Argentina

The OECD Inventory of Support Measures for Fossil Fuels identifies, documents and estimates direct budgetary support and tax expenditures supporting the production or consumption of fossil fuels in OECD countries and eight partner economies (Argentina, Brazil, the People’s Republic of China, Colombia, India, Indonesia, the Russian Federation, and South Africa).

**Energy resources and market structure**

Crude oil and natural gas resources in Argentina include conventional onshore and offshore resources as well as unconventional shale. Although oil production in the country fell by around 30% between 2005 and 2017, enormous potential remains. As a result of increasing international oil prices and the implementation of local measures to encourage investment in the energy sector, production has started to show positive results since 2016 hydrocarbon. In particular, the government has put in place programmes fostering investment and production in the Vaca Muerta formation, the second-largest shale gas and the fourth-largest shale oil deposit in the world.

The Secretariat of Energy within the Ministry of Treasury is responsible for the policies in the energy sector. **Yacimientos Petrolíferos Fiscales (YPF)** is currently the largest oil and gas producing company in Argentina. Following its re-nationalization in 2012, the company has re-launched its exploration activities. YPF is also engaged in the transportation, refining, and distribution of gas and oil products, holding three refineries that account for 50.4% of the refining capacity in the country. The natural gas transportation pipeline system and distribution is privately owned. The National Gas Regulatory Agency (Ente Nacional Regulador de Gas - ENARGAS) sets rates for natural gas transmission and distribution. The transmission service is carried out by two companies: TGN and TGS, which connect the five existing basins with the rest of the country. In turn, gas distribution is carried out by nine companies. The electricity generation market includes a wholesale market, operated by Compañía Administradora del Mercado Mayorista Eléctrico S.A. (CAMMESA), where the generating companies—largely in private—sell their production. Electricity transmission is carried out by six regional transmission companies and one high-tension transmission company at regulated prices. The National Electricity Regulatory Agency (Ente Nacional Regulador de la Electricidad - ENRE) is responsible for regulating retail prices in the Autonomous City of Buenos Aires and Greater Buenos Aires. As of 2019, the National Government is planning to transfer the regulation of energy distribution companies that provide services to these regions to their respective local jurisdictions. In the rest of the country, provincial regulators are responsible for regulating retail prices.

**Energy prices and taxes**

In response to the devaluation of the Argentine peso in 2002, the government converted gas and electricity rates from their original value in US dollars into Argentine pesos at a rate of ARS 1 per USD 1. It also froze all regulated distribution and transmission prices, as well as energy payments to power plants. From 2002 to 2015, the energy policy was aimed at stabilising utility rates and fuel prices, mainly through consumption and production subsidies, because of the high inflation, volatile exchange rates and
increased production costs observed during this period. With the energy sector falling into deficit by December 2015, the government declared an “Energy Emergency” which stood in effect until December 2017. During this period, the government mandated regulatory agencies (ENARGAS and ENRE) to carry out a Comprehensive Rate Review to adjust utility rates, reflect real production costs and normalise the gas and electricity market. Since 2016, gas and electricity rates have been revised upwards in which consumer subsidies were gradually withdrawn while maintaining a social rate for the most vulnerable sectors. In the petroleum upstream sector, the government placed an end to various incentive programmes for the production of oil, but has introduced new incentive programmes for the production of natural gas in 2016.

The following year, the government launched the 2017 Tax Reform. The reforms introduced changes in the fuel tax scheme, replacing the ad valorem tax scheme on fuels by a flat tax amount in pesos adjusted by the inflation rate quarterly. The government also lifted local fuel price controls to make them gradually converge with real market prices. A carbon tax on fuels also took effect as part of this reform. Exemptions for taxes apply on fuels consumed in the southern and remote regions of the country.

**Total support for fossil fuels in Argentina by support indicator (left) and fuel type (right)**

Note: CSE=Consumer Support Estimate; PSE=Producer Support Estimate; GSSE=General Services Support Estimate.

**Recent developments and trends in support**

Compared to 2016, support for the energy sector in Argentina declined by 40% in 2017, but the devaluation of the Argentine peso (around 100%) during 2018 resulted in a strong increase in production costs. Preliminary and partial figures for 2018 indicate at least a 65% increase in government transfers to the energy sector, on the premise of securing domestic supply.

**Examples of measures**

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<tr>
<th>Incentive Programme for Investments in Developments of Natural Gas from Unconventional Reservoirs (2017-)</th>
<th>This programme established decreasing minimum prices—from USD 7.5 per MMBtu for 2018 to USD 6 for MMBtu for 2021—for new projects fostering natural gas production from unconventional reservoirs.</th>
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<td><strong>Tax Reform</strong> (2018-)</td>
<td>The 2017 Tax Reform replaced the previous tax scheme on fuels by a flat tax aimed at mitigating the variability in local fuel prices caused by fluctuations in international oil prices or the exchange rate. This reform also established a carbon tax on fuels (such as gasoline and diesel), and for the first time taxed fuel oil, petroleum coke and coal.</td>
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