

Argentina's paradox at the G20: calling for sustainable futures while pursuing a fossil energy megaproject

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Argentina's presidency concludes with the G20 Leaders' Summit. Within this context, last June, the ministers of energy of the group's member countries signed a statement where they underscored the role of natural gas in "supporting the transitions towards energy systems with lower emissions" and a "potential to grow significantly over the next decades." In Argentina, this position is in conjunction with the strong subsidy agenda targeting unconventional fossil gas, mainly in the area of the Vaca Muerta megaproject. This project has turned out to be the only victory and hope of Mauricio Macri's government, which is closing out the year hit by dismal economic variables. What is less known, is the fact that the extraction of oil and gas from this reservoir through the disputed fracking method has negative environmental, social, climatic, and also economic impacts for the country.

Government contradiction is noteworthy: while the current Macri administration endorses the necessary transition towards more sustainable energy, it is also focusing Argentina's energy and economic prospects on the development of Vaca Muerta, a real carbon bomb. To this effect, the Argentinian government guarantees a price higher than the production costs of gas: projects selected for the subsidy were paid US \$3.50 above the market price of US \$4.00 per million Btu. Tecpetrol has been the greatest beneficiary of this subsidy, a company belonging to the Italian-Argentine group Techint. Today, one field of this company produces 10% of total domestic gas, whereas its contribution in 2017 was almost insignificant.

There are more than 30 exploitation projects for the Vaca Muerta megaproject. Along with domestic companies, international companies have a presence in this region, such as BP (which owns 50% of Pan American Energy, the second largest oil production company), Total (second largest gas production company), Shell, Wintershall, Equinor, ExxonMobil, Chevron, CNOOC, Dow and Petronas.

Argentina began to export gas again in September after this endeavor had been discontinued in 2007 when the country was no longer able to be self-sufficient. "We're not going to stop until we have exported US \$30 billion in gas and oil from Vaca Muerta, and in so doing we have created more than half a million jobs throughout the country," asserted Macri a few weeks ago, within a context in which only the multibillion-dollar loan from the IMF was able to temporarily assuage the macroeconomic disaster reflected in an annual currency devaluation exceeding 90%.

Infrastructure

One of this year's working lines within the G20 group was "infrastructure for development." In this context, two fundamental ideas were presented by the presidency: On the one hand,

discussions asserted that there is an “increasing shortcoming in infrastructure [which] is a problem troubling the G20 countries, especially emerging economics,” on the other hand, “greater participation from the private sector in financing infrastructure projects” was strongly promoted. In this regard, the government is already pushing for funding through Private-Public Partnerships, for which it enacted a specific law in 2016. The expected investments have still not been finalized.

In order to develop Vaca Muerta, a call for tender was announced in order to recover 850 kilometers of railway that will connect the hydrocarbon exploitation in Northern Patagonia with the port of Bahía Blanca in the Atlantic. The project budget has been estimated at US \$1.285 billion, and once it has been finished, it will successfully reduce the cost of each well by 10%. Up until now, the call has been postponed on two different occasions; although, at a meeting with the business community, the minister of transportation recently reassured the public bid would be finalized before the end of the year.

Criticism of the megaproject

Contrary to government expectations, the UN Committee on Economic, Social and Cultural Rights recommended the Argentine State to “reconsider” the exploitation of Vaca Muerta due to the impact this would entail on the climate. “Total exploitation of all the shale gas reserves (of Vaca Muerta), with fracking, would deplete a significant percentage of the global carbon budget for reaching the goal of limiting the temperature increase to 1.5 °C,” stated the document published in October. A research study conducted by the organization Oil Change International draws a similar conclusion. Exploiting all of Argentina’s shale reserves at its maximum potential would consume up to 15 percent of the entire global carbon budget necessary for complying with the 1,5°C target of the Paris Agreement.

The UN document also warned of local impacts, the lack of consultation with communities, and the absence of regulations concerning the risks of hydraulic fracking. In recent years, enabled by the investments for exploiting Vaca Muerta, a number of tight gas projects began to appear in the vicinity of one of the country's major watersheds, thereby jeopardizing access to this resource for a large part of the population of Northern Patagonia. Moreover, many drill holes are located in areas that have historically produced fruits and vegetables, and also in the outskirts of urban areas. After warnings on the risks of fracking, about ten municipalities from the region have prohibited this technique, but the law has declared several of these policies to be unconstitutional stating that they overreach community powers.

Recently, the blowout of a well that leaked hydrocarbons and drilling mud affected 45 hectares (according to what was officially communicated) and shined the spotlight on the risks and accidents that regularly occur related to this activity. According to the environmental office, there are two leaks recorded per day in the province of Neuquén. At the same time, the death of the fifth oil worker to date this year was reported in the region. Acceleration of production times and easing of regulations has begun to reveal tangible proof of the environmental and human damage.

Domestically, the energy policy is being strongly called into question, primarily due to the steep increases in energy service tariffs. The agreement with the IMF entails continuing this path to reduce the fiscal deficit. The significant devaluation of the peso, together with a tariff fixed in dollars, caused tariffs to increase to values that business, industry, and families simply cannot pay. The average increase in gas from the last 24 months is hovering around 1,300%. Resistance to these high tariffs, along with general disdain for the government, united the entire opposition to back a law that would have rolled back the increases to November 2017. President Macri vetoed this legislation in May, and a few days later, he ousted his minister of energy.

Set against this challenging backdrop, the platform EJES (Socio-environmental and Energy Justice Alliance) is supporting the debate surrounding the need (or lack thereof) for new fossil fuel projects, and pushing for a controlled reduction in those that already exist. Furthermore, EJES promotes more ambitious plans to be set into motion involving clean energy, with extensive State intervention, providing decent jobs and respect of the rights of communities to control the development of their lands. What is the energy produced for? For whom? And how? With these questions, we invite you to think about how to build a better tomorrow.