



HQ PETROLEUM AND POLITICAL CONSULTANTS

# LATIN AMERICA TURNS LEFT

The Energy Forum, New York, March 2006

# CURRENT POLITICAL SITUATION AS OF MARCH 2006



MEXICO  
VICENTE FOX  
ACCION NACIONAL (PAN)

CUBA  
FIDEL CASTRO  
(COMUNIST NATIONAL PARTY)

EL SALVADOR  
ANTONIO SACA (ARENA)

NICARAGUA  
ENRIQUE BOLAÑOS  
(LIBERAL CONST. PARTY)

COSTA RICA  
OSCAR ARIAS  
(NATIONAL LIBERATION PARTY)

PANAMA  
MARTIN TORRIJOS  
(PATRIA NUEVA)

ECUADOR  
ALFREDO PALACIOS  
(INDEPENDENT)

COLOMBIA  
ALVARO URIBE  
(CONSERVATIVE PARTY)

BOLIVIA  
EVO MORALES  
SOCIALIST MOVEMENT)

VENEZUELA  
HUGO CHAVEZ  
FIFTH REPUBLIC MOVEMENT

BRAZIL  
LULA DA SILVA  
WORKERS' PARTY

URUGUAY  
TABARE VASQUEZ  
FRENTE AMPLIO

ARGENTINA  
NESTOR KIRSHNER  
PARTIDO JUSTICIALISTA

CHILE  
MICHELLE BACHELET  
DEMOCRATIC CONCENTRATION  
PARTY



# Common Political Terms in Latin America

LEFT

CENTER

RIGHT

Center Left

Radical Left



# Coming Electoral Processes 2006 in Latin America

During the rest of 2006, Latin America will go through 7 presidential elections and 6 congressional elections connected to presidential.

## Countries

- Peru ----- April 9th
- Colombia ----- May 2nd
- Mexico ----- July 2nd
- Brazil ----- October 1st
- Ecuador ----- October 15th
- Nicaragua ----- November 27th
- Venezuela ----- December 6th



# Venezuela

- Electoral trends
- Investment situation
- Oil production capacity: 3.200 MBD
- OPEC figures: Production 2.600 MBD (according to OPEC and IEA)
- Geopolitics. Agreements. Regional influence

# Colombia

- Possible re election of current President in May 2006 (4 more years)
- Conservative government. Promotes oil investments at large scale
- Proven oil reserves: 1.5 billion barrels
- Current oil production: 510 MBD from 900 MBD in 1999
- Seeking oil independence from neighbors.

# Ecuador

- Presidential elections October this year.
- Former let down President Lucio Gutierrez leading the polls well ahead of Jaime Nebot (Social Christian) Major of Guayaquil and Leon Roldos (former President).
- If trial against Lucio Gutierrez is favorably solved, likely becoming next President.
- Otherwise, Nebot could win the elections.

# Mexico

- Presidential elections in July 2006
- Andres Lopez Obrador, from PRD, former Mayor of Mexico City, has a marked leftist tendency. At present leads polls 10% ahead Felipe Calderon from PAN.
- Future of NAFTA under Lopez Obrador administration.
- Proven oil reserves: 12 billion barrels.
- Current oil production: 3.3 MM barrels per day.
- Under President Fox administration, Mexico has achieved more oil presence in the US market.

# Brazil

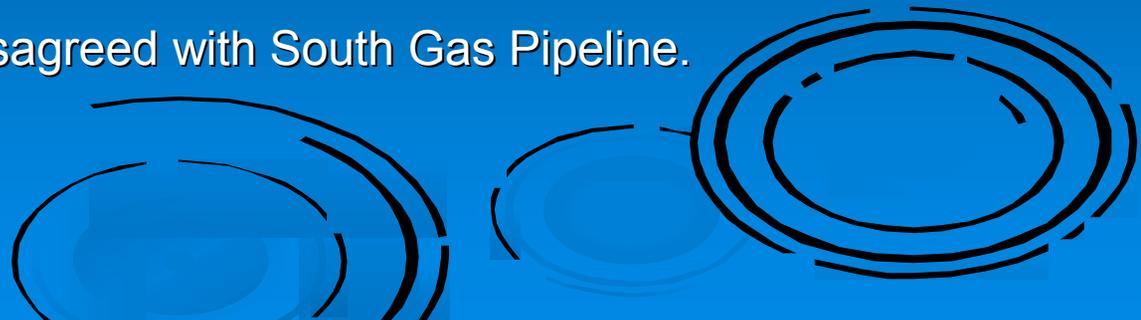
- Presidential elections in October 2006 (important possibilities for re election of current President)
- Conditions and investments will be kept in all scenarios
- Proven Oil Reserves: 11 billion barrels
- Current Oil Production: 1.7 MM barrels per day
- Seeking energy self sufficiency and becoming oil exporter

# Argentina

- President Kirshner remains in power until 2008. Center leftist trend.
- Will encourage oil investment and production capacity trends.

# Bolivia

- Continue political instability / Law reforms under a new constitution
- Investment scenarios (gas sector).
- 53 TCF of Natural Gas proven reserves, without available production.
- Planning Minister has disagreed with South Gas Pipeline.
- Regional effects



# Peru

- Presidential elections in April 2006
- Indigenous nationalist leader Ollanta Humala leading polls
- Under Umalla's administration Constituent Assembly to reform constitution (anti trust laws and will not support ALCA).
- High connections with Venezuela.
- 14 TCF Natural Gas Proven Reserves related to Camisea Project. (hunt oil)

# Venezuela Oil Policy Most Recent Facts

- Under the new Joint Venture legal framework is established the migration deadline from existing IOC to new ventures this coming March 31st.
- PDVSA owns at least 51% / Joint Ventures no more than 49%.
- Contract model for ventures is still not ready and requires law adjustments and modifications in order to be viable.
- Three reforms have been submitted to Congress in order to make possible that oil production obtained goes back to PDVSA's control, and not value added tax caused by these transactions will apply to PDVSA as a buyer.
- In the meantime, operations of 32 fields have decreased 25 MBD from 550 and no investment has been accomplished at all since July last year.
- No definitions in labor aspects. Tax issues still to be defined.

# Venezuela Yesterday and Today

VENEZUELA

PDVSA

ASSOCIATIONS

1998	3.400mbd	3.200mbd	200mbd
2006	2.600mbd	1.500mbd	1.100mbd

according to OPEC and IEA



# Venezuelan Geopolitical Strategies

## PetroCaribe:

Created to facilitate the integration of Caribbean countries through the sovereign use of their natural resources; including oil and its products.

Investment of US \$ 50 million in project cooperation.

Invoice: down payment (25%) rest 15 years and 2% interest.

Integrated by 15 countries.

Trinidad and Barbados did not subscribe it .



# Venezuelan Geopolitical Strategies

## South Gas Pipeline:

Venezuela, Brazil and Argentina.

Production of natural gas and reserves located in Venezuela.

Investment US \$ 25 billion.

Status Today: No gas production and funds available.

No feasible market due to government regulations.

Quite high interest of Brazil.

Maritime Vs. ground transportation.



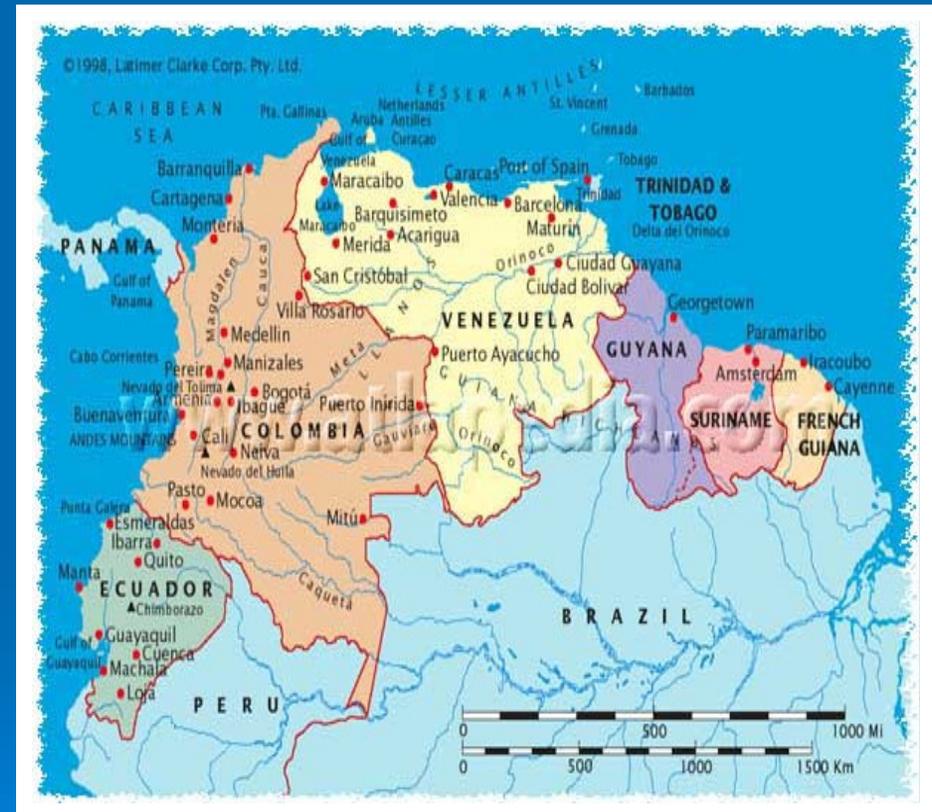
# Venezuelan Geopolitical Strategies

## Colombia – Venezuela Gas Pipeline:

A project designed to provide natural gas from Colombia to Venezuela.

200 Kilometers (Chevron).

Investment of US 250 million.



# Regional Trends

- Political trends. 7 Presidential Elections and 6 Congressional elections in 2006.
- Regional instability (Ecuador and Peru; indigenous and environmentalist groups, Bolivia; indigenous groups, Colombia; drugs and guerilla, Mexico; leftist government and Venezuela; political instability.
- Growth of oil investments in specific countries. Brazil, Argentina and Colombia.
- Impact of politics on oil activities in Venezuela, Ecuador, Bolivia, Peru and Mexico.
- Bolivia and Peru. Constituent Assembly to implement radical law reforms (gas sector).

# Peru: A Prototype Case

- President Alejandro Toledo, a common popular Peruvian.
- Government shows excellent economic indexes (GDP Growth).
- Very low unemployment rate.
- In the last years, inflation constant in 1 digit.
- Economic results could be even better than Chile.
- However candidate Humala most probably will win next presidential elections. Although possible connections between Humala and Maoist movement “Shinning Path”.

## IMPORTANT CONSIDERATIONS

- Political future of the region.
- Role of indigenous groups.
- Economic performance.
- Relationships with the US.

ALL TOGETHER WITH THE PERFORMANCE OF THE GOVERNMENTS

