

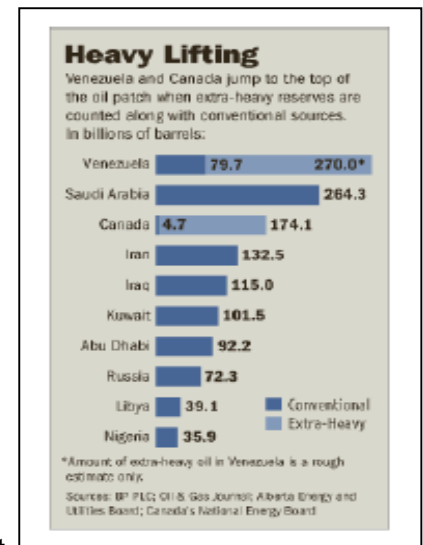
## PETROCARIBE

### Energy Stability for the Caribbean

#### THE NEED

In the past, and especially today, Caribbean countries have been adversely affected by high oil prices. Financing costly oil imports is hard enough for most developing nations but many also face even higher prices because oil access comes primarily through international trade, which requires payment of an additional premium.

In response to this, the Venezuelan government was able to initiate PETROCARIBE in 2005 thanks to its vast oil reserves. Specifically, PETROCARIBE was formed to ease the energy burden on the Caribbean by eliminating the middleman and directly providing countries with oil at market prices, made affordable through the use of beneficial financing terms for participating countries. This financing arrangement helps to ensure the energy security of member countries and stimulates their economic and social development. Currently, most Caribbean countries are members of PETROCARIBE with the exception of Barbados and Trinidad and Tobago, which are considering joining later. Haiti is currently negotiating her entry and is expected to join soon.



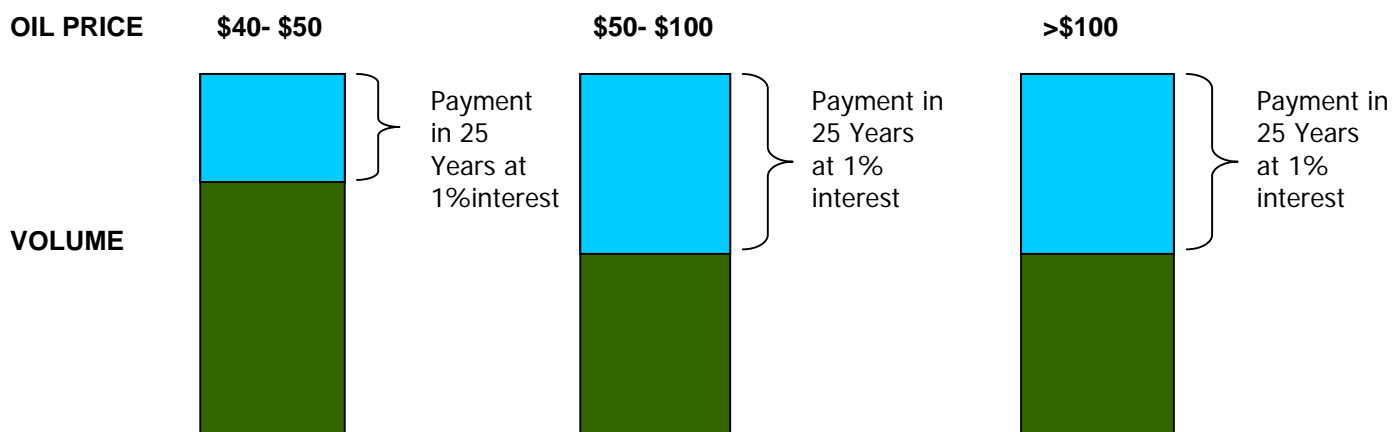
A significant part of PETROCARIBE is aimed at aiding member countries in developing their energy infrastructure, improving the diversity of their energy sources, and increasing their energy efficiency. There are also plans to create a fund, known as Alba-Caribe, which will gather the savings produced from these long-term financing agreements. The Fund will then be used to promote overall economic and social development in member countries, ensuring that benefits derived from this initiative substantially contribute to the fight against poverty, unemployment, illiteracy, and lack of health care in member countries.

#### HOW IT WORKS

Petroleos de Venezuela, S.A. (PDVSA), the national oil company of the Bolivarian Republic of Venezuela, created a subsidiary, PDV Caribe, to sell oil directly to member countries at market prices. This allows them to save as much as \$8 per barrel. PDV will also transport the oil at cost, which allows member countries to save an additional \$1.50 per barrel. Flexible long-term financing arrangements will also be available depending on the market price at the time. If the price is above \$40 per barrel, 30% of the volume purchased is financed; if the price is above \$50 per barrel, 40% of the volume is financed; and if above \$100 per barrel, 50% of the volume will be financed. If the price of oil remains below \$40 per barrel, financing will extend for 17 years; if the

price remains above \$40 per barrel, financing will increase to 25 years. Interest payments of only 1% will be charged, and a two year grace period is provided for all pricing scenarios. Finally, member countries have the option of deferring payments with preferential-priced goods and services.

### PETROCARIBE FINANCING TERMS FOR MEMBER COUNTRIES



### ADDITIONAL BENEFITS

In addition to making oil available under very favorable financing terms, PETROCARIBE has the central goal of improving overall Caribbean refining capabilities and oil storage facilities. Towards this end plans include increasing and upgrading the capacity of refineries in Jamaica and elsewhere in the region; improving and expanding the transportation and storage facilities of each member country; building at least one new marine terminal; and exploring the construction of a “Trans-Caribbean Pipeline” from Venezuela which would link many of the Caribbean islands.

It is expected that these projects will provide the countries in the Caribbean with much needed improvements to their energy infrastructure, which in turn will provide more effective and efficient access to energy in emergencies and unforeseen circumstances such as natural disasters, accidents, and energy crises.

Similarly, the Alba-Caribe Fund will directly help finance economic and social development projects throughout the region including the construction of affordable housing, medical care for the poor and general infrastructure upgrades.

### IMPACT ON THE REGION

PETROCARIBE is essentially an energy integration plan for the nations of the Caribbean. It is described by Venezuelans as a way of developing greater self-reliance amongst Caribbean countries, who have for too long been left behind in economic and social development. Such development if achieved, will contribute to the long-term growth and stability of the region. Considering the dire poverty faced by many in the region, spending today for a more secure and economically sound tomorrow is a model that makes sense to many.