

Colombians buy shares in state oil firm

Colombia this week put 10 percent of Ecopetrol on sale in a move counter to the Latin American trend toward more state control of oil and gas resources.

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Reporter Sibylla Brodzinsky talks about Colombians' enthusiasm for buying shares in the newly-privatized Ecopetrol state oil company.

Bogotá, Colombia - Lucia Castillo varies her shopping list little from week to week, typically filling her basket with the usual cheese, bread, eggs, and papaya. But this week Ms. Castillo added something out of the ordinary to her shopping cart: shares in a multibillion dollar oil company.

Veering away from a Latin American trend of nationalization and greater government control of oil assets, Colombia put part of its state oil company Ecopetrol on sale Monday, hoping to capture the interest of tens of thousands of small investors, like Castillo, a retiree.

"We want to have 250,000 Colombians as shareholders of Ecopetrol," company CEO Javier Gutierrez says, adding that he envisions the company's first shareholder meeting being held in Bogotá's El Campín soccer stadium.

On offer is just over 10 percent of the company, Colombia's largest and the fourth-largest oil firm in Latin America. The government calls the process "democratization" or capitalization, but critics argue it is the privatization-in-disguise Colombia's of sacred cow, which, they fear will end up in the hands of foreign oil interests.

To calm the political storm that would come from an outright privatization of a part of the company that Colombians proudly say belongs to every citizen, the government chose to offer shares first exclusively to Colombian individuals and pension and worker funds.

Colombia has done this before with electricity transporter ISA and with Bogotá's ETB phone company. But at \$2.8 billion, this share offering is worth 22 times what the phone company was worth and there is little chance that the Colombian market can absorb it completely. Eventually, critics say, shares could be snapped up by international oil firms or foreign investors.

Buy shares with your groceries

But Colombians still get first dibs. Ecopetrol chose to offer the shares at retail chains – in addition to banks and brokerage firms – to make them more readily available to the largest possible number of citizens.

However, the minimum investment to buy Ecopetrol shares is \$700, just over three times the minimum monthly salary of \$216.

To help ease the burden on potential first-time investors, buyers can acquire a package of 1,000 shares with a \$100 down payment and 12 easy interest-free installments.

Castillo paid her down payment together with her milk and eggs at a supermarket in Bogotá. "This is fantastic to be able to buy the shares here," she said. "It makes it so much easier."

John Pérez, a young employee at a local social club and a first-time investor, bought his shares at a downtown bank. "I was told it would be a good deal, and I wanted to buy them before the shares run out," he said as he filled out the required forms.

Selling the 'national patrimony'?

One person who will not be lining up to purchase shares is Jorge Gamboa, president of the USO oil workers' union, which opposes the sale. "I cannot stab myself or my brothers in the back," he said in an interview.

Mr. Gamboa says Colombia is going against the tide of the renationalization of oil and energy assets by the left-leaning governments of Venezuela, Bolivia and Ecuador. "Instead, here, we are selling our national patrimony and our natural resources to the highest bidder," he says.

The USO also questions the way the company was valued. Two separate assessments by investment banks set the market value of Ecopetrol at \$25.47 billion, which critics say is too low.

Two opposition senators contested the valuation before the comptrollers' office, which dismissed the challenge. But a Bogotá judge on Friday accepted a class-action suit that aims to halt the sale of shares, alleging a lack of transparency in the valuation process. Mines and Energy Minister Hernán Martínez said the suit was unlikely to prosper and that the sale would continue to go forward as planned.

Ecopetrol was founded 56 years ago when several oil concessions were handed back to the Colombian state.

Until four years ago, it was mostly charged with managing hydrocarbon resources, refining crude oil, and granting exploration and production concessions. But it did little of its own explorations.

In 2003, Ecopetrol was relieved of its regulatory role and became just another player in an ever-expanding field of exploration in Colombia.

Ecopetrol holds a monopoly on crude transport in Colombia and owns the country's largest refinery in Barrancabermeja. It owns 49 percent of a second refinery in Cartagena.

The company's oil reserves stand at 1.2 million barrels of oil, and production in March was 312,000 barrels per day.

If, as expected, the full 10.1 percent of shares is not sold in the month they will be available, a second issue will be made toward the middle of next year on the local stock exchange. Depending on the success or failure of the first two rounds, the company could make an international offering of shares on the New York Stock Exchange by the second half of 2008.

Colombia's Congress authorized the government to sell up to 20 percent of the oil company to private investors, but CEO Mr. Gutierrez says Ecopetrol decided to initially offer only 10 percent.

That percentage is enough to gain financial autonomy from the government, allowing the company to manage its finances without the constraints imposed by national budgetary concerns. "It is enough to cover our needs for the moment," Gutierrez says. Future offerings will depend on the financial needs of the company.

Those needs will be significant. Ecopetrol has a grand plan to turn itself into a major international player in the energy sector with investments of \$12.5 billion in everything from exploration and production to refining and international expansion, which would require private investment.

The plan is "perhaps a bit too ambitious" according to oil analyst Roger Tissot with PFC Energy, a Washington-based consultancy. But he says it has been "well thought-out."

Mr Pérez, who bought his first-ever company shares on Monday, is banking on it: "You can't go wrong with an oil company, right?"