

2005

# THE ENERGY GUIDE

TO VENEZUELA



#### EDITED BY

Cámara Venezolano Británica de Comercio  
Caracas, Venezuela

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*Ian Stein*

*General Manager, Cámara Venezolano Británica de Comercio*

## FOREWORD

A few years ago, the British Venezuelan Chamber of Commerce published a history of relations between the British and Venezuelan peoples under the imaginative title “From Battlefield to Oilfield”. That neatly encapsulates a long history of co-operation, from the fight for political independence to the development of Venezuela's natural wealth.

That co-operation continues today and has the potential to become stronger and deeper. Good quality foreign investment can make a positive impact on any country's economic growth and its capacity to provide the quality of education, health-care and security, which mature societies require. Major British companies, through their operations in many parts of the world, have developed the technological, human and financial resources which make them attractive partners to any country seeking to develop its energy resources in a sustainable, safe and environmentally sensitive manner. But smaller companies too, many of which were established to meet the demands of operators in the North Sea, also have specific skills and technology to deploy in co-operation with Venezuelan agencies or companies.

Britain's North Sea experience contains elements of particular relevance to today's Venezuela, including in particular our experience of offshore work and of how to encourage the development of employment in the domestic economy. But if the development of a natural resource is to be well managed, it is the human resource that is fundamental. British academic institutions and companies are already providing education and training for young Venezuelans, developing their capacity to play key roles as technical experts and managers in the Venezuelan Energy Sector. And the British Prime Minister has put his weight behind the Extractive Industries Transparency Initiative, whose aim is transparency and accountability of companies and governments alike.

Born and educated in Aberdeen, which has been at the centre of the development of the North Sea, I never tire of emphasizing the potential for even closer, mutually beneficial co-operation between Venezuela and the United Kingdom in the energy sector. I therefore warmly welcome the achievement of the British Venezuelan Chamber of Commerce in putting together this third edition of Energy Guide. It will undoubtedly be an important source of information for those in both countries who want to identify a company that can provide a specific service, want to pursue training or learning opportunities, or are seeking partners to join in mutually rewarding co-operation.

*Donald A Lamont*  
*British Ambassador in Venezuela*

## INTRODUCTION

Venezuela is probably the country with the most energy resources in Latin America, and one of the top ones in the world. It ranks fifth in both world crude oil exports and reserves, seventh in world natural gas reserves, while in Latin America it ranks second in hydropower generation and third in coal production. Lastly, it is also a leader in petrochemical production, especially of fertilizers, olefins, plastic resins, and methanol.

With such rich resource endowments it is no wonder so many world-class energy companies usually line up when new tenders are open for licences, concessions or other agreements.

In this third edition of the Energy Guide we have tried to provide an overview of the major opportunities available to interested investors in the major energy industries, from oil and natural gas to electricity, coal, and petrochemicals.

As a special feature we have included a separate section sponsored by Macleod Dixon, S.C. detailing at some depth the legal and taxation regime currently in force for each industry. We hope this section will prove useful in addressing the misconceptions that have arisen from recent changes to oil and gas agreements introduced by Venezuela since November 2004.

We invite you to look at the many opportunities offered by Venezuela to energy investors. In oil, the 2006 - 2012 PDVSA business plan calls for increasing production to 5.84 mmbpd by 2012 while roughly one third of Venezuela's natural gas reserves –totalling some 150 TCF– is slated for development in this seven year period. With three new refineries planned, the country also offers substantial opportunities for downstream petrochemical development. Likewise, a host of thermal and

hydro generation projects are planned but there is still room for some more, especially for small to medium scale thermal generation plants. Finally, a regional development agency, CORPOZULIA, has received PDVSA's former coal assets and is looking for new international partners to develop three mines in Western Venezuela.

We hope you enjoy this publication. As ever, we welcome your comments on how we could improve the book in the future. In the meantime, we would like to invite you to visit [www.energyven.com](http://www.energyven.com) to ensure that you get maximum value from your purchase of the Energy Guide to Venezuela 2005.

*Roberto Drew-Bear*  
*President, Cámara Venezolano Británica de Comercio*