



Colombia

Ecopetrol

Fracking

Shale

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Colombian fracking edges closer to reality

Mindful of the country's energy security, the government is looking towards its shale assets

Colombian president Ivan Duque is no stranger to controversy. His attempts to alter a landmark war crimes tribunal this year, the special jurisdiction for peace (JEP), were sizeably defeated in the House of Representatives, only for cross-party disputes to return the veto back to the Constitutional Court. Now he aims to resurrect an equally contentious issue: fracking.

Colombia has mooted fracking for several years. In 2014, the government offered up several shale blocks for auction, but no licenses were approved. This year, two shale pilot projects were shelved by licensing authority Anla after operators US independent ConocoPhillips (80pc stake) and Canada's Canacol (20pc stake) failed to meet minimum environmental requirements.

Despite environmental concerns, Colombia is now being forced to address its rapidly depleting oil and gas reserves. The last estimate, undertaken in 2018, projected the country had only 6.2 years of proven oil reserves remaining, while state-owned oil and gas firm **Ecopetrol**, despite adding 307mn bl oe to proven reserves in 2018, has only slightly better figures at 7.2 years.

"No major discoveries of the likes of Caño Limón in the 1980s or Cusiana Cupiagua in the 1990s, or the massive expansion of Rubiales in the 2000s have been seen since," says John Padilla, managing director at IPD Latin America, an energy consultancy. "Colombia's unconventional prospectivity has the potential alone to triple proven oil reserves, based on government estimates."

An about turn

Last year, throughout the electoral campaign, Duque promised he would not allow any development of fracking, should he be victorious. But, since taking office, he appears to be backtracking. In February, a commission of experts set up by the government to assess the feasibility of widescale fracking recommended provisional pilot tests to assess the potential impact on local communities and water supplies.

On 3 May, Congress approved the government's national development plan (NDP). While the legislation does not specifically cite either "fracking" or "unconventionals", the plan names another document as integral to the NDP. Within this document, it highlights the importance of carrying out research and pilot explorations to guarantee exploration in a responsible manner.

"The Colombian NDP, recently approved, allows the national hydrocarbon agency to establish areas for exploration and production of unconventional resources in Colombia," says Armando Montes, manager Latin America at GLJ Petroleum Consultants, a consulting firm. "This development plan also requires the minister of energy and the minister of environment to update (if necessary) the regulations towards the exploration and production of these resources."

Ecopetrol is expected to lead the fracking pilots. In its budget, the company has allocated \$500mn to invest in 20 test wells over the next three years.

Last year was a particularly strong one for the company. Net profit totalled COP11.6tn (\$3.48bn), the highest in five years, while Ebitda stood at COP30.8tn, the highest ever recorded. The company also reduced its gross debt /Ebitda ratio to 1.2 in 2018, down from 1.9 in 2017, the lowest in five years, and paid off \$2.5bn in debt. In total, the state firm achieved annual production of 720,000bl/d oe.

"**Ecopetrol** is the only company to be given the go-ahead. Do not expect much development from other private companies," says Eileen Gavin, senior Latin America analyst at Verisk Maplecroft, a risk consultancy.

Growing hostilities

Despite the government push, there is still plenty of opposition to fracking. On 2 May, before the NDP went to congressional vote, the House of Representatives, backed by 50 parliamentarians from the Green Alliance, Alternative Democratic Pole, MAIS (Movimiento Alternativo Indígena y Social), Farc and a section of the liberal party presented a proposal to try to remove fracking from the NDP. The proposal was defeated by 91 votes to 27.

Carlos Andrés Santiago, spokesman for the Alianza Colombia Libre de Fracking, an anti-fracking organisation, highlighted the confusion surrounding the lack of regulatory framework, adding that, without one, the pilots would be illegal.

There is also the security situation in Colombia, should the pilots go ahead and prove successful. This year the Transandino and Caño Limón pipelines, while not close to potential unconventional resources, have frequently been attacked. The stand-off between the government and the National Liberation Army has been particularly tense following a car bombing in Bogotá in January and shows no sign of easing. Unconventional assets are also often near indigenous lands, which could pose further headaches.

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