

## Chavez taking decisive steps to turn off oil taps to the United States of America

**RigZone.com (Dr. Joe Duarte):** Venezuela's President Hugo Chavez is taking decisive steps to turn off the oil taps to the United States of America.

Venezuela's state owned oil company PDVSA has inked a key deal with India, taking the first key step away from the U.S. as its major oil buyer.

**At the same time, PDVSA has announced that it will no longer reveal oil statistics to the SEC after paying off its debts.**

The India deal and the refusal to disclose information are not just strategic, but also send a message to the US about Venezuela's future plans with regard to supplying the US with oil.

### *No More Disclosure*

**According to the BBC:** "Venezuela's state oil firm has said it will no longer disclose information to US financial regulators after paying off debts in the US. PDVSA said it was no longer obliged to be regulated by the Securities & Exchange Commission (SEC) after buying up \$83 million in US-traded bonds."

At the same time Venezuela has begun to ship two million barrels of oil to India per month, making use of India's heavy crude refineries, for which Venezuela's sulfur laden oil is no problem.

**According to Stratfor.com:** "While the new deal with India is relatively small, given that Venezuela produces more than 2 million barrels of oil in a single day, it nevertheless represents a step down a sustainable path toward diversifying Caracas' oil markets."

Venezuela has been working on diversifying its dependence on US oil purchases for some time, having nurtured relationships with Iran and China, as well as India. But because the US and India are two of the few countries with existing refineries able to process heavy crude, the Chavez regime has had a difficult time getting beyond the conceptual stage with the strategy.

The India deal is small, considering the fact that Venezuela ships 1.5 million

barrels of oil to the US per day ... but it is a big signal, nevertheless.

**According to Stratfor:** "the April 12 deal with India is just one part of a nascent multi-tier cooperation between the two nations in which Venezuela is helping India develop its own heavy crude fields, and India is in turn purchasing Venezuelan heavy crude and investing in the facilities necessary to refine heavy crude."

### *The Chevron Wildcard*

The oil world, though, takes strange turns, as Chevron recently announced a stake in an Indian refinery that will be processing heavy crude shipped from Venezuela, and will provide products to Asia.

**According to the BBC:** "5% of Reliance Petroleum, a company set up by Indian conglomerate Reliance Industries to operate a new export refinery in north-west India. The 580,000 barrels-per-day site in Jamnagar will process heavy crude and is due to open in December 2008."

There has been no mention of any intention of Chevron's intentions to divert any gasoline from its India projects toward the US.

### *Conclusion*

**There are several key factors in this story, not the least of which is the international aspect of the oil market, and the effect of unintended consequences of any one party's actions.**

PDVSA cuts a deal with an Indian oil company in order to move away from the US as its primary source of oil revenues. Yet, Chevron, a US company, slipped into the deal through the back door. Chevron is playing it cool, noting that this venture will concentrate on providing oil to Asia. Yet, all gasoline looks, feels, and smells similarly, which means that while ideologues will try to manipulate the markets, money will always win out.

**Who's to know where the gasoline we put in our gas tank in 2008 will come from?**

The only thing that is certain is that because of geopolitics, it will take a lot more money to take oil out of the ground, send it somewhere to get refined, and eventually deliver it to gas stations.

### *Futures markets predict even higher prices ahead*

The mainstream press has finally tuned into the fact that crude oil is selling above \$70 per barrel, but they have yet to note that the December 2006 crude

contract is now testing the \$75 area.

Meanwhile, gasoline and heating oil prices remain above \$2 and natural gas has made a bottom, and looks to be heading higher as well.

A look ahead in natural gas shows that the December Natural gas contract is trading near \$11 while the May contract is working on the \$8 mark. In other words traders are starting to place a significant premium for energy into the winter months, as they begin to speculate on potential supply disruptions.

- Dr. Joe Duarte is author of the book "Futures And Options For Dummies," and "Successful Energy Sector Investing."

[Venezuela: Turning Off the Taps to US](#)