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Bolivian Nationalizes the Oil and Gas Sector

By PAULO PRADA

RIO DE JANEIRO, May 1 — President Evo Morales of Bolivia ordered the military to occupy energy fields around the country on Monday as he placed Bolivia's oil and gas reserves under state control.

Surrounded by soldiers at an oil field operated by the Brazilian energy giant Petróleo Brasileiro, or Petrobras, Mr. Morales ordered foreign producers to relinquish control of all fields and channel future sales of hydrocarbons through the state-owned energy company.

He gave foreign companies 180 days to renegotiate existing contracts with the government, or leave the country.

"The time has come, the awaited day, a historic day in which Bolivia retakes absolute control of our natural resources," Mr. Morales declared, according to The Associated Press. "The looting by the foreign companies has ended."

The decree is the latest step by Latin America governments from Venezuela to Ecuador to assert greater control over the energy sector, moves that have sent shivers through foreign producers.

Motivated by nationalist politics and soaring oil and gas prices, governments have seized an opportunity to gain higher revenues while parlaying their control over future energy supplies into greater political leverage, both at home and abroad.

"Governments in the region see energy as a commodity they can use to push populist agendas," said Adriano Pires, director of the Brazilian Center for Infrastructure Studies, an energy consultancy in Rio de Janeiro.

"From a political point of view, it's a powerful issue to manipulate, but from an industrial point of view, it can do real harm."

Mr. Morales's decree, in effect to nationalize Bolivia's energy industry, which includes the second-biggest gas reserves in Latin America after Venezuela, quickly added to the nervousness of foreign producers.

They said they would proceed with caution until the government clarified under what conditions it plans to renegotiate contracts.

"We're worried," said Begoña Elices, director of external relations in Madrid at Repsol YPF S.A., the Spanish oil company, the second biggest investor in Bolivia's gas sector. "There will be a lot of fine print to consider."

Petrobras, the biggest investor, with over $1 billion invested in Bolivia, criticized the government's "unilateral attitude" and said it would take whatever steps necessary to "protect the rights of the company" and guarantee Brazil's supply of gas, half of which comes from Bolivia.

The importance of Bolivian gas to Brazil — the largest market in the region — prompted concern even from President Luiz Inácio Lula da Silva, a leftist and former union leader who publicly hailed Mr. Morales's rise to power.

Mr. da Silva is to meet with José Gabrielli de Azevedo, chief executive at Petrobras, on Tuesday, along with senior officials from Brazil's Ministry of Mines and Energy.

The Bolivian announcement fulfilled a campaign pledge that helped Mr. Morales rise to power last December. It was foreshadowed last year when Bolivia approved a major increase in the royalties paid by foreign producers for the right to operate in the country.

In April, President Hugo Chávez of Venezuela, a mentor to Mr. Morales, seized two oil fields operated by the Total group, of France, and Ente Nazionale Idrocarburi, of Italy, because they were unwilling to give more control of their operations to Petróleos de Venezuela, the state-run energy giant.

But Mr. Morales's step on Monday was the most assertive yet, and many industry observers feared such moves would scare away investors and jeopardize the region's economies.

"This isn't like Saudi Arabia, which over the years has developed a know-how to dominate the industry independently," said Gal Luft, co-director of the Institute for the Analysis of Global Security, a consultancy in Washington that studies energy issues.

"When you cause problems for foreign investors, you cause problems for those who know how to create and develop the industry."