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A Crime of Passion -- Chavez Destroys Venezuela's Citgo

"Citgo was a sound strategic move by PDVSA, long before Chavez came into power. It was bought with a low cash outlay from PDVSA, strongly leveraged, and served as a convenient outlet for Venezuelan heavier crudes," says former Director of Venezuela state oil company Petroleos de Venezuela, S.A. (PDVSA) Gustavo Coronel. "But the hatred of Hugo Chavez against anything American has led to a progressive liquidation of Citgo as a major refiner and distributor of hydrocarbon products in the national U.S. market."

By Gustavo Coronel

The hatred of Hugo Chavez against anything U.S. has led to a progressive liquidation of Citgo as a major refiner and distributor of hydrocarbon products in the national U.S. market. Consider the following:

- The network of U.S. retail sale points having the Citgo brand has been cut in half since 2006
- The association of Citgo with the name of Chavez and the public perception that Chavez is in cahoots with Iran has led to a wave of U.S. public opinion openly adverse to the company. Websites against the company now abound and there are numerous calls for the boycott of Citgo products throughout the United States.
- In 2008 a town in Illinois prohibited the use of the Citgo brand to a new sales point of hydrocarbon products
- A marketing campaign of bad quality "Venezuelan" coffee (probably coming from Nicaragua), with the photo of the Venezuelan ambassador to the U.S. was very badly received by the owners of the retail sites where the program was installed, leading to a public relations disaster.

- Two fully owned refineries and the shares in two other refineries have been sold. Only three refineries remain in Citgo's hands.
- Three major pipeline systems were also sold.
- Hugo Chavez has often gone public criticizing Citgo as a poor investment, threatening to "get rid of it". Of course, these utterances have had the effect of lowering the value of the company in the eyes of potential buyers, which are very few. Whoever buys the company would be inheriting the Chavez curse.
- Faced with an increasingly acute liquidity problem PDVSA has been milking Citgo mercilessly. For years now it has been extracting in dividends more money than the company makes, leaving the company with net losses, as it happened in 2003, 2005, 2006, 2007, when over \$4.5 billion were extracted from the company to go into PDVSA. Later results are largely unknown, as Citgo stopped publishing reliable financial information.
- The company's headquarters was moved from Tulsa, Oklahoma, to Houston, Texas, in what has been considered to be, at least partially, as a maneuver by some Citgo executives to benefit financially. The U.S. embassy in Venezuela reports this possibility in cables signed by then Ambassador William Brownfield.
- The entire Board of Directors of the company has been staffed with Chavez political appointees and U.S. born executives have been purged, converting Citgo into a political tool of the Venezuelan regime.
- A program of subsidized fuel oil for the U.S. "poor", promoted by then Venezuelan Ambassador to the U.S. Bernardo Alvarez, with the cooperation of some U.S. Congressmen sweet on Chavez, such as Bill Delahunt and the coordination of a "not-for-profit" organization led by Joseph Kennedy Jr., has already cost Citgo about \$700 million and is still going on.

- PDVSA's corrupted management style seems to have spilled over into Citgo. The current President of the company, Alejandro Granado, has been publicly named in connection with contracts given to companies represented by, owned or managed by his sister-in-law, Nora Delgado, but no investigation has been carried out while Granado has kept mum.

Citgo was a sound strategic move by PDVSA, long before Chavez came into power. It was bought with a low cash outlay from PDVSA, strongly leveraged, and served as a convenient outlet for Venezuelan heavier crudes. After Chavez came into power he behaved like a pachyderm in a china shop in all things related to the oil industry. As part of the industry Citgo, a symbol of imperialism in his eyes, has been subject to progressive decapitalization and politically driven hostility by the regime. Although Citgo has had a better year in 2010, due to the low prices of the WTI crude, any net profits will be extracted as dividends by cash starved PDVSA.

It has been a typical case of a corporate assassination by reasons of political hatred. You could call it a crime of passion.