

Bolivia Plants May Ease Brazil, Argentina Shortage

By Jonathan J. Levin

Dec. 12 (Bloomberg) -- Bolivia's energy minister said two proposed liquefied petroleum gas plants may allow the country to boost supplies to Brazil and Argentina by 2010, easing a shortage of the fuel after a lack of investment reduced output.

The processing plants would be built in Santa Cruz, eastern Bolivia and each would produce about 200 tons of liquefied petroleum gas a day. The plants would help turn a deficit of gas into a "surplus," Bolivian Hydrocarbon and Energy Minister Saul Avalos said in an interview at his La Paz office, speaking in front of a portrait of Argentine revolutionary Che Guevara.

Bolivia, which exports most of its natural gas to Argentina and Brazil, hasn't been able to keep up with some contractual commitments, leading to chronic shortages. Insufficient investment in Bolivian gas fields is to blame for Argentine shortages, Standard & Poor's Corp. said July 28. Bolivia has the second-largest gas reserves in South America after Venezuela.

"It's our goal to be able to industrialize our gas," Avalos said in the Dec. 10 interview in the Bolivian capitol. "We don't want to continue exporting raw materials."

Bolivia plans to invest \$20 billion to expand natural-gas production, state-owned energy company YPF Bolivianos said yesterday in a statement. The company plans to drill 50 to 60 wells in 2009 to meet domestic and export demands.

Investment in Bolivia's oil and gas industry fell to \$149 million last year, during a period of record energy prices, from a peak of \$580.8 million in 1999. President Evo Morales said Sept. 24 in an interview in New York that he's seeking investment from Iran, Russia and Venezuela to boost gas output.

Repsol Investments

"Repsol YPF Bolivia is planning important natural-gas investments in Bolivia, especially in the Caipipendi block in southern Bolivia," the Spanish company said Dec. 11.

An Argentine delegation met with YPF Bolivianos on Dec. 1 to discuss fulfilling current gas supply contracts, and agreed to continue talks in January 2009, according to a statement on the Hydrocarbon and Energy Ministry's web site. Bolivia's gas supply contract with Argentina runs through 2027, and a Brazil contract will expire in 2018.

Bolivia's domestic supply of liquefied petroleum gases, or LPGs, fell short by about 50 tons a day from May to August, forcing the government to import to meet demand, the Ministry's 2008 National Hydrocarbon Strategy said in a report.

“At the moment we have a deficit of fuels, among them liquid petroleum,” Avalos said in the interview.

Bolivia faces domestic fuel shortages partly because government-subsidized fuel is often sold for a profit in neighboring countries.

Nationalizing Assets

In October 2006, Morales nationalized the nation’s oil and gas reserves and negotiated new contracts with energy companies that had interests in Bolivia, including Spain’s Repsol YPF SA and Brazil’s state-controlled Petroleo Brasileiro SA.

On Jan. 25 the Morales government plans to put a new constitution to a national referendum, solidifying state ownership over the country’s mines and natural gas.

Avalos said foreign investment had dropped off as investors waited for the government to reverse course, and that the new constitution was proof that Bolivia’s policies were long term.

“We want the companies to keep working here,” Avalos said. “They can be our partners, but will never again be our bosses.”

Repsol declined to comment on the possible consequences of the new constitution when contacted by Bloomberg Dec. 11.

A politically motivated attack against a pipeline disrupted natural gas supplies to Brazil for about two weeks this September as lawmakers sought to set a date for the constitutional referendum. The country’s army and national police were called in to safeguard Bolivia’s energy infrastructure.

The Bolivian government hasn’t made any plans to protect those pipelines before the January referendum, Avalos said.