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VENEZUELAN OIL TRADE AND ENERGY RECENT DEVELOPMENTS

One month after the beginning of the Russian invasion to Ukraine and the war escalation in March, U.S. officials held a somewhat secret high-level meeting in Caracas. Many analysts considered the possibility of Venezuelan crude returning to the United States, once its largest single market. However, obstacles to resuming political talks between Venezuelan government and the opposition ultimately limited these expectations.

Unlike those earlier hopes for a broadly authorization to include activities of drilling, processing or shipping oil from Venezuela, last May the US administration gave CHEVRON a narrow authorization through November to engage in talks with Venezuela's government and PDVSA about their future operations in Venezuela.

In a different moving the US State Department gave a no objection letter to two big oil companies; Italian oil company ENI SpA and Spain's REPSOL SA to resume shipments from Venezuela. The aim is to make up for Russian crude in the European market, with the hope of reduce dependence on Russia and re-direct some of Venezuela's cargoes from China.

There are two key conditions for the re-opened trading; as these two European

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energy companies have joint ventures with Venezuelan state-run oil company PDVSA these crude cargoes must use toward unpaid debts and late dividends, and the second, the oil received must sell and processed within Europe, it cannot be resold elsewhere. Following the authorization, on 17 June an Italian-flagged tanker set sail carrying a 650,000-barrel-cargo of Venezuela's oil, the first shipment to Europe in two years.

Venezuelan exports bounced back with the country shipping an average of 630,500 bpd of crude and fuel in June. The number represents a 61 percent increase compared to May.

Besides the aforementioned U.S. Chevron, other big companies like India's Oil and Natural Gas Corp and France's Maurel & Prom SA have being reported lobbying the U.S. State Department and U.S. Treasury Department to take oil in return for debts but with no success to date.

More recently, last 7 July 2022 the OFAC issued the GENERAL LICENSE No. 40A. Effective 7 July 2022, it replaces and supersede GL No. 40, issued in June 2021, extending authorization on certain transactions involving the exportation or re-exportation of liquefied petroleum gas to Venezuela, for one year, through 12:01 a.m. eastern daylight time, 12 July 2023.

The expectations on improving relations and the lifting of sanctions perceived last May have actually stuck in the political arena due internal bipartisan backlash in the US. Nowadays these expectations relies on practical grounds, France's recent call for Venezuela and Iran to return to "Western" oil markets as a means of alleviating the supply squeeze and bringing down energy prices globally might be a good example.

Furthermore a second high-level US delegation visited the country last 28 June, amidst an ongoing struggle by US and European leaders to find a solution to a brewing energy crisis driven by the imposition of sanctions on Russia following the invasion of Ukraine.

Likewise in the energy/power field, Bloomberg reports global energy giant SIEMENS ENERGY AG is reportedly in talks with the Venezuelan government to repair power plants as part of a government plan to rebuild a crumbling electricity grid plagued by constant blackouts and a lack of maintenance. According to unofficial sources around 87,000 blackouts events reported by citizens last year in the country.

SIEMENS has been present in Venezuela for 60 years plus, and roughly half of the country's thermoelectric plants use Siemens-owned technology, with the other half using General Electric Co. technology. Siemens also produces many of the components at power substations, which are in need of repairs.

The German company was granted licenses by the US Treasury to work with the state-owned Petroleos de Venezuela SA, which owns the plants, via third parties and with the power utility CORPOELEC. Talks aimed to work with the government on potential contracts for repairing gas- and diesel-burning generation facilities that serve the capital, Caracas, as well as those that supply electricity to infrastructure used by the oil industry.

Therefore, and despite the current sanctions in place, the above developments suggest that pragmatism will prevail in the always needed global trade.

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