



## Venezuela-China \$16 billion oil deal

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Venezuelan President Hugo Chavez announced Wednesday a \$16 billion deal with China for oil exploration in the Orinoco Belt in eastern Venezuela.

Chavez's announcement comes less than a week after Venezuela's agreement with Russia for at least \$20 billion worth of oil investment over the next three years.

State-owned Petroleos de Venezuela (PDVSA) will have a majority stake in both projects, Chavez said.

The agreement with China, signed Tuesday, calls for a total investment of \$16 billion over the next three years to produce up to 450,000 barrels of crude per day. Although Chavez did not identify the Chinese companies, he visited China in April and met with Chinese oil giants CNPC and Sinopec to seek financing for oil projects.

Chavez said the joint ventures with Chinese firms will involve "building oil drills, platforms, (and) railroads that will traverse the (Orinoco) belt and homes."

According to China Daily, Venezuela sent an average of 385,000 tons of fuel oil each month to China in the first half of 2009, up from the previous record of 380,000 tons a month in the first six months of 2007.

The Russia deal, announced Saturday by PDVSA, is for a joint venture to exploit the belt's Junin Block, said to have the potential to produce between 400,000 and 450,000 barrels per day of extra-heavy crude. PDVSA will have a 60 percent stake in the venture, with the remaining 40 percent held by a consortium of Russian companies Rosneft, Lukoil, Gazprom, TNK-BP and Surgutneftegaz. PDVSA said the venture's time line is for 25 years.

"This new strategic alliance is part of the new multi-polar vision" that the Chavez government "has devised in its investment plans to optimize Venezuela's energy resources," PDVSA said in a statement.

PDVSA echoes the refrain of Chavez's vision for a "multi-polar world" in which Latin America is less dependent on Washington. Yet U.S.-based companies are still the mainstay of Venezuela's oil industry.

The socialist president is increasingly expanding government control over oil, Venezuela's biggest industry. His 2007 move to nationalize multibillion-dollar oil production projects in the Orinoco region was a blow to foreign oil giants operating there, prompting oil giants Exxon Mobil Corp and ConocoPhillips to seek arbitration. In May Chavez ordered PDVSA to seize assets of 60 local and foreign oil service companies operating throughout the country.

Chavez contends that the nationalization of oil field service companies in Venezuela will reduce PDVSA's operating costs by \$700 million.

Yet the Latin American Herald Tribune today reveals PDVSA's problems, including a backlog of unpaid bills to suppliers and falling output at nationalized oil fields since they were taken over on Chavez's orders.

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