Caracas, july 2005 • # 1

# The new PDVSA contact

A Newsletter about Venezuelan National Oil Industry

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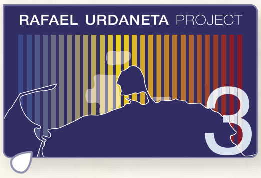
## Petrocaribe integration in motion

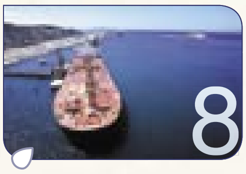
14 countries executed Petrocaribe Energy Cooperation Agreement last June 29 in Puerto La Cruz, on the north-eastern coast of Venezuela


**Full Oil Sovereignty** A revolutionary national oil policy




Companies await Venezuelan gas licenses

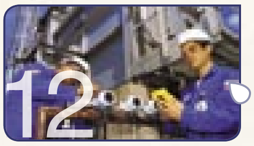

The Oil Sovereignty Plan




Venezuelan Ministry of Energy and Petroleum to take over control of export prices


**PDVSA** Cuba: Inaugural Office of Petrocaribe


**Mission Ribas:** Empowering Venezuelans




**PDVSA**´s Plan Europa

MINISTERIO DE ENERGÍA Y PETRÓLEO
REPÚBLICA BOLIVARIANA DE VENEZUELA

PDVSA

Solidarity and integration in motion

# 14 countries endorse the Petrocaribe Energy Cooperation Agreement

Caribbean high officials met last 29th June in Puerto La Cruz, a city on Venezuela's northeastern coast, to decide on the immediate creation of Petrocaribe, and towards this end signed the Energy Cooperation Agreement which sets guidelines for the implementation of this initiative.

The document in question defines Petrocaribe as an instrument that enables the development of energy policies and plans aimed at achieving the integration of Caribbean nations through the sovereign use of the region's natural energy resources, for the direct benefit of its peoples.

To achieve these aims, Petrocaribe is to be headed by a Ministerial Council, which will meet at least once per year, made up of the Energy Ministers of the respective countries. The responsibilities of the Ministerial Council include the coordination of policies, strategies, and long-range plans, along with the overseeing and holding accountable the Executive Secretariat's management, and approving the addition of new members or eventual separations.

The Executive Secretariat will be headed by the Minister of Energy and Petroleum of the Bolivarian Republic of Venezuela, and its functions will include the direct administration and management of Petrocaribe´s affairs, ensure the implementation and monitoring of the decisions taken by the Ministerial Council in conference, and submit to it the corresponding reports and recommendations.

**The governments of the region hailed this initiative put forward by Venezuelan President Hugo Chávez Frías, which seeks to guarantee energy security and promote social and economic development, as well as the integration of Caribbean countries through the sovereign use of energy resources, sustained by the guiding principles of the Bolivarian Alternative for the Americas (ALBA)**

### ALBA-Caribe Fund

For the purpose of contributing to the economic and social development of the Caribbean community countries, the ALBA-Caribe fund will be created to finance social and economic programs with contributions from financial and non-financial entities, from funds allocated from the financed portion of the oil invoice, as well as from savings generated by direct trade. To activate the Fund, the Bolivarian Republic of Venezuela will contribute an initial capital of US$ 50 million.

### PDV Caribe

In order to begin operations within the Petrocaribe framework, Petróleos de Venezuela (PDVSA) has set up a special purpose subsidiary under the name of PDV Caribe, which will begin operations immediately by providing shipping required to meet supply commitments.

Freights resulting from these operations will be billed at cost, thereby producing savings for the signatory countries of the Petrocaribe Energy Cooperation Agreement.

PDV Caribe guarantees a direct supply relationship, without third-party intermediaries, which will translate into further savings for consumer countries in the area. The company will also be responsible for organizing a logistics network of ships, marine terminals, and storage facilities, including, whenever possible, refining and distribution capacities with regard to fuels and other products, assigning priorities to the countries with the greatest needs.

### Compensation and financing mechanisms

In addition to the benefits already established in the San José Accord and the Caracas Energy Cooperation Accord, Venezuela will extend financing facilities to Caribbean countries with a lower relative development, based on quotas to be established bilaterally.

Long-term financing of 30% of the oil invoice is being contemplated when the price is greater than or equal to $40 per barrel, of 40% if it is $50 per barrel, and of 50% is the price reaches $100 per barrel.

### Energy efficiency

An essential aspect of the work to be undertaken by Petrocaribe will be to include energy savings programs in future supply agreements. It can for this purpose negotiate credits and exchange technologies, so that the beneficiary countries can develop programs and systems that are highly efficient in terms of energy consumption, as well as other means which will allow these countries to reduce their oil consumption and expand coverage.

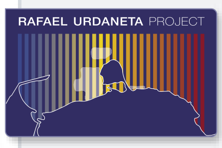
It is worth noting that, for the purpose of undertaking energy operations, the Petrocaribe framework requires the existence of state oil entities in the member countries. In this sense, Venezuela is offering technical cooperation for the setting up of the appropriate state entities in countries where they do not already exist.

The Petrocaribe Energy Cooperation Agreement was signed by Antigua and Barbuda, Bahamas, Belize, Cuba, Dominica, Grenada, Guyana, Jamaica, Dominican Republic, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, and Venezuela.

Additional information may be obtained at:
**www.mre.gov.ve**

The Rafael Urdaneta Project encompasses 29 areas in all, in which PDVSA estimates 26 TCF of potential gas reserves.

# 29 companies await to be granted 6 Venezuelan gas licenses next September




A total of 29 national and international companies ratified their interest in investing in Venezuelan gas in April 2005. These companies signed confidentiality and participation letters for Phase A of the Rafael Urdaneta Project, providing them with the project's data pack, as part of the company selection process for bidding on non-associated gas licenses of over six offshore blocks in the Gulf of Venezuela and off of Northeast Falcon, in the Northwest of Venezuela.

This level of participation is seen as quite a success for a process that began last March 31st , in Los Taques, in the state of Falcon, because these 29 companies are ratifying their confidence in the actions the Ministry of Energy and Petroleum has been undertaking.

These oil companies are from 15 countries: Australia, Argentina, United States of America, China, England, Russia, Japan, France, Brazil, Spain, Norway, Netherlands, Italy, Canada, and Venezuela.

Licenses to be awarded by the Ministry of Energy and Petroleum will have a duration of 25 years. The Venezuelan State may participate through Petróleos de Venezuela with up to a maximum share of 35%, once marketability has been declared. The gas produced will be mainly devoted to meet domestic demand, while any surplus can be exported, as set forth in the Organic Law on Gaseous Hydrocarbons. License awards are to be issued in September, 2005.

The Rafael Urdaneta Project is made up of a total of 29 blocks, 18 located

## Venezuelan **Gas Reserves**

Venezuela has the world's 8th largest gas reserves. In an offshore area of 500 km$^2$ it has an estimated potential of 100 TCF (trillion cubic feet) of natural gas, of which 65 TCF are estimated to be located in the east coast and 35 TCF in the west coast. 165 Km$^2$ of the above mentioned area is in water that is less than 1,000 meters deep.

in the Gulf of Venezuela and 11 in Northeast Falcon. Together, they cover an area of approximately 30,000 square kilometers, where probable gas reserves are estimated at 26 trillion cubic feet (TCF).

**The Rafael Urdaneta Project is a plan to develop the offshore Gulf of Venezuela area and the Northeast region of the State of Falcon, for exploration and production of non-associated gaseous hydrocarbons. It is part of the Bolivarian government's strategic plans aimed at promoting the development of the country's gas potential in order to improve the quality of life of Venezuelans, increase its gas exports to the international market, and leverage industrial park development, all in accordance with the Law on Gaseous Hydrocarbons, the National Development Plan, and the National Gas Plan.**

The blocks that make up the Rafael Urdaneta Project are in low exploratory risk areas and their geologic characteristics make them potentially prolific in gaseous hydrocarbons, in addition to being close to currently productive reservoirs. The blocks have been located in shallow waters and in areas where there is oil industry infrastructure.

Gas demand is expected to increase, as a result of growing demand from the domestic oil, power supply, and petrochemical sectors, as well as from international markets. Within this context, the Ministry of Energy and Petroleum is promoting the development of the country's gas potential in order to improve the quality of life of Venezuelans and to leverage industrial park development, pursuant to the Law on Gaseous Hydrocarbons, the National Development Plan, and the National Gas Plan.

Additionally, this effort will further the business opportunities of the Transguajiro Gas Pipeline, which will ultimately facilitate the transport of gas to Colombia and Central America, areas where we are implementing energy integration processes to promote the sustainable development of these fellow peoples of the region. ■

**Agreements caused $260 million in losses for 2004 alone**

# The Oil Sovereignty Plan moves forward with the revision of operating agreements

One of the values prized by the workers of the New PDVSA is the achievement of having restored to the Venezuelan people the natural rights they possess over their hydrocarbons; rights which had been taken away from them for many years. This task continues, which is why the National Executive, complying with the sovereign mandate conferred to it by the Constitution, continues to take steps aimed at dismantling the industry's existing contractual structures, which threaten our national sovereignty.

**As Minister of Energy and Petroleum and President of PDVSA Rafael Ramirez recently noted, during the nineties the sovereignty of Venezuela's oil industry was constricted by "globalization and the oil 'Apertura' discourse imposed on the country by multinational oil companies, with the backing of local political sectors and the managing elites of the old PDVSA."**

Among the measures already taken to reverse that process are the increase of the royalty to be paid by the companies that operate in the Orinoco Oil Belt to 16.66% and, more recently, the revision of the 32 operating agreements entered into between 1992 and 1997 by Petróleos de Venezuela with national and international oil companies.

As a result of a legal and technical study it carried out, the Ministry of Energy and Petroleum advised PDVSA to review the accounts of these agreements because "the fee clauses based on the volume and price of hydrocarbons produced in the areas of operation," which were agreed to with the companies exploiting these areas, "contravene the nature of a simple service contract, which was the structure foreseen in the 1975 Nationalization Law." The above analysis also underlines that these agreements are incongruous with the present Organic Law on Hydrocarbons.

**From now on, the accumulated total amount of payments owed to contractors during the calendar year will not exceed 66.67% of the hydrocarbons produced in the corresponding area because it is inconceivable that the production of hydrocarbons under this mode, would continue to generate losses to PDVSA.**

**All necessary steps should be taken over the next months so that these agreements change to the partnership mode, as foreseen in the current Organic Law on Hydrocarbons based in the principle that the state should intervene directly in the oil business, but could perform activities in partnerships, in which it posseses 50% or more of the social capital.**

Ramírez believes that the necessary conditions to undertake a healthy discussion process are present, the aim being to correct these vices that are "illegal and contrary to the legal framework in force at the time these agreements were signed."

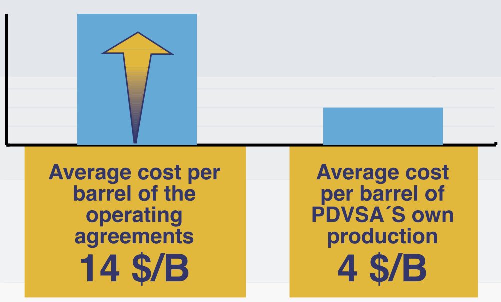
### Bad business deals

Under the shadow of the harmful "Oil Opening," PDVSA undertook 32 agreements with various oil operators, who received an equal number of areas in the national territory for development.

These areas were awarded directly or through tenders, the latter being one of the forms considered in Article 5 of the 1975 Nationalization Law, which specified two possible types of relationships: operating agreements and association agreements. The latter had to be approved by the Congress, while the operating agreements were conceived as performing a service over a finite time period. However, this legal figure was used for the purpose of handing over large acreage for the purpose of producing oil, a process exclusively reserved for PDVSA.

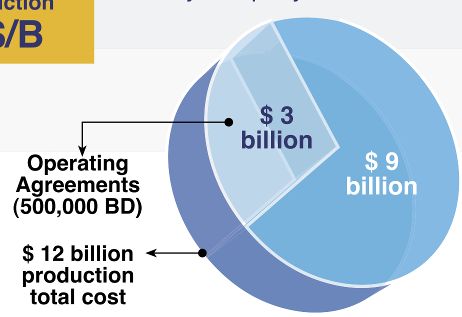
**"The old PDVSA was essentially anti-national," says Energy Minister Rafael Ramirez.**

In short, these agreements provided a cover for disguised concessions, which were illegal because they were never approved by Congress. **In practice, argues Ramirez, these companies ended up being oil producers, rather**




"PDVSA made payments as incentives. Some operators received as much as 1 million $ every three days…which makes them completely un-sustainable for any company"

In 2004 PDVSA spent $ 12 billion for its production activities out of this, $ 3 billion were used by the operating agreements in order to produce only 500,000 barrels a day




| FIELD | COMPANY | FIELD | COMPANY |
|---|---|---|---|
| Oritupano - Leona | Petrobras Energía Venezuela, S.A. | Boquerón | B.P. Venezuela Holding/Preussag |
| Urdaneta Oeste | Shell de Venezuela, S.A. | Pedernales | Perenco Venezuela, S.A. |
| Daciom | Eni Dación B.V. | Guárico Oriental | Teikoku Oil de Venezuela |
| Boscan | Chevron Texaco Global Tecnology | Caracoles | China National Petroleum (CNPC) |
| Colon | Tecpetro de Venezuela/Coparex | Casma Anaco | Open / Cartera de inversiones petroleras |
| Jusepin | Total Oil & Gas de Venezuela / B.P. | B-2-X68-79 | Nimir Petroleum Company / Ehcopek |
| Quiriquire | Repsol - YPF Venezuela | Sanvi Guere | Teikoku Oil de Venezuela |
| D.Z.O. | B.P. Venezuela Holding Venezuela | Ambrosio | Perenco Venezuela, S.A. / Petróleo y Gas |
| Intercampo Norte | China National Petroleum (CNPC) | B-2-X70-80 | Nimir Petroleum Company |
| La Concepción | Petrobras Energía Venezuela, S.A. | LL-652 | Chevron Texaco Global Tecnology / B.P. |
| Mata | Petrobras Energía Venezuela, S.A. | Falcón Este | Vinccler Oil & Gas |
| Mene Grande | Repsol - YPF Venezuela | Falcón Este | West Falcon Samsom Hydrocarbons |
| Onado | Compañía General de Combustible | Guárico Occident | Repsol - YPF Venezuela |
| Monagas Sur | Harvest - Vinccler (Harvest Natural) | Cabimas | Suelo Petrol |
| Acema | Petrobras Energía Venezuela, S.A. | Kaki | Inelectra / Inversiones Polar / Petróleo y Gas |
| Qiamare La Ceiba | Repsol - YPF Venezuela / Ampolex | Maulpa | Inelectra / Inversiones Polar / Petróleo y Gas |

## Ministry of Energy and Petroleum Resolution of April 12, 2005

Within the framework of the new strategies being developed by the National Executive, which is aimed at obtaining strict compliance with applicable legislation and the development of the hydrocarbons sector in terms of the people's well-being, the following resolution was issued:

The Ministry of Energy and Petroleum, based on articles 8, 29 and 30 of the Organic Law on Hydrocarbons, and in accordance with article 117 of the Organic Law on Public Administration, instructed PDVSA as follows:

First: In the shortest time possible, all companies that are signatories to the operating agreements must rectify the vices confirmed in each and every of the operating agreements on hydrocarbons which have been entered into, for the purpose of having these subsumed into the legal framework currently in force.

Second: Regarding each of these agreements and without detriment to the former, it should be ensured that the total accumulated payments due to a contractor do not exceed during a calendar year 66.67% of the hydrocarbons produced in the corresponding area, since it is unsustainable for the production of hydrocarbons under this mode to generate losses to PDVSA.

Third: Petróleos de Venezuela and its subsidiaries should, in coordination with the Ministry of Energy and Petroleum, provide support to the National Integrated Service for Customs and Taxation Administration (SENIAT), for the purpose of ensuring income tax payments, in accordance with real profits, with the aim of putting an end to the existence of contractors who for years have obtained important profits without ever having paid any taxes.

Fourth: Within a six-month period, all necessary steps should be taken to convert the operating agreements into partnerships, an association mode foreseen in the current Organic Law on Hydrocarbons.

**than service companies. Whenever Congress attempted to look into these irregularities in the old PDVSA, continued Ramirez, management refused, thereby succeeding in keeping the country ignorant.** The National Oil Sovereignty Plan, currently being pushed forward by the National Executive, seeks to correct this series of bad business deals.

The tendering process used for these agreements dwelt on the exploitation of inactive fields, considered at the time to be marginal producers. At a later stage, however, areas which never would have been dedicated to production were awarded, thus revealing intentions to privatize the national oil industry. At present, the contractors for these fields produce more than 500,000 barrels per day.

According to Ramirez, in the first quarter of 2005 these barrels had an average market value of $34.67 per barrel. **In this case, he explained, the contractors' bill for the cost of their services of up to $18.17 per barrel, equivalent to 52% of market value, while the barrels produced by PDVSA through its own efforts cost the company $4 per barrel.**

The Operating Agreements in question were tendered in three separate rounds. The costs associated with these production agreements were indexed to US energy-output related prices, which makes them directly related to the price of oil produced.

Three contracts emerged from the first round (1992-1993), the winning operators receiving two payments from PDVSA; one of them for operating costs and the other for amortization of invested capital.

**"The association agreements had to be approved by the Congress, while the operating agreements were conceived as a service over a finite time period…these agreements provided a cover for disguised concessions"**

More areas were tendered in the second round (1993-1995), resulting in 11 agreements in which, in addition to the indexation of costs to oil prices and volumes, the contractors received production bonuses. This is to say that the Venezuelan State, through PDVSA, made payments as incentives, so that the operators would continue producing. Some operators received as much as one million dollars every three days. These incentives are paid on the volume produced, and vary directly with per barrel prices, which makes them completely unsustainable for any company. In this way contractors increase their profits to the detriment of PDVSA and the nation.

A total of 13 operating agreements emerged from the third and final round (1997). In these, contractors receive a payment to cover base production costs; which is to say, that of the production owed to investments carried out by PDVSA prior to the awarding of the corresponding areas. These companies receive between 30% and 100% of the incremental production's value. Direct losses sustained by PDVSA from the three rounds amount, for 2004 alone, to $259 million.

Additionally, the majority of these agreements paid little or no income tax, resulting in losses, according to an investigation being carried out by Venezuela's national tax authority SENIAT, of $2 billion in tax arrears accrued over the past ten years.

**Ramírez insists that these Operating Agreements arose as a way of cutting back PDVSA's share of the oil sector's productive activities, in effect opening the doors to eventual privatization. This cutting back, he argues, meant that part of the activities which PDVSA had been directly engaged in, such as ships, terminals and IT support, were privatized. According to Ramírez, this privatization process responded to the thesis of "growth without growing," espoused by the industry's old management, and which in practice meant that core corporate activities could be outsourced to private companies.**

The "Oil Sovereignty Plan" aims to address and reverse these barriers to the establishment of an oil industry in Venezuela that benefits all citizens.

## Cost of operating agreements

| ROUND | TOTAL PRODUCTION OF BARRELS PER YEAR | PRODUCTION VALUE | PAYMENT TO COMPANIES $ | % | LOSSES TO THE VENEZUELA ($) |
|---|---|---|---|---|---|
| I 3 AGREEMENTS | 10,320,000 | 289,800,000 | 196,800,000 | 68 | 4,000,000 |
| II 12 AGREEMENTS | 74,640,000 | 2,171,500,000 | 1,676,000,000 | 77 | 10 of these agreements reach 249,000,000 |
| III 17 AGREEMENTS | 64,750,000 | 1,851,100,000 | 1,004,600,000 | 54 | 3 of these agreements reach 5,000,000 |

The Minister of Energy and Petroleum and President of **PDVSA** Rafael Ramírez Carreño in an address to the National Assembly

# Full Oil Sovereignty

## A revolutionary national oil policy

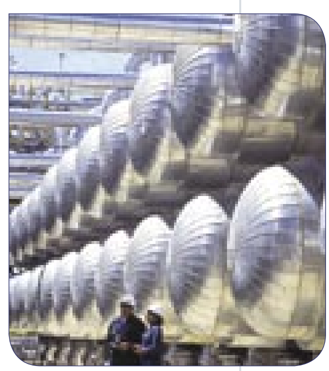
**Summary of an address by the Minister of Energy and Petroleum and President of Petróleos de Venezuela, Rafael D. Ramírez Carreño, before the special commission of the National Assembly set up to investigate irregularities detected by the Energy and Petroleum Ministry in the design, content, and execution of operating agreements, strategic associations and internationalization business ventures, from 1992 to 1997, a period known as the oil "Apertura".**

With the Apertura of the oil industry to foreign investment during the 1990s, a veritable assault on Venezuelan oil took place. This assault was coordinated by international institutions from the consuming countries and the usual major transnational companies, which, in complicity with the country's so called oil meritocracy, the oligarchy and their political representatives, conspired against the Venezuelan State, promoting its erosion and the subsequent economic and social crisis in our country.

With the oil Apertura, transnational capital expected to expropriate from the Venezuelan people the sovereign handling and use of our main resource: oil.

The old PDVSA was essentially anti-national, a fact which was no secret to anyone because PDVSA and its subsidiaries were run by an entrenched perverse and anti-national meritocracy, always lying in wait for new opportunities to attack.

The internationalization process was structured over a complex system of more than 70 companies, with an organizational and financial structure designed to evade State control over these investments. The old PDVSA was privatizing its oil production activities through a policy which it would continue developing with the Orinoco Oil Belt association agreements. **The operating agreements were structured in such a way as not to pay royalties, which would be taken care of by PDVSA. At the same time, it was also arranged for them to pay income tax, not at the oil rate then at 67,7%, but at the non-oil tax rate of 34% because they were conveniently held to be plain service companies.** This meant that a production of 499,000 barrels per day was assigned the same tax rate as that of a bakery or a



drugstore; in other words, a deliberately arranged massive oil tax evasion.

The oil elite successfully dedicated itself to preventing the State from having access to the industry's accounting records.

On reviewing income tax statements, SENIAT, the national tax authority, was surprised to find that the majority of companies, among them the large transnationals, were simply not paying any income tax at all. The PDVSA elite, along with the contractors, agreed that everything would always be paid in dollars, a situation we have just put an end to by order of the President of the Republic himself, and which requires a coordinated action with the Central Bank of Venezuela, since there is a clear violation of the exchange controls in force. This situation is unacceptable because it makes a mockery of our institutions and our laws.

We are dismantling this black box piece by piece, to definitively shed light on the management of PDVSA. We will establish the principle that the State, and therefore the Venezuelan people, will obtain a minimum of 50% of the market value of each barrel produced, by way of royalty plus income tax. The fiscal "floor" that the meritocracy of the old PDVSA aspired to, was zero. Zero royalty and zero income tax. The strategy deployed together with transnational interests to reach this objective—that of expropriating our oil wealth—led us into a deep economic and social crisis which systematically impoverished millions of Venezuelans in all walks of life. Throughout the nineties, the old oil elite's anti-national project went forward in the form of three streams: internationalization, operating agreements, and strategic association agreements.

The new PDVSA, whose Venezuelan birth certificate is beyond doubt, is putting an end to this perverse structure. Be assured that the national government will not falter in enforcing our laws and in standing up for our sovereignty, and we will only work with companies which respect these principles.

**In September 2004, within the framework of the Full Oil Sovereignty espoused by President Hugo Chávez Frías, our Ministry eliminated the 1% rate for the Orinoco Oil Belt associations. Definitively, in economic terms, all of the operating agreements now generate a 30% royalty.**

In view of the facts, and with the anti-national role of the old PDVSA meritocracy made evident, it does not seem at all strange that their ideological affinity with transnational interests led them to a violent confrontation with the State on April 11th, 2002, followed by its active involvement in the criminal sabotage against our oil industry, which lasted from December 2002 to February 2003.

The fact is that PDVSA now belongs to the people. It is perfectly aligned with the State's guidelines, and is in the hands of a patriotic management, its workers, our Armed Forces and our people, always vigilant

**Before the year 2005 is over**

## Venezuelan Ministry of Energy and Petroleum to take over **control of export prices**

**Prices are to be made public and will always reflect the best conditions in each of the markets.**

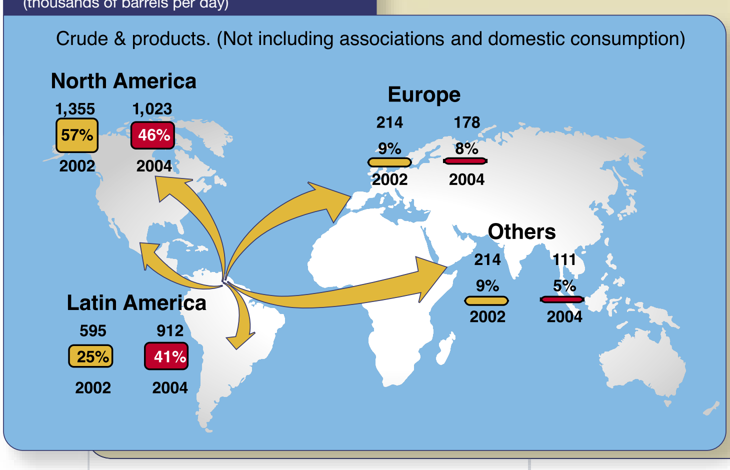
Before the year is over, the Bolivarian Republic of Venezuela's Ministry of Energy and Petroleum will again be in a position to control export prices for crudes and products, according to Energy and Petroleum Minister and President of PDVSA, Rafael Ramírez.

"A system of 'formula' type price-setting will be established, similar, for example, to those used by Mexico and Saudi Arabia," said Ramírez. "This system ensures that PDVSA will sell at the same price to all its customers within the same geographical region, whether they are affiliated or not," he explained.

The Minister pointed out that prices are to be made public and will always reflect the best conditions in each of the markets. "In this manner we will shed full light on the mechanisms used to set final sales prices, something which hitherto had been hidden in one of the blackest boxes of the old PDVSA," he said.

Additionally, these mechanisms which are being developed by the Ministry of Energy and Petroleum, will be useful to SENIAT, the tax authority, in controlling the associations' transfer prices.

**Total exports by destination**
(thousands of barrels per day)



and ready to defend our main industry, and our sovereignty.

The new PDVSA now has the face of the people and it has multiplied its presence in the government's social missions to help the needy: Robinson, Barrio Adentro, Ribas, Mercal and Milagro. This extraordinary social contribution is traveling throughout the country like a liberating sword in the service of our people.

**The new PDVSA has had sufficient technical and operating capacity to overcome the sabotage's attempts and to restore our industry to operational excellence** and growth, and we retain all our moral and ethical strength to undertake a permanent self-analysis, shedding light on the management of our industry, as we are doing now, and regaining further strength after the terrible events of the oil sabotage and its consequences.

The new PDVSA is a Venezuelan company, proudly Venezuelan, and strongly rooted in the homeland. The old oil elite's, the oligarchy and its political representatives, as expected, complain to high heaven for their lost privileges. This is the extension of the same struggle being fought since April 11th of 2002. The popular and revolutionary orientation of our government has taken on the commitment of rescuing and redistributing the oil revenue for the benefit of the people.

The new PDVSA has been assigned a wonderful role: that of contributing effectively, with all our capacity, to the liberation of our people from the darkness cast by poverty and exclusion.

The new PDVSA is an instrument of the people.

Minister Ramirez's complete address is available at www.**pdvsa.com**

**Petróleos de Venezuela is now present in Havana**

# PDVSA Cuba: Inaugural Office of Petrocaribe

Petróleos de Venezuela (PDVSA) recently opened its commercial and business office in Havana under the name of PDVSA Cuba, a subsidiary which will boost the Petrocaribe project within the framework of the Bolivarian Alternative for the Americas (ALBA), an alternative which has arisen as a counterproposal to the Free Trade Area of the Americas (FTAA).

Venezuela, Cuba, Argentina, Uruguay and Brazil are some of the countries seeking a new integration model for Latin America and the Caribbean which would be based on the principles of mutual cooperation and complementation together with the sustainable social and economic development of the region's peoples.

PDVSA Cuba intends to strengthen and expand the progress already made by Petrocaribe in the vast area of the Caribbean basin. To achieve this goal, PDVSA Cuba plans to maximize the opportunity potential offered by the region and to reduce the presence of intermediaries for the purpose of lowering costs and guaranteeing the broadest access possible to energy at fair prices. Petrocaribe, together with Petrosur and Petroandina, are part of the Petroamerica Energy Integration Initiative which, when fully established, could count on aggregate potential oil and gas reserves of up to 11.5% of the world total.

### Regional integration and the multipolar world

Petrocaribe, as part of the Petroamérica Energy Integration Initiative, has been preceded by the San José Agreement and the the Caracas Energy Agreement, through which Venezuela supplies oil and refined products under special financing conditions to various countries in Latin America and the

PDVSA Cuba, a subsidiary of Petróleos de Venezuela (PDVSA), will work jointly with Cuba Petróleo (CUPET) to increase the possibilities of Caribbean oil and gas through exploration and production processes (upstream), as well as refining, storage and marketing projects (downstream).

Petrocaribe aims to promote the social progress of the Caribbean and Central American peoples by providing a free and democratic access to energy at fair and reasonable prices.

Caribbean . Within this context, PDVSA Cuba has been created as a contribution to the promotion of regional integration as a strategic option towards the establishment of a more balanced and fair multipolar world; one which guarantees that the best use is made of the region's energy resources and their development . On this basis it is possible to not only maximize national and regional participation in the use of goods and services for the production and marketing of oil and gas in the region, but also to strengthen South-South cooperation and to encourage technological, economic and cultural exchanges.

PDVSA Cuba's headquarters in Havana will primarily focus on the region and promote the undertaking of projects related to the production and marketing of fuels, lubricants and other byproducts targeted at Central America and countries located in the Caribbean Basin. PDVSA Cuba will also coordinate projects regarding technological exchange and human resource training within the hydrocarbons sector.

## Venezuela matters

JOHN - Conversation

John says:
Pop quiz hot shot!

Michael says:
**Shoot!**

John says:
What is the country with the largest reserves of conventional oil in the western hemisphere and the largest reserves of non-conventional oil (extra-heavy crude) in the world?

Michael says:
**México?**

John says:
No, it's Venezuela

Michael says:
**No wonder Venezuela matters**

Send

## Quote of the Month

"The problem with ownership over natural resources and its relation to prices is definitely a question of politics and not of economics. As a matter of fact, it is also an ideological issue, to the extent that in the current economic literature, particularly that which refers to oil, the owners of natural resources have generally disappeared as actors that exert their legitimate rights."

**Bernard Mommer,**
***Global Oil and the Nation State,***
**Oxford University Press, 2002**

## PDVSA in figures *

| | |
|---|---|
| **Proven Reserves** | |
| Crude | 77 Bn barrels |
| Gas | 150 tcf |
| **Production Capacity** | |
| Crude | 3.6 m BPD |
| PDVSA & Operating Agreements | 3.0 m BPD |
| Strategic Associations | 0.6 m BPD |
| Gas | 8,810 m cf |
| NGL | 0,25 m BPD |
| **Refining Capacity** | |
| | **3.3 m BPD** |
| In Venezuela | 1.3 m BPD |
| Abroad | 2.0 m BPD |
| **World Income** | |
| | **63 Bn US$** |
| **Net Profit** | |
| | **6 Bn US$** |

* *Year 2004 preliminary figures*

## Petrotips

***PDVSA Gas sets sales record in domestic market***

PDVSA GAS set a gas sales record in the national market when it reached 1.967 billion of standard cubic feet per day (BSCFD) of gas sales both for the industrial and domestic sectors. This growth in domestic gas sales reflects the steady effort the New PDVSA GAS is making to achieve a greater and better distribution of our hydrocarbons. Once again, gas consolidates its position as raw material and energy input for the domestic and the industrial sectors in our country, while increasing the quality of life of the Venezuelan people.

***PDVSA to undertake new exploration studies in Lake Maracaibo***

Petróleos de Venezuela will undertake new exploration studies in Lake Maracaibo where reserves of 2 billion barrels of hydrogen sulphur associated hydrocarbons have been estimated, announced amoung Exploration and Production Vice-President Luis Vierma. "We need to develop a technology to efficiently separate this component and to be able to use these reserves," he said.

This activity makes part of the exploration and production program being executed by PDVSA, which has resulted in the discovery of major reservoirs in the three Corporate divisions.  The plan was implemented to carry out re-exploration activities in areas known to  hold reserves and exploration activities in areas that have never been drilled before.

**President Chávez chaired the graduation ceremony of the first group of students of Mission Ribas**

# Mission Ribas: building capacities and empowering thousands of venezuelans

While chairing the graduation ceremony of the first 20,686 high school students of Mission Ribas—a high-school level adult education program—Venezuelan President Hugo Chávez Frías stated that the educational scheme implemented by Mission Ribas intends to break the chains of exclusion set by the old capitalist model. Paraphrasing Antonio Gramsci, President Chávez said that, "it is senseless to prepare a qualified worker to be continuously exploited." He also explained that Mission Ribas represents a way to open new paths towards Venezuela's liberation on the basis of an educational process focused on acquiring skills to take control of their lives through cooperatives, small and middle enterprises, and continuing education in order to improve their standard of living.

In this regard, President Chávez invited graduates to enthusiastically commit themselves to the new Republic being built. "As graduates, you represent Mission Ribas, moving towards Mission Sucre [university-level adult-education], with which you'll be consciously developing further skills", President Chávez emphasized.

President Chávez thanked the technical and methodological support provided by the Republic of Cuba and also stressed the work carried out by facilitators, volunteers and coordinators of Mission Ribas. "All of them have been a supreme example of sacrifice," said Chávez. Likewise, he made a special reference to the Ministry of Energy and Petroleum and PDVSA, whose effort, support, and resources have made possible the acceleration and optimization of Mission Ribas.

"Now PDVSA belongs to Venezuelans; now it truly belongs to Venezuela", President Chávez assured. He then pointed out that, "this year, thanks to domestic savings and production and oil price recovery, we have allocated $209 million to economically and financially support Mission Ribas", which provided services to 718,309 active students, of which 200,000 receive scholarships.

The implementation of Mission Ribas is carried out by the Ministry of Energy and Petroleum (MEP), undertaken by means of the "José Félix Mission Ribas" Foundation, which counts with the sponsorship of Petróleos de Venezuela, S.A. (PDVSA). To the state-owned corporation, producing oil barrels and generating revenues to the nation is as important as preparing a newly qualified graduated high school student who overcomes social exclusion to then be reinserted into the new nationwide educational model. PDVSA thus sees itself as a force of change responsible for empowering new Venezuelans.

The profile of these newly graduated high school students is, "a New Bolivarian Republican man, a New Bolivarian Republican woman, people able to value themselves and their communities, in order to live in a democratic, participative, and co-responsible way, within a Bolivarian framework; through a holistic vision, in harmony with the environment; with the idea of building a society characterized by people living together in cooperation, solidarity, justice, and therefore peace," according to the Manual of Educational Policy of the José Félix Mission Ribas.

Venezuela´s government and corporations synergize through

# PDVSA´s Plan Europa

Born out of PDVSA's need to strengthen its corporate position and network in Continental Europe, Plan Europa's aim is to develop a comprehensive program of activities that will further both PDVSA and Venezuela's industrial development goals in the hydrocarbon sector.

In its first phase, Plan Europa has identified 5 target countries where particular collaborative initiatives have been carried out: Norway, the United Kingdom, Spain, Italy, and France. Contact has also been initiated with partners in other countries: Austria, Russia, the Netherlands, and Denmark.

The initiative is centered on the three main competency areas of PDVUK's Corporate Positioning Unit:

- Domestic Capital Development
- Investor Relations
- Reputation Management

These maintain a continuous feedback both with the Corporation and with the country at large.

### Plan Europa's objectives

- To help develop the local supply chain which supports Venezuela's Oil and Gas Industry, by promoting direct investment and the formation of strategic alliances with European suppliers and contractors.

- To promote the transfer of best practices from Europe to PDVSA.

- To help European operators in Venezuela identify and consolidate business opportunities.

### The Plan Europa network

The Plan Europa project is coordinated from PDV (UK) in London and makes use of Venezuela's existing diplomatic representation in key European countries.

> **“Plan Europa promotes direct investment and the formation of strategic alliances with European suppliers and contractors”**

To create a network of effective communication links, Plan Europa relies at the level of strategic planning on guidelines from high–level government and corporate management. At a functional level, a support network has been established, involving close ties with different PDVSA Units in Venezuela, as well as industrial chambers and associations.

Today the Plan Europa team maintains a dynamic relationship with its European partners, Venezuelan Embassies in Europe, the Venezuelan Ministry of Energy and Petroleum, PDVSA Head Office, and Venezuela at large.

### Current Plan Europa projects

The current Plan Europa projects were chosen by ranking Plan Europa's objectives in accordance with the specific opportunities offered by each European country.

The first set of projects involves promoting joint ventures between Venezuela and the target countries to strengthen the Venezuelan supply chain of goods and services to the Hydrocarbon sector:

So far, the Plan Europa team has produced a refined tool for detecting opportunities for Joint Ventures in industrial segments with medium local content that would greatly benefit from financial investment, as well as knowledge and technology transfer from European SMEs.

As part of the Plan Europa Initiative, industry meetings in Norway, the United Kingdom, Italy, and Austria have been organized to bring together Venezuelan suppliers and providers to the Oil and Gas Industry and their European peers.

The second set of projects is concerned with best practice transfer from:

- The North Sea
- The Rest of Europe

This project involves reporting on significant matters related to Sustainable Development, Supply Chain Management, Social Corporate Responsibility and best practices in the European Oil and Gas Sector, as well as the production of learning tools aimed at transferring knowledge to PDVSA's supply chain.

Furthermore, Plan Europa coordinates a training program that addresses PDVSA's need to raise awareness among managers, staff, and vendors about Sustainable Development policy and practices

The third project deals with monitoring Venezuela for business opportunities on behalf of European operators. ■

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