



**Institute of the Americas  
XVII Annual Latin American Energy Conference**

## **Southern Cone Energy Integration: Full Speed Ahead?**

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May 2008  
La Jolla, California



## **Southern Cone Energy Integration: Full Speed Ahead?**

### **> Topics of discussion**

- Integration regional fundamentals
- Overview of Argentina, Chile, Brazil and Uruguay
- Conclusions



## Integration Regional Fundamentals

- > Strong energy demand fundamentals
- > Abundant gas reserves with limited development
- > Market based frameworks versus the State as a key player
- > Energy self sufficiency as a goal for some countries



## Argentina - Waiting for the Right Price Signals

- > Price distortions created imbalances between energy supply and demand
- > Power shortages are a concern
- > Long term energy supply contracts a rarity
- > Energy assets ownership: increased participation of local players
- > New regulation to promote investments (Energy Plus, Gas Plus)
- > Medium term perspective:
  - Potential for energy rationing
  - Gradual increases in energy prices
  - Argentina as net energy importer
  - New generation capacity and pipeline expansions financed primarily by the government



## Chile - Looking for Alternative Power Projects

- > Constructive energy framework
- > Power shortages are a concern
- > New energy projects to reduce dependence on Argentina
- > Power industry well positioned to finance capex:
  - Short term investments focusing on diesel
  - Medium term investments focusing on coal LNG
  - Long term investments focusing on hydro & alternative energies
- > Medium term perspective:
  - Potential for energy rationing
  - Price increases
  - Increase usage of diesel and coal threaten the stability of the system



## **Brazil - Era of the Mega Projects**

- > Strong growth of demand
- > Expansion of the energy matrix is necessary
- > New mega projects
- > Gas / fuel supply for thermoelectric plants is a concern
- > Imports of LNG



## Uruguay – Reducing Dependence on Imports

- > Main Players: State owned companies (Ancap, UTE)
- > Less dependant on energy imports based on:
  - New thermo generating plants (2006-2007)
  - New electric connection with Brazil
  - LNG project
  - New Investments in wind power
- > Potential to export to Argentina and Brazil



## Conclusions

- > Steady growth of demand
- > Capacity reserve margins are eroding
- > Latin America interconnected but still not integrated
- > Each market with own tactics to stimulate new capacity additions
  
- > Financial implications:
  - Investments in integration and capacity are significant
  - Political risk, volatile economic performance affect investor's confidence/spreads
  - Chile and Brazil ahead of their regional peers in the competition for private capital
  - Volatility remains the key issue



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