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Electricity Crisis in Venezuela

The international press has widely dealt with the electricity crisis experienced by the country in the last months, so the present is just a summary of the current situation.

Although the government claims that Venezuela's electricity crisis is mainly caused by a drought linked to the "El Niño" phenomenon, some specialists also underline that the electricity sector has suffered for years of underdevelopment seriously impacting the country's hydroelectric power generation. The explanation lies upon the fact that 73 percent of electricity is coming from the "Guri" dam, which has seen a significant reduction of water levels to historic lows as a result of the drought, causing the dam to shut down some of its operations. The government has tackled the problem by implementing significant cuts in electricity production, and also promoting a national campaign for the good use of electricity, an important issue if it is borne in mind that its usage in Venezuela has increased 25% in the last five years. Thus, a rapid increase in demand, the lack of maintenance and investment in infrastructure and the driest season in years have combined to diminish the power generation.

Despite the efforts to reduce the consumption, and while new plants and generators powered by diesel, natural gas or fuel oil are bought by the government, President Chavez declared at the beginning of February a national emergency aimed to get more effective results. Thus, rationing measures have been introduced under daily basis through two to four hours power cuts in industrial, commercial and residential sectors; however, the government's resolution to achieve results is backed with sanctions, penalizing households and businesses that consume more than a certain level with fines and suspensions, although the scheme also

provides incentives for those able to cut energy consumption. Obviously, the plan is severely affecting the industrial production both in the public and private sectors, and also the commercial one, the state-owned aluminium and steel companies being particularly affected.

It is expected that with the raining season approaching, the reduction in the consumption and the acquisition of the new power plants the country may overcome the crisis. Even so, the Minister of Electrical Energy, Mr. Ali Rodriguez Araque, has recently announced that the electricity emergency plan will be extended for at least six months.

However, it is important to point out that commercial ports, oil and dry bulk terminals as public utilities, have not been affected by the power cuts, and are normally working without affecting shipping activities.

Should you need any assistance or further information regarding the topic stated above, please feel free to contact:

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