Argentina will carry out an oil and gas engineering project with the support of a World Bank loan of $27 million. The project is aimed at strengthening the productive capacity of the oil and gas sector in order to support the government's efforts for achieving energy self-sufficiency.

The project is the World Bank's first operation in Argentina's hydrocarbon sector. With an estimated total cost of $49.6 million, the project will also assist in the strengthening of Yacimientos Petrolíferos Fiscales Sociedad del Estado (YPF), the government-owned national oil company.

Argentina's oil and gas sector ranks third in output and fourth in refining capacity in Latin America. Argentina has attained a high degree of hydrocarbon self-sufficiency, but imports in 1979 still accounted for 12.7% of domestic petroleum demand and 20% of natural gas demand, at a total cost of about $1 billion.

The project's main objectives are to improve information on countrywide oil and gas reserves as basis for a rational program of field development, to assist YPF in locating favorable geological structures in the Northwestern Basin and to assist the government to study the optimum development and utilization of the country's abundant natural gas resources.

The project includes studies for the audit of reserves covering 44 major reservoirs, to determine crude oil, gas, and condensate reserves in the various producing areas of the country. To date, only approximate methods have been followed for calculating proven reserves and little effort has been made to estimate the extent of probable and possible reserves.

The project also comprises about 1,000 line-kilometers of seismic surveys and a study of the optimum development and utilization of natural gas, primarily to avoid waste and to determine related investment requirements. Some 30% of the output of natural gas in Argentina is currently being flared, resulting in a significant waste of energy resources.

The project is expected to improve knowledge of the productive potential of the hydrocarbon sector which will also help attract private investment for petroleum exploration and production. It will also improve the use of Argentina's energy potential, especially that of natural gas.

The $27 million World Bank loan to YPF has the guarantee of the Argentine Republic. It has a term of 15 years, including 3 years of grace, with interest at 8.25 percent per annum.

NOTE: All money figures are expressed in U.S. dollar equivalents.