

ANALIZING THE GAS INTERCONNECTION BETWEEN CHILE AND ARGENTINA FROM 1994 TO 2009

Fabiola Teresa Rodrigues

Orense 449, Haedo, Buenos Aires, Argentina
Fabiolarodrigues04@yahoo.com.ar

-1. Overview

This paper focuses on evaluating the gas interconnection between Chile and Argentina from 1994 to 2009.

In order to attain this goal the article describes the negotiation process between The State and the private sector.

Firstly, it tries to introduce the reader to the Argentinean and Chilean status in terms of energy at the moment of signing the agreement.

Next, it defines the energy integration process and the influence of economical and political factors in the development of the project.

The research deepens into the general aspects, the basics, in order to understand why Chile decides to switch its energy policy to natural gas and concludes analyzing the Argentinean decision to stop the natural gas sending to Chile. And how the 2 parties behave after this decision.

Not only to explain the whole process, but also to know the causes of this unsuccessful integration, was the gs Andes pipeling chosen as a case of study -since it was the first which linked Chile with Argentina through the central region.

Finally, an idea that comes up in the late 80's (eighties) regarding the intentions of the state argentine company YPF in alliance with its Chilean partner ENAP, becomes, as of the privatization process in a business wholly made up by private consortiums who start competing to achieve the market with a minimum intervention of the states-who were only encharge of setting up the necessary legal basics to warranty the free market.

To get a better knowledge on the reasons for Argentina to have reached to the limitations of gas delivery to Chile throughout these pages the paper claims to show the existing level of uncertainty considering the natural resource (gas) and its possibilities of exploitation before deciding on exportation.

Also, how these decisions influenced on the direct participation of the private sector whose protagonism introduced the question of the provision of the internal market Vs. the exports- an issue that still today turns into central discussion when dealing with the energetic integration in Latin America. Likewise, when we refer to an energetic planification of the State, since this type of analysis can lead policy makers on when and how we will need the intervention of the State in this sector as well as the ways in order to avoid the mistakes made in the past.

The paper will try to demonstrate the complexity of the analyzed phenomenon not only due to the features of the sector but also due to multiple interrelation of factors affecting the process which apart form explaining the failure of the gas interconnection projects turns to face the falling down in terms of energy integration between Chile and Argentina.

-2. Methods

A qualitative investigation applying the case study method of the explanatory type was carried out. As the real fulfillment of this public policy was based on the building of several gas pipelines the construction of the Gas Andes pipeline is taken as example of all the process.

As it is the rule in the works on qualitative investigations, apart from the bibliographic investigation, deep interviews with key informers from both sides of the Andes Chain, took place.

Participants observed the phenomenon from different points of view. The objective is to follow up the opinion of the different parties, reps of public institutions, regulatory institutions in the business), companies participating in the competing consortiums and specialists in the industry.

-3. Results

From this perspective, the article tries to understand why they decided to go ahead with the project and what the factors were impacted in its failure.

The paper investigates the causes of this failure in order to establish if either there was an excessive trust in the "Argentine partner" from the Chilean party and the participants of the process or if the purpose of getting a millionaire investment project, Chileans had ignored the supply difficulties, that is to say, the extraction of natural gas.

-4. Conclusions

Firstly, and as a logical conclusion, the gas interconnection project was a failure not only for the enterprises embodied in it but for the Chilean customers who had to pay during those years a transport capacity that it was warranted for 25 years about a resource that they never again received and without any kind of compensation.

As for the causes of the failure the paper points out every sector involved in the project, identifying the lack of energy planification as the main and outstanding mistake.

On the one hand, Argentina, who used the term "Free Market" wrongly, couldn't hold it during the time since it didn't know how to regulate a sector which required a constant observation of the behaviour of the internal and external market to identify where to put the necessary incentives to deal with a specific demand and to keep the investment of the private sector.

Chile, known as having the tradition of outsourcing wasn't regulatorily strong. Neither could it build a regulatory framework for the gas market nor solve the strong concentration on the electrical market, since the two biggest generator companies (Chilgener and Endesa) who had participated in the energy diversification, were part of the gas consortium.

Also, YPF and the petrol sector were identified as responsible for the failure. Basically, because on the Argentine side the leader of the energy integration was YPF -a public enterprise at that moment who needed to "sell gas" to grow in value and soon be privatized.

With the aim of achieving his goal, it is probable that YPF had "overvalued" its reserves of gas in Neuquen basin (Argentina) in order to move Argentina towards the exportation. Notwithstanding, after The Gas Andes pipeline project, other companies ready to broaden the Argentinean gas system, were concentrated on an intensive extraction of gas in this basin.

As a general conclusion, we could say that the behavior of both states and the energy sector in general could consider if the state must regulate the energy activity, to warranty the internal market supply; or if the market, through the price, could self-regulate. These are the issues that must be studied in depth and the state must define. With this work it seems like neither the "Subsidiary" State nor the "hyper regulator" are the right solutions.

References

Fabiola, Rodrigues (2012) "Analizing the gas interconnection between Chile and Argentina from 1994 to 2009", summary of the thesis presented by Fabiola Teresa Rodrigues when majoring on Public Policy to Master in Public Policy oriented to Economy of the utilities regulation in Ditella University, Mignones 1277, Ciudad Autónoma de Buenos Aires, Argentina, 2012)

