

Mauricio Claver-Carone
Executive Director
Cuba Democracy Advocates

Testimony on "*North American Offshore Energy: Mexico and Canada Boundary Treaties and New Drilling by Cuba and Bahamas*"

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Thank you, Mr. Chairman.

It's truly a privilege to be here with all of you today.

My name is Mauricio Claver-Carone and I'm the Executive Director of Cuba Democracy Advocates, a non-profit, non-partisan organization dedicated to the promotion of human rights, democracy and the rule of law in Cuba.

I have held this position for seven years and throughout this time, I have been closely monitoring the plans, developments and geo-political motivations behind the Cuban regime's efforts to pursue offshore oil exploration.

However, it's important to note that despite the broad media attention given to the Cuban regime's most recent plans, which we are discussing here today, its efforts to conduct offshore oil exploration date back almost 20 years. And ultimately -- all of them have been unsuccessful.

Please allow me to begin with some broader observations.

Cuba is a totalitarian dictatorship. It is the sole remaining dictatorship in the Western Hemisphere. Therefore, it should not be viewed through the same lens as its democratic neighbors, the Bahamas and Mexico -- nor should it be treated in the same manner.

The Bahamas and Mexico are allies of the United States. We share a relationship of trust and cooperation with these two friendly nations. Meanwhile, the Cuban regime remains under U.S. sanctions, which Congress codified into law under the 1996 Cuban Liberty and Democratic Solidarity Act, due to three fundamental reasons: 1. the brutal violations of the Cuban people's human, civil, political and economic rights. 2. its hostile anti-American policies. 3. the illegal expropriation of properties belonging to U.S. nationals.

Moreover, Cuba remains one of four countries designated by the U.S. Government as a state-sponsor of terrorism based on its harboring of fugitives (including the murderers of U.S. law enforcement officials); its unwillingness to cooperate with U.S. anti-terrorism efforts; its intelligence gathering and sharing with other rogue regimes; and its support for foreign terrorist organizations. The other three countries on the state-sponsors of terrorism list are Iran, Sudan and Syria.

Considering the background of Cuba's regime, a strong case can be made that it is not in our national interest to lift sanctions and assist yet another anti-American dictatorship -- and state-sponsor of terrorism -- in its ambitions for oil exploration. To do so would not ease domestic fuel costs or enhance energy independence here at home, which should be the goals of U.S. energy policy. To the contrary, it would add to the extortionate practices that other oil-producing dictatorships have exploited for the last half-a-century.

Furthermore, considering that this same Cuban regime has already expropriated U.S. oil assets in the past (Esso and Texaco), it would send a dangerous message to other hostile governments that -- in this region alone (e.g. Hugo Chavez in Venezuela) -- would like to do the same.

Now, allow me to focus on some of the specifics of the Cuban regime's offshore exploration plans, which unfortunately tend to get overlooked.

Despite the Cuban regime's highly publicized efforts over the last 20 years, there have been no commercially viable discoveries or extraction of oil in waters off Cuba's shores. Moreover, there is currently no drilling taking place in waters off Cuba's shores.

The Cuban regime first began using offshore-drilling rights to extract political concessions from various nations of the world soon after the 1991 collapse of the Soviet Union, which ended that country's hefty subsidies to Cuba.

According to recently declassified documents by the Brazilian Foreign Ministry, in 1993 the Cuban regime first offered the government of then President Itamar Franco the "most promising" blocks for oil exploration to Brazil's national oil company, Petrobras, in exchange for their shunning of Cuban dissidents on the island and cancelling a meeting with Cuban exiles at the Brazilian Embassy in Washington, D.C. The Brazilian government complied with both, only to exit from Cuba empty-handed years later.

The Cuban regime found a new "partner" when Hugo Chavez rose to the presidency of oil-rich Venezuela in 1998. With the backing of Chavez and Venezuela's state-oil company PdVSA, the Cuban regime resumed its diplomatic offensive signing highly publicized oil-leases with Spain's Repsol, Norway's Statoil, Russia's Gazprom, India's ONGC Videsh, Malaysia's Petronas, Canada's Sherritt, Angola's Sonangol, Vietnam's PetroVietnam and China's CNPC .

Only one company, however, has actually conducted any exploratory drilling -- Spain's Repsol in 2004. It found some oil, but not in any commercially viable quantities. It then pulled out of Cuba.

Similarly, after much initial fanfare, Canada's Sherritt and Brazil's Petrobras -- perhaps the most credible and respected of the region's oil companies outside the United States -- publicly abandoned their efforts in 2008 and 2011, respectively, stating that Cuba offshore drilling was "not commercially viable" and citing "poor prospects."

Much of this can be attributed to U.S. sanctions, which dramatically drive up costs of production. The Cuban regime has itself admitted that U.S. sanctions make it commercially impractical to produce oil in its territorial waters. Keep in mind that even the largest neighboring foreign oil companies, Mexico's Pemex and Venezuela's PdVSA, refine the majority of their oil in the U.S. and then repatriate it, for they lack the domestic infrastructure to process their own heavy crude and the U.S.'s geographical proximity enhances profitability. As long as U.S. trade sanctions against Cuba's regime are in place, producing and refining any oil found in Cuban waters in the United States isn't an option.

That leads to a question: If off-shore drilling in Cuban waters is not commercially viable for the most respectable regional oil companies, which are located relatively close to Cuba and have the most experience in dealing with Cubans, is such drilling really viable for the Angolans, Malaysians or the Chinese? The answer is no.

Initially, we learned this in 2006, when the Cuban regime seemingly had convinced public policymakers in Washington -- including many here in Congress -- that the Chinese were ready to drill off Cuba's shores. The threat never materialized, but it served the Cuban regime's political interests. As Reuters reported from Cuba at the time: "Havana is eager to see American oil companies join forces with the anti-embargo lobby led by U.S. farmers who have been selling food to Cuba for four years."

Last year's oil spill in the Gulf of Mexico by BP and the justifiable public outrage that ensued has given the Cuban regime a new and strategic opportunity to use the threat of offshore drilling as a means of forcing the U.S. to unilaterally ease sanctions. Cuban Foreign Minister Bruno Rodriguez has confirmed this on various occasions and relayed as much to former New Mexico Gov. Bill Richardson, who recently traveled to Havana in an unsuccessful effort to secure the release of American hostage Alan Gross; Gross has been held for nearly two years in a Cuban prison for helping the island's Jewish community connect to the Internet.

In a flashback to 2004, Spain's Repsol is back in Cuba preparing to drill another exploratory well early next year. This time, the Cuban regime is "threatening" that if Repsol is pressured into abandoning drilling, India's ONGC Videsh or Malaysia's Petronas will step forward.

Curiously, this peculiar corporate trio was granted extensive oil-rights last year by Hugo Chavez to develop a block with 235 billion barrels of reserves in Venezuela's oil-rich Orinoco belt. Reserves in that one Venezuelan block alone are believed to be 50 times greater than the best estimates in all of Cuba's territorial waters. Some geo-political foul play can surely be deduced from the particularity and timing of this arrangement.

Despite the fact that Repsol still faces exploratory hurdles (and gargantuan production costs if oil is ever found), the United States is erring on the side of caution and licensing specialty oil spill mitigation firms to respond quickly in the case of an accident. This is also not a new phenomenon. The U.S. has been licensing such firms since at least 2001. Moreover, current U.S. law provides all of the necessary flexibility to do so.

While such precautions are necessary, efforts should also be made to prevent the Cuban regime from engaging in offshore exploration altogether. The anti-American nature of the Cuban regime will simply not provide the necessary safeguards regardless of the level of U.S. engagement on this issue. Thus, there is currently legislation filed with this goal in mind, including H.R. 2047, the Caribbean Coral Reef Protection Act, which targets U.S. visas and loans to the Cuban regime's foreign business partners, and H.R. 373, which amends the Outer Continental Shelf Lands Act to deny U.S. leases to foreign companies that engage in oil exploration with countries under U.S. sanctions, such as Iran and Cuba. Precaution might bring us temporary peace of mind, but prevention would better serve our long-term national interests.

Mr. Chairman, this concludes my testimony. Again, I truly appreciate the invitation and the opportunity to speak before you and the committee. I will be pleased to respond to any questions.