

Options for the ITT Block

Energy Minister Alberto Acosta has referred on numerous occasions to a civil society proposal not to extract crude oil in Yasuní National Park. On 30 March 2007 President Correa analyzed the alternatives for developing what has been referred to up until now as the ITT project.

A Ministry of Energy and Mines press release issued on 1 April 2007 puts forward the following proposals regarding the ITT oil fields:

1. It was agreed that the first option would be to conserve the crude oil in the ground, so as not to affect an area of extraordinary biodiversity and not to endanger the existence of numerous peoples in voluntary isolation, nor those peoples who remain uncontacted. This measure will be considered if and when the international community provides at least one half of the resources that would be generated if the decision were made to exploit the oil - these are resources that the Ecuadorian economy needs for its development.

2. As a second possibility, the door was left open for the state oil company to develop the ITT field with its own resources. Petroecuador has a multidisciplinary team of professionals that has systematically worked on this matter since the discovery of the field by the state company itself. This proposal should consider the prior extraction of heavy crude oil, whose sale would serve to finance the project as a whole.

3. The search for strategic alliances is another possibility to be studied. However, it was emphasized that these alliances can only materialize with companies that are considered state companies. At the moment there is a draft Memorandum of Understanding with SINOPEC-ENAP-PETROBRAS, which in no way implies a contractual commitment of any kind. This draft memorandum does not close the door to other strategic partnerships, such as the one that has been discussed with Venezuela through its state company PDVSA, in the framework of the cooperation agreements signed with this country. There are, of course, other state companies from different parts of the world that have expressed their interest. Within this line of action it is possible to rearticulate a group of alliances combining the abovementioned or other additional ones.

With regard to the signing of confidentiality agreements for the purpose of analyzing ITT technical data, it was considered that such agreements could be signed, but that they would not by any means constitute a commitment obliging Petroecuador to sign any future contract for the exploitation of this field.

4. Finally, the possibility was not ruled out for an international call for bids that would be open for participation by state companies with proven technical and economic capacity, in the framework of a public process that would guarantee the best outcomes for the country, as established in article 19 of the Hydrocarbons Law.