

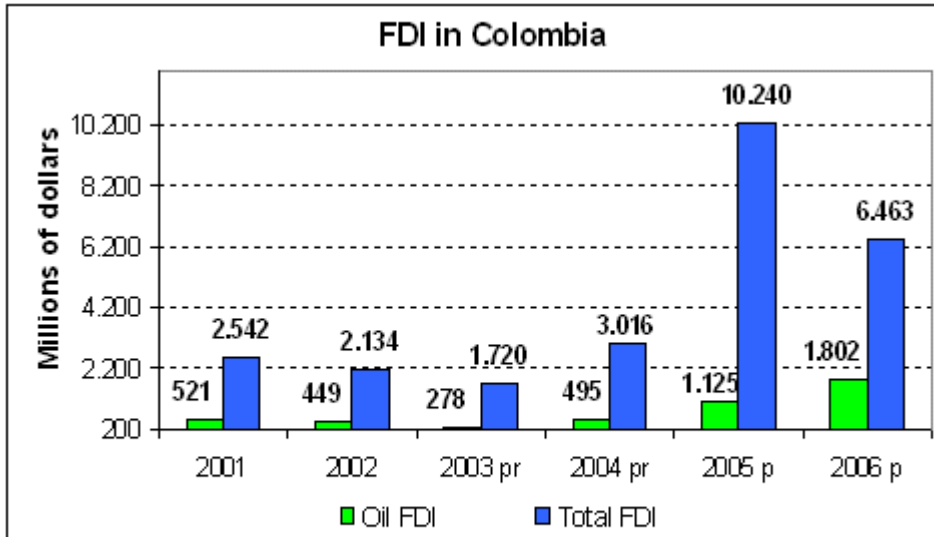
INVEST IN COLOMBIA'S OIL & GAS**Date Published:** 22 Aug 2007*By Lorena Medina***INTRODUCTION**

Colombia's president, Alvaro Uribe Vélez has placed utmost importance on increasing investor confidence in both the international and national realms. According to Uribe, in the last five years, investment as a percentage of the Gross Domestic Product (GDP) has increased from 12% to 26%, and reached a 27% during the first quarter of 2007. Private investment alone has significantly gone from representing 6.5% to 19% of the country's GDP.

The government's attempts to make Colombia a more attractive investment destination have been so successful, that the country is making headlines all over the world. In its May 28th issue, *Businessweek* cover story, "Extreme Investing: Inside Colombia", referred to the Latin American country as an "investment hot spot". The questions which remain are what percentage of this growth in investment is being directed to the country's hydrocarbons sector and why it is a good idea to invest.

FOREIGN DIRECT INVESTMENT (FDI) IN COLOMBIA

The Colombian government has taken significant measures to push investment in the country's hydrocarbons sectors, especially looking to attract FDI. In the Andean Investment Forum, organized by Latin Finance in July 2007, Uribe emphasized the country's enormous energy potential, especially in oil exploration and production (E&P) activities and biofuels.



p: Preliminary

pr: Provisional

Source: Banco de la República

According to data from Colombia's central bank, Banco de la República, total flows of FDI coming into the country reached US\$ 6.463 million in 2006, of which 28% was intended for the oil sector. Also, preliminary data indicate that for the first quarter of 2007, total FDI reached US\$ 2.342 million dollars, of which around 25%, US\$ 583 million dollars, were directed to oil activities.

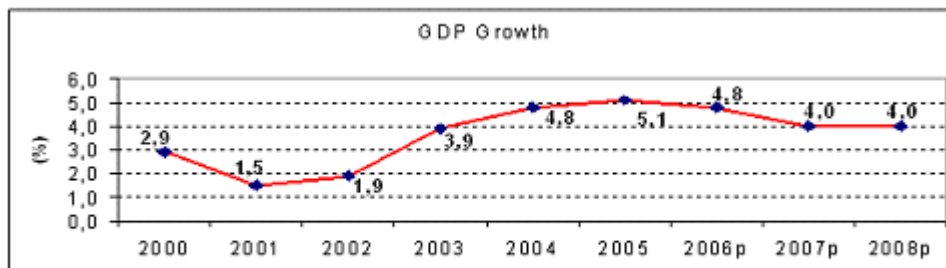
Some of the main projects using foreign capital that were negotiated in 2006 in the Colombian oil sector were:

- India's state-run Oil and Natural Gas Corp (ONGC) and China's Sinopec bought a 50% stake in oil company Omimex de Colombia Ltd;
- Glencore and Ecopetrol partners for project in Cartagena Refinery
- Chevron Texaco invests to expand in the country

MAIN REASONS TO INVEST IN COLOMBIA

Economic growth and stability

- Following the Latin American trend, Colombia has shown a strong economic recovery in the last few years.



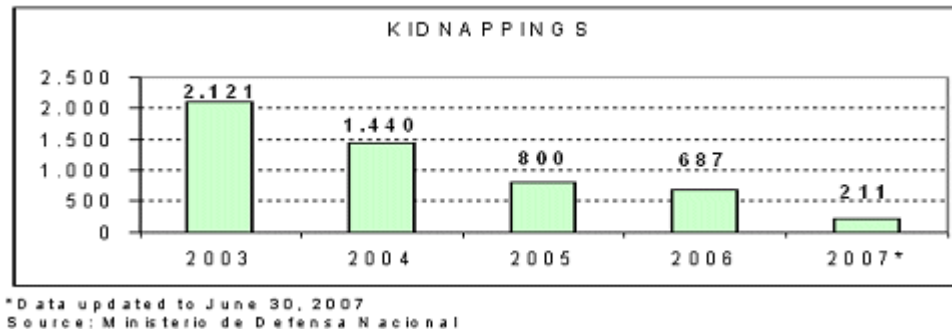
p: projection

Source: Departamento Nacional de Planeación - Supuestos Macroeconómicos

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Security

- Significant improvements in physical safety: increased road trips, safer streets and less kidnappings



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Open to investment

- Twenty percent (20%) of Colombia's state-owned oil company, Ecopetrol, will be sold to finance further exploration activity.
- The government has offered better fiscal terms to boost exploration and reverse the decline in oil production, which has already increased in 1.000 barrels per day.
 - Significantly reduced royalties: 8% for pools up to 5.000 bbl/d
 - Reducing corporate tax rates to 35% in 2007
- Investment climate in Colombia strongly contrasts with the nationalization trend in the rest of the Andean Region, mainly from Venezuela and Bolivia.
- S&P recently increased country rating to BB+

Market potential

- ECOPETROL has an approved budget to invest of 2.066 million dollars in 2007, of which 1.600 million dollars will be invested in oil & gas exploration and production activities
- A great part of the Colombian territory is unexplored meaning the potential for further oil discoveries.
- In terms of gas, the Venezuelan-Colombian gas pipelines are expected to be completed by the third quarter of 2007.
- In terms of biofuels, Colombia not only has the land availability, around 43.000 acres, but also, the development of biofuels will not threaten the population's agricultural production of other food crops.

CONCLUSION

It must be very hard for Latin-multinational and international companies to ignore the advantages of investing in Colombia's hydrocarbons sector. Corporations and businesses all have the same objective, to look for investment opportunities in growing markets with the purpose of expanding and making large profits. Following this train of thought, Colombia is the best place for any oil & gas related business to prosper, whether it is to invest in exploration, production activities or any other.