Petroleos de Venezuela, S.A. (PDVSA)

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Corporate Governance, Ownership, and Decision-Making
Interim Findings on National Oil Companies
Stanford University
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http://pesd.stanford.edu/
• A note on the PDVSA case study
  - Preliminary draft provides framework for understanding PDVSA
  - Further integration with study template over time

• Dependent variables have shifted over time
  - Performance:
    • Before 2002-03 strike: Highly efficient company
    • After 2002-03 strike: Substantially less effective, though data questions and exogenous events (e.g., strike) complicate analysis
  - Strategy:
    • Before 2002-2003 strike: Internationalization, including minimizing transfer of rents to the state
    • After 2002-2003 strike: Implementing government social and geopolitical goals, and to remain viable within policy constraints
PDVSA strategy: Partnerships for geopolitics

ORINOCO MAGNA RESERVA
Mapa de la Faja Petrolífera del Orinoco comprometida con la Nueva Visión Multipolar y Geopolítica de Venezuela

Program on Energy and Sustainable Development - http://pesd.stanford.edu/
PDVSA strategy cont: Social partnerships

Beyond Social Responsibility

- Termoelectric & Gas Plants – CADAFE
- Agrinindustrial development
- Highway José Antonio Páez

Additional Resources Palavecino Plant - CADAFE

Additional Resources Termozulia Combined Cycle - ENELVEN

José Antonio Páez Highway – Propatria 2000 Foundation

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- Additional Resources Fabricio Ojeda Plant – CADAFE
- José Antonio Páez Highway – Propatria 2000 Foundation

- José Antonio Páez Highway – Propatria 2000 Foundation
- Masparrro Hydroelectric Plant

- Development of the Agro-Industrial and Metal-Mechanic Industries – CORPOCENTRO
- José Antonio Páez Highway – Propatria 2000 Foundation

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- Guairé River Basin Cleaning – SAMARN
- Ezequiel Zamora Railroad (Caracas Middle Tuy) – IAUE

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Cement Plant - CVG

- Additional Resources Ezequiel Zamora Thermoelctric Plant – CADAFE
- José Antonio Páez Highway – Propatria 2000 Foundation

- Pulp and Paper Plant
- National Iron and Steel Plant
- Pipes Plant
Corporate Management: Effective, if not formal, overhaul
Formal structure: 1990s legacy now in transition
• Effective structure: 1990s corporate management replaced with Chavez political allies
  • President of PDVSA, Rafael Ramirez, is the Minister of Energy and Oil
  • External Director of PDVSA, Bernard Mommer, is the Vice-minister of Hydrocarbons

• Corporate disclosure: Generally reduced flow of information, with some recent disclosures
  - In 2006, PDVSA purchased $83 million in U.S. bonds so that it could stop reporting to the SEC
  - Company issued internally-checked financial data in early 2007
Conclusions

- Government has transformed PDVSA corporate management from private-oriented professionals into pro-Chavez political appointees

- Transparency within PDVSA has significantly diminished; note some recent openness, however

- Combination of pro-government corporate management and limited disclosure gives PDVSA greater flexibility in implementing its unorthodox social and geopolitical strategy