin. The company's refineries also reached their highest-ever processing rate, at 420,000 bpd.

Ecopetrol's reserves stood at around 1.88 billion barrels in 2023, a decrease from 2.07 billion barrels at the end of 2022, which equates to around 7.6 years of production remaining. The company's reserves are 89 percent in Colombia and 11 percent in the U.S. The limited lifespan of its existing reserves demonstrates the need to invest in exploration activities if the company hopes to continue to produce oil and gas in the coming decades, which is likely the case. While Ecopetrol is investing in alternative energy operations, it is unlikely that Colombia will be able to replace fossil fuels with renewable alternatives at the rate needed to meet demand, although positive steps are being made towards a green transition across the country.

The future of Colombia's oil and gas industry is still shrouded in uncertainty as it experiences both highs and lows. Recent discoveries have attracted greater investment in the industry and could help boost Ecopetrol's output in the coming years. However, President Petro's aim for a green transition and opposition to new oil licenses has prevented new exploration activities and could mean that much of Colombia's oil stays in the ground as the country develops its renewable energy sector. The question is whether this will be achieved fast enough to avoid energy shortages that could emerge in the second half of the decade.

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By Felicity Bradstock for Oilprice.com

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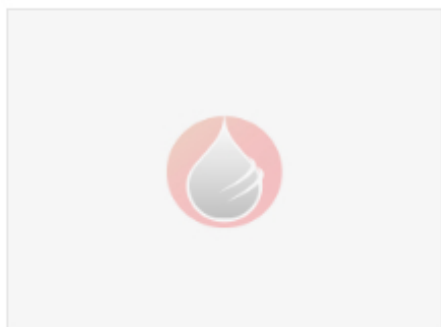


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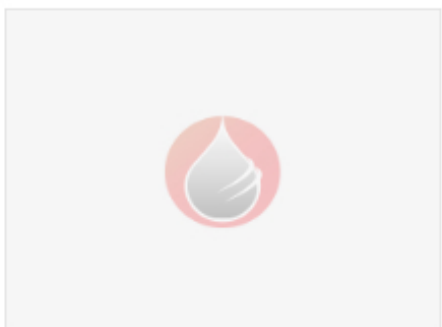
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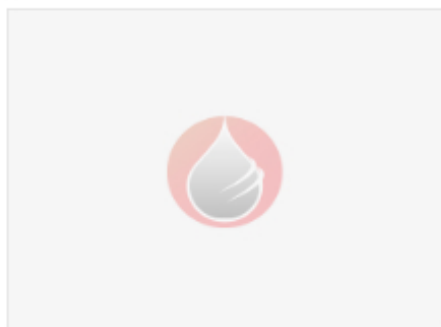
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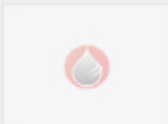
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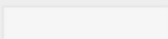
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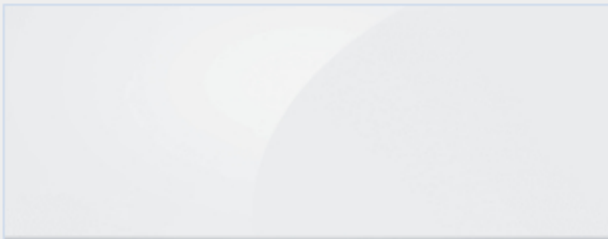
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