

# **Chevron and the Bolivarian government**

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## Introduction

Why a report about Chevron in Venezuela?

May 21<sup>st</sup> is the day various social movements from around the world have chosen to stage a planetary day of action against Chevron. The objective is to demand that the United States-based oil company modifies its practices and admits responsibility for the serious crimes it has committed all over the planet during its history.

Venezuela has the largest oil and gas reserves of the region and has had a long-lived relationship with Chevron. Nevertheless, the ecological and social consequences of energy exploitation in Venezuela are not discussed, neither is the responsibility for the contamination and displacement of indigenous and peasant communities incurred by transnational companies which, since 1996 and following the industry's nationalization in 1976, participate as business partners [with the state]. This omission is in part due to Bolivarian government propaganda which uses the term "energy sovereignty" to describe the policy of associating, for periods of between 20 and 40 years, with companies like Chevron.

President Chavez called his project "socialista petrolero" [the oil worker socialist] and in his proposed plan for government, Plan Patria 2013–2019, he defined as an objective increasing oil production to 6 million barrels per day by the year 2019 and natural gas to 11,947 million cubic feet daily by the same year. By 2013, production was 3.7 millones de barriles de petroleo por dia [3.7 million barrels of oil/day] and 7 millones de pies cubicos diarios de gas [7 million cubic feet of gas/day]. These objectives have been assumed by president Nicolas Maduro, requiring ever more and ever greater alliances with companies such as Chevron. The development model promoted by Bolivarianism is no different to those of previous governments: that being, to deepen the extractivist and primary resource-exporting character of the Venezuelan economy.

The eco-anarchist critique of energy exploitation in this country is not limited to demanding that the state's PDVSA be "controlled by its workers" or that companies such as Chevron leave Venezuela. Our vision is much grander; including the need to collectively build proposals for development beyond extraction that are both environmentally sustainable and socially just, as well as promoting individual freedom. Therefore we hope that this kind of document will stimulate debate and discussions along these lines.

## Chevron in Venezuela

As the company itself proudly proclaims in its own web site, Chevron's legacy in the country dates back to 1920. Even so, on January 1, 1976, during the industry's nationalization, Chevron left the country along with the other operators present in our territory at the time, such as Creole (an Exxon subsidiary), Shell, Texaco, Mene Grande (a Gulf subsidiary), Mobil and Continental.

At the beginning of the 90s, PDVSA called for "opening up" to private initiative. In 1992, it started to activate oil fields where it established co-operative agreements of 20 years. With this incentive, Chevron returned and in 1996, it once again set up a commercial office in Caracas. The geopolitical importance of the country for its operations is such that the headquarters in the Venezuelan capital (Ave. La Estancia, Centro Banaven, Torre "D", Piso 7, Chuao) is the main office for all of Latin America.

According to the technical dossier created by the transnational in 2013, Chevron's production activities are carried out through two subsidiaries in western Venezuela and another in the Orinoco basin. "We are partners with Petroleos de Venezuela, S.A. (PDVSA), the Venezuelan state oil and gas enterprise, in each one of the projects" says the company.

In western Venezuela, Chevron takes part in the projects not operated by the mixed enterprises of Petroboscan, S.A. and Petroindependiente, S.A., which produce heavy and light oil respectively. In eastern Venezuela, Chevron is involved in the operation of Petropiar, S.A. which produces extra-heavy oil and refines it into synthetic crude.

Chevron holds a natural gas license in blocks 2 and 3 of the Delta Platform, offshore Venezuela, and was invited by the government to participate in the first natural gas liquefaction unit in the country.

"Here we have Chevron, Texaco and we work wonderfully. I am very glad Obama said in Miami that Chavez is not a threat to the USA"

Hugo Chavez, August 18, 2012 acto en el Teatro Teresa Carreno [event in Teresa Carreno Theater]

## **Business Portfolio**

In March 2006, under the government of Hugo Chavez, 32 operating agreements entered into by the Venezuelan state with transnational companies were changed to "mixed enterprises" where in the state's PDVSA kept its shareholder's majority. Thus foreign companies went from delivering a service to being business partners in Venezuelan territory.

Mixed enterprises: "From domestic servants we went to concubines. The maid who rendered services and who for years we have accused of cheating us, we now make our partner. We now share the ownership of the underground resources with transnational oil capital. And the profits".

The mixed enterprise model in Venezuela is profitable for Chevron. According to its Reporte Corporativo Anual 2013 [2013 annual corporate report] "our affiliate's income increased from 2012 to 2013, mostly due to profits related to Tengizchevroil in Kazakhstan and Petropiar in Venezuela".

As revelo la propia compania [the company revealed], in the year 2012, the median daily production of fields operated in Venezuela was 64,000 barrels of liquid and 27 million cubic feet of natural gas. Venezuelan crude oil, segun informacion oficial [according to official information,] is priced at \$98.6 per barrel, which generates \$6,310,400 daily net in those fields controlled by Chevron, annually amounting to \$2,303,296,000. Converted to bolivars at the official rate of Bs 6.5 we can say that in the oil extraction business alone, Chevron's Venezuelan companies yield Bs 14,510,764,800. Assuming that out of this total, around 40% is the transnational's cut, because of the mixed enterprise allocation of shares, we are talking about Bs 5,804,305,920. To this number, we also have to add the money generated by the exploitation and marketing of natural gas in the country.

Taking just the oil exploitation profit, Chevron earns much more than the budget for the different institutions that execute social policy in Venezuela. For example, according to the 2014 budget legislation, Chevron has more profits than the yearly amount destined to the Ministry of the Environment, which spends Bs 4,594,669,943. The profit for the North American company

is larger than the sum of the annual budgets for the ministries of culture, sports, women and indigenous peoples in the country.

## **Chevron's diplomacy in Venezuela**

Till January 2014, the presidency of Chevron's Latin American businesses was held by Ali Moshiri, who under his management was considered the true representative of US interests, due to the cordial and pragmatic relations he always kept with the Venezuelan government. So much so, in fact, that President Chavez would ask Moshiri publicly for his mediation to improve relations with Washington, such as sucedio el 10 de febrero de 2010 [on February 10, 2010, for example,] when a press release by the Venezuelan government quoted the words of the head of state: "I hope you will help us improve the situation and relations with the US government", said President Chavez as he saluted Ali Moshiri, representative of the US company Chevron for Latin America and Africa (...) Addressing Ali Moshiri, president Chavez said: "We extend our hand to you and to the people of the United States, let's recover hope; we wish to recover the level of relations we had when Bill Clinton was in power. We want to resume that road, we hope we can". At this time, Chevron's presidency in the region was in the hands of Kelly Hartshorn.

During his tenure, Moshiri reiterated his good will to establish business alliances between President Chavez's government and Chevron. En 2013 afirmo [In 2013, he said]: "During the last 4 years, our association has been very strong. We collaborate, we help each other, and if you look at the activity at Petropiar this last year, which basically increased capacity, that was one of the largest projects, free of incidents. The collaboration between Chevron and PDVSA is one of the best (...). Since the beginning of the mixed enterprise-based model Moshiri qualified the results as "extremadamente bien" [extremely good]. He even recognized Hugo Chavez's business mentality to enlarge the business: "la industria del gas nunca arranco en Venezuela despues de la nacionalizacion. Siempre ha sido un pais petrolero. El gobierno del presidente Chavez es el primero en desarrollar el gas" ["the gas industry never took off in Venezuela [in the period] following nationalization. This has always been an oil country. President Chavez's government is the first one to develop gas"].

"The presence of Chevron Texaco, an American company, in Venezuela is indicative that our relation with the USA is historic and deep" The statement comes from president Hugo Chavez in a speech on March 9, 2004.

The collaboration between the two companies is as if it were just one corporation. Moshiri reiterated that diplomatic impasses with the United States did not affect his operations in the country. En el 2011 opino [In 2011 he opined]: "We hope that relations between Venezuela and the United States remain good. We respect the laws of both countries, and in Venezuela we are guests, therefore we honor their laws and policies, but because we are an American company, we have to comply with the rules and laws of the United States. We do business and that's all we focus in. We don't get involved in politics".

One of the clearest examples of Chevron's diplomatic influence in the country was its role in overcoming the diplomatic crisis between Venezuela and Colombia, during Alvaro Uribe's time as Colombian President. Already en el 2002 Moshiri [in 2002 Moshiri] had established the need for these two countries to overcome the "narrow vision of national interest", and to associate in order to develop a gas pipeline between both countries. Five months later, both nations, with Chevron's

participation, finished a joint study for the installation of a gas pipeline between Colombian Guajira and Maracaibo. On December 15, 2013, Alvaro Uribe announced the Colombia-Venezuela-Panama gas pipeline. On June 8, 2012, the project was formally started with the installation of the first leg which was named “Antonio Ricaurte”. In 2007, the diplomatic crisis blew up, with Chavez calling Uribe a “servile instrument of North American empire” and a “mafia boss”. On July 11, 2008, the first bilateral meeting after the incidents takes place, with Chavez declaring: “We are destined, not condemned, to be together forever”. In this moment, the Venezuelan President publicly ordered the minister of Energy and Oil “to return to all the issues that have been building up”, among them the gas pipeline.

The very same Chavez, on April 2009, during another meeting with Uribe Velez, resaltaba los avances de la “integración” energética [emphasized the advances in energy “integration”]: “Look at how the gas pipeline is working. There we have beaten a record, it has reached two hundred million cubic feet”. Chevron’s patient mediation to overcome the “narrow vision of national interest” that Moshiri warned about in 2002 bore fruit: On November 28, 2012, the governments of Colombia—with Santos at the head now— and Venezuela firmaron un acuerdo para la extensión [signed an agreement for the expansion] of the gas pipeline Antonio Ricaurte towards Panama and Ecuador. In its most recent informe sobre responsabilidad social [report on social responsibility] Chevron emphasized: “The Venezuelan Compression Project (VCP) looked into the installation of five reciprocating compressors in order to keep the delivery pressure of gas to Venezuela through the Trans Caribbean Antonio Ricaurte gas pipeline”.

It would not be the last time that Chevron’s diplomacy supported Hugo Chavez’s government in order to keep the flow of oil capital through Venezuela. Towards the end of 2002 a group of technicians and professionals within PDVSA supported the stoppage of all activities to boycott Hugo Chavez’s government. To reactivate the industry el gobierno contrato tecnicos en el extranjero [the government contracted technicians abroad] and sources in the industry, at the time, affirmed that they had been provided by Chevron, information that was kept secret and could not be fact checked by El Libertario. However, during the month of February 2003, the government released public statements that its [continued] association with Chevron to set up new contract was an example of “the victory of the revolutionary government against the PDVSA conspiracy”. According to our sources, this rumour is plausible, since paralyzing Venezuelan industry would have affected global market prices, which was against the general interests of the industry and the very same transnational corporations.

## **“Corporate responsibility”**

According to the company, between 2006 and 2012, Chevron invested over 75 million dollars in community activities. “Our efforts are centered around two areas: education and economic development. We also support cultural and health programs”, they said. The company adds: “Chevron is proud to sponsor the Venezuelan Youth Orchestras which offer quality musical education to hundreds of children. The program has formed consummate professionals and has allowed many Venezuelan musicians to work abroad, such as Gustavo Dudamel, the internationally recognized director of the Los Angeles Philharmonic Orchestra”.

The money earmarked for “social responsibility” does not hesitate to form alliances with Venezuelan government organizations. A press release affirms “Chevron, in partnership with the

Wayuu Taya Foundation, inaugurated a two-classroom module at the Unidad Educativa Basica Nacional Bolivariana Intercultural Suurala Wakua 'Ipa located in La Concepcion (...) This school, built and equipped by Chevron in partnership with the Education Ministry and the Municipality of Jesus Enrique Lossada, now benefits about 550, mainly ethnic Wayuu, primary students.”

Chevron’s money has also been allotted to two actors who are traditionally against oil exploitation in the region: the indigenous people and the environmentalists. Says Chevron: “Members of the Wayuu ethnic group who live north of the Colombia-Venezuela border, and those of the Warao of the Orinoco Delta in oriental Venezuela, have had workshops to promote the revival and promotion of their artisan knitting. There they also receive marketing and selling ideas that facilitate the product’s commercialization”. Chevron afirma que uno de sus beneficiarios [says that one of its beneficiaries] is the so-called “Jalianaya Cooperative”, in Manaure, which forma parte a su vez [in turn is part of] the Patria Network, a coalition of support groups for the Bolivarian government.

In the environmentalist field, Chevron sponsors the Fundacion Tierra Viva [Living Earth Foundation], a group which tambien recibe aportes economicos de otras companias energeticas transnacionales [also receives economic help from other energy transnational corporations]. In 2012, they made a directorio de organizaciones ambientales de Venezuela [Directory of environmentalist organizations in Venezuela], where they registered 152 initiatives, of which not one declared as its objective confronting the environmental and social consequences of their energy and mining exploitation activities. It’s “weird” to say the least, that in the country with the largest reserves of oil and gas in the region, extraction does not worry the environmental organizations. Despite the importance of energy activity in the country, there aren’t any studies concerning environmental impact that measure the consequences for people and for nature.

Even PDVSA admits that the social policies promoted by the government count on resources from mixed enterprises. On a page titled Participacion de las Empresas Mixtas en el Desarrollo Social [Participation of mixed enterprises in social development], available at their web site, it says: “Following the line of the National Government, and within the framework of the country’s strategic planning, PDVSA will create a new economic scheme based on the redistribution of hydrocarbon wealth for the benefit of all Venezuelans by implementing social programs and the empowerment of the EPS and the Nuclei for the Endogenous Socialist Development (NUDES). Located near the oil fields, the NUDES propose to raise the people’s quality of life and incorporate them into a national strategy of sustainable development”.

## **Timeline: Chevron in Venezuela**

1996: Having left due to nationalization, it returns to Venezuela to take charge of the operation of the Boscan field by operating agreement.

1997: Named operator of field LL-652 located offshore in northeastern Lake Maracaibo.

1997: Chosen to develop what today is known as Huyapari Field in the Ayacucho block.

1999: September 23, enactment of the Organic Law of Gaseous Hydrocarbons, allowing mineral exploitation, as well as international private sector participation in the business.

1999: December 20, the Constitution of the Bolivarian Republic of Venezuela is enacted, establishing in its article 301: “Foreign investment is subject to the same conditions as national investment”.

1999: December 30, in order to stimulate foreign investment, it signs the “Agreement to avoid double taxation and prevent fiscal evasion on the matter of taxes on profits and on the protocol between the government of the Republic of Venezuela and the government of the United States of America”.

2000: October 17, Chevron announces its merger with Texaco.

2001: January 7, first meeting between Chevron executives and President Hugo Chavez, who says he intends to work with private sector enterprises to develop new projects for investment in Venezuela.

2002: February 12, at a conference in Texas, Ali Moshiri establishes the need for Colombia and Venezuela to work together to build a gas pipeline between both countries.

2003: December 15, Alvaro Uribe announces the project for the Colombia-Venezuela-Panama gas pipeline, counting Chevron as partner.

2004: March 9, Hugo Chavez grants the license for the exploitation of block 3 in the Delta Platform.

2004: August 6, at an event at the Ayacucho Salon in Miraflores Palace, Hugo Chavez says in his speech: “I want to emphasize the presence here of our friend and partner Ali Moshiri, president of Chevron Texaco.”

2006: July 20, agreement signed to convert the old operating pacts to mixed enterprises Petrobuscan and Petroindependiente.

2007: July 29, President Hugo Chavez characterizes his project as “oil socialism” in a speech in Anzoategui state.

2007: August 15, President Chavez presents the proposal for the reformation of the Constitution, in which, in articles 113 and 115, mixed enterprises get constitutional rank.

2007: November 8, in an interview, Ali Moshiri celebrates the business “nose” of president Hugo Chavez: “The gas industry never took off in Venezuela after nationalization. The government of president Hugo Chavez is the first to develop gas, before anybody knew Venezuela had gas. The government is on a good road”.

2008: January 9, birth of mixed enterprise Petropiar, a 25 year contract between Venezuela and Chevron.

2008: 19 September, Chevron gets approval to create the mixed enterprises who will be in charge of the transportation and liquefaction of natural gas by means of the first train to be loaded at Delta Platform.

2010: April 8, the government authorizes Chevron to produce gas in block 2 of the Delta Platform.

2010: May 13, together with Repsol, Chevron gets the license to exploit blocks Carabobo 1 and 3 in the Orinoco Basin, considered the world’s largest hydrocarbon reserve.

2011: June 26, Ali Moshiri says he hopes to get an early production of 50,000 barrels per day from his new exploitation in the Carabobo blocks in the Orinoco Basin.

2011: September 29, at the Hydrocarbon Congress organized by PDVSA, Ali Moshiri of Chevron declares: “The new Saudi Arabia has been found in the Orinoco Basin”.

2012: July 18, Chevron announces the investment of an additional \$2,000 million to expand production in the Boscan field.

2012: August 18, at an event at the Teresa Carreno Theater, Chavez says: “Here we have Chevron Texaco and we work wonderfully. I am very happy that Obama said in Miami that Chavez is not a threat to the USA”.



2013: March 2, the Chevron representative for the region is in Venezuela during Hugo Chavez's dying days, telling the press: "The collaboration between Chevron and PDVSA is one of the best".

2013: May 27, the president of PDVSA, Rafael Ramirez, announces an agreement with Chevron for a loan of \$2,000 million to promote production at mixed enterprise Petroboscan.

2013: September 11, Venezuela and Trinidad and Tobago close an agreement for PDVSA and Chevron to exploit a block located on the offshore border containing 10,25 billion cubic feet (TCF) of gas.

2013: November 11, Kelly Hartshorn, president of Chevron for Latin America comments that the company's production in Venezuela is 270,000 b/d. "This is a very high level and has been steady for many years", she said.

2014: In her first visit to the Orinoco Basin, the new president of Chevron for Latin America, Kelly Hartshorn says: "We are proud of the results obtained and of being partners with an enterprise such as Petropiar".

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