

Petroleos de Venezuela, S.A. (PDVSA)

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Corporate Governance, Ownership, and Decision-Making

Interim Findings on National Oil Companies

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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

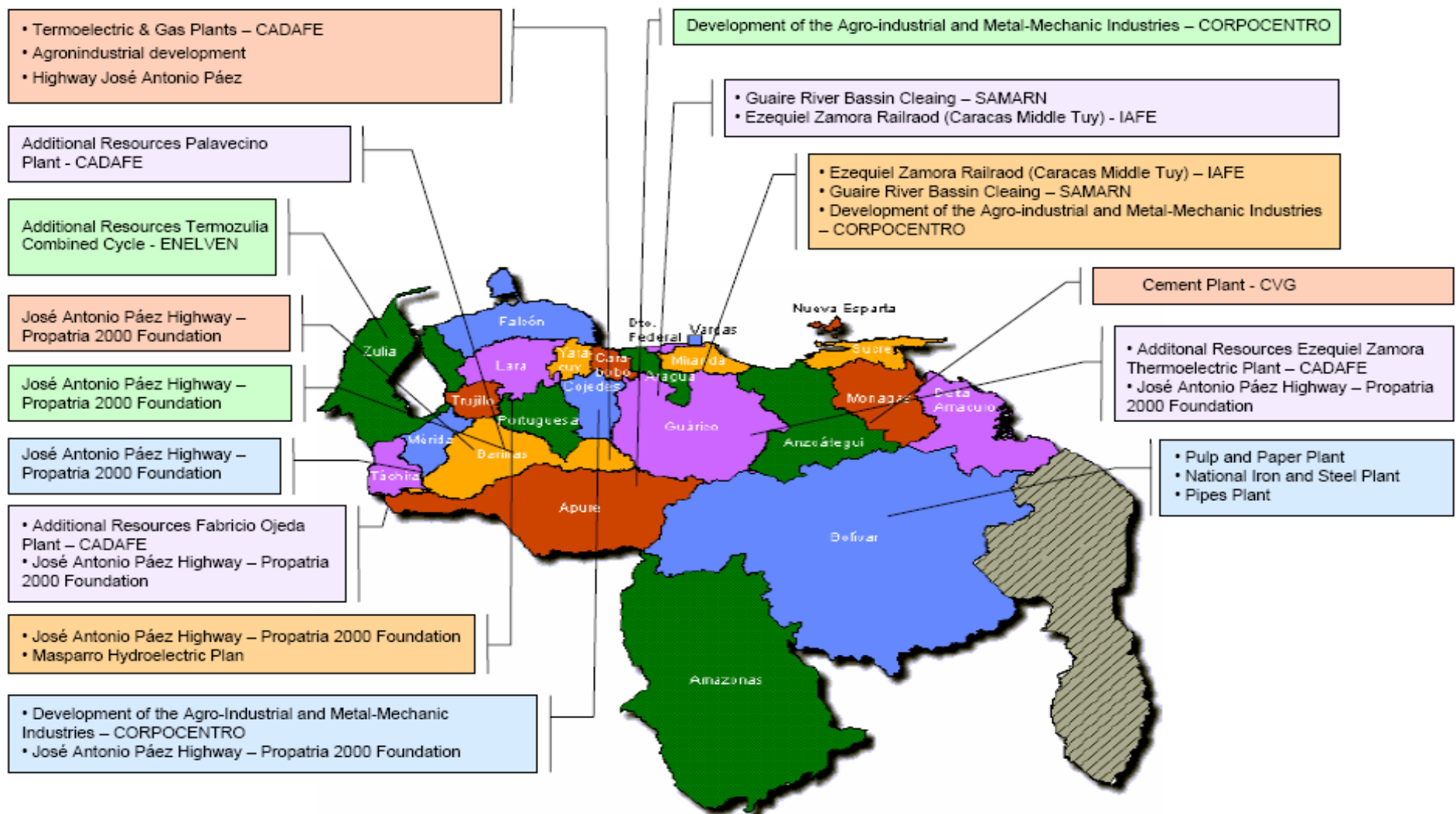


PDVSA strategy cont: Social partnerships



Embassy of the Bolivarian Republic of Venezuela

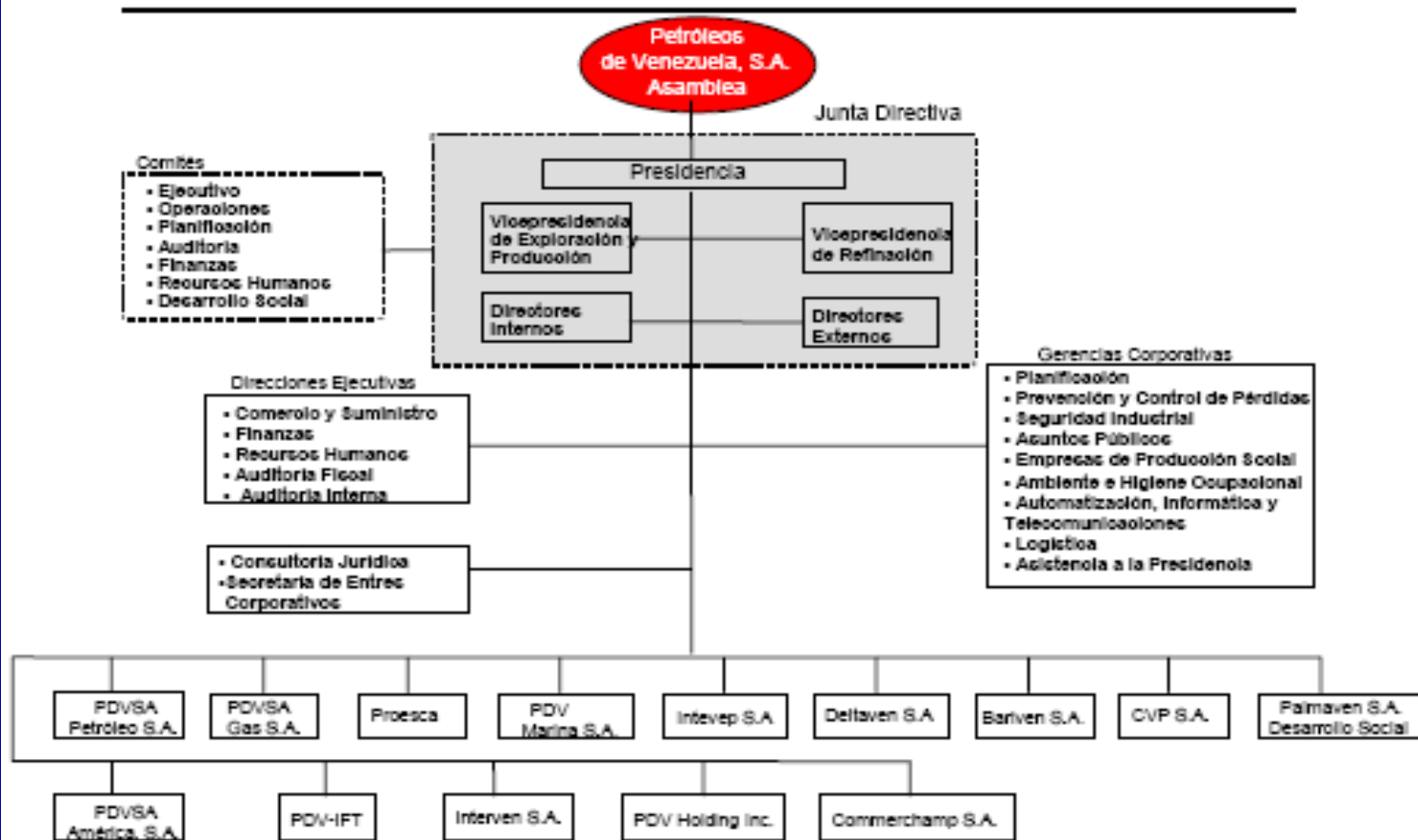
Beyond Social Responsibility



Corporate Management: Effective, if not formal, overhaul

Formal structure: 1990s legacy now in transition

Organización Básica Petróleos de Venezuela S.A



Fuente: Recursos Humanos PDVSA – Enero 2007

- 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