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Chevron and Chad: A Pipeline Dream?

In June 2013, George Kirkland, vice chairman of Chevron Corporation, was driving to company headquarters in San Ramon, California. He had a meeting with the board of directors in three hours. Kirkland had not slept well the past week due to endless thoughts about Chevron's future in Chad. The board of directors questioned the long-term profitability of Chevron's Chadian assets as the Chad-Cameroon pipeline was carrying just 50% of its daily transport capacity of 250,000 barrels. In addition, Chevron's production in the Doba Basin oil fields had declined.

Kirkland knew that Chevron's involvement in Chad additionally risked the company's reputation, as international NGOs publicly questioned its operation's protection of human rights.¹ Furthermore, the region had become unstable with unrest in the nearby Central African Republic in March 2013.²

As Kirkland continued his drive to the board meeting, he reflected on his 40-year-and-counting career with Chevron. Preparing for the many difficult questions to be raised at the board meeting, Kirkland could only retroactively ponder whether or not the company made the right decision in focusing Chevron's corporate strategy toward increasing international exploration and development in the 1990s.

Had this corporate direction been a wise strategy for Chevron? Kirkland frequently questioned whether the opportunity cost associated with the Chadian pipeline venture was too much for the company to bear, leading him to question what the future focus of Chevron should be. Should Chevron remain involved with oil development in Chad? How would Chevron best manage the financial, social, and environmental risks associated with the volatile profits of Chadian oil operations? Were there risks associated with the continued relationship between Chevron and Chad, and did the opportunities that came from this continued relationship outweigh the risks? What if Chevron divested its interest? Not knowing how the oil pipeline partners would react to Chevron's divestment, how could Kirkland fully comprehend the ramifications of each opportunity?

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