South American Gas Pipelines

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- Overview of the major projects (Argentina to Chile; Bolivia to Brazil) and major issues.

- What was the role of economic integration and the creation of international institutions in South America (e.g., Mercosur) in creating the conditions for gas trade?

- How has the shift to a market-oriented energy system in Chile and in Brazil (the main offtakers in these projects) affected the ability to attract investment and market the gas?
Major Issues

- Argentina to Chile: Regulatory Framework
  - Argentine exports
  - Chilean transport and distribution

- Bolivia to Brazil: Creating a Market
  - Brazilian demand
  - Financing
Role of Economic Integration

- Limited Economic Integration at the time of the projects (early 1990s)
- Pipelines as way to stimulate economic integration; not as result of economic integration
- Chile & Argentina: Economic integration as way of consolidating democracy initially more important than as means to development
- Brazil: Economic integration for both projecting Brazilian geopolitical influence and economic growth
- Bolivia: Economic integration for generating wealth for both corruption and reform of the socio-political order
Role of Regional Institutions

- ALADI, UNECLA, Mercosur and OLADE marginal players
- Argentina-Chile: general information about energy markets but private sector information and education of key policymakers more important
- Bolivia-Brazil:
  - Mercosur probably work to Argentina’s disadvantage
  - World Bank and IDB key
Shift to Market-Oriented Energy System in Chile and Brazil and the ability to attract foreign direct investment and market the gas

- Chile:
  - Initial response
  - Recent crisis

- Brazil
  - Hydro-dominated power market
  - Short-term excess supply of high priced Bolivian gas
Current Situation: A Setback for the Gas Trade?

- Bolivia: the masses feel betrayed
- Argentina: the risk of market pricing
- Chile: the high cost of depending on unstable neighbors

- Brazil: A continued search for energy security and regional leadership