

» He pointed out that the two resolutions protect the final consumer from higher gas and electricity prices, raising questions over who will assume the higher costs. “Last week’s announcement was quite confusing. There’s still much discussion inside the government about the actual implementation of price increases,” Roitman added.

Meanwhile, Argentina’s utilities continue to lose money selling gas and electricity at below cost. On Friday, the main integrated electricity company Pampa Energía reported a net loss of \$24.6 million for the third quarter of 2011. The largest electricity distributor Edenor posted a net loss of \$8.6 million for the same period a day earlier. These losses are taking their toll. Argentina’s largest gas distributor, Metrogas, has been in administration since the middle of 2010.

Residential gas prices in Argentina have stayed the same since 2001 at about \$0.5-1 per million Btu (MMBtu). Meanwhile, wellhead prices for producers have risen at a glacier pace to about \$2.5/MMBtu at the middle of 2011, according to energy consultancy Wood Mackenzie. These prices have stalled investment throughout the entire gas sector. This has prevented Argentina from exploiting its large deposits of unconventional gas and force it to increasingly rely on the expensive LNG imports to feed the runaway subsidised demand.

In this context, Roitman said the value of last week’s resolutions appears to be largely symbolic. “It’s a signal to the energy sector that the issue of subsidy reductions will be on this government’s agenda,” he explained.

The expectations for further price reform do appear to be growing. After falling on de Kirchner’s re-election last month, the energy stocks on the Buenos Aires stock exchange have begun a cautious rise last week. ■

Contact Anatoly at [anatoly.kurmanaev@interfax.co.uk](mailto:anatoly.kurmanaev@interfax.co.uk)

#### GAS TO POWER | CENTRAL AMERICA

## Regional power line boosts LNG import prospects

Anatoly Kurmanaev

CENTRAL America will be closer to becoming a natural gas user when the first regional power interconnector launches next year. But experts warn better power market integration will be required to make LNG imports in the energy poor region financially feasible.

The ambitious interconnection project, known as Sistema de Interconexión Eléctrica para América Central (SIEPAC), will connect the electricity markets of six Central American countries through a 1,800 km power line. The cable, stretching from Guatemala to Panama, is 90% complete and will have maximum initial capacity of 300 MW with the possibility to expand to 600 MW.

Once online in 2012, the interconnector will theoretically allow Central American power generators to trade capacity across borders, taking advantage of fluctuating demand and price differences.

By combining six small power markets into one, SIEPAC is expected to create the critical mass required for a new generation of energy projects, such as LNG import plants and renewables.

“LNG and natural gas is an interesting possibility for Central America,” said Jeremy Martin, the Energy Program Director at California-based think tank Institute of the Americas. “Indeed, it is

that kind of project that SIEPAC and regional integration are meant to foster,” he added.

A public tender is already underway in El Salvador to build an LNG-to-power complex which could supply up to three nations bordering the Gulf of Fonseca from 2016 (see *Gas may transform El Salvador into regional energy hub*, 7 October 2011).

Switching to gas-fed power generation will allow Central American countries to reduce their dependence on expensive liquid fuels, which are ravaging the already fragile budgets in one of the hemisphere’s poorest regions.

However, the regional marketplace required to make the LNG terminal a reality is not yet in place.

“Even though there will be a physical power line, the extent to which power will be moving from one country to another is unclear,” Martin said in an interview to *Interfax* on Thursday.

One of the key hurdles is SIEPAC’s poor transmission rights. Under the current framework, power companies can only rent transmission capacity for up to one year. This is not nearly enough for securing power sale agreements.

Gas expert Chris Goncalves of United States consultancy Charles River Associates agrees. “Although

the SIEPAC capacity and the market rules in Central America make cross-border power sales quite feasible, in some cases transmission and other costs make wheeling power across borders economically prohibitive,” the consultancy’s vice-president told *Interfax* in emailed comments on Wednesday.

The problem appears to stem from insufficient political trust among the Central American neighbours. In a region almost synonymous with instability, governments are wary of handing over security of energy supply to providers based elsewhere.

“It’s one thing to agree on building the infrastructure and another to implement the rules allowing the exchange of power,” Martin explained. A final draft of the SIEPAC regulations will be published in April.

“It can seem like a cart before the horse but another just as valid description is the famous ‘if you build it, they will come,’” he said.

Next year, Panama, Guatemala and El Salvador will separately hold tenders for electricity supply contracts. In all three cases, the auctions are open to suppliers in other countries. The first test of SIEPAC’s effectiveness is soon approaching. ■

Contact Anatoly at [anatoly.kurmanaev@interfax.co.uk](mailto:anatoly.kurmanaev@interfax.co.uk)

## Americas in brief

**Chesapeake Energy** plans to generate \$13 billion for 2012 based on future asset sales; and operating cash flow should provide \$6 billion next year, to help reduce debt and meet operating expenses, Chesapeake

said in a November investor presentation published on its website.

**Argentine** oil and natural gas industry workers in the Neuquén, Rio Negro and La

Pampa energy-producing provinces will start a 24-hour strike from Tuesday evening as Argentina’s annual inflation rate, running at 20%, has increased stoppages across the country, *Reuters* reported.