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Oil and Gas News from Bolivia by D. Arias

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Please contact **Editor-in-Chief** Thomas Wälde at twwalde@aol.com if you would like to participate in this global network: we are ready to publish relevant and quality contributions with name, photo, and brief biographical description - but we will also accept anonymous ones where there is a good reason. We do not expect contributors to produce long academic articles (though we publish a select number of academic studies either as an advance version or an OGEL-focused republication), but rather concise comments from the author's professional 'workshop'.



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YPFB looking for partner to offer more competition

(2003_07_01.01) La Razón/Los Tiempos/Opini3n. To become competitive with the multinationals that have begun to hoard the internal market, YPFB is looking for a strategic partner in order to sign joint venture contracts to promote and diversify the company's service stations and CNG bottling plants.

“Multinational chains entered the national market. In Bolivia, SHELL and **PETROBRAS** are active, though with different names. Private stations will disappear, absorbed by the chains, as happens all over the world,” explained YPFB President Ra3l Lema.

“We believe it's important that a national chain like YPFB be formed. We're making an analysis to find the external capital to make Joint Ventures for the 55 service stations that we have, and diesel and CNG distribution.”

Berindoague must tell Congress of oil company taxation

(2003_06_23.04) Opini3n. La Paz (ANF).- "In the Senate, Minister of Hydrocarbons (MoH) Jorge Berindoague must justify his statement that the transnational oil companies pay up to 38% royalties to the Bolivian state," said the senator and president of the Constitution Commission, Morgan L3pez Baspineiro (MIR).

L3pez says Berindoague “is not telling the truth,” because the state receives only 18% from all oil exploitation. “For example, from the export of gas to Brazil, we receive 11% royalties, 1% for the compensation fund, and 6% that goes to the TGN. [..]

PETROBRAS TAKES AWAY EVERYTHING The congressman assured that companies such as **PETROBRAS** [is] in every stage of the oil industry. “It's a company that explores, develops, exports, receives the gas in Brazil, and additionally pays itself.”

New Law of Hydrocarbons necessary

(2003_06_23.07) El Diario. The president of the Senate Constitutional Committee, Morgan L3pez, suggested that the Bolivian state must have a new Law of Hydrocarbons which permits generating a legal environment for investments.

Asked about the \$3.6 billion that the country will lose by the reclassification of the oil fields, Senator L3pez said "first, we should prepare a strategy so that the state does not lose the announced figure."

He explained that there are companies here--such as **PETROBRAS**--that participate in E&P. However, this does not generate benefits for the Bolivian state. “It explores, develops, exports, receives Bolivian gas in Brazil and pays itself.

“We have to propose a new Law of Hydrocarbons that permits us, for example, to generate a legal environment for investments in the transformation of hydrocarbons and gas industrialization.

"The current Law does not permit renegotiating with the oil companies, *i.e.*, it cannot be verified if they have in fact invested, if they are making a profit, and if they are sharing the profit with the Bolivian state." [..]

Gas export, the future support of Bolivia?

(2003_06_20.03) El Nuevo Día. *Rafael Morató*. The president has optimistically said in the press that gas export will be the future of Bolivia. The example is the gas export to Mexico and California. In order to demonstrate whether so much optimism is justified, one must consider that the project's basic problem is not Chile, nor Peru, nor PACIFIC LNG; it's the [price of] the gas at well-head.

We assumed a production of 30 MMcmgpd, or ~ 1.0 Bcf. At a well-head price of \$1.20/Mcf, we see:

- \$0.20/Mcf is used to amortize the investment and to cover the costs of exploitation (\$72 MM/year).

- Then the profit generated at well-head will be $(1.20 - 0.20 = \$1.00/\text{Mcf})$, or \$360 MM/year. Distributed as follows: 18% for the state (\$65 MM/year); $(360 - 65 = \$295 \text{ MM/year})$ profit for the producer (82%).

Over 20 years, the producer will accumulate a \$6.0 billion profit, enough to finance the Tarija - Patillos gasline, the LNG plant in Patillos and the regasification plant in Tijuana.

It's obvious that maritime transportation of the LNG and transportation of the gas through Mexico to California must be via contracts with transportation companies in each case, avoiding greater investments.

Then, who finances the project? Who will profit? Who will use the Bolivian gas to their benefit? It cannot be clearer: the Bolivian gas will permit the economic development of Chile, will generate a profit for the CONSORTIUM, leaving Bolivia the crumbs. It will turn our nation into a colony, an absurd paradox for a country that intends "to use its gas reserves to avoid a future of poverty and economic crisis." [..]

This paradox has a sole solution: a new strategy for our hydrocarbon resources, free of the political sophistry commonly used by those who govern.

First. YPFB's return with all its original qualities, a state company of highly specialized personnel, apolitical.

Second. Revive the law that orders a 50-50 division at well-head for the state and the producer.

Third. Recover the gas reserves of Tarija Department, so capriciously qualified as New Reserves.

Fourth. Recover for the state the monopoly of the internal market of oil and derivatives, now owned by **PETROBRAS** and partners through the purchase of the Bolivian refineries—which should obviously also be recovered.

Fifth. Maintain the possibility of gas export to California. PACIFIC LNG is not the absolute owner of the gas markets, nor should we fear competition, released of a false protectionism.

These preliminary measures will let us face our structural and economic mistakes, with more income than that which would come from the gas project “by and for Chile.” And it would include, finally, understanding that the gas export business is not so simple, but, certainly, one must know how to use and to sell [gas] without depending on the interests of the supranationals. -0-

YPFB: Misfeasance or treason...?

(2003_06_10.03) El Deber. *Luis Fernando Calvo Moscoso (Lawyer)*. Misfeasance or revelation of secrets [...] is serious, especially reproachable when the confidence due is to society. [...]

It's an affront to see that high YPFB officers, who participated in the negotiations and even signed the gas contract with the Brazilian state oil company, within a few days after leaving office in the service of the nation, are contracted by the company who was on the other side of the table.

It's obvious that these former YPFB officers had knowledge of Bolivian state policies and economic strategies. It's probable that they were contracted by **PETROBRAS** to take advantage of their knowledge of the Bolivian state's data and strategies in the management of the gas resources—where the two companies have opposing interests and could be in conflict.

That these former YPFB officers now serve the Brazilian oil company demonstrates a serious lack of ethics and morals, and it is understood that revelation of data and strategies acquired in exercise of their government functions involves a criminal penalty. Art. 225 of the Penal Code regulates misfeasance: "the public officer or he who, because of his position or functions, has possession of news or data that must be held confidential, [...] and reveals it, will be punished..." [...]

Misfeasance is also a form of corruption, that, in such cases, is like treason. Why don't the authorities arraign former government officials who now turn their backs on the country that trusted its interests to them, and now lend their “services” to their commercial counterparts.

What to do with the gas?

(2003_06_04.03) El Diario. *Jorge Aramayo Montes*. "The MoH, and the president, believe it's not the best time to change the Law of Hydrocarbons. The Law has operated well, we've increased 5 Tcfg reserves to 55 through the conditions in the Law," declared MoH Jorge Berindoague. These are statements published in a newspaper.

This is not the truth, and demonstrates a complete ignorance of the country's hydrocarbons situation. The Decree Law No10170, promulgated 28 - 03 - 72 and Decree No. 18994 of 15 - 06 - 82, off former President Hugo Banzer Suárez, envisaged 50% taxes and royalties, leaving the oil companies 50%.

Twenty-nine operation contracts were signed with foreign oil companies, with an investment commitment of over \$900 million, controlled by YPF. If these companies didn't find it useful, do you think so many would have come to the country?

The Law of Hydrocarbons No. 1194, promulgated 01 - 11 - 90, by former President Jaime Paz Zamora, is the best Law of Hydrocarbons the country has ever had. It envisaged a 50% to 55% state participation in taxes and royalties on the basis of "the more production, the greater the state participation," and furthermore with a 40% Income Tax plus a 12% of Profit Tax.

The only thing it lacked was the famous Surtax that is not applied because no one knows how to do it. Furthermore, YPF had control of the production and the accounting. Under this Law, 20 operation contracts and 3 association contracts were signed, with an investment commitment of over \$500 million, solely for geological exploration until declaring a commercial discovery.

The companies capitalized since 1997 haven't made any investment, nor discovered a new field. Would the Hydrocarbons Chamber of Santa Cruz tell me what new fields have been discovered by its sponsors, the foreign oil companies.

The Law of Hydrocarbons No. 1689, promulgated 30 - 04 - 96 by former President Gonzalo Sánchez de Lozada, is the country's Law or Code of Hydrocarbons, dating back over 80 years when in the 1920s, the Petroleum Code of former President Gutiérrez Guerra was promulgated. That had 11% royalties for the producing department and 6% for the government—exactly what Law No. 1689 in the XXIst century says. The country regressed to the 1920s, when all other countries have a 50% state participation--and in the Arabic countries 75%.

The ardent defenders of YPF's capitalization say reserves have increased. That might have been very important, but it isn't so, because no new field has been discovered.

Then how is it that Bolivia reserves have increased so much? A miracle? YPF, at a high cost, discovered the oil fields, and verified that at greater depth, there were gas sands. And that's how in San Alberto, gas was discovered in the Huamampampa from 4,200 to 4,660 m.

This field was discovered by YPF, and in August 1990 was inaugurated by former President Jaime Paz Zamora, who said: "Bolivia's suffering is over. Now, with the gas, we have the tool to benefit the country."

Regrettably, that benefit was for some upper government authorities of that time, and for foreign companies like ANDINA, CHACO and **PETROBRAS**. While every day there are strikes, teacher blockades, medical strikes, etc., in demand of just remuneration for their work. The government cannot meet those claims, because the TGN only receives a ridiculous 6%.

The "economic geniuses" of this government thought to apply a tax hike. The result was 30 dead and 200 injured. Why not negotiate a just distribution with the companies: 50% for the foreign company and 50% for the hydrocarbons owner-- the state? [..]