

Latin America's Emerging Regional Natural Gas Pipeline Network

One serious problem currently facing Latin American countries is their antiquated energy infrastructure, particularly that for natural gas transportation. This problem could grow even more acute as Latin American natural gas consumption has been predicted to grow as much as four to five percent annually through 2005, a substantially larger growth rate than the two-percent forecast for worldwide annual growth.^a Much of this growth will come from electricity generation expansions. Concurrently, heightened environmental concerns strengthen natural gas demand for both power generation and other uses. The two primary Latin American destinations for natural gas shipments, Brazil and Chile, have substantial air pollution problems.

To address these difficulties, natural gas pipeline projects costing nearly \$7 billion are either under construction or under active consideration. These proposed transportation pipeline construction projects will add more than 6,000 miles of new natural gas pipeline and will connect natural gas-producing areas in Argentina, Bolivia, Colombia, and Peru with consumers in Brazil and Chile, and seaports for export markets. Other projects also under consideration will connect Argentina with Paraguay and Uruguay.

These projects offer substantial opportunities for foreign companies. Several international companies are involved in these projects, two of which are U.S. companies--Enron and Tenneco. Both companies are engaged in several Latin American pipeline and associated electricity generation projects. Perhaps the most significant is the construction of the largest pipeline project in Latin America, the \$1.5-billion, 2,050-mile Bolivia/Brazil pipeline.^b Enron will have a 34-percent share in the Bolivian segment and an 8-percent share in the Brazilian segment.^c Tenneco Gas is one of the principals in the Brazilian segment of the Bolivia/Brazil pipeline and in a \$700-million, 750-mile Argentina/Chile pipeline. Tenneco holds a 25-percent share in each of these projects.^d

The recent proliferation of regional trade accords has done much to lay the legal and commercial foundations necessary for these natural gas transportation projects to get underway. These trade associations generally involve neighboring countries: the Andes Group (Grupo Andino), the Southern Cone Common Market (Mercosur), and the Group of Three Amigos.^e It is likely that the development of these trade associations and the rise in their significance resulted in sufficient cooperation to undertake such a monumental set of construction projects. Further, as the natural gas pipelines become a reality, the pipelines will be tangible evidence of the benefits of cooperation between Latin American countries. Thus, the cooperation that led to the pipeline projects may be strengthened further by the pipeline projects.

^aEnergy Information Administration, *International Energy Outlook 1996* (DOE/EIA-0484(96)) (Washington, DC, June 1996), p. 9.

^b"Bolivia-Brazil Gas Pipeline About to Take Off: Seen As Litmus Test for Southern Cone Gas Grid," *Oil and Gas Journal* (August 7, 1995), p. 39.

^cEnron Corp., *1994 Annual Report to Shareholders and Customers*, p. 26.

^dTenneco, *Tenneco 1994 Annual Report to Shareholders*, p. 36.

^eThe Andes Group includes Bolivia, Colombia, Ecuador, Peru, and Venezuela. Mercosur includes Argentina, Brazil, Paraguay, and Uruguay. The Big Three includes Colombia, Mexico, and Venezuela. See "Focus on the Grupo Andino," *Latin America Regional Reports* (April 20, 1995), p. 4.