Investment Requirements For Energy Sector Development

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Frank Alcock, vice president of the Venezuelan state-run oil company PDVSA, recently told daily newspaper Economia Hoy that US$125 billion worth of investment over the next four years would be necessary for Latin America to become a major petroleum exporter. In addition, he said, legislation promoting foreign investment in energy resources development is required. PDVSA, the world's third largest oil company, was forced to cut back on an ambitious expansion plan this year. Proven petroleum reserves in the Latin American/Caribbean region total 121 billion barrels, or 12% of global reserves. In 1991, regional oil output came to 7.8 million barrels per day, and consumption, about 5.4 million bpd. The two figures were equal to 7% of global production and 5.4% of worldwide consumption, respectively. According to Alcock, the US is a logical market for increased Latin American petroleum output. The US consumes 25% of global output, and controls only 4% of reserves. Alcock said most of the increased oil exports made possible through large-scale foreign investment would come from Venezuela and Mexico. The two nations account for 91% of the region's reserves. Output by smaller oil producers increased 47% during the past decade to 2.2 million bpd. Most of the production growth took place in Brazil, Colombia and Ecuador. Production remained constant in Argentina and Chile, and declined in Bolivia, Peru and Trinidad & Tobago. Alcock said regional energy efficiency is poor, evidenced by the fact that energy intensity increased by 10% over the past 25 years. According to the Latin American Energy Organization (OLADE), because governments control most crude oil and natural gas companies, the region's huge foreign debt hampers energy sector development. Next, closing the gap between electricity demand and supply will require about US$15 billion of investment over the next 10 years. (Source: Inter Press Service, 10/06/92)