

# PETROLEUM IN VENEZUELA 2003

## 1. PARO PERTROLERO POR PARTE DE LA ESTATAL PDVSA

Since December 2001, Venezuela has been living through one of the main political crises of its recent history. The oil strike and the suspension of hydrocarbon production have struck harshly at the export capacity of that country, and have interrupted the deliveries of the state oil company PDVSA, especially to the United States.

This has caused losses estimated at \$50 million a day. In a context of "pre-war" in Iraq, the Venezuelan situation concerns the United States, and thus it has increased its pressure in a subtle way, for example through the Secretary General of the Organization of American States, Cesar Gaviria, in favor of the immediate organization of elections, on the margins of the constitutional framework.

### a) WHAT THE OPPOSITION WANTS

At the moment, the opposition is demanding the "resignation" of the president in power. In the area of oil, the opposition is calling for the privatization of Venezuelan oil.

This is reflected in a document known as "Proyecto País" ("Project Nation"), presented to Venezuelan public opinion by the opposition Coordinadora Democrática (Democratic Coordinating Body). Among the most notable aspects of the plan is the opening of the state company "Petróleos de Venezuela" (PDVSA) and other energy sector bodies, to private investment, and also the privatization of all electric companies.

The elimination of state ownership over the gas industry is another of the proposals made by the groups opposed to President Hugo Chávez. Finally, they are proposing to abandon the existing system of oil production, linked to the agreements of the Organization of Oil Exporting Countries (OPEC) and to the maintenance of prices of crude on the international market.

In contrast, they are arguing for an unlimited production that could reach more than 11 million barrels a day, something rejected by the current government for its damaging effect on prices.

### b) VENEZUELAN CRUDE AND PLAN COLOMBIA

Venezuelan oil reserves are of vital importance for international oil capital: its reserves in the Orinoco Strip are on comparable in volume to the proven world reserves of conventional crude in Saudi Arabia (270 thousand million barrels). To ensure their control is thus vital for highly oil-dependent economies such as the United States.

The conservative Senator and speaker on the theme of Plan Colombia, Coverdell, declared in April 2000 that "in order to control Venezuela it is necessary to intervene militarily in Colombia" and, by extension, in Latin America. Colombia would play a similar role to that played by Israel in the Middle East: to become a US enclave in the region.

There is no doubt that the harsh situation that is being experienced today in Venezuela (and Colombia) has as its background once again the control of Venezuelan oil reserves.

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**Source:** RESISTANCE OILWATCH NETWORK BULLETIN Number 35 - February 2003

## 2. ZULIANA ENVIRONMENTAL FEDERATION DENOUNCES ENVIRONMENTAL TERRORISM ON THE LAKE OF MARACAIBO BY OIL SABOTEURS

January 13, 2003

The Environmental Federation of Zulia addresses the country in order to denounce the plan of environmental terrorism, which, along with the insurrectional oil strike, the privatized sectors are currently carrying out, led by a technocratic group, which has recently occupied posts of high management in the state company Petróleos de Venezuela, S.A, (PDVSA).

In the waters of Lake Maracaibo - home of the main oil activity of the West, - this group carried out, in a partially unsuccessful way, a macabre plan of oil sabotage, intended to cause an environmental catastrophe of unimaginable proportions, in the form of a huge oil spill. In this horrendous terrorist plan are involved a group of technical officials and managers, contracted companies and politicians aligned to the "Democratic" Coordinating Body. According to this Federation, a fake spokesperson in this machination was the governor of Zulia State, who, in accordance with what was planned, decreed a supposed "Environmental Emergency", to accompany this destabilizing and anti-environmental plan in an alarming manner.

The simple aim of this plan has been not only to undermine the capacity for starting up oil operations affected by the paralization of work, but also to make visible that "unprecedented pollution damages are taking place in Lake Maracaibo". With this,

they are trying to incite panic in the Zuliana population, besides seeking the general repudiation by the Venezuelans due to the dangers that all this can cause. In order to achieve this, the said saboteurs carried out innumerable damages and Destruction to oil equipment, paralization of machinery, overturning of systems, breakdown of equipment, abandoning of the work of risk prevention, and the use of specialized sophisticated systems in order to cause oil spills, with the same technological operating style as that of the technocracy of the coup.

They aligned the systems that regulate the levels of petroleum to impede the overflowing of crude. Many of the valves of these stations, which usually remain blocked to avoid spills of crude - were deliberately unblocked, in order to favor the overflowing of the tanks. In the flow stations, the oil collecting trays - which serve as containers or barriers to prevent spills - appeared to have been deliberately perforated or destroyed in order to allow the spilling of oil into the Lake.

The sabotage of the transport system - composed of motor launches and towing barges to move tanker boats, among other vessels - appeared damaged and with its operations deliberately paralyzed, in forms such as breakdowns caused to the electric systems and machinery rooms, damages to the vessels' ignition systems, to cause their entrapment. They premeditatedly caused the immobilization of boats, thus sabotaging their use. Some launches had their radio transmission systems damaged, with the particular intention of this sabotage being the impeding of the use of the ships used for clean up of spills.

Other examples of criminal oil sabotage consisted in the deliberate ruining of automated filling systems, causing losses of property, environmental damages and fraud to public confidence, in addition to the destabilizing political consequences to social peace, actions which are broadly denounced and repudiated, and which must be energetically punished, with those responsible obliged to repay the damages caused. For the Federation it is important to emphasize that, just when oil slicks were appearing in the surroundings of sabotaged oil installations in the Lake - planned and directed by the saboteurs -the "denunciations" by the personnel of the "Oil People" and the regional governor began.

The daily monitoring network of Lake Maracaibo carried out by this Federation - composed of fishermen, workers and oil professionals, and some qualified employees of PDVSA directly linked to Security, Hygiene and Environment (SHA) - have offered unofficial and current information as to the environmental situation of the oil installations of the western and eastern coasts, in the areas of influence in the Northern and Central zones, in adjacent riverine areas, which lend credibility to the information in the denunciations, where they detail the damage caused to the oil installations in the Lake. For more than three decades, they have been denouncing the chronic crude spills in the area.

The unmasking of the oil technocracy who directed the sabotage of these installations, with the "public management" of information on the spill in the Lake, is deepened by the lies of Minister Ana Elisa Osorio (MARN) concerning the

declaration of "environmental emergency" by Governor Rosales, and in the necessity of reversing the situation of the opaqueness of a PDVSA which has become technocratically an unsupervisable "black box", in order to transform it from now onwards into a "glass box", through a re-nationalization which must be carried out starting with administrative clean-up which uproots the technical "staff" inclined to this technocratic and anti-environmental management of the oil sector.

The strong resistance offered by the technocratic elites in the oil sector is seeking to hinder the governmental management of hygiene, security and environment. In the environmental plan, groups such as these have historically sustained the so-called "oil meta-state", which has been described by investigators such as Gastón Parra Luzardo and Carlos Mendoza Potellá, as also in other sectors (Asopetroleros) in their questioning of the leaders of the coup which until recently occupied PDVSA, denouncing the "pseudo-environmental" expressions of its liberal and technocratic policy of oil Opening, without effective mechanisms of environmental protection and oversight in the clauses relating to the agreements for the exploration and exploitation of oil areas. In the name of an ambiguous discourse of "Freedom" this leadership left up to transnational investors "self-control" and exclusive control over their own environmental studies.

In order to sustain neoliberalism in the environmental laws of Venezuela, in Remembering the precursors of conservationism during the first half of the last century (Henry Pittier and Arturo Eichler among others), who strongly advocated the necessity of creating institutional mechanisms, measures and environmental policies that would cover the sovereign necessity of our country to protect natural ecosystems included in the territory of our Nation, these precursors condemned the fact that the elites and ruling classes have not taken such environmental concerns into more account, - those which have arisen from our own soil. Thus, those elites facilitated a prolonged epoch of environmental destruction, carried out through an unsustainable oil technology, with the complacency of successive dictatorial regimes, until the US energy markets demanded from Venezuela oil with less sulfur to clean the atmosphere for their population.

All this outside inducement translated into the so-called "chucuta nationalization" (1976-77) which enthroned the management of oil fraud - and later sabotage -, which finally brought about a negotiation to increase environmental liabilities in Venezuela, - and especially in Lake Maracaibo.

For all the reasons explained above, the Federation rejects the criminal threat that the plan to sabotage oil installations signifies for the Lake Maracaibo Basin, carried out by the technological boycott groups of the old management of PDVSA, it denounces the "use of environmental contamination" as a political weapon and as a work of terrorism, which is no more than attempts at ecocide and at contemptible environmental crimes, in no way different in nature from the terrorist blowing up of the oil pipelines, or the voluntary setting on fire of oil wells, deliberate actions which cause environmental risks of inestimable scope, including prolonged damages to the natural environment.

The federation also denounces that this whole chain of events of sabotage, following an orchestrated alarmist campaign which has caused enormous anguish among the Zulianas - with cruel effects among the child population - forms part of one same chain of events of sabotage. These events run the serious risk of provoking accidents which massively threaten the integrity of the populations adjacent to the industrial installations or vehicles, a chain initiated with the cases of the oil ships on Maracaibo, the sabotage of the gasoline and gas fillers, and also the criminal paralization of the Petrochemical installations.

The Federation demands an immediate administrative clean up operation and the rooting out of the technicians who are still found in the sector, which has been complicit in the anti-environmental management of the old PDVSA. It denounces the hypocritical "unmasking" on the part of certain "environmental" foundations and organizations in the face of the oil spills of this supposed "environmental disaster" denounced by the regional Governor, because they recognize that some of these supposed "environmental" organization have corporations who are polluting the environment among their members. These corporations are offering them financing, - and have come disguised behind the false discourse of the oil technocracy, - which in its turn uses them to "wash" and legitimize its unsustainable "management". Many of these organizations are looking to ignore the reality that is directly experienced in Maracaibo, where the oil spills that happened in the Lake have been common events, but as they have never before occurred. Finally, the Zuliana Environmental Federation commits itself to the recuperation from PDVSA of the costs of social and environmental rehabilitation of the sovereign Venezuelan Nation, actively promoting a new and authentic community and environmental profile for PDVSA, for the transition toward a Venezuela and a Planet where Energy is not a source of death and suffering for living beings.

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**Source:** RESISTANCE OILWATCH NETWORK BULLETIN Number 35 - February 2003

3. HEALTH AND OIL: FIVE OF EVERY THOUSAND BABIES ARE BORN WITHOUT BRAIN IN ZULIA, VENEZUELA.

A report published by researchers of Universidad de Zulia reveals that the long term exposure to mercury, lead and vanadium, typical of hydrocarbon exploration, is associated to the apparition of anencephaly in human foetuses. Scientists relate the oil pollution with the appearance and proliferation of congenital disorders.

For 80 years the population of Zulia has lived with oil industry pollution. At Lagunillas district, the concentration of accumulated vanadium in the bones of the population is 300 and 500 times higher than in Japan and the United States.

The opening of the oil sector to foreign investment, one of the most designed objectives of the Venezuelan Government, through Petroleos de Venezuela, has been described by the Energy and Mines Minister as a "program oriented towards the timely advantage, by the Republic, of the predicted rise of the global energy demand."

Its defenders in the Presidency and in the State Oil Company, have also pointed that the project is "an opportunity for the attraction of massive direct investments of foreign capital and top of the line technology for the country's main industry."

Out of the Government and the very industry, nevertheless, the viewpoint about the opening and its impact on society most sensibly diverges from the speech of its designers.

"The oil opening will mean hydrocarbon exploration, wide and along the whole country, in an unprecedented scale in the national ambit, and possibly in the world scale, given that Venezuela is in these days the most attractive nation for oil investors."

This warning is part of an environmentalist manifesto signed by the group Red Alerta Petrolera, Orinoco Oilwatch, local office of Oilwatch International. This is about an alliance that represents, at least, a dozen of non governmental environmental organizations, with the purpose of "highlighting the environmental and social impact the opening will unleash."

The first 80 years of hydrocarbon exploration in Venezuela are, according to these organizations, "our best reference to understand how the crushing oil culture has affected the country. Environmental devastation of Maracaibo Lake, unmeasured and parasite urbanization, looting of rural resources, and artificial industrialization, are some aspects of such regrettable heritage."

The main Oilwatch International alert is summarized with a poorly encouraging prediction: "This story is bound to repeat itself with the oil opening that this time approaches to the insane petrolization of sites as remote as the Amacuro Delta."

## a) DOGMA AND SCIENCE

Will this be only about the dogmatic opposition of intransigent environmental groups, opposed to industrialization and development? The results of a scientific research report named "Mercury, Lead, and Vanadium levels in the brain, kidneys, liver and lungs of anencephaly foetuses in the East Coast of Maracaibo Lake", seem to prove the opposite.

"Mercury, lead and vanadium are toxic elements present in the coast Maracaibo lake environment, and must be seriously considered when studying anencephaly incidence in the region" reveals the report by Dr. Victor Granadillo, J.E. Tahan, L.C. Barrios, L.Marcano, et.al. published in the scientific international magazine Trace Elements and Electrolysis.

Anencephaly, also known as the disease of the "unbrained foetuses" is, according to the study, "a congenital malformation un compatible with life, characterized by the deficient development of the brain during the foetal stage."

"Since 1994 a relatively high rate of anencephaly has been found, equivalent to 5.1 cases per 1000 births in the East Coast of Lake Maracaibo, where an oil emporium has indiscriminately grown, and adverse effects have occurred on the environment and humans, due to the constant contact with the studied toxics."

When analysing the historical incidence of anencephaly in the Zulia state, the researchers "for the last 25 years have witnessed a constant rise of the disease in the Lake's East Coast. In the period between 1969 and 1982 a rate of 0.9 cases per 1000 births was reported.

This rate increased to 1.5 cases per 1000 in 1982 and to 2.2 in 1993. Between January and July of 1994 1.383 births were registered in Pedro Garcia Clara Hospital, in Lagunillas district. Of these 7 births were anencephaly, which represented an incidence rate of 5.1 per 1.000." The international expected average, according to the same study, is of 1 per 1000 births.

## b) LINKS

In order to correlate oil exploration and anencephaly, we only need to take a look at the work of researcher Emilio Rojas del Castillo, of the Genetics and Toxicology department of the University of Mexico, who determined that "Venezuelan oil has the greatest amounts of vanadium in the world, only after Mexican oil." Rojas spread this finding through the internet as part of a research of the effects of this element on DNA.

The Argentine researcher Elisa Carlotta Kleinsorge, author of works regarding the toxic effects of vanadium, concluded that "there definitely a correlation between vanadium and the development of cardiovascular diseases and arteriosclerosis."

At Zulia, the toxicologist Heber Villalobos, of the Department of Human Ecology in the Institute for the Conservation of Lake Maracaibo, argues that "despite some

research groups claim that vanadium carries out essential functions in the most developed species' organs, we have demonstrated that the excess of this element, as of any other metal, has toxic effects, from the research carried on with insects, fish, rats and swine."

Victor Granadillo, coordinator of the Analytical Instrumentation Laboratory of Universidad de Zulia, claims that "the anencephaly incidence in the East Coast of Lake Maracaibo is five times higher than the expected rate of the most industrialized countries."

"The region's geology, Granadillo continues, is characterized by the natural presence of vanadium, but because of the magnitude of the oil exploration for over 80 years, the environmental concentrations of the element have increased. A study we carried with samples from our lab of pathological anatomy, demonstrated that the concentration of accumulated vanadium in the bones of the population of Lagunillas district is 300 to 500 times higher than the population of Japan or United States, highly industrialized countries."

### **c) DESPITE OF HEALTH**

And where does the direct relationship between vanadium, the other toxic metals generated by oil exploration, and Maracaibo anencephaly foetuses lay? Granadillo answers: "In our research we found abnormal accumulations of vanadium, mercury and lead in the brain, kidney, liver, and lungs of the anencephaly foetuses."

More concretely, the work was based in the study of 2 anencephaly foetuses born in the region and 20 foetuses negative for this condition, used as controls. "The levels of mercury and lead were significantly higher in the kidney and liver of the anencephaly foetuses, while vanadium was exclusively found in the brain."

"At Zulia we have over 80 years supporting our country with our oil, despite the health of marabinos" Granadillo dares to conclude. "Nobody here is safe from suffering diseases coming from the contamination with toxic elements, as no couple in its reproductive age is safe from a pregnancy turning into this," the researcher states while signalling disturbing pictures of untrained foetuses studied for the report.

"In our region we have a petrochemical complex –El Tablazo-, industrial plants all over the city that process hydrocarbons, cement, cal, coal, burners that release toxic gases into urban centres and a thermoelectric plant that is constantly flaring coke, a residue petroleum with a 12% of vanadium. What we have left is a polluted lake, a dusty city, water and food sources exposed to metals and other toxics, bacteria, viruses and molecular compounds responsible for the diseases.

### **d) TOXIC ASH**

The toxicologist Heber Villalobos, Medical Science doctor from the Universidad del Zulia, heads the Human Ecology Unit of the institute for the conservation of lake Maracaibo, an impressive scientist installation, only a few meters from the three gigantic concrete chimneys of the thermoelectric plant Ramón Laguna, of Enelven, that provides Maracaibo with electricity through the massive combustion of coke, an oil residue with high quantities of vanadium and other heavy metals.

"In the Agronomy Faculty of the Universidad del Zulia - Villalobos states- we proved that vanadium has genotoxic effects (as mutations and inherited diseases) in insects, mice, rats, fish and swine. In all the studied cases, vanadium caused very important malformations in the neural tube of the offspring.

"Unfortunately -continues Villalobos- our oil has too much vanadium. The refineries in Paraguaná peninsula generate ash with high amounts of one of the most toxic compounds, vanadium pentoxide. When we visited the facility with a commission from Universidad del Zulia, we found deposits that had at least 60.000 tons of this ash. At this time they are probably over the million tons and that is a situation yet unresolved."

The danger is that these deposits "are very few meters away from the beach banks. Wind and rain water drag these elements into the environment." Severe congenital malformations, as anencephaly, "triple, in Lagunillas district –the region's major oil producer-, the incidence rate of the rest of Venezuela." In some countries as Japan, highly industrialized, very low rates of anencephaly have been observed, one case per 2000 births. But in Northern Ireland, at Belfast, the incidence is extremely high, one case per 125 births. It is a region very close to the oils of the Northern Sea.

Can these research results, then, be interpreted as a definite proof of the relationship between the contamination with heavy metals and such severe diseases as anencephaly? Villalobos prefers caution. "It is very difficult to incriminate a compound with a neural tube malformation that can have several origins. But there are three very concerning facts: the first is the very high incidence of anencephaly in the Lagunillas District of Zulia state; the second is that vanadium compounds produce genotoxic effects in lab animals, very similar to what is observed in humans, and the third fact is that Venezuelan oil is one with the highest quantities of vanadium in the world. We have a triangle of facts, by we must investigate further, before firmly settling a cause-effect relationship."

Health: the great absence after decades of environmental damages and high levels of pollution. The current oil industry made up a plan to pay part of the debt known as "environmental passives" and diminish the negative effects for the future. This investment plan in environment raises to 312 billion Bolivares for the period 1998 - 2006, but it doesn't include in its indicators the health issue for the population in oil exploration areas.

The issues referred by Petroleum of Venezuela to distribute the environmental investments are effluent liquids (26%), atmosphere emissions (36%), industrial waste material (24%), contingency plans (4%), and the figure "other investments" with a 10%, where the Health variable is not included.

But the absence of the "health" line of PDVSA's environment investment plan is not the industry's exclusive responsibility. This is about a matter of environmental policy that comes from the Ministry of Environment and Renewable Natural Resources, which does not demand in the so called Environmental Assessment - mandatory requisite for every oil operation- the inclusion of the Health issue.

Heber Villalobos, a specialized toxicologist from the Instituto para la Conservación del Lago, when referring to the need that these reports include the health issue, pointed out that the partial code of the Organic Environment Law on Environmental Impact Assessments "does not include whatsoever anything related to the quality of life and health of the human being, as if the objective were not to preserve human health."

Carlos Corrie, from Petroleum of Venezuela, argued that the industry fully complies with policies demanded by the Ministry of Environment, given that this is the ruling organism. "PDVSA is conscious that the word environmental extends to what is socio-environmental; we previously analyze the technology that is to be used and its effects on the communities in the place, as a raise in population, the use of water, the need of hospitals or schools," he said.

The scientific investigation on congenital malformations caused by heavy metals in petroleum carried out by Universidad del Zulia was at first attempted to be jointly conducted with Pdvsa, Victor Granadillo added, a scientist of this institution.

"Petróleos de Venezuela (PDVsa) was in favour of financing this study, which had a significant cost. But its condition was that the results had to be delivered to the industry and as strictly classified information. We did not agree on that and therefore we did not reach any agreement," he said.

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**Source:** RESISTANCE OILWATCH NETWORK BULLETIN Number 39. -  
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4. PLATFORM, 65 YEAR PLAN. STATOIL WILL INVEST OVER \$3 ZILLION IN DELTA

This is the country's greatest interest abroad. The Norwegian company was granted a licence to exploration and drilling of block 4. "We will transfer our oil industry to Venezuela" said Dag Mork-Ulnes.

Caracas, Venezuela -the state Norwegian company Statoil, in charge of exploration and exploitation of the Deltana Platform, in its' block 4, will invest from 3 to 5 zillion dollars in the project's development, according to the country's Ambassador, Dag Mork-Ulnes, told Venpres. "Some between 3 and 5 zillion dollars are estimated, as everything in the oil sector, it is a long-term investment.

We are here to produce and export for the next 35 years," said the diplomatic officer. We must point out that in the Deltana Platform the most prospective nonassociated gas concentrations of the whole country exist. These have been estimated close to 40 trillion cubic feet, which allows Venezuela to guarantee for the next 20 years, one of the most important suppliers of this hydrocarbon on the western hemisphere. Regarding this bidding, the Ambassador Dag Mork-Ulnes said that it was his country's most important investment abroad.

"It is very important for us because we transfer our oil industry to Venezuela." He pointed out that in order to make this exploration and exploitation possible they have taken into account the environmental issue, and are currently carrying on the studies for the preservation and conservation between the scheduled works.

"The issue of the environment concerns us very much for it being a high rank of the Norwegian agenda. Two weeks ago we visited the area with Statoil-Norway experts to study the ecosystem's vulnerability as well as the cultural part of the area, and we think it is possible to develop the gas resources in the area without disturbing the environment."

The program's development is now in its initial stage with the technicians working on the preparation of the second phase which is bound to start at the end of the year, and relates to the exploration. "This phase could last up to three years before starting with the gas production (.) and we expect to generate a lot of jobs," said the Norwegian mission representative in Venezuela.

### **a) BIDDING**

Statoil was granted the exploration and development licence of one of it's five blocks last February, following the execution of a process based on what is established by the Organic Law on Gas Hydrocarbons, referring to a qualification of a high prestige company and it's technical and financial capacity, and of proved experience in gas off shore.

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**Source:** RESISTANCE OILWATCH NETWORK BULLETIN Number 39. - June2003

## 5.TWO DEATHS IN REFINERY ACCIDENT IN VENEZUELA

(AFP) – Two workers died and another two were hurt as the result of an accident in the Refinery El Palito, in the state of Carabobo, 100 kilometers west of Caracas, the state Petróleos de Venezuela (PDVSA) informed. "Guillermo Pérez (38) and Rafael Álvarez (29), both employees in the area of maintenance of the Refinery El Palito, died from affixation when they were working on a routine activity in the Alkyls plant of the complex", said a communiqué from management of this refinery.

The two injured employees were taken to a nearby hospital and "are in stable condition" the statement said. The manager of the refinery, Asdrubal Chávez, said in a press conference that a technical committee will establish the cause of the deaths.

"We don't have any explosions or fires, the plant is currently operating", he said to reporters, and added that sabotage could be a possible cause of the accident.

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**Source:** RESISTANCE OILWATCH NETWORK BULLETIN Number 41 – September 2003

## 6. VENEZUELA NATURAL GAS CONQUERS PARIA AND THE DELTANA PLATFORM

The two projects will make possible the construction of the industrial complex Mariscal de Ayacucho, similar to that of José in the State of Anzoátegui, in which natural gas will be used coming from the off-shore exploitations as a feeding source for a series of producer plants of fertilizers and petrochemical products.

The energy promise of at least three years ago seems to finally be coming to a close, after a long process of revisions, negotiations and fallbacks. The development of natural gas reserves, a hydrocarbon that in the past was considered a nuisance to oil companies of the national industry, has achieved popularity by the way of two large projects that will materialize in the east of the country and just in the construction phase will provide directly and indirectly about 250,000 employment opportunities.

Of the two plans, the most advanced is the Mariscal Sucre, substitute of the failed Cristóbal Colón in the decade of the 80s, and whose objective is to exploit natural gas reserves that exist in the north of the Paria peninsula and whose nucleus is represented by a liquefaction gas plant whose production will go to its main destination in the east coast of the United States.

The other, which will be carried out in the Atlantic Ocean, north of the Orinoco Delta, is not only more ambitious, but also more complex, because it means carrying out exploration and exploitation activities of natural gas at the charge of a greater number of companies, and with a large territorial extension, for which the Ministry of Energy and Mines will formulate a national oil policy with oil companies of Venezuela, and will execute the project, for which it needs to direct energy and force into the supervision and coordination among different partners.

### **a) RISE FROM SEVENTH**

Up until now Venezuela holds seventh place among the countries in the world with the biggest reserves of natural gas, after Russia, Iran, Qatar, United Arab Emirates, Saudi Arabia and the United States.

In the case of Venezuela, the resources of this hydrocarbon -- the associates and non-associates of oil production – add up to approximately 227 billion cubic feet.

From this quantity, 146 billion cubic feet are tested reserves and at the same time 91% of these are subject to the ups and downs of oil production. Those who have defended the expansion of the natural gas industry in the country have taken into consideration this reality, in other words, the dependency that is currently presented in the production of this resource faced with oil activity. This, without mentioning the existing deficit in the national market and especially in the east, explains the great necessity to look for deposits with the intention of increasing the tested reserves, attacking the growing markets in the exterior and encouraging the consumption of fuel that is cleaner and cheaper within national territory.

It is important to mention that the work in Mariscal Sucre as well as in the Deltana platform are only a small part within the universe represented by global financial needs in this sector, requirements calculated to be more or less 100 million dollars, in order to carry forward the business of natural gas through the exploitation of reserves that a nation possesses in its coastal area.

But, it could also be more, pointed out the director of Projects and Plans of the Direction of Hydrocarbons for the Ministry of Energy and Mines, Luis Vierma, who has calculated that this quantity to be executed in 40 years is still very “conservative”.

### **b) PARIA FIRST**

The start of operations in Mariscal Sucre, in Paria, will mean obtaining some 700 million dollars during 25 years. Approximately 1.5 million dollars will be destined for the purchase of national goods and services.

This gas liquefaction project is a business in which the national Fisco, Venezuelan Oil, Shell, Mitsubishi and the strategic partner Ejecutivo, hope to obtain more than 14,52 million during the fourth cycle that the contract is supposed to last. According

to calculations, once operations have begun – in the agenda this is indicated to be in 2007 – the country will obtain approximately 700 million dollars a year, thanks to the exportation of 4. million metric tones to markets on the east coast of the United States and the commercialization of some 300 million cubic feet internally.

Of the 14.52 million dollars, Venezuela would make 11.03, divided in the following way: 5.24 for PDVSA, 4.44 for taxes and 1.35 for royalty payments. The vice minister of Hydrocarbons, Bernardo Álvarez, explained that the selection process of companies that will accompany PDVSA in this initiative, took into account the following conditions with the intention of generating advantages for the State:

- a) Vertical integration of the business.
- b) Guarantee of access and valuation of attractive markets.
- c) Participation in re-gasification terminals that already exist.
- d) Assured supply to internal market.
- e) More locals and local material in the contracting of goods and services.
- f) Application of programs on the formation of human capital and technology transfer.
- g) Development of industrial gas complex similar to the already existing José, Anzoátegui state.
- h) Acceptation of legal and fiscal framework in the Republic of Venezuela.

Mariscal Sucre will be born thanks to the construction of a train of liquefaction of natural gas, fed with the reserves (some 10.3 trillion cubic feet of gas) located in the north of the Paria Peninsula, Sucre state. In this zone 34 wells will be dug distributed in 4 deposits: Río Caribe, Patao, Mejillones and Dragón. During the execution of work, approximately 1.5 million dollars will be destined to the purchase of national goods and services.

At the end of the first semester of this year the Minister of Energy and Mines (then Álvaro Silva Calderón); the president of Petróleos de Venezuela, Alí Rodríguez Araque; the executive president of Shell Gas and Power, Linda Cook, and the director of Mitsubishi Corpotorion, James Brumm, made the commitment, in the Salón Ayacucho at the Palace in Miraflores, to begin the necessary studies in order to establish the economic reach of the exploitation of natural gas fields not associated with the production of crude located in the north of the Paria Peninsula.

This process, which was supposed to have finished at the end of June 2003, should be finalized with the subscription of the definitive contract that the parts will take on. There is time then to clear some questions related to the future of Mariscal Sucre.

The project in the north of Paria represents an investment of an estimated 2.5 – 3 million dollars. In the property of the State 60% has been reserved, which will be reduced if Ejecutivo decides to include a new partner, in function of the actions that since months ago the Ministry of the Energy and Mines is carrying out.

Such a decision will result in a series of important consequences with respect of de-participation of the mentioned initiative. In the first place, this would not be able to consider itself as the fruit of a state company if the new partner can do it with at least 11% of this portion, which take the participation of the Venezuelan State to 49%, the appropriate limit for, for example, accessing greater facility capital markets. Because as it is well known, in these types of developments it could be that 70% of new money coming from international banks is necessary under the figure of direct loans or the placement of bonds.

### c) DELTA: FIRST IN FIVE

Different from Paria, the Deltana Platform consists of various actors. But it is also a playing field, since the five areas that were initially identified and total a little more than 6,000 thousand square kilometers, compared with a total of 23,000 square kilometers.

The framework agreement for the development of existing resources in this region has already been signed by representatives of the companies and consortiums selected by Ejecutivo for three of the five blocks.

British Gas (BG) goes hand-in-hand with Chevron-Texaco in Block 2 (el Loran). While they are waiting to see who will operate in Blocks 3 and 4 (Lau Lau and Cocuina), they wait for the result of the competitive process between the consortium integrated by the Norwegian state Statoil-Norks Hydro and the French-Belgium TotalFinaElf.

Distinct strategies have been decided for Blocks 1 and 5. in the first, the Ministry of Energy and Mines has decided to carry out a direct negotiation with the multinational British Petroleum, which maintains operations in natural gas exploitation in deposits that transcend Venezuelan and Trinidadian borders. In terms of Block 5, Bernardo Álvarez explained that "because of its complexity, which means deep wells, the development modality will be announced in the first trimester of 2003".

The managing director of the French-Belgium company, Jean Michel Gires, calculates that for the development of a integrated vertical business – which goes from exploration activities to the commercialization of liquid gas -- it is necessary to invest approximately 4 million dollars.

Totalfinaelf maintains interest in the country in the three projects in the hydrocarbon sector. In the strategic association Sincrudos de Oriente (Sincor) in which it has injected 4.2 million dollars and whose goal is to produce 180,000 barrels daily of synthetic oil, it maintains 47% of actions. This goes hand in hand with Petróleos de Venezuela and the Norwegian state company Statoil.

80 million dollars have been designated to the Jusepín and Cotoperí fields – where right now between 38,000 and 40,000 barrels daily are being produced of light crude and whose capacity will be increased to 45,000 barrels daily in 2003. And in the natural gas field Yucal Placer, with a hoped initial production of 100 million cubic feet for 2003, 69.7% in integrated association with the Spanish Repsol and the Venezuelan Otepi and Inepetrol.

Statoil has offered to invest up to \$3 million in the Deltana Platform, contribute 10 million dollars to a oil development fund destined to finance medium and long term projects with the state company, and cooperate with Petróleos de Venezuela in order for it to become “a large offshore operator”, through the technology transfer and the formation of human resources.

The president of Statoil Venezuela, Marcel Kramer, and the manager of the development of new business in Venezuela, Gilberto Cárdenas, assure that they are ready to start as soon as they receive the word from Ejecutivo.

Peter Dramfield, representative of BG, has been optimistic in terms of the high prospective of gas in this area. Meanwhile, Alirio Moshire, of Chevron-Texaco, commented that the aspiration of this transnational is that the gas in this zone be sold in the United States.

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