ARGENTINA ENERGY ROUNDTABLE

US- Argentina Collaboration, Energy Transition and Natural Gas

SUMMARY REPORT

JUNE 2024
Executive Summary

On May 8, and on the occasion of a visit by a delegation from the United States Department of Energy to Argentina, the Institute of the Americas, together with our partners at the University of Buenos Aires/CEARE, were honored to feature this unique bilateral dialogue at our annual Argentina Energy Roundtable. It is a crucial moment for US-Argentine relations and nowhere is that more important than for the energy sector.

Our event agenda and discussions focused on US-Argentina energy and critical mineral collaboration, investment incentives and mechanisms for increasing investment, energy transition minerals and renewables, as well as natural gas as a tool for decarbonization. The Roundtable also considered the outlook for the energy sector writ large under the Milei administration and YPF specifically.

The following is a summary report based upon discussions at the May 8 Roundtable.

Developing Argentina’s Extractive Infrastructure and Energy Grid

Argentina possesses immense hydrocarbon and mineral wealth. Vaca Muerta alone holds the second largest gas and the fourth largest unconventional oil reserve in the world at 308 trillion cubic feet of gas and 16 billion barrels of oil and condensate respectively. The provinces of Salta, Jujuy, and Catamarca in Argentina’s dry north together possess the second largest global lithium resource endowment at 17 million metric tons of potentially exploitable lithium. Argentina also has favorable climate conditions for multiple renewable energy technologies including solar, wind, biomass and geothermal energy, which has made the country a prime candidate for a potentially highly successful green hydrogen industry. Despite the vast potential of these vast endowments, Argentina faces an uphill battle developing these resources with the lack of investment, infrastructure, and expertise being key impediments to development.

Natural Gas and Vaca Muerta

A large part of the discussion at the Roundtable revolved around the immense development potential of Vaca Muerta’s natural gas reserves.

YPF’s CEO, Horacio Marín, underscored his mission to increase the value of YPF by four times over the next four years with the potential of YPF generating $24 billion by 2030.
He outlined that YPF would achieve this goal by:

1) Reducing participation in mature oil fields devolving management to smaller more nimble companies with the eventual goal of 80% of YPF’s focus directed at non-conventional hydrocarbon resources in Vaca Muerta.

2) Renting a LNG processing barge by 2027 that will serve as the basis for LNG processing expansion in Argentina with the eventual goal of establishing onshore infrastructure by the end of 2031.

Marin along with other panelists emphasized that achieving these objectives would require the creation of a favorable investment environment to develop necessary infrastructure.

In a separate panel, the CEO of Tecpetrol, Ricardo Markous reiterated the importance of favorable investment conditions arguing for clear regulation and investment incentives to stimulate regional natural gas integration so natural gas supply can move to the location of demand.

Similarly, the Vice President for Latin America and General Manager of Argentina and Brazil at Excelerate Energy, Gabriela Aguilar emphasized that Argentina is the keystone to regional energy security. She also cautioned that scaling LNG infrastructure will be a challenge given the scale of projected demand, especially regarding the country’s future centrality in global natural gas provision. Her comments once again highlighted the indispensable role of foreign investment for achieving Argentina’s development goals.

The Chief Commercial Officer at CGC, Victoria Sabbioni made the important additional recommendation that the value of previous learning in shale gas development would allow for accelerated development of Vaca Muerta, highlighting the potential of the United States as a partner providing valuable expertise.

**Lithium and the Battery Supply Chain**

Given the difficulty of investing in lithium in Chile and Bolivia because of a stringent regulatory environment and political uncertainty respectively, Argentina “remain[s] attractive for investors looking for new exploration projects,” despite partisan divides and history prevalent in economic crises. Even with these challenges, Argentina has succeeded in stimulating investment in lithium production with a 60% increase of production from 2015 to 2017 and 111% increase in exports in 2016.

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2 Vasquez, Patricia. “The Lithium Triangle.”
With the passage of the Inflation Reduction Act (IRA) in the United States in 2022 and the corresponding rise of industrial policy in the Global North, Argentina has expressed great interest in capitalizing on the multitude of new financial incentives aimed at critical minerals.

This interest first materialized when the United States signed a trade deal carving out a unique agreement with Japan to take advantage of the tax credits within the IRA, which were originally limited to US free trade partners. This interest builds on Argentina’s centrality for the US’ supply of lithium of which 51% comes from Argentina.  

Speaking to the newfound interest in deepened trade relations with the United States, the Argentine Mining Secretariat’s Investment Director, Jorge Gonzalez, shared that the Argentine government is currently in negotiations with both the EU and the United States to sign mineral security partnerships. Gonzalez expressed that these actions were key first steps in securing necessary investment into infrastructure in Argentina’s North West to make expanded lithium extraction possible.  

Susana Peralta, the president of Camyen SE, the state-owned enterprise focused on mining and energy in the province of Catamarca, highlighted the optimistic outlook for initial investments into mineral exploration. She noted recent investments into the province on the part of Indian firms like GreenKo and Kabil as well as the Argentine-Israeli firm Meridion del Plata. She emphasized the large amount of area suitable for investment as well as the long term goal of signing five mining explorations contracts, which could lead to mergers and acquisitions by larger companies down the road.  

Nonetheless, China’s significant presence in the lithium sector casts a long shadow over efforts aimed at securing investments from the United States and the EU. According to figures from 2021, 40% of lithium exports went to China with the United States making up a significantly smaller portion at 11%. Also importantly, China makes up 22% of mergers and acquisitions in the Argentine lithium industry. This approach demonstrates an investment strategy in which China focuses on projects in advanced stages.

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where exploration is complete, and extraction has begun. China engages these M&As with the end goal of controlling the production of battery grade lithium and eventually exporting it to China.

Accordingly, the persistent influence and control of China within the lithium industry could lead to significant tensions as Argentina tries to enhance trade ties with the United States and the European Union, especially in regard to the Foreign Entity of Concern (FEOC) provisions within the IRA that prevent access to US tax credits when critical minerals are processed in designated FEOCs like China.

The Energy Grid

Argentina’s electricity grid faces significant challenges that require enormous improvements and investments. Much of the country’s grid infrastructure is outdated and struggles to meet the current demand. Worse, the system is insufficient to meet the growing demand for electricity, especially in the context of the expanded usage of renewable energy.

Discussions at the Roundtable highlighted how both the United States and Argentina are grappling with grid networks that are not yet fully prepared for the transition to green energy. As has been frequently noted, there can be no transition without transmission. Therefore, the expansion and enhancement of the grid in Argentina are pivotal to the country’s pursuit of a decarbonized pathway, particularly as the drive for electrification of many segments of the economy gains momentum. Under the leadership of the Milei Administration, Argentina is actively seeking a pathway to decarbonization, with the grid playing a crucial role in this transition.

Deputy Secretary Beljansky underscored the pressing need to address the grid reliability issues in Argentina. Deputy Assistant Secretary Urbanas, from the U.S. DOE, acknowledged the potential for the DOE to provide modeling and expertise to help Argentina overcome its grid challenges.

Managing the expected increase in electricity demand will require innovative grid management strategies. The DOE and Argentina could collaborate to manage and develop a grid capable of handling the increased flow of electricity. This collaboration could involve grid modeling, leveraging the DOE’s extensive computational capabilities.

Privatization mechanisms have yet to be sufficient to develop a more resilient grid in Argentina. Accordingly, creating a favorable investment environment is imperative for bolstering these privatization mechanisms, a necessity echoed by many of the comments voiced by panelists. In addition to more private investment, improving the grid entails greater regional grid integration in South America.

Addressing the necessity for grid improvement described above, Beljansky pointed to the importance of coordination between private and public actors and between provincial and federal governments to facilitate grid enhancements. She also highlighted the necessity of favorable financial conditions to attract investment into the grid. Argentina needs more grid infrastructure and reliability to support the growing push toward electrification, particularly in the
transport sector. The Régimen de Incentivo para Grandes Inversiones (RIGI) is one mechanism discussed to improve investment conditions.

Creating a Favorable Climate for Investment: Milei and El Régimen de Incentivo para Grandes Inversiones (RIGI)

**The Milei Administration**

The Milei Administration assumed office last December amidst formidable macroeconomic challenges. High inflation prompted fiscal adjustments while import restrictions and currency controls were promptly eased, aiming to stimulate economic activity. These actions were portrayed as initial steps towards navigating the complex economic landscape. Concurrently, ongoing reforms were introduced to revamp the business environment and facilitate integration into the global economy. The administration’s response reflects an attempt to grapple with the macroeconomic challenges at hand, with the ultimate goal of laying a foundation for a potential economic recovery.

A key characteristic of the Milei Administration is its proactive approach to encouraging foreign investment. It seeks to strategically tap into the nation’s rich resources of critical minerals and natural gas, particularly within the world-class Vaca Muerta field. By simplifying regulatory processes, the administration aims to entice foreign investors, positioning Argentina as an attractive hub for those interested in Argentina’s expanding domestic energy market as well as other regional markets in the Southern Cone.

Just before the Roundtable, on April 29, the Chamber of Deputies approved a legislative package known as the “Bill of Bases and Points of Departure for the Freedom of Argentines” (“Bases Bill”), which includes the framework known as the “Regimen de Incentivos para Grandes Inversiones” (RIGI), or Incentive Regime for Large Investments in English. Currently under discussion in the Senate, this bill aims to provide incentives, legal certainty, and protection for “Large Investments.”

**El Régimen de Incentivo para Grandes Inversiones (RIGI)**

The Incentive Regime for Large Investments (RIGI) in Argentina aims to attract both national and foreign mega investors by providing incentives, certainty, and protection of acquired assets. According to the regulations, projects eligible for RIGI benefits must meet certain investment thresholds. For instance, the minimum investment required is $200 million, with the possibility of sector-specific minimum amounts. Long-Term Strategic Export Projects, on the other hand, necessitate a minimum investment of $1 billion.
Under the RIGI, accepted projects benefit from a range of tax and customs incentives designed to encourage investment and enhance competitiveness. These incentives include exemptions from VAT and export duties, special depreciation rates, and a reduced 25% Income Tax rate. Moreover, projects enjoy foreign exchange incentives, such as exempting export proceeds from income obligations and unrestricted access to the exchange market.

One of the key features of the RIGI is the provision of regulatory stability in tax, customs, and exchange matters for a duration of 30 years from the date of accession. This stability provides investors with predictability and assurance, fostering a conducive investment environment. In case of disputes, RIGI mandates arbitration under established international rules, ensuring a fair resolution process.

Furthermore, the RIGI introduces a category of projects termed "Long-Term Strategic Export," which require substantial investment and are exempt from certain regulatory restrictions. These projects enjoy exemptions from obligations for minimum national purchases, stability in export authorizations, and are permitted to construct and operate new infrastructure exclusively dedicated to their respective projects. Additionally, under the RIGI, Single Project Vehicles (VPUs) that meet the criteria for "large investment" are eligible to participate. These vehicles play a crucial role in facilitating investment by providing investors with a streamlined and efficient mechanism to engage in large-scale projects.

Through these measures, the RIGI aims to promote economic development, boost exports, create jobs, and facilitate the coordinated development of natural resources in Argentina.


Panelists set forth the “importance and need for collaboration.” As the Roundtable’s opening session with U.S. Deputy Assistant Secretary Elizabeth Urbanas and Argentine Deputy Secretary Mariela Beljansky underscored, the US-Argentina relationship appears to be answering that call.

Deputy Assistant Secretary Urbanas highlighted providing capacity in managing methane and other greenhouse gas (GHG) emissions, as well as offering expert capacity to further advancements in decarbonization and grid deployment as key possibilities for cooperation. Importantly, Deputy Assistant Secretary Urbanas spoke of the possibility of strengthening trade ties in critical minerals but with a note of caution, citing that the DOE and other US partners are actively pursuing technologies that use fewer critical minerals. Urbanas highlighted Asian countries like South Korea and Japan as potential alternative recipients of Argentine critical minerals.
Methane Management and Fugitive Emissions

Throughout the panels, a major concern of Argentine stakeholders was building capacity to identify and address fugitive emissions, and establishing standards that align Argentine energy exports with foreign requirements. Urbanas highlighted opportunities for cooperation and expert advising, which addressed these concerns through engagement with two programs focused on managing methane and other GHG emissions:

- **Methane Emissions Program**: A collaboration between the DOE’s Office of Energy and Carbon Management (FECM), the EPA, and the DOE’s National Energy Technology Laboratory. It provides technical and financial assistance to improve methane monitoring and reduce methane and other GHG emissions from the oil and gas industry.

- **Greenhouse Gas Supply Chain Emissions Measurement, Monitoring, Reporting, and Verification (MMRV) Framework**: Based in the DOE Office of Fossil Energy and Carbon Management, this program focuses on building MMRV capacity to identify GHG emissions across the international natural gas supply chain and establishing robust certification and reporting mechanisms for the global marketplace.

Deputy Assistant Secretary Urbanas emphasized these programs as valuable for Argentina to meet the environmental standards and requirements of major natural gas consumers like Japan, Korea, and the European Union. Participation in the MMRV, in particular, would help Argentina build the oversight infrastructure necessary to align itself with international standards and the surety of meeting its off takers demands for increasingly lower carbon content natural gas and LNG.

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**Leveraging US Expertise through Federal Agencies and the National Laboratories**

As noted above, another major issue for Argentine stakeholders was accessing expertise in decarbonization and grid reliability. Several speakers highlighted the enormous value US national laboratories could provide across the board. One specific example noted was helping improve the identification process of key inputs necessary for more efficiently exploiting the country’s natural gas development. They also highlighted how the United State could provide expertise in extraction and the environment to help Argentina develop downstream portions of the lithium-ion battery value chain.

Urbanas agreed about the potential and vast value for Argentina that could be provided by many of the US National Laboratories. She noted that Argentina and the United States have already established strong ties through collaboration in the US government’s Net Zero
World program. This program supports partner countries in advancing their decarbonization goals by providing access to expertise across U.S. government agencies, the Department of Energy, and DOE national laboratories, which has helped Argentina with training in performance contracting and energy service company (ESCO) market development, and in developing a renewable energy laboratory.

Addressing Argentine concerns for increased grid reliability, Urbanas offered the possibility of advising through the new DOE Grid Deployment Office. This new office aims to support grid resiliency by working with stakeholders at all levels of government to create solutions that increase grid reliability and reduce energy costs. They provide valuable services like grid modeling and grid enhancements. Urbanas argued that the DOE could leverage the learning accrued at this office to advise Argentina as it navigates its own issues with its electricity grid.

**Next Steps**

From our standpoint, and based upon our discussions at the Roundtable, there are four key areas for further attention and next steps.

First is the need to continue to focus on infrastructure and storage capacity solutions for the nation’s natural gas sector. As this report was being prepared, an earlier and more severe than expected cold snap hit Buenos Aires. The corresponding demand spike for natural gas supplies caused an unexpected crisis for the Milei administration and energy team. Measures to prioritize family consumption and to offset the domestic supply gap with spot LNG cargoes were eventually implemented. As the crisis recedes, the structural issues and need to significantly increase the ability to deliver and make available greater amounts of natural gas to citizens must continue to be addressed.

Second is the importance of passing into law the pending legislation that includes the RIGI and many other pertinent policy aspects. Indeed, the natural gas crisis was made far worse due to the financial impasse that delayed offloading from a Petrobras vessel. Moreover, purchases of spot LNG cargoes reflects more of the same from a financial and balance of payments standpoint, not what the Milei administration is pursuing. The importance of RIGI to unleash investment was echoed by every panelist across the entire event. Horacio Marin, CEO of YPF, even went so far as to say without RIGI, the LNG export will not happen.

The third aspect also pertains to natural gas and the country’s competitiveness. To that end, Argentina and the country’s energy authorities (including YPF) should seriously consider and take steps to accede to the framework for the measurement, monitoring, reporting, and verification (MMRV) of GHG emissions across the international supply chain for natural gas.

Finally, with regards to critical minerals and the bilateral relationship with the United States, there should be a concerted effort to formalize the country’s participation in the Minerals Security Partnership or MSP. It is an important step to “promote diverse and resilient supply chains, local value-addition, and beneficiation” as the US State Department notes.

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About the Institute of the Americas

The Institute of the Americas is a non-partisan, independent nonprofit organization whose mission is to be a catalyst for promoting economic development and integration, emphasizing the role of the private sector, as a means to improve the economic and social well-being of the people of the Americas.

The Energy & Sustainability program has played a crucial thought-leadership role in shaping policy discourse and informing policymakers and investors on the most important trends in the energy sector. We focus on matters related to energy development, investment, natural resource use, and energy transformation in the Americas.

This report was prepared by Matthew Burditt, a first-year graduate student at the University of California San Diego’s School for Global Policy and Strategy (GPS), Mateo Miller, who just completed his master’s in international affairs at the University of San Diego, along with Juan Ignacio Carranza and Camila Mercure, students in the master’s program at the University of Buenos Aires/CEARE and the first two recipients of the Theodore E. Gildred Scholarship. They all joined us in Buenos Aires for the Roundtable. In addition, we would like to thank and acknowledge Raul Bertero and Griselda Lambertini at University of Buenos Aires/CEARE for their input on the report.