



Cuban Oil

By CK Wong 2006.02.05

<http://www.ck-wong.ca/Energy/cuban%20oil%2020060205.pdf>

Introduction

45 years ago, after the Bay of Pig, Cuba is under the American Congress embargo. There is no official trade between Cuba and US. With the help of Canadian's Sheritt, Cuba develops its oil, gas, hydro and coal industry. It provides about half of the country's energy demand. Major energy import comes from Russian. The friendly relationship with China grants the opportunity to Chinese oil companies. 2004, Spanish Repsol-YPF SA discovered off-shore oil and gas but the drilled well was not viable. In 2006, a joint effort by Repsol, CNOOC, Norway's Norsk Hydro ASA and India's Oil and Natural Gas Corp., ONGC, will explore at deep water block estimated to have reserve about 4 billion oil and gas.

Oil Field Structure and Geopolitics

Cuba is 60 miles from Miami and east of Gulf of Mexico which has a high concentration of oil and gas reserve. Similar structure could be stretched to the territory of Cuba. In the past, when Cuba had little capital and low oil price, there was no exploration interest. In most of the situation, oil and gas field at the continental shelf is very possible. One of the theory of oil formation is the product of biological mass sediment washed to sea from land created oil fields as the result of continental movement. Similar discovery and theory raises a lot of interest at the Chinese east sea coast and east cost of the Arabian Peninsula.

Petroleum reserve at the continental shelf is one of the historic political hot spot. There are two issues. The first issue relates to the national boundary. By extending the definition of shoreline, it could extend a country's boundary to cover the oil/gas field. The second issue relates to the fact that gas/oil field does not have the concept of country boundary. If it sits on the boundary, the production from one side could reduce the production on the other.

On land, the boundary could have a very rigid and solid land mark. On sea this is a very difficult problem due to the tidal movement.

For Cuba, this is especially a hot potato because the old/gas field is so close to Gulf of Mexico. Without any diplomatic relationship and trade embargo, this could mean exclusion of the American's interest: private companies and the country. Americans are very sensitive to the low hanging fruit that they can drool about it but could do nothing.

This is not the only thing that Americans are suffering. Since the trade embargo, the famous Cuban cigar cannot be exported to USA. Smoking may be out but it does not mean smoking cigar is out. The more difficult to get, the high social status it means to own one.

Temptation

Japan, India and China are fighting for overseas petroleum. The long term relationship of China with non-US friendly countries (NUFC) has a lot of advantage. Although Russia exports oil to Cuba but the trade and military tie between China and Cuba offers CNOOC a better opportunity to get reserve. China also delivers its part of agreement to have joint venture with India to share overseas petroleum opportunity.

While the US reserve is depleting, it has to replenish with overseas reserve: high or low quality does not matter. At some world reserve level in the future, low quality oil is better than none because “*Americans are addicted to oil*”, from President G. Bush Jr. Cuba’s close location will lower the cost of transportation. It could either delivered using pipeline or super tanker to the GOM refinery facilities. However, the trade embargo prevents American companies’ direct involvement.

Although there is embargo, but the American is money chaser. They attended the summit organized by U.S.-Cuban Trade Association (CK: It is amazing how such organization exists while Congress’ embargo is still active). The attendees included major U.S. oil companies, Valero Energy Corp., the United States’ biggest oil refiner; the Louisiana Department of Economic Development; and the Texas Port of Corpus Christi.

Empire Strike Back

American allies with EU to create a wall on China. (CK: This wall is falling apart.) China strikes back by building a wall south of Mexico through trade and military. Cuba plays American and Chinese using the most powerful weapon: petroleum. The attendees of the summit at Cuba included government officials. It is a sign to lift Congress’ embargo. It is also a sign that American will bow to the petroleum. Perhaps the wise guy is not Cuba but China. China uses Cuba to tease American to revenge on the Unical incidence. It is a lesson to teach American that you scratch my back, I scratch yours. It is also very obvious that Japan has been left out. When the Shrine incidence has satisfactory explanation, China may let Japan to join the club.

Perhaps I should write a Petroleum Code the Mystery rather than written commentary.

Resources

[1] U.S. firms eager to test oil potential off Cuba, Miami Herald, 2006.02.02
<http://www.miami.com/mld/miamiherald/business/international/13768896.htm>