

## Venezuela pushes plan for cheap oil in Caribbean

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**PORT OF SPAIN, July 12** -- Venezuela has agreed to sell crude oil and petroleum products to Caribbean countries at concessionary rates as part of the PetroCaribe agreement. PetroCaribe, the brainchild of Venezuelan President Hugo Chávez, is designed to reduce the effects of high oil prices on the region by offering the energy-dependent islands petroleum products at reduced costs (OGJ Online, Sept. 15, 2004).

Trinidad and Tobago as well as Barbados have refused to be part of the pact, which Trinidad and Tobago fears could erode its Caribbean market. Trinidad and Tobago produces 190,000 b/d of oil and is the only major oil producer in the Caribbean.

Chávez said Petroleos de Venezuela SA (PDVSA) will create a special-purpose affiliate called PDV Caribe for the project. PDV Caribe will conduct only government-to-government trade and transport crude at the cost of shipping.

The agreement said, "PDV Caribe shall guarantee a direct trade relationship without intermediaries in the supply process. This arrangement shall help generate additional savings for the consumer countries."

The agreement also calls for PDVSA to be responsible for organizing storage facilities and terminals. "This will include, whenever possible, refining and distribution facilities for fuels and products," the agreement said, adding, "Priority shall be given to countries in greatest need."

Venezuela also has offered to extend credit to less-developed Caribbean countries on the basis of bilaterally fixed quotas. These benefits are to be offered outside what is already available under the San Jose and Caracas agreements.

Caribbean governments also will receive long-term financing from Venezuela, which is willing to finance 5-50% of the cost of the crude oil or petroleum products, depending on oil prices.

Under the long-term financing arrangements, if the price of crude is above \$15/bbl, the countries can get 5% financing with regular increases in percentage financing depending on the price.

Chávez has also offered Caribbean countries 1-2 year moratoriums on repayment of the long-term loans.

The agreement also calls for the South American oil giant to accept part of the

payment for its petroleum products in agricultural products including sugar and bananas.

Venezuela has linked the PetroCaribe agreement to formation of the Bolivarian Alternative for the Americas, which Chávez has proposed as an alternative to the US-backed Free Trade Area of the Americas.

Under the agreement, Caribbean governments are expected to benefit from an additional \$50 million for social and economic development in what has been called the Alba Caribe Fund.

Chávez said that, upon agreement of the countries, the funds may be drawn from the financed portion of oil invoicing and the savings from direct trade.