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Barbara Khol

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Venezuela: $3 Billion Joint Venture Natural Gas Exploitation Project Awaits Approval

by Barbara Khol

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On May 22, government officials told reporters that Lagoven, a subsidiary of Petroleos de Venezuela (PDVSA), submitted a $3 billion natural gas project to the presidential petroleum advisory committee. If approved, Lagoven would carry out a joint venture with Shell, Exxon and Mitsubishi, making it the first petroleum-related undertaking to involve direct foreign investment since the nation's oil industry was nationalized in 1976. Shell is to control 33% of the shares in the project; Exxon, 29%; and, Mitsubishi, 8%. The joint venture will tap huge natural gas resources located in the Gulf of Paria in the Caribbean Sea. Officials said foreign participation was considered necessary in order to take advantage of their experience in extracting and marketing natural gas. The project is also awaiting approval by the Venezuelan Congress. On May 27, spokespersons for the Mines and Energy Ministry in Caracas told reporters that $2.1 billion of the financing necessary for the $3 billion project, known as Cristobal Colon, will be provided by a group of banks headed by the US J.P. Morgan corporation. Lagoven is to contribute $300 million in financing, and Mitsubishi, $450 million. Cristobal Colon is scheduled to be open for operation in 1995. Most of its estimated annual output of 4.4 million will be destined to the west coast of the US. Over the 1995-2005 period, revenues are expected to total $18 billion. (Basic data from OPEC News Agency, 05/22/91; EFE, 05/27/91)

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