

Canada Can Be Part of Venezuela's Oil, Gas Boom

As the opening of Venezuela's oil and gas sector to foreign investment intensifies, 1996 will be a year of significant change in this country's industry. It is estimated that at least US\$300 million will be invested in exploration activities in 1996 alone.

Numbers Back Optimism

Ronald Pantin, Strategic Planning Coordinator for Petroleos de Venezuela (PDVSA), says: "Venezuela is experiencing an oil boom without precedent in our history."

His optimism is supported by the numbers, which forecast growth in the petroleum sector at 7.7 per cent in 1996, a figure equal to 1995's spectacular growth.

Plans Proliferate

Venezuela has the largest hydrocarbon reserves in the Western hemisphere. PDVSA is putting into action a 10-year plan that will raise crude oil production to 4.6 million barrels per day (bpd) from 3.2 million bpd by the year 2002. This increase will demand private investment of US\$11.3 billion and a total investment of US\$49.3 billion.

This year began with the conclusion of bidding for 10 new exploration areas spread throughout the country. It is estimated that at least US\$300 million will be invested in exploration activities in 1996 alone. Of the 77 foreign companies that pre-qualified for bidding, 10 are Canadian exploration and production companies.

Venezuela is also speeding forward with a series of strategic associations (Corpoven-Arco, Lagoven-Mobil) designed to develop its significant heavy oil deposits in the Orinoco Belt. It is estimated that these heavy oil projects will ultimately produce 260,000 bpd. Government approval of these associations is expected by mid-1996.

Another recent deal between Maraven and Conoco calls for a US\$3 billion, 35-year joint-venture to upgrade 120,000 bpd of extra-heavy crude. Investments will be made in production, pipeline and upgrading facilities. Canadian expertise in heavy oil could be a stepping stone into these large-scale projects as sub-contractors or suppliers.

Canadians Active

The best vehicle for Canadian companies to enter this market is through business relationships already established with exploration and production companies active in Venezuela.

A highly successful program for Canadian companies has been the reactivation of marginal fields. The 13 fields that have already been contracted out have been producing 75,000 bpd and the production is expected to rise to 140,000 bpd in 1996. The estimated investment to achieve this rise is US\$800 million. Two Canadian exploration and production companies are members of consortia active in this program.

A recent announcement by the Minister of Energy and Mines revealed that 35- to 40 new marginal fields may be put up for bidding or direct contracts in the coming year.

Opportunities/Challenges

Opportunities should increase as more Canadian companies establish themselves in the market through the ongoing exploration round or through the future marginal fields program.

Best opportunities are seen for drilling equipment/services, oilfield servicing, environmental technologies/services, pumps, geophysical instruments and services, gas compression and processing equipment, telecommunications equipment and safety equipment.

Venezuela remains a challenging market, particularly for the small- and medium- size exporter of goods or services. The competition is fierce from many international companies, particularly American, and there is preference given to local suppliers. Some form of local presence is, therefore, a critical success factor in this market.

Market development activities will likely require substantial investment without immediate payback. Several visits to the market will be necessary during the initial stages of market research in order to establish the necessary contacts.

EDC Aid

In order to assist Canadian suppliers to PDVSA, the Export Development Corporation (EDC) is putting in place a US\$22 million line of credit with Bariven, PDVSA's overseas procurement subsidiary. Suppliers must formally register with Bariven to access this line of credit.

Contacts

For more information on this market, contact DFAIT's Latin America and Caribbean Trade Division, Ottawa, Fax: (613) 944-0479; or the trade section of the Canadian Embassy in Caracas, Fax: (011-58-2) 951-4950.