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Business and Subsidiaries

Social Development

Full Sovereignty

Energy Union

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[illegible]

May 16 to 20

> **\$44.24** OPEC Basket

> **\$37.87** Venezuelan Basket

Did you Know?

- › The PDVSA logo is based on a sun-shaped, ornamented petroglyph, represented in the Guarataro stone, which is located in Caicara del Orinoco. The symbol of the sun as energy source is associated to the company.

Petrocaribe Energy Cooperation Agreement

The Heads of State and/or Government gathered in the city of Puerto la Cruz, Venezuela, in the framework of the Energy Meeting for the creation of PETROCARIBE:

- HAVE WELCOMED the initiative of the Bolivarian Republic of Venezuela oriented towards the creation of PETROCARIBE, which main goal is to contribute to the energy security, social and economical development, and to the integration of the Caribbean countries, through the sovereign use of energy resources, all of this based on the integration principles called Bolivarian Alternative for America (ALBA);
- HAVE RATIFIED the commitments assumed at the First Meeting of Ministers of Energy of the Caribbean held in Caracas, Venezuela, on July 10th, 2004, as well as on the Second Meeting of such Ministers on PETROCARIBE, held in Montego Bay, Jamaica, on August 26th and 27th, 2004;
- HAVE AGREED that for the countries of Latin America and the Caribbean, integration is an indispensable condition to aspire to the development amidst the growing creation of big regional blocks that occupy important positions in the world economy;
- CONCLUDED that only an integration based on cooperation, solidarity and common will to move forward towards higher levels of development, can satisfy the needs and hopes of Latin American and Caribbean peoples, and, at the same time, preserve their independence, sovereignty, and identity;
- REITERATED that PETROCARIBE has the objective of contributing to the transformation of Latin American and Caribbean societies, making them fair, cultivated, participatory, with a sense of solidarity, and for that reason it is conceived as a comprehensive process that promotes the elimination of social inequalities and promotes quality of life and an effective participation of the peoples in the shaping of their own destiny;
- ACKNOWLEDGE the need to take measures in the framework of PETROCARIBE based on a special and differentiated treatment for countries with less relative development in Latin America and the Caribbean, as well as in the complementarity and cooperation among the nations of the region;
- GUARANTEE the full respect for the principles of equality of the States, sovereignty, non-interference in domestic affairs, self-determination, and the right of every Nation to freely decide their economical, political, and social system;
- CONCERNED for the world economy tendencies and, especially, for the policies and prevailing practices of industrialized countries that could lead to a larger marginalization of smaller Third World countries, with economies more dependent of foreign countries;
- IN VIEW of the special circumstances of poor and highly indebted countries, all terms and conditions of applicable financing agreements will be established through bilateral talks among such countries;
- ACKNOWLEDGE the important of Trinidad & Tobago as an energy exporting country for CARICOM countries, as a reliable supply source;
- HAVE TAKEN INTO CONSIDERATION that in the context of the unfair international economical order, inherited from colonialism and imperialism, and imposed by rich and Developer countries, the present world energy situation, characterized by the unbridled waste of consumerist societies, the decrease of the available capabilities for production and speculation, which translate in an increase of the prices of hydrocarbons, have a growing negative effect on the performance of the economy, as well as on the social situation of the Caribbean countries. In most cases, exports of these countries are further affected by the fall in the prices of their products, mainly agricultural, as is the case of sugar, bananas, and others.

For the countries of the Caribbean such situation puts forward the need to count on reliable energy supply sources and, under such conditions, that the prices do not turn into an obstacle for their development. For these reasons, the Heads of State and/or Government have decided to subscribe the present

AGREEMENT,

For which execution we decide the immediate creation of PETROCARIBE as the executing body for the energy policies and plans, aimed at the integration of the Caribbean peoples, through the sovereign use of the energy natural resources for the direct benefit of their people. In that sense, PETROCARIBE will be in charge of coordinating and managing all aspects related to the energy relations at the signatory countries, in accordance with this Agreement.

In order to guarantee the achieving of the objectives, and given the dynamism and complexity of the energy issue, PETROCARIBE is born as an organization capable of ensuring the coordination and articulation of the energy policies, including oil and its by-products, gas, electricity, its efficient use, technological cooperation, training, development of energy infrastructure, as well as the use of alternate energy sources, such as wind power, solar power, and others.

I INSTITUTIONAL PLATFORM

PETROCARIBE will count on a Ministry Council for the achieving of its objectives, made up of Ministres of Energy or their equivalent, and which functions will be:

- Coordinating policies, strategies, and corresponding plans;
 - Delegating functions and responsibilities among the constituted bodies for the fulfillment of specific tasks, whenever necessary;
 - Agreeing on and approving the priority topics of interest for the organization, as well as the studies, workshops and work groups that provide their technical and legal support;
 - Exercising the highest instance for the rendering of accounts in reference to the work of the Executive Secretary;
 - Agreeing on the joining of new members and on the applicable exits;
- The Council of Ministers will designate a President and a Deputy, which will call and preside over the meetings. It will normally meet once a year, and in an extraordinary manner as many times as necessary.

PETROCARIBE will also have an Executive Secretariat that will be exercised by the Minister of Energy and Petroleum of the Bolivarian Republic of Venezuela, which functions will be the following:

- Preparing the agendas for the meetings of the Council of Ministers;
- Directly managing and administrating PETROCARIBE affairs;
- Ensuring the execution and carrying out the follow-up of the decisions made by the Council of Ministers, as well as subjecting the corresponding reports and recommendations;
- Establishing the priority of the defined studies and projects defined by the Council of Ministers;
- Proposing to the Council of Ministers the allocation of resources for the making of necessary studies.

II ALBA-CARIBE FUND FOR SOCIAL AND ECONOMICAL DEVELOPMENT

In order to contribute to the social and economical development of the Caribbean countries, PETROCARIBE will have a Fund for the financing of social and economical programs, with contributions from financial and non financial instruments; contributions that could be agreed from the financed part of the oil bill and from savings generated by direct trade.

This Fund will be called ALBA-CARIBE.

In order to activate the ALBA CARIBE Fund, the Bolivarian Republic of Venezuela will contribute an initial capital of Fifty Million Dollars (US\$50,000,000.00).

III OPERATIVE ASPECTS

1. In order to begin the operations, Petróleos de Venezuela (PDVSA) has created a special purposes branch under the trade name PDV CARIBE.
2. Such branch will start operating with an immediate transport capability able to cover the supply commitments.
3. The transport charges resulting from these operations will not have any extra costs, which represent savings for the signatory countries of this Agreement.
4. PDV CARIBE will guarantee a direct relationship, with no intermediaries, for the supply, which will generate additional savings for consuming countries of the Caribbean.
5. To that end, PDV CARIBE will also have the responsibility of organizing a logistic network of ships, storage spaces and terminals, including, wherever possible, refining and fuel and by-products distribution capabilities, giving priority to countries in most need.
6. This branch will establish training plans aimed at strengthening the professional capabilities and at promoting a cleaner and more rational use of conventional energy, its efficient use and that of renewable energies.

IV FINANCING MECHANISMS AND COMPENSATIONS

1. Additionally to the benefits established on the Agreement of San José, and on the Energy Cooperation Agreement of Caracas, the Bolivarian Republic of Venezuela will offer facilities to the Caribbean countries with less relative development, on the basis of bilaterally set payments.
2. Long-term financing

BARREL PRICE / PERCENTAGE TO BE FINANCED

- >=15 dollars per barrel / 5
- >=20 dollars per barrel / 10
- >=22 dollars per barrel / 15
- >=24 dollars per barrel / 20
- >=30 dollars per barrel / 25
- >=40 dollars per barrel / 30
- >=50 dollars per barrel / 40
- >=100 dollars per barrel / 50

The grace period established at the ACEC for this financing is extended from one to two years.

3. Short-term financing

Short-term payment is extended from 30 to 90 days.

4. Deferred payment

The same basis of the Energy Cooperation Agreement of Caracas will be maintained, 17 years, including the two year grace period mentioned above, as long as the oil price remains under 40 dollars per barrel.

When the price exceeds 40 dollars, the payment period will be extended to 25 years, including the two year grace period mentioned, reducing the interest to 1%. For the deferred payment, Venezuela could accept that part of the

payment be made with goods and services, for which it would offer preferential prices.

The products Venezuela could acquire at preferential prices would be some which like sugar, banana, or other goods or services agreed, are affected by the trade policies of rich countries.

V ENERGY EFFICIENCY

An essential aspect of the objective of PETROCARIBE will be the incorporation of energy savings programs, along with the supply agreements. In that sense, PETROCARIBE could negotiate credits and exchange technologies so that the benefited countries could develop programs and highly efficient systems in terms of energy consumption, as well as other means that would allow them to reduce their oil consumption and extend the offering of the service.

VI THE ACTORS

In the framework of PETROCARIBE, the existence of state bodies will be required for the carrying out of the energy operations. Venezuela offers technical cooperation to support the constitution of state organizations in the countries in which such organizations do not exist.

Signed in the City of Puerto la Cruz, Bolivarian Republic of Venezuela, in two original texts written in Spanish and English, both texts equally authentic, on June 29th, 2005, by:

Willmoth Daniel
Vice-Prime Minister of Antigua and Barbuda

Leslie Miller
Minister of Trade and Industry of the Bahamas

Vildo Marin
Minister of Health, Energy and Communications of Belize

Fidel Castro Ruz
President of the State and Government Council of the Republic of Cuba

Roosevelt Skerrit
Prime Minister of the Commonwealth of Dominica

Leonel Fernández
President of the Dominican Republic

Keith Mitchell
Prime Minister of Grenada

Samuel Hinds
Prime Minister of the Cooperative Republic of Guyana

Percival Patterson
Prime Minister of Jamaica

Ralph Gonsalves
Prime Minister of Saint Vincent and the Granadines

Petrus Compton
Minister of Foreign Affairs, International Trade and Civil Aviation of Saint Lucia

Earl Asim Martin
Minister of Public Affairs and Energy of Saint Kitts and Nevis

Jules Rattankoemar Ajodhia
Vice-President of the Republic of Surinam

Hugo Chávez
President of the Bolivarian Republic of Venezuela