




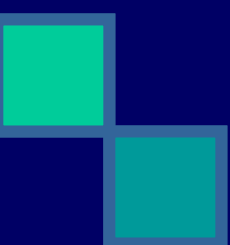
# South American Gas Pipelines



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



■ o 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?

■ o 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

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- 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
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# Role of Regional Institutions

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- 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
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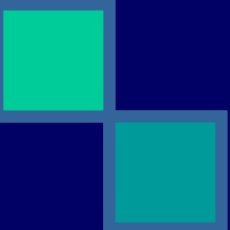


## Shift to Market-Oriented Energy System in Chile and Brazil and the ability to attract foreign direct investment and market the gas

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

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- 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
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