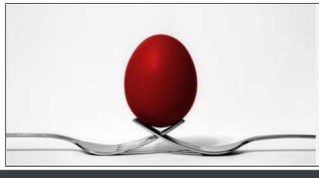

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States of disarray

Latin America's state-run oil giants are struggling

The companies are unprepared for the looming energy transition

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Jul 13th 2019 | BOGOTÁ, CARACAS, MEXICO CITY, QUITO AND SÃO PAULO

OIL, IT IS often noted, can bring a country both wealth and woe. In Venezuela, by some measures home to the world's largest proven oil reserves, it has mostly been the latter of late. Petróleos de Venezuela (PDVSA) saw production peak in 1998, when Hugo Chávez was elected president. In the years that followed the left-wing tribune and his authoritarian successor, Nicolás Maduro, purged PDVSA's professional staff, strong-armed its international partners and raided its coffers. A sweeping American probe of bribery at the company has so far charged more than 20 people. Its current boss is a brigadier general with no oil experience. Since January, when America announced tough sanctions on PDVSA, production has plunged to the lowest levels per citizen since the 1920s. Meanwhile, millions of Venezuelans lack food and basic medicine.

PDVSA is a caricature of mismanagement. But a survey of state-controlled energy giants in Latin America, which accounts for around 10% of global oil output and 20% of proven reserves, shows dysfunction is not confined to Venezuela. Five years after the oil price crashed, output remains depressed in much of the region, even as the industry as a whole faces unprecedented disruption. The shale boom helped the United States produce 15.3m barrels of oil a day last year, about one-sixth of global output. Concerns about carbon emissions and the rise of electric cars mean that worries about peak supply have been supplanted by fears of peak demand.

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