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POTEN TANKER OPINION

Don't Frack For Me Argentina

A new shale oil powerhouse is in the making

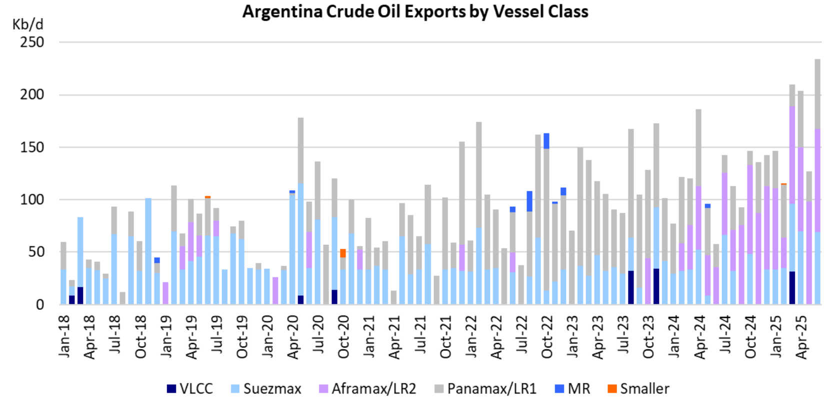
For more than a decade now, we have been talking about the shale revolution and how much hydraulic fracturing and horizontal drilling have revolutionized energy production. So far, the conversation focused almost exclusively on production from low-permeability rock formations in the United States. Bakken, Permian and Eagle Ford have become household names. However, the U.S. is not the only country in the world with significant recoverable shale resources. Reserves in Canada, Russia, China and Argentina also hold substantial potential that could alter global energy dynamics. Commercial production requires a unique combination of geology, technical knowhow, established infrastructure, innovative companies and a supportive policy environment. A constructive oil price is also important. Argentina is a case in point. Since 2021, favorable developments in the country have created the right environment for a surge in shale production in Argentina. In today's Tanker Opinion, we will discuss the prospects of further production growth and the potential for meaningful seaborne exports.

Argentina's oil production goes a long way back. The first commercial discovery of oil in the country was in 1907. During the early years, both private companies and Yacimientos Petroliferos Fiscales (YPF), Argentina's state oil company founded in 1922 were involved in exploration and production. Throughout the 20th century, there were periods where oil production was nationalized and YPF had a virtual monopoly. Privatization and liberalization in the 1990s led to a significant production boom and (conventional) oil output peaked at 847,000 b/d in 1998. However, production started to decline in the early 2000s due to ageing field and lower investment. The development of shale oil in Argentina has reversed the decline.

Argentina's shale oil deposits are concentrated in the Vaca Muerta Formation, which is located in the Neuquén Basin in the western part of the country bordering Chile. Geologists had known about the Vaca Muerta Formation for decades, but its breakthrough as a commercial shale play began in 2010, primarily driven by YPF. Vaca Muerta shale oil production has grown rapidly in recent years. In June 2025, Argentina's shale oil production reached 450,000 b/d. Vaca Muerta is on track to reach 1.0 Mb/d in 2030.

The rapid growth of Vaca Muerta production, which made Argentina a net exporter of crude oil, has focused the attention on expanding the country's export infrastructure. The 110,000 b/d Trasandino pipeline to Chile was reactivated in 2023. By October 2024, the Vaca Muerta North pipeline was finished, which increased the export utilization of the Trasandino pipeline.

Argentina Crude Oil Exports by Vessel Class



Source: Deloitte; Vortexa

The expansion of the Oldelval pipeline to Puerto Rosales will increase its capacity from 550,000 b/d to 750,000 b/d this year. This pipeline which services refineries in Bahia Blanca and (through a connecting pipeline) Buenos Aires also facilitates growing exports from Puerto Rosales. Some 150,000 b/d of Argentinian crudes are exported, mostly on Panamax and Aframaxes. The main destination is the United States. The biggest pipeline expansion is the new Vaca Muerta South pipeline which connects the shale formation to Punto Colorada on Argentina's east coast. The deep water, VLCC capable port will have a new storage facility and port terminal, which will double Argentina's oil export capacity. The project is expected to be completed in the second half of 2026, increasing Argentina's export capacity to 930,000 barrels per day, with an anticipated increase to 1.5 million barrels per day by 2030.

Argentina is making a big push towards boosting shale oil production and expanding pipeline and export capacity. If everything goes to plan, Argentina will become an increasingly important player in the global oil market. So far this year, Argentinian crude oil exports have already exceeded 200,000 b/d three times (in March, April and June). The average export volume in 1H 2025 increased more than 50% compared to the same period in 2024. While the exports from Argentina are currently dominated by Aframaxes and Suezmaxes, the completion of the Vaca Muerta South pipeline and related infrastructure will boost VLCC employment. This will probably also diversify Argentina's customer base, which is currently heavily dominated by the U.S.

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