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DJ Venezuela US Envoy: We Must Be Ready For Gas Nationalization

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By Ian Talley of DOW JONES NEWSWIRES

WASHINGTON (Dow Jones)--Venezuela must be prepared for the possibility of nationalization of its natural gas sector, the country's ambassador to the U.S. said Wednesday.

Bernard Alvarez Herrera told Dow Jones Newswires he had not heard of any specific measures in the new constitution the government was drafting that would call for nationalization of the gas sector, but that a discussion was possible.

Under the country's socialist president Hugo Chavez, the government has implemented a major nationalization program of the oil sector, requiring private companies to return a majority share to Petroleos de Venezuela S.A., or PdVSA.

The country is currently preparing a proposal for constitutional reform, which government leaders say will subordinate private property to social forms of property.

"We need to be flexible enough that it might change ... we might have to adjust," to allow for nationalization of the natural gas industry, Herrera said, speaking on the sidelines of a World Affairs Council event here.

Although the country primarily produces crude and is a net importer of natural gas, it has a burgeoning gas sector and aims to later become an exporter both to other South American countries and outside the continent with liquefied natural gas.

"If there is a discussion, it will be to try and find an equilibrium....between the domestic market, the international market, and (it) needs to take into account the needs of investors, and the needs of the people," he said.

The nationalization program has caused analysts to downgrade assessments of asset values, the ability of companies to pay back debt on projects in Venezuela, and to cut current and future production estimates. ConocoPhillips (COP) and ExxonMobil Corp. (XOM) decided to exit the country rather than settle for minority shares.

Chavez's government has also extended control of companies into the telecommunications and electricity sector, created state companies in others, and threatened many with nationalization.

One of the country's leading dailies Wednesday quoted the head of the state petrochemical company Pequiven as saying that Venezuela plans to nationalize 15 petrochemical companies.

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