



## Chavez vs ExxonMobil war escalates

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Late last week, ExxonMobil [won a court order](#) to freeze PDVSA (the Venezuelan national oil company) assets overseas, up to a value of \$12 billion, as part of a dispute over oil fields in the country that Venezuela has nationalised, but for which Exxon has refused to accept the compensation proposed by the Venezuelans. 6 oil companies are in that situation, and 4 of them accepted Chavez's terms, Conoco being the other holdout with Exxon.

Today, Chavez hit back, by [threatening to cut off oil deliveries to the USA](#)

"If you freeze us, if you really manage to freeze us, if you damage us, then we will hurt you. Do you know how? We are not going to send oil to the United States," Chavez said on his weekly TV show.

He's also made a slew of other accusations:

### [Chavez Says U.S. Is Selling Cocaine, Arms to Venezuela's Poor](#)

Feb. 10 (Bloomberg) -- The U.S., supported in part by factions in Colombia's government, is selling cocaine and weapons in Venezuela's low-income neighborhoods as a way to destabilize the country, Venezuelan President Hugo Chavez said.

Now, as the first article notes, Chavez regularly threatens to cut off supplies to the US, but has not actually done so in the past, so that threat may be an empty gesture again. And it must be noted, as a first point of background, that the only way to cut off deliveries to the US is to cut off deliveries altogether, as any oil delivered elsewhere will be in the global market and no actual imbalance will have been created. So Chavez would need to be willing to take some pain (in the form of lower revenues) to hurt the US - and that would work only if supplies from elsewhere could not cover the difference. The question of what the worldwide spare capacity is today is a fraught one, but it's likely that it's quite small, so Chavez's threat has teeth - especially as a lot of Venezuelan crude has technical specifications for which some US refineries are specifically adapted, and these would definitely be hurt more. Of course, the goal may simply be to get prices up, which delivery cuts would definitely achieve, but which the mere fact of *threatening cuts* also provides to a lesser extent.

Similarly, ExxonMobil's action is not likely to prevent PDVSA from continuing its activities and its exports (and its [debt service](#) to foreign lenders); as many analysts have noted, it is but a legal manoeuver to put pressure on the Venezuelans and get them to pay more for the assets they nationalized.

For a breathless, "We're Winning the War on Terra" description of Exxon's stand for freedom and apple pie, you can go read this [text circulated by CNN](#) which I cannot resist to quote:

Exxon Mobil, a \$440 billion company with operations across the globe, has for decades dealt with crazy, corrupt governments. It routinely does business with the likes of Chad, Russia and Angola and knows all about them. But it's never run into a partner as outrageously bad as Venezuela. That's why its unprecedented move to take Venezuela all the way to international courts over Chavez's seizure of its assets is a big blow from the private sector against a dictatorship that otherwise seems to hold all the cards.

Exxon sends the message that playing within the rule of law is a far better means to succeed, win and play with the big boys than to break contracts, steal assets and violate internationally recognized norms, as exemplified in Chavez's Venezuela.

Last year, the power-mad petrotyrant declared Exxon and Venezuela's other foreign investors "robbers" and vowed to conquer them like Simon Bolivar taking the Andes. He hurled leftist nationalistic rhetoric against these private companies whose only "crime" was to invest in and bring jobs to Venezuela.

But what I found most intriguing and curious was this small paragraph buried in the first article I quoted:

Washington has distanced itself from the Exxon legal offensive in which the largest U.S. company won international court orders freezing up to \$12 billion of the state oil company PDVSA's assets.

Washington has **distanced itself** from Exxon legal actions against Chavez? I have been unable to find any other reference to this, but it is really strange, and I wonder if anyone else has seen more on this, or would have any explanation for it...

In any case, Chavez is ratcheting the rhetoric against the US government as well as against Exxon, so that point may be moot, and we can expect the oil markets to take notice as they re-open in the morning tomorrow.

As this happens in the midst of the US primary frenzy, it's likely to be overshadowed by the discussion of the McCain-Huckabee-Clineton-Obama ratraces, but one can wish that the campaigns focused a little more on actual issues, given all that's going on right now. Beyond this outburst you have in the background the pending IAEA report on Iran, the worsening credit crisis, and NATO allies profoundly divided over Afghanistan, not to mention Iraq, the housing collapse, global warming or doubts on future oil production levels...



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