



International financial institutions and their role in Vaca Muerta

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EXECUTIVE SUMMARY

The extraction of Vaca Muerta's shale oil and gas reserves seems to hold the key to increasing Argentina's exports, bringing in much-needed foreign currency to pay the external debt, and leaving behind the country's energy crises.

Vaca Muerta's energy projects depend on international financing. In the case of shale oil and gas, investments needed are much higher due to fracking's economic costs. This type of extraction can only be supported through state subsidies and constant financing, due to the wells' shorter lifespan.

The document studies which are the main actors involved in Vaca Muerta financing. These include public banks (development banks and export credit agencies) and private banks (investment funds and commercial banks).

The investments needed for the extraction of fossil fuels in the Neuquén basin include exploitation, extraction, transportation, and refining activities. A central aspect of this analysis is the financing of infrastructure megaprojects such as a gas pipeline (the first stage between Tratayén [Neuquén]-Saliqueló [Buenos Aires]-San Jerónimo [Santa Fe] and the second one to Brazil) and the upgrade of the Tren Norpatagónico (North Patagonic Train). In both negotiations Chinese investors have been involved, but there is still no defined source of finance (but it is known that it will be a Chinese financial institution).

Among public banking institutions that have granted financing to projects in Vaca Muerta are the Inter-American Development Bank (IADB) and the International Finance Corporation (IFC, part of the World Bank Group). Moreover, Vaca Muerta's exploitation has been recommended by the International Monetary Fund.

Export credit agencies (ECA) found to be involved in Vaca Muerta include United Kingdom (UK) Export Finance (UKEF, United Kingdom), Compagnie Française d'Assurance pour le Commerce Extérieur (COFACE, France), Export Development Canada (EDC, Canada), Export-Import Bank of the United States (EXIM), and Overseas Private Investment Corporation (OPIC, now part of the US International Development Finance Corporation, DFC).

Private banking institutions include investment funds such as Riverstone Holdings (UK) and Trafigura Group Pte Ltd (Switzerland), and banks such as HSBC (UK); BBVA Francés (Spain); Itaú (Brazil); BNP Paribas (France); Bancaribe (Venezuela); Goldman Sachs, Bank of America, Citi, JP Morgan (Venezuela); Goldman Sachs, Bank of America, Citi, JP Morgan (all of them from United States) and the Industrial and Commercial Bank of China (ICBC, China). In some cases, financing has been done through multilateral organizations.

High dependence on international financing seems to limit Vaca Muerta's capacity to bring in much-needed foreign currency to overcome Argentina's debt and currency crises since these fossil fuel companies must repay their loans in foreign currency.

While Global North financial institutions invest millions in extractive projects, the pledges on climate finance for Global South countries are still not fulfilled. Thus, the financial sector should play the lead role in the transition to net-zero economies and also modify its practices for them to be aligned with the Paris Agreement climate policy goals.