



24th World Gas Conference
ARGENTINA | 2009
5-9 October

The Global Energy Challenge:
Reviewing the Strategies
for Natural Gas

VENEZUELAN NATURAL GAS MARKET: A PROPOSAL FOR ITS GROWING

Marco Gonzalez D.



UNIVERSIDAD SIMÓN BOLÍVAR
Caracas, Venezuela



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Introduction

- **Venezuela's Natural Gas Reserves**
 - 181.9 TCF by the end of 2007
 - 8th largest of the world - 2.9% of the world reserves
 - Largest in Central and South America - 66.7%
- **Venezuela's Natural Gas Production**
 - 2.6 TCF by 2006 - 1.85 TCF (71.1%) for oil industry
- 91% of Venezuela's gas reserves are associated to crude
- Gas depends of the cycles of oil business



- Gas industry was nationalised in 1971 by law:



Venezuelan state-owned company handled downstream stage of gas industry

- A new gas law (LOHG) was ruled in 1999. Aims:
 - Development of non-associated natural gas resources
 - Development of downstream gas systems
 - Priority of natural gas business is the development of Venezuela
 - However, allowing eventual development of export market for gas produced



Aim



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To propose a new structure for natural gas market in Venezuela, based on the existent legislation, generating the growth of the gas demand in the internal market and allowing the exporting of gas.



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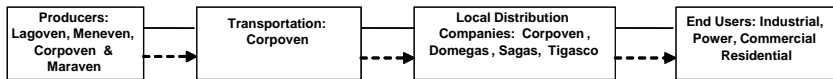
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Venezuelan Natural Gas Market

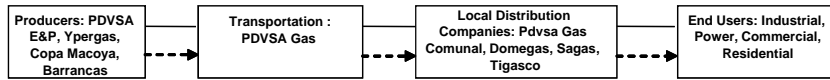


Natural Gas Industry Structure

1976



2009

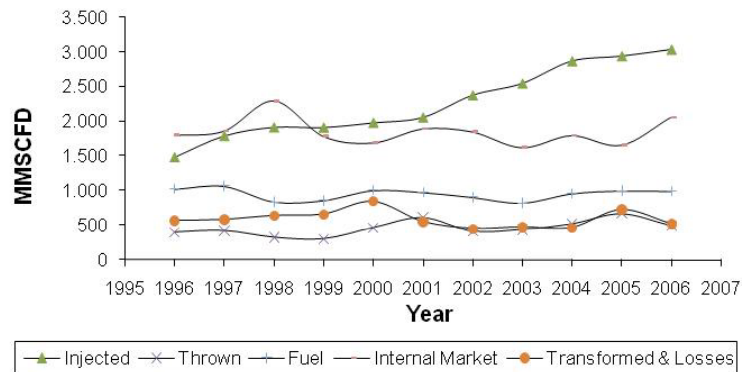


————— Gas Transportation

- - - - - Gas Sales



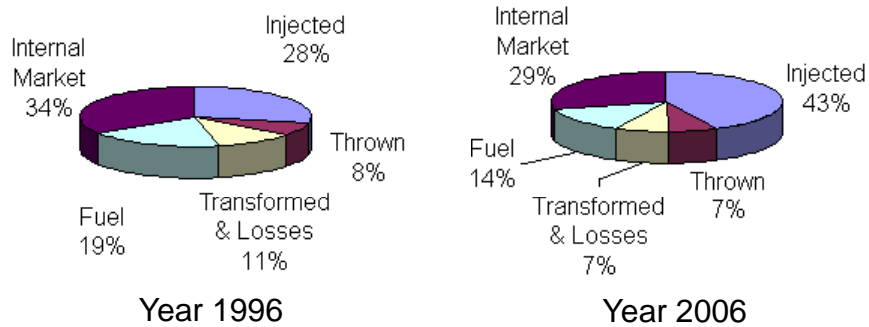
Natural Gas Use in Venezuela



Source: PODE, 2006



Share of Gas Production Uses

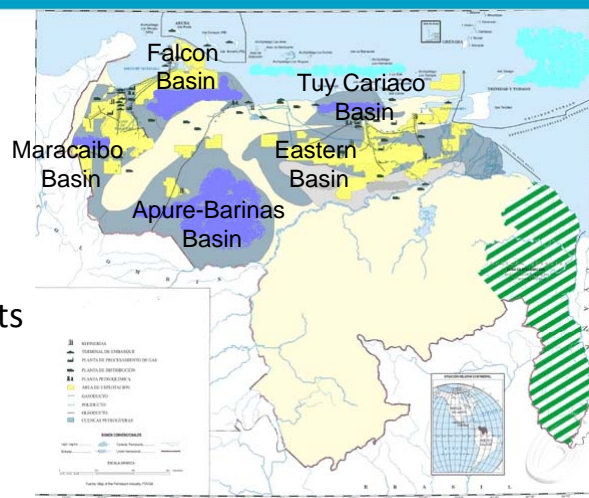


Source: PODE, 2006



Supply

- Gas production is concentrated in Eastern Basin
- The Maracaibo Basin, at this moment a lot of its reservoirs are almost depleted.



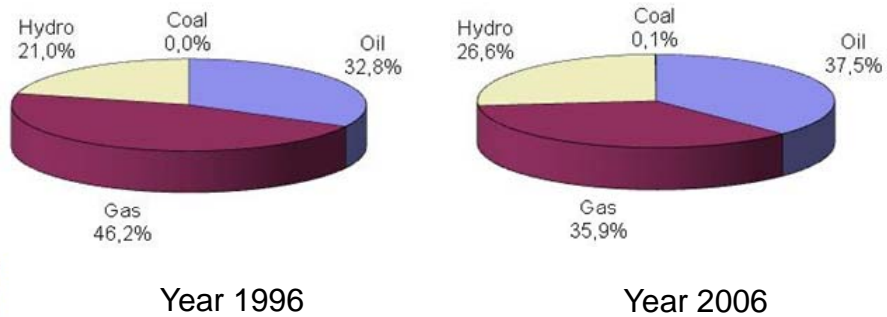


Supply



Supply

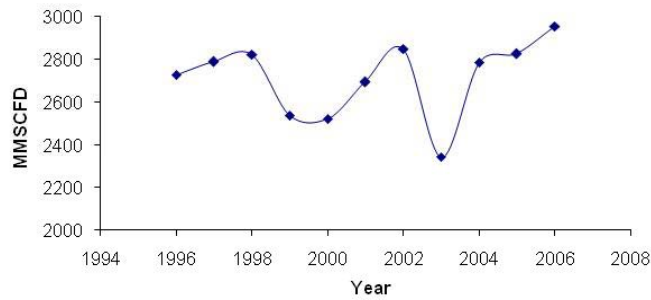
Venezuelan Energy Matrix



Source: PODE, 2006



Demand

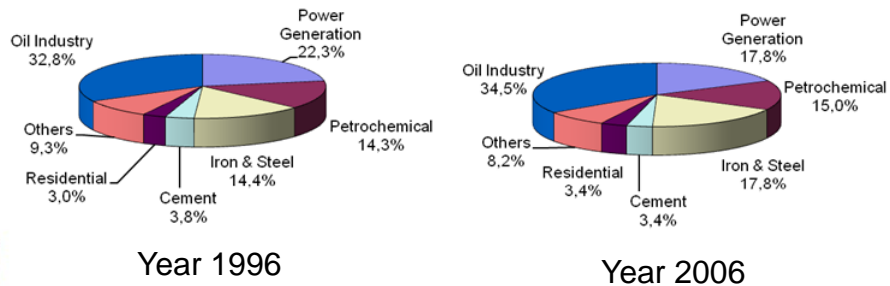


Source: PODE, 2006



Demand

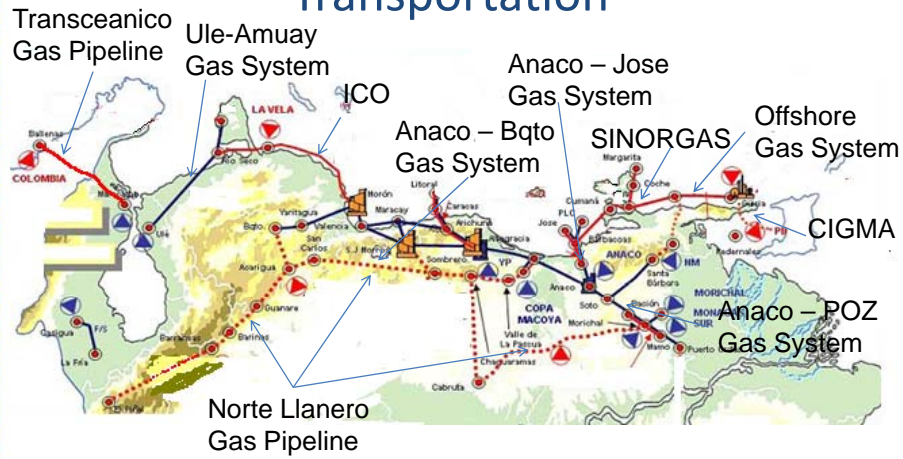
Share of Natural Gas Demand



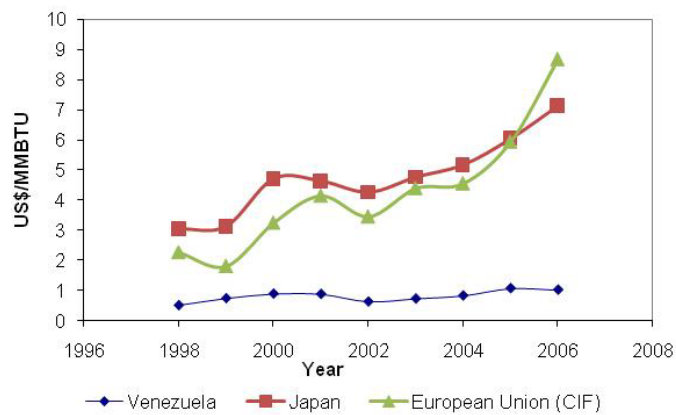
Source: PODE, 2006



Transportation



Prices



Sources: BP, 2008 and PODE, 2006



Proposal



- The proposal includes:
 - Rationalization of prices of the different sources of energy, including natural gas
 - Proposing energy policies which favour the use of natural gas
 - Reactivation of Offshore and Onshore Gas Licensees
 - Increasing the attractiveness of Venezuelan internal market, by means of incentives for the gas producers
 - Stimulating the construction of new infrastructure for the interconnection between sources of gas and for distribution systems



- Division of Venezuela in eight gas regions to be attended by independent gas distribution companies
- To allow supplying natural gas to the majority of Venezuelan people, increasing the share of natural gas in the energy matrix.

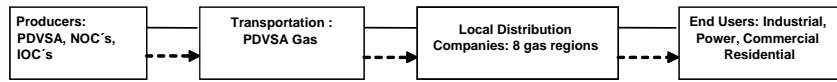


Gas Hubs in Venezuela

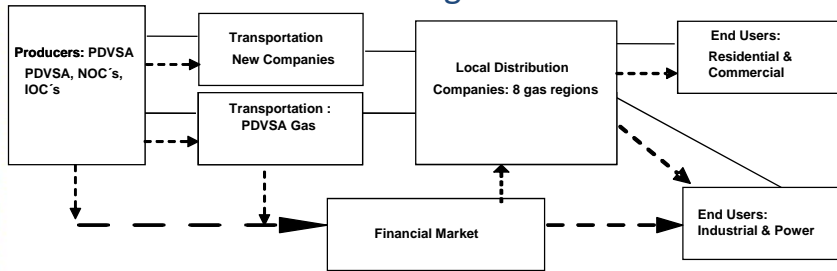




Stage 1



Stage 2



————— Gas Transportation

- - - - - Gas Sales



Conclusions and Perspectives



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- A resource as abundant as natural gas in Venezuela has not yet been able to express itself in full
- A change of existing structure of natural gas market in Venezuela based on LOHG is proposed
- Energy policies which favour the use of natural gas, as well as pricing policies that allow to strengthen the sector without undermining the gas share in the national energy context should be implemented

It is the time of gas in Venezuela



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