

THE STATE OIL COMPANY: PETROECUADOR (CEPE)

The Ecuador State Petroleum Company (CEPE) was created in June of 1972 to assume responsibility for the national petroleum industry. Ecuadorian law stipulates that all hydrocarbon reserves found within the country's territory belong to the state, and the state oil company shall explore and exploit such reserves, directly or through association and service contracts with other national or foreign companies.

In September 1989, Congress approved a new law to reorganize the company and to improve its efficiency and autonomy. The law took effect at the beginning of January 1990, when CEPE was rebaptized PETROECUADOR. PETROECUADOR now operates as a holding company for three permanent and three temporary subsidiaries which focus on:

- (1) exploration and production
- (2) industrialization and refining
- (3) marketing and transportation

PETROECUADOR will be permitted to recuperate its production costs and to retain 10 percent of the proceeds from oil export sales for its investment program. For the 1989-95 period, its budget will be 657.69 billion sucres. Annual budgets will increase from US \$743 million in 1990 to US \$1.9 billion in 1993. In 1989, 62 percent of CEPE investment spending was destined to exploration and production; 22 percent to cover its 62.5 percent share of the Texaco production and pipeline consortium; 9 percent for industrialization; 8 percent for transport and storage; and 7 percent for support services.

The PETROECUADOR board of directors is made up of the Minister of Energy and Mines, the Minister of Finance, the Minister of Industry and Commerce, the Commander in Chief of the Armed Forces, the Manager of the Central Bank, the Planning Secretary of the National Development Council (CONADE), the General Manager of PETROECUADOR, a representative of the Presidency of Ecuador and a representative of the company's workers. The board names the operating council which is responsible for corporate finances, planning and coordination. Each subsidiary also has its own board of directors.

In 1989 PETROECUADOR took over operation of the main oil export pipeline (already owned by the state but operated by Texaco since 1986) and the management of the Anglo refinery. In 1990 full control of the oil fields of the CEPE-Texaco consortium reverts to PETROECUADOR as well as the Repetrol refinery. Three temporary subsidiaries have been created to assume responsibility for these activities until they can be merged with the permanent subsidiaries of PETROECUADOR.