

SECTOR OVERVIEW

Ecuador has been self-sufficient throughout its oil producing history, and a net exporter from 1928 to 1957 and since the early 1970s. All oil extracted before 1967 came from wells along the Pacific coast west of Guayaquil, but the oil industry did not really take off in Ecuador until the late sixties with large new discoveries in the interior on the eastern slopes of the Andes.

The two main events which mark the beginning of the oil boom in Ecuador both date from 1970: the opening of the Transecuadorian pipeline and the creation of the state oil company, CEPE. CEPE (Corporación Estatal Petrolera Ecuatoriana) was created by the Ecuadorian government by means of the Hydrocarbons Law of 1971, to regulate all hydrocarbon related activities in the country.

CEPE became active in exploration in the Oriente, developing new fields in the Aguarico Rise, the richest area of production. A seismic program of more than 9,000 kms in the 1970s produced 30 leads, thirteen of which were drilled. This led to eight discoveries, some of which have entered into commercial production. It is estimated that these discoveries could add in excess of 250 million barrels to current reserves.

Ecuador's proven reserves currently stand at between 1.2 and 1.5 billion barrels (natural gas reserves are 140 billion cubic feet). Opinions about the future of the industry range from a pessimistic forecast by the National Hydrocarbons Directorate (NHD), a government agency which supervises the sector, to a more encouraging conclusion from a World Bank study.

According to the NHD report, Ecuador will be able to export oil for only seven more years at current rates of production and barring major new discoveries. It predicts a decline in production from the present 314,000 barrels per day (bpd) to only 200,000 bpd by the year 2000. This would lead to a sharp reduction in exports if internal consumption continues to rise from the 1986 level of 112,478 bpd. The study suggests that simply to maintain the present production level, Ecuador would need to invest to the year 2000 about US \$720 million, or US \$60 million per year.

A brighter outlook is provided in a recent World Bank study, which suggests that Ecuador will be able to continue to export oil beyond the year 2000. This conclusion is based on the assumption that internal consumption will be limited through price increases and that as yet unexploited fields will come onstream. In order to increase reserves to the figures projected in this study, Ecuador would need to invest US \$140 million annually until the year 2000. In this way, production could be raised by 10,000 bpd in 1990, by 65,000 during 1995 (peak production), and by 35,000 bpd in 2000.