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Russia's Rosneft in Talks to Lend $5 Billion to Venezuelan Oil Major – Source

By The Moscow Times

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A flag with the logo of Rosneft company flies next to an oil derrick at Suzunskoye oil field north from Krasnoyarsk, Russia.

MARACAIBO, Venezuela — Venezuelan state oil company PDVSA and Rosneft are negotiating a financing deal under which the Russian oil major could lend its South American counterpart $5 billion, a source close to the negotiations said on Wednesday.

In return, the source said, Rosneft wants to increase participation in the Petromonagas joint venture, invest in and export gas instead of selling it at a major discount on the price-controlled local market, gain more control of operations and oil sales, and increase security at operations.

The potential $5 billion would be disbursed gradually, with some used to shore up Rosneft's joint ventures and some going to PDVSA itself.

PDVSA's president, Eulogio del Pino, was due in St. Petersburg this week to continue negotiations, according to the source, who said the talks were likely to continue for a while longer.

"Rosneft is going to push for this," the source said, asking not to be named because he was not authorized to speak on the matter.

PDVSA was not immediately available for comment.

Venezuela is chasing investment to meet ambitious oil production goals and to try to counter a biting economic crisis.

Rosneft is seeking to heighten its international presence and sees Venezuela, an OPEC member, as a stepping stone to other Latin American nations.

PDVSA on Tuesday said it is to receive a $5 billion loan from China in the coming months for crude oil projects. That is likely part of a $10 billion loan a PDVSA source earlier this year said Venezuela had negotiated with the Development Bank of China, half for oil projects.

Extra financing would grant PDVSA a breather amid a tumble in oil prices and restricted cash flow due to social welfare projects and currency controls. Venezuela relies on oil for 96 percent of its foreign income.

As part of the package, Rosneft is keen to have tighter control of its Venezuelan operations and increase the number of its staff at joint ventures, for instance.

It also wants security to be increased at the vast and remote Orinoco belt, where thieves at times target oil installations and foreign executives.

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