

5.1 GAS SECTOR: General Overview

History of Gas Fuels

The gas sector includes all gas fuels which are transported or distributed through pipeline networks. Until recently, *manufactured* and *town* gases were the most important gas fuels on the market. Historically, *manufactured* gas was initiated in Copiapo in 1851, later encompassing Valparaíso in 1856, and finally moving onto Santiago in 1966.

The mixture known as *town gas* includes natural gas and manufactured gas, and is produced from coal distillation, naphta cracking or a mixture of one of them with biogas. Biogas is a gas derived from trash landfills.

The first deposit of *natural gas* was discovered in Chanarcillo in 1950. In 1951 the first plant, Manantiales, was constructed in Tierra del Fuego. Since 1950, 23 deposits have been discovered and developed in the Cuenca de Magallanes region. In terms of consumption, development of natural gas was first used by the electricity generation sector, particularly in the city of Punta Arenas in 1965. Shortly after, in 1971, cities in the Magallanes region began using natural gas for domestic purposes.

Until recent years, production and consumption of natural gas was limited to the Magallanes region, under the sole jurisdiction of the state-owned petroleum company, ENAP. Within the national energy context, up until 1991, the significance of natural gas was extremely minimal, representing only 6% of total energy consumption in Chile. Contribution to total GDP was only around 0.1% at the beginning of the decade.

Economic and Energy Integration in Latin America

Throughout the 70s and 80s, countries in Latin America have tended to act independently, in both the political and economic contexts. The reasons for this are varied; attempts to isolate one's economy from fiscal imbalances elsewhere in the region, longstanding territorial disputes which tended to discourage cooperation, the adoption of export based development policies focussed on markets outside of the region, and so on. With economies essentially isolated from one another, it has been relatively easy for a given political leader to move a country toward--or away from--populist, centrist, and interventionist policies. Weak economic and energy ties between jurisdictions minimized the amount of external pressure on domestic policy development.

The Latin America of the 21st Century promises to be a much different political environment. Increasing economic ties, through a growing number of regional and international trade agreements, as well as through rapid energy integration may tend to bind countries closer together behind a common purpose and direction. The process of