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Tensions Mount In Wake Of Malvinas/Falklands Oil Strike

by Benjamin Witte-Lebhar

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A long-forecast "black-gold" rush appears to be underway around South America's Falkland Islands/Islas Malvinas even as the rest of the world, shocked by an unfathomable ecological disaster unfolding in North America's Gulf of Mexico, slowly wakes up to the risks of off-shore oil drilling.

For the past several months, the aged oil rig Ocean Guardian has been quite literally testing the waters around the islands, which lie some 450 km off the southern coast of Argentina and were the site, in 1982, of a brief but bloody war between Argentina and Great Britain.

A British overseas territory since the 19th century, the Falkland Islands (as they're known in the UK) continue to be claimed by Argentina, where they go by the name Islas Malvinas. In 1982 British forces beat back a short-lived Argentine invasion of the islands. The war lasted roughly 10 weeks and cost the lives of 649 Argentine and 255 British soldiers.

Stationed for two decades in Europe's North Sea, the Ocean Guardian arrived in the South Atlantic this past February and immediately went to work searching for a treasure trove of oil and natural gas long believed to lie offshore from the islands. The Edinburgh-based British Geological Survey suspects the area could yield as much as 60 billion barrels of oil and natural gas, making it one of the planet's principal reserves (NotiSur, Jan. 8, 2010). Even a portion of that could mean an economic bonanza for the oil companies involved, the British government (via corporation taxes and royalties), and the approximately 3,000 people who call the Falklands home.

The rig is being shared by a handful of exploration companies, including Desire Petroleum, whose first drilling attempt proved negative. On May 6, however, the firm Rockhopper Exploration named after a penguin species native to the islands announced it did strike oil, causing its stock to surge. With millions pouring in from investors, Rockhopper plans to explore a second site later this year. In the meantime, Ocean Guardian is now operating on the Toroa site, this time for BHP Billiton and its minority partner Falkland Oil and Gas.

"The outcome is great news in itself, but it also demonstrates that small operators, with the correct planning by the company, combined with the right support from outside experts and quality contractors, can work to the highest industry standards in terms of health, safety, and respect for the environment whilst achieving excellent operational results," Rockhopper, an English company formed just six years ago, explained in a May 19 press release.

Argentina demands dialogue, receives cold shoulder

Not surprisingly, Argentina is not sharing Rockhopper's enthusiasm about the oil strike. Despite its failed 1982 invasion, an ill-fated move by Argentina's then military government, the South American nation has never given up its claim on the Islas Malvinas. In April 2009, even before the Ocean Guardian began its cross-Atlantic odyssey from Scotland, Argentina presented the UN with a formal claim to the entire coastal shelf that includes not only the Malvinas but the South Georgia and South Sandwich Islands, also British controlled.
The launch of exploration efforts earlier this year and Rockhopper's subsequent oil strike added even more urgency to Argentina's diplomatic grievances. In February, Argentina announced it would begin requiring permits for ships traveling to or from the islands through Argentine territorial waters, warning also that it would take "adequate measures" to stop the drilling.

Then British Shadow Defense Secretary Liam Fox fired back, saying, "No amount of intimidation" would change the UK's claim on the Falklands. Britain calls it an issue of "self determination," meaning the islands' residents, almost entirely of British descent, want to remain part of the UK.

Last month, Argentine President Cristina Fernández de Kirchner raised the issue during an EU-Latin America summit in Madrid, Spain. The UK, fresh off a change of government, rebuffed the Argentine leader's calls for dialogue. Foreign Office Minister of State for Latin America Jeremy Brown said Britain's new coalition government has "no doubt about our sovereignty over the Falkland Islands. The principle of self determination as set out in the UN charter applies. There cannot be negotiation on sovereignty unless and until the Falkland Islanders so wish."

**Lessons from the Gulf of Mexico**

During the past two months, however, another important wrinkle in the debate has emerged quite literally from the sea floor of the Gulf of Mexico. On April 20, a deadly explosion occurred on a British Petroleum-owned oil rig off the coast of Louisiana, killing 11 workers. Two days later, the platform sank, unleashing an oil slick that soon reached surrounding coastlines. Two months later, the leak widely considered the worst environmental disaster in US history continues to spill oil into the sea at a staggering rate of some 45,000 barrels per day.

"Today, as we look to the gulf, we see an entire way of life being threatened by a menacing cloud of black crude," US President Barak Obama said in a nationally televised speech June 15. "We cannot consign our children to this future. The tragedy unfolding on our coast is the most painful and powerful reminder yet that the time to embrace a clean-energy future is now."

The disaster lends tremendous weight to arguments long put forth by environmental groups, which insist offshore oil drilling is hazardous even without the kind of worst-case scenario unfolding in the Gulf of Mexico. Spills can occur not just from oil wells but also from tankers or local pipelines. Routine drilling, furthermore, introduces numerous toxins and chemicals into the water. And oil rigs, argue opponents, are only the tip of iceberg in infrastructure needed for full-scale oil extraction. In the case of the Falklands, that infrastructure docking stations, pipelines, canals will need to be built along the islands' pristine coastline, home to huge populations of penguins, seals, and other marine species.

The lessons of BP's offshore Louisiana spill were not lost on Argentine authorities, who touched on the issue during a General Assembly of the Organization of American States (OAS), held June 8 in Lima, Peru. "They are trying to exploit resources that don't belong to them. Besides, the environmental impact their actions would have in the region could be terrible, such as what is currently happening in the Gulf of Mexico," said Argentine Foreign Minister Jorge Taina. "In addition, there is the belligerent and aggressive attitude the British government has, which is also a concern for the continent as a whole."

The OAS voted unanimously on a resolution calling for dialogue between the British and Argentine governments. The document "reaffirms the need for the Governments of the Argentine Republic
and the United Kingdom of Great Britain and Northern Ireland to resume, as soon as possible, negotiations on the sovereignty dispute, in order to find a peaceful solution to this protracted controversy."

British authorities rebuffed the overture. The conservative English press, meanwhile, lamented what it views as a change in Washington’s position vis-à-vis the sovereignty debate. Not only did the US support the OAS resolution, but US Secretary of State Hillary Clinton, during a March visit to Argentina, said the Obama administration "would like to see Argentina and the United Kingdom sit down and resolve the issues between them across the table in a peaceful, productive way."

While commenting on the issue, Clinton reportedly referred to the islands as "Las Malvinas" a huge faux pas by British standards. London’s Daily Telegraph said the US has shown it is no longer "neutral" (its official position during the 1982 war) on the matter.

**Problems in the neighborhood?**

The rush to drill in the Malvinas also promises to complicate South American regional dynamics. Overall, Argentina's neighbors as evidenced by the OAS vote back its claim on the islands. Even old rivals like Chile, whose former dictator Gen. Augusto Pinochet (1973-1990) sided with Britain during the 1982 conflict, are now sympathetic to Argentina’s position.

Economic incentives, however, can sometimes trump diplomatic sensibilities especially when billions of potential petrol pesos are at stake. Late last year the Chilean daily El Mercurio reported on a series of meetings between Chile’s state-run Empresa Nacional del Petróleo (ENAP) and top executives from Falkland Oil and Gas, which is seeking a regional partner for both exploration and eventual extraction. ENAP is strategically positioned for such a partnership as it already operates relatively close to the Falklands.

News of the meetings clearly ruffled feathers in Argentina. Eager to avoid a showdown, the government of outgoing Chilean President Michelle Bachelet (2006-2010) was quick to downplay the issue, insisting ENAP has no plans for a pending partnership. Power in Chile, however, has since changed hands. New President Sebastián Piñera has made no indication he plans to shift gears. In recent years, however, he did have a business interest in the contested islands through LAN Airlines, which operates regular flights there. Piñera, a billionaire, owned a majority stake in LAN Latin America's largest carrier until just two months ago, when he finally buckled to political pressure and sold his stock.

The LAN flights have long been a source of controversy for the more extreme proponents of Argentine sovereignty over Las Malvinas. Just last week, the veterans group Asociación Civil Combatientes en Malvinas de Buenos Aires carried out a protest in the Argentine coastal city of Río Gallegos, where the twice-monthly LAN flight makes a stopover before heading off to the islands. With the airplane still on the runway, protestors unfurled an Argentine flag and let off blue and white smoke bombs, Argentina's national colors. Veterans groups are demanding LAN suspend service to the Malvinas. They are also demanding an immediate end to Britain’s oil-exploration efforts.

"We announce our most emphatic objection to plans by the British government to unilaterally and illegitimately seek natural resources in what is Argentine territory," the group Federación de Veteranos de Guerra de la Provincia de Buenos Aires explained in a recent press release. "We consider these types of actions an aggression against our country."