

UK
TRADE &
INVESTMENT



British Embassy Caracas

Oil & Gas in Venezuela

Luis Quirós

Oil & Gas Sector Leader

British Embassy Caracas

Content

- Market Overview: Bilateral Trade and UK Investors
- Oil Reserves and Operating Framework
- Strategic Developments
- Key Business Opportunities/Projects
 - Crude Oil Exploitation
 - Refining
 - Gas Developments
 - Social and urban infrastructure projects
- Venezuela: Oil and Gas Industry Facts
- Challenges and Risks
- Conclusions and Q&A



UK and Venezuela

Trade in Goods & Services

- UK trade in goods and services worth around US\$1 billion in 2010
- £256m in UK goods exports – pharmaceuticals, oil & gas products and services, power equipment and consumer goods (whisky).
- £404m in UK services exports
- 18% increase in UK exports from January to November 2011
- 1% increase in UK imports from Venezuela



Existing UK Investors in Venezuela

- Diageo – Scotch Whisky
- Shell – Oil & Gas
- Anglo American – Mining
- GSK – Pharma
- Astra Zeneca – Pharma
- De La Rue – Secure printing
- BT – Telecomm Services
- BAT – Cigarettes
- Unilever – Consumer goods
- G4S – Security Services
- HSBC – Banking
- CBRE – Property Services
- Rotork – Valves
- TNKBP – Oil & Gas



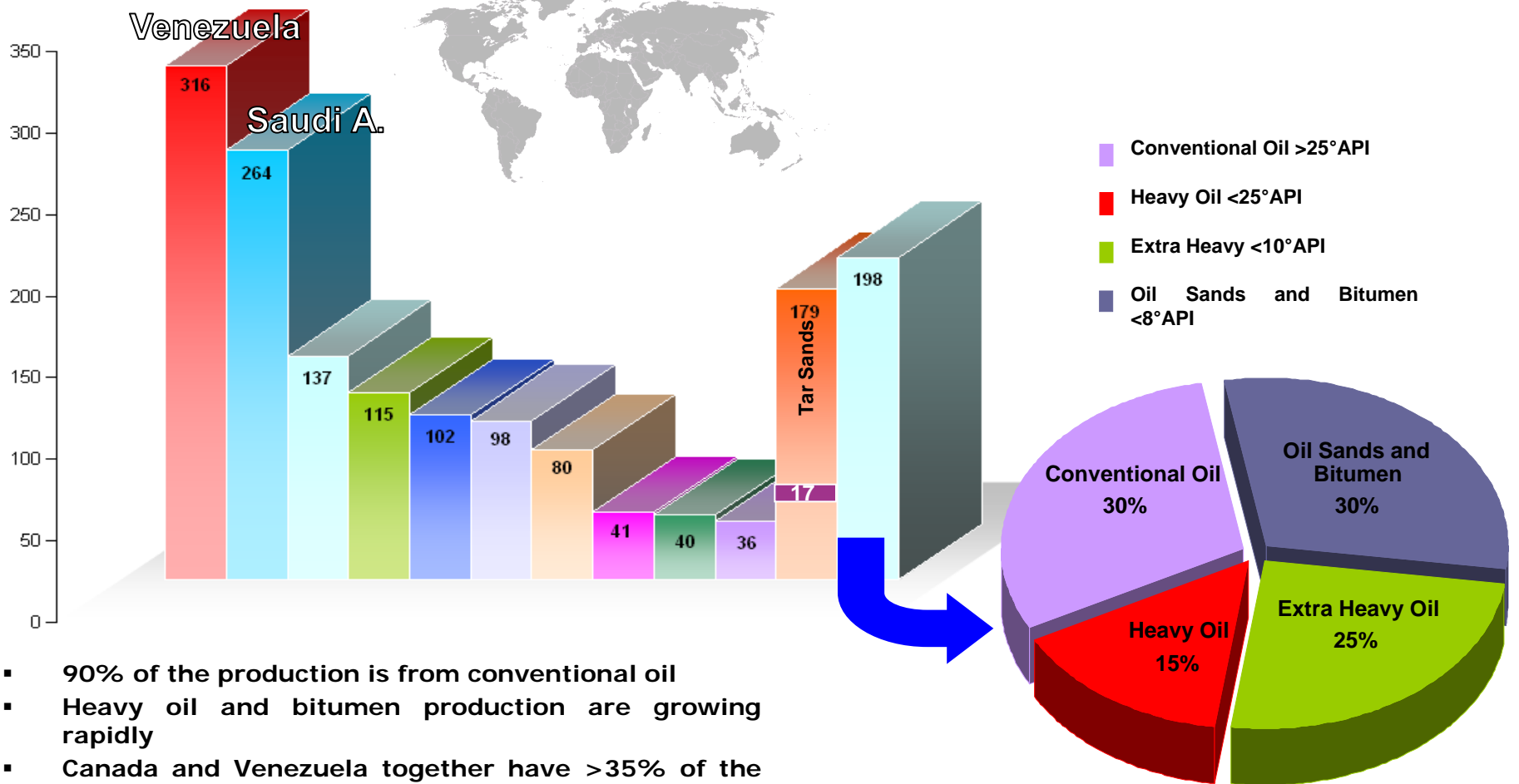
DeLaRue

Venezuela: Energy Reserves

- **World's largest** proven reserves of crude oil – almost 300 billion barrels or one fifth of known global reserves. Enough to continue production for over 270 years at current rates of extraction.
- **Second largest** proven reserves of natural gas in the western hemisphere.
- Plans to invest over **US\$200 billion** by 2030
- OPEC's fifth largest producer of crude oil and one of its largest exporters



World Oil Reserves

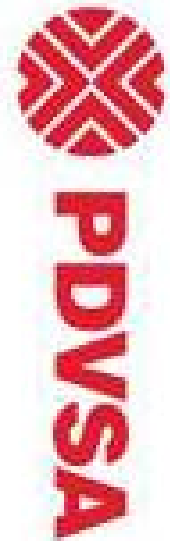


- 90% of the production is from conventional oil
- Heavy oil and bitumen production are growing rapidly
- Canada and Venezuela together have >35% of the non-conventional oil reserves

Source: OPEC, MPPENPET

Energy: Legal Framework

- State-owned oil and gas company, **PDVSA**, controls and runs the oil sector (policy and operations)
- Twin-track approach to develop future reserves:
 - 60/40 agreements with other governments (e.g China, Russia, Vietnam, Belarus, Argentina)
 - 60/40 JV agreements with international partners - both NOCs and IOCs
- IOCs present and participating in current projects include ENI, Chevron, Repsol, TNK-BP, Mitsubishi, Total.
- Registration with PDVSA Bariven mandatory for all suppliers

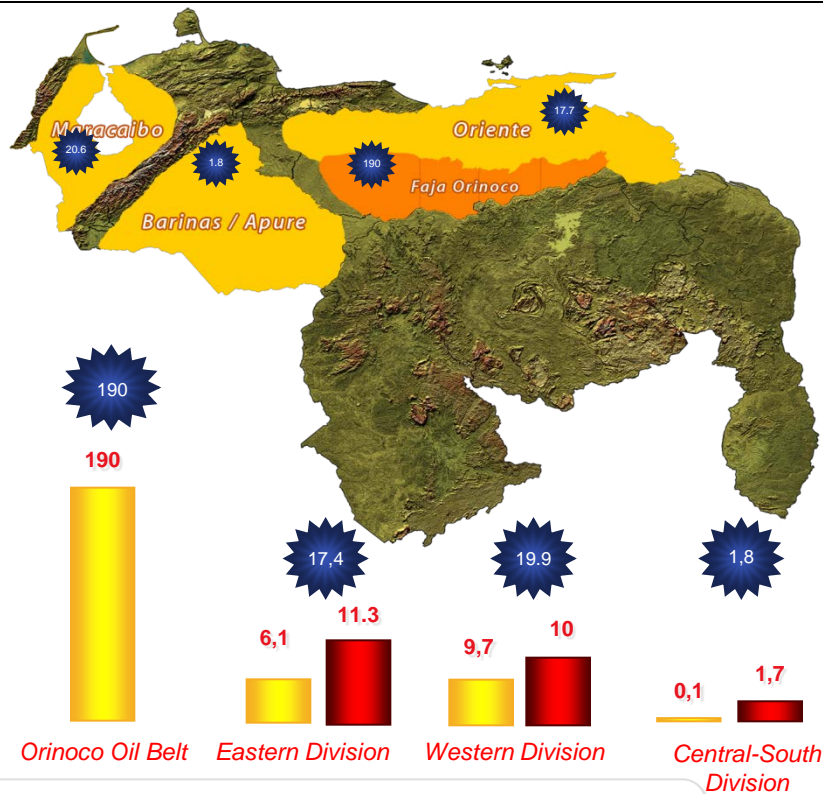


PDVSA - Strategic Priorities

- International reserves certification process – partially complete
- Develop Orinoco heavy oil belt “The Faja”, including petroleum and non-petroleum infrastructure.
- Develop offshore gas reserves and domestic & industrial consumption infrastructure.
- Develop refining capacity both domestic and international (Ecuador, Brasil, China, Syria).
- Maintain production levels in existing production areas.
- Commercialize products and international integration.



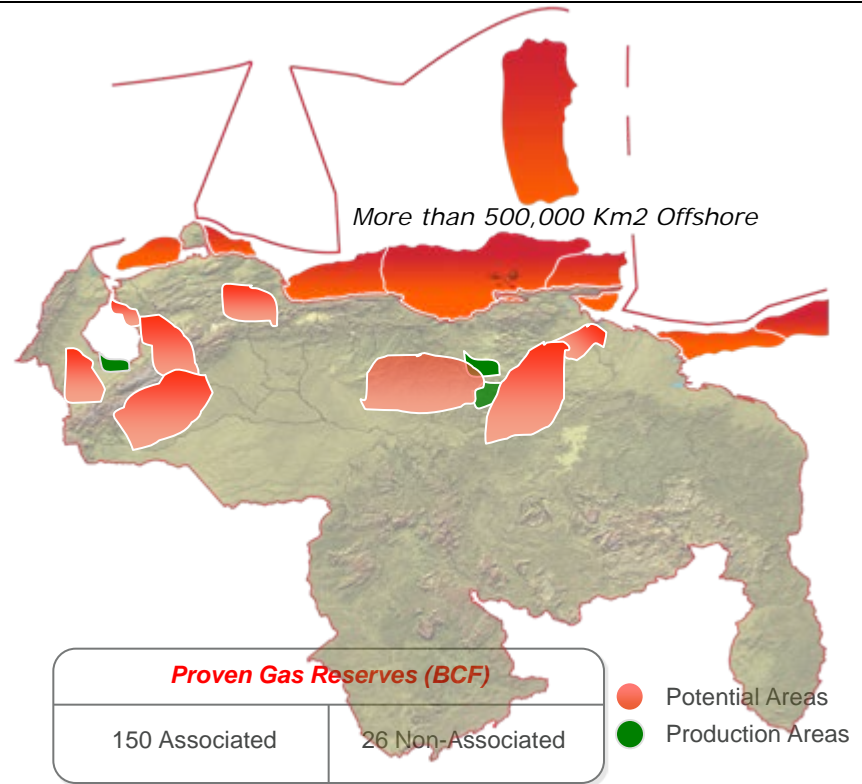
National Outlook: Oil & Gas Reserves





 C/L/M Crude Oil Reserves : 23 Billion Barrels

 H/XH Crude Oil Reserves : 253.5 Billion Barrels

**Proven Crude Oil Reserves:
296.5 Billion of Barrels**



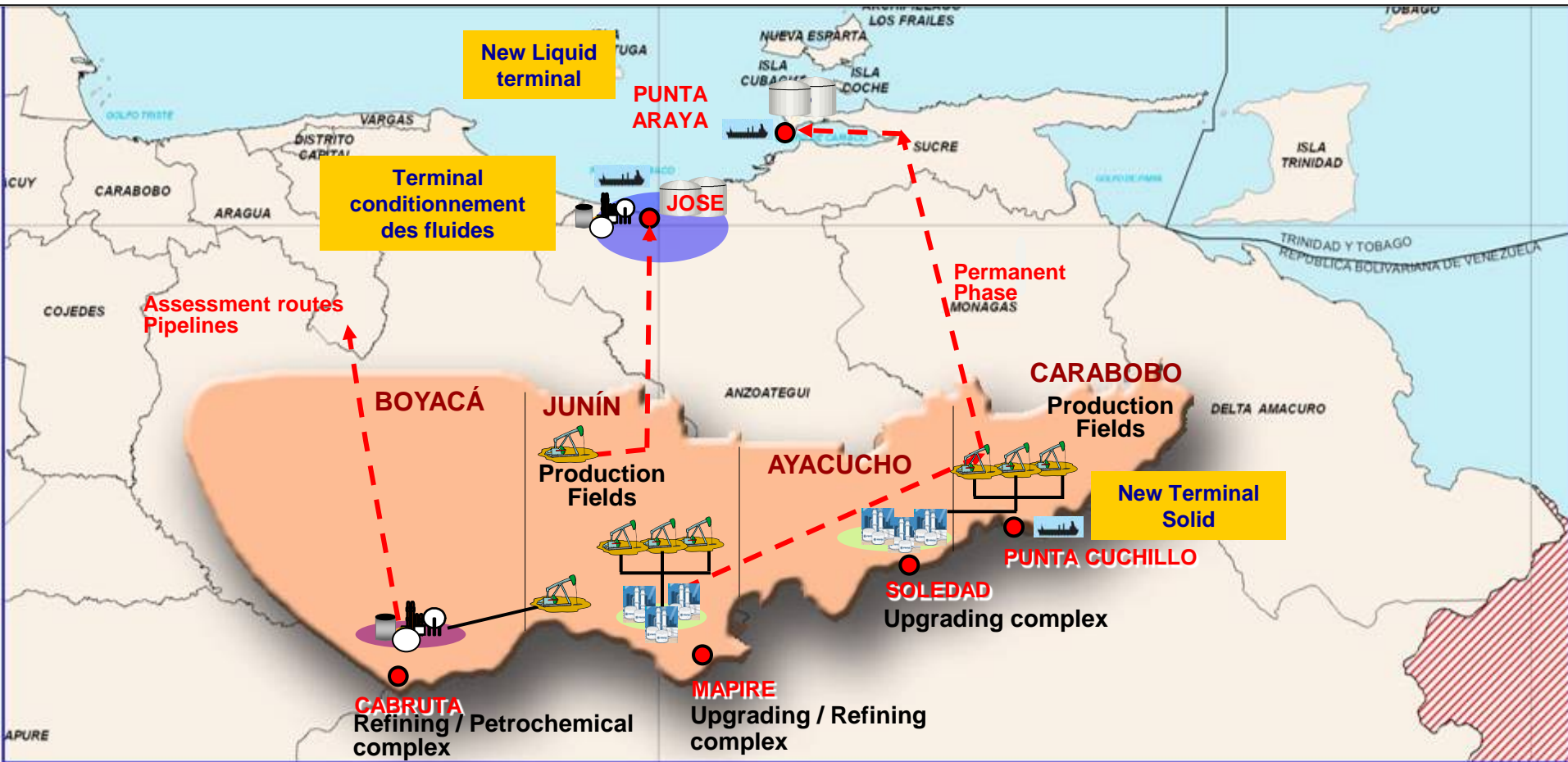
Proven Gas Reserves (BCF)	
150 Associated	26 Non-Associated

 Potential Areas
 Production Areas

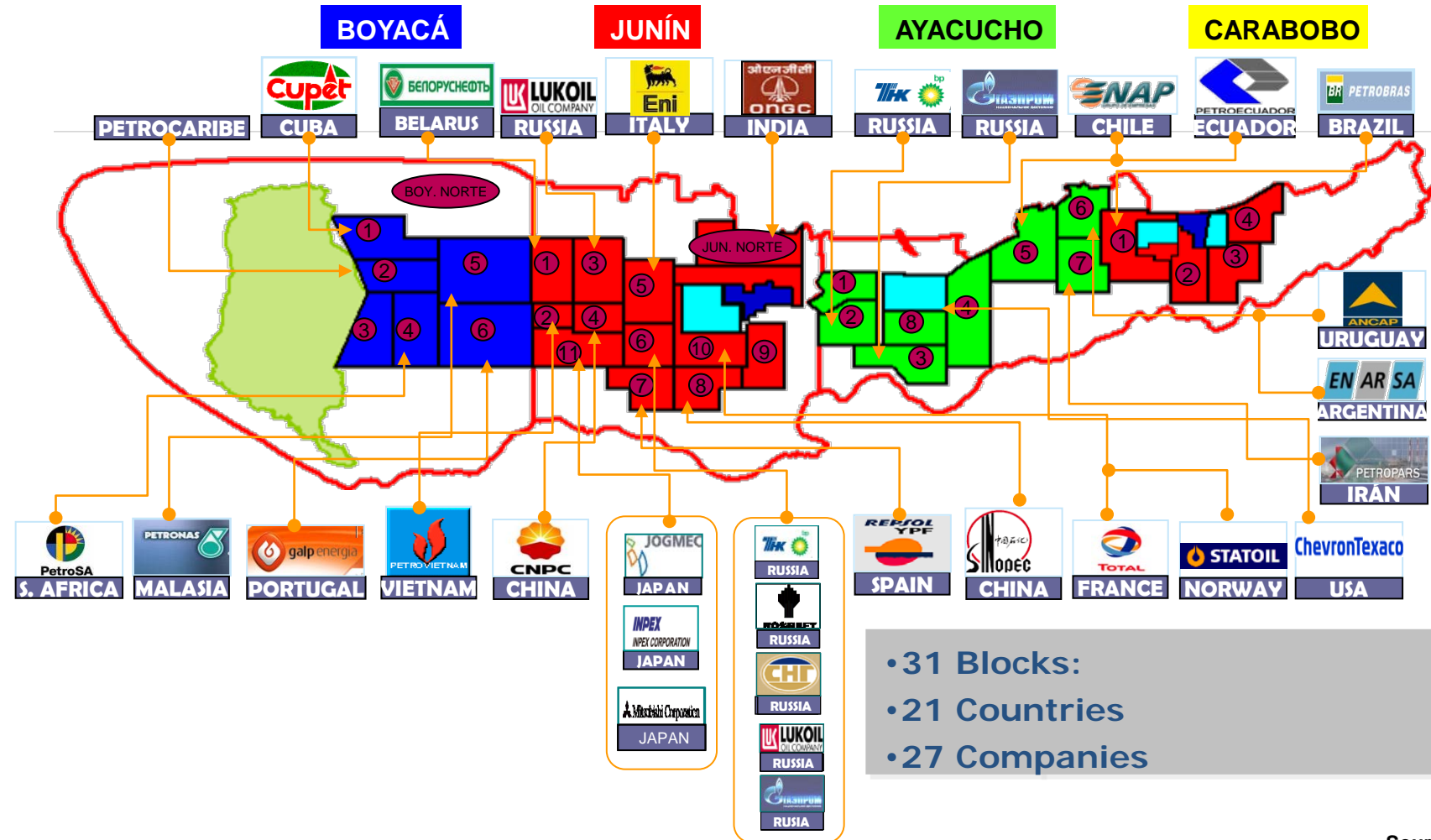
Proven Reserves	176 TCF
Expectative	186 TCF (50% Offshore)
Production 2008	8,0 Million CFD
Forecast 2012	11.5 Million CFD

Source: MPPENPET

National Outlook: Orinoco Oil Belt Infrastructure Projects

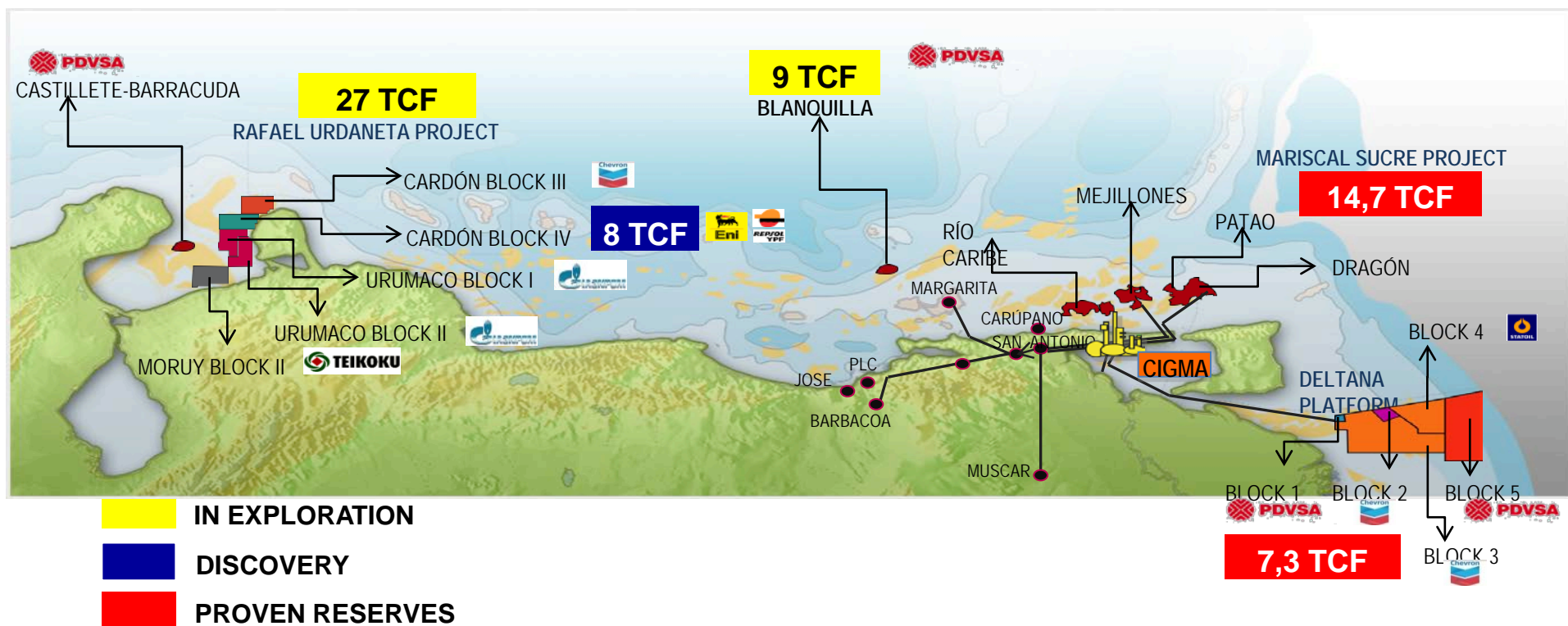


International Outlook: Orinoco Oil Belt



Source: MPPENPET

PDVSA Offshore Gas Developments 2010-2030



Proven Reserves Offshore: 22,3 TCF

Total expectations Offshore: 147 TCF

Source: MPPENPET

Business Opportunities

E&P crude oil major projects

Orinoco Oil Belt Heavy and Extra Crude

Exploitation:

- Public Bidding Process of 3 Blocks for Exploitation: 2 Consortia were granted for 2 blocks (Chevron, Repsol).
- Assigned Blocks for Exploitation to selected Companies: CNPC (China), Russian Consortium, Malaysian Mixed Company, ENI (Italy).

Traditional Areas of Exploitation:

- 3 Enhancement Projects in East Venezuela
- 5 Enhancement Projects in West and Lake Venezuela
- 2 Enhancement Projects in South Venezuela
- Mixed Companies Operating Projects



Business Opportunities

Local refining circuit major projects

Orinoco Oil Belt Heavy and Extra Crude

- Processing and Treatment: Upgraders by 2015

Actual Refineries in Venezuela:

- Puerto La Cruz Refinery Deep Conversion Project: Green Gasoline. (400 KBD) – Ongoing Project
- CRP Complex: FCC Project and Deep Conversion Project. (900 KBD) – Ongoing Project
- El Palito Refinery: Technology Updating Unit Projects. Ongoing Project

New Refineries in Venezuela:

- Cabruta Refinery - 2017
- Batalla Santa Ines Refinery – 2014



Business Opportunities

Gas major projects

Offshore East Projects:

- Deltana Platform (Trinidad Border): 4 Blocks assigned to: Chevron, Statoil, Total, PDVSA
- Mariscal Sucre: 4 Platform Units

Offshore West Projects:

- Rafael Urdaneta Project: 3 Blocks assigned to International Companies (Russian Consortium, Japanese, Repsol/ENI).

Onshore:

- CIGMA Complex: Treatment and Processing (LNG Train) Units
- Gas Pipelines to Domestic Market



Business Opportunities

Infrastructure Projects

International Gas Pipelines :

- Colombia
- Brazil

Ports, Storage and Offloading Facilities.

Social Developments:

- Motorways
- Train System
- Electricity and Water
- Education
- Health
- Communities



Current Facts

Proven Oil Reserves (December 31, 2011)	296.5 billion barrels World's Largest
Average Oil Production (2011)	2.89 million barrels per day
Average Oil Consumption (2011)	723 thousand barrels per day
Average Crude Oil Exports (2011)	2.40 million barrels per day
National Budget (2012)	USD 50 per barrel of oil
Current Oil Venezuelan Basket (2011)	USD 97 per barrel of oil
Crude Oil – Planned Production (2030)	6 million barrels per day
Crude Oil Domestic Refining Capacity	1.282 million barrels per day
Proven Natural Gas Reserves (January 1, 2010)	176 trillion cubic feet
Average Natural Gas Production (2008)	848 billion cubic feet
Average Natural Gas Consumption (2008)	901 billion cubic feet

Source: UKTI Caracas

Business Culture

- Firm handshake and direct eye contact.
- Important to know and trust potential business associates.
- Business/social networking important
- Face-to-face meetings preferable; e mail and writing too impersonal.
- Emotional: take time to develop relationships.
- Appearances matter. Well groomed and dressed.
- Written material in both English and Spanish.
- Relationships more important than business documents.
- Negotiations and decisions take time.



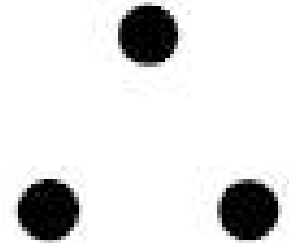
Challenges and Risks

- Money.... Seeking foreign investment from allied countries (China, Russia, Brazil, India, Italy).
- Reputation..... nationalisations in 2008/9 in Western Venezuela.
- Payment..... Past poor payment history much improved. Investors in country still experience major delays; Suppliers of goods and services average 120 days.
- Foreign Exchange..... commercial agreements should specify foreign currency payable offshore.
- Skills shortages..... Lack of expertise, particularly gas developments and extra-heavy crude projects in the Faja.
- Project planning..... Technical, infrastructure and environmental challenges in the Faja and other major projects.



Conclusions

- Venezuela a hugely significant player in oil and gas market for centuries to come.
- Development of the Faja will present major engineering and infrastructure opportunities.
- Lack of domestic capacity, equipment and personnel present big international opportunities.
- PDVSA will remain central to Venezuela oil and gas development. Registration as a supplier with PDVSA mandatory in order to bid and compete.
- British companies well regarded by PDVSA professional management. Local representation essential to succeed.



UKTI Support in Venezuela

- UKTI Team at British Embassy in Caracas ready to help UK companies.
 - Tailored research and support
 - Help finding a partner
 - Registration with PDVSA
 - Programme and visit planning and delivery.
- **Catherine Nettleton** - HM Ambassador
- **Ian Mason** - Head of UKTI
- **Luis Quiros** - Sector Leader: Oil & Gas; Energy; Engineering; Environment.
- **Luis Sanchez** - Sector Leader: Healthcare & Pharma; Security & Defence; Food & Drink.
- **Andrea Fagundez** - Sector Leader: Education



Questions?



Luis Quiros,
Sector Leader, UKTI Caracas

Luis.Quiros@fco.gov.uk

Tel: +58 212 263 8411

Thank you.

Beach El Agua, North East Venezuela