

Exclusive: PetroChina to drop PDVSA as partner in refinery project – sources



SINGAPORE (Reuters) – PetroChina Co plans to drop Petroleos de Venezuela SA (PDVSA) as a partner in a planned \$10 billion oil refinery and petrochemical project in southern China, said three sources familiar with the matter this week.

The company's decision adds to state-owned PDVSA's woes after the United States imposed sanctions on the company on Jan. 28 to undermine the rule of Venezuelan President Nicolas Maduro.

However, dropping the company was not a reaction to the U.S. sanctions but follows the deteriorating financial status of PDVSA over the past few years, said two of the sources, both executives with China National Petroleum Corp, the parent of PetroChina.

“There will be no role of PDVSA as an equity partner. At least we don’t see that possibility in the near future given the situation the country has been through in recent years,” said one of the executives, asking to remain unidentified because he is not authorized to speak to the media.

The move illustrates the fading relationship between Venezuela and China, which has given \$50 billion to the South American country in the form of loans-for-oil agreements. China, the world’s largest oil importer, is now the second-biggest buyer of Venezuelan crude in Asia, taking in 16.63 million tonnes, or about 332,000 barrels per day (bpd), in 2018.

That relationship began to fray in 2015 when Venezuela requested a change in the payment terms on the debt to ease the impact of its falling crude output and declining oil prices. Instead of handing out large fresh loans, Beijing has shifted to small investments or granting extensions in the grace periods for the outstanding loans.

The sanctions were imposed at the same time the United States and other nations have backed opposition leader Juan Guaido as legitimate ruler instead of President Nicolas Maduro. During Maduro’s rule, oil production has plunged while millions have left amid hyperinflation and as consumer goods have vanished from market shelves.

PDVSA was originally a 40 percent equity partner in the refinery project, located the city of Jieyang in the southern province of Guangdong. PetroChina and PDVSA received environmental approval for the project in 2011.

Initial plans were for the refinery to process 400,000 bpd of strictly Venezuelan crude oil. The plans have now been expanded to focus on petrochemical production including a 1.2-million-tonnes-per-year ethylene plant and a 2.6-million tpy aromatics plant. The plant is expected to be operational by late 2021, Caixin reported on Dec. 5.

Under the revised plan, the refinery will not be restricted to Venezuelan oil but could process other so-called heavy crude grades that could come from Middle Eastern producers such as Saudi Arabia and Iran, said the third official, a PetroChina trading executive.