



By: Tomorrow's Affairs Staff

Oil and democracy - US eases Venezuela sanctions



Chevron has resumed exploitation in its oil fields in Venezuela, after the US government issued a license, as the first relaxation of 15 years of US sanctions against the authoritarian government in Venezuela. To prevent President Nicolás Maduro's regime from benefiting financially from this concession, Chevron's partner in Venezuela, the state oil company Petróleos de Venezuela, SA, will not be able to reap the profits. In return, Venezuela will receive a humanitarian reconstruction program, worth 3 billion USD. Maduro agreed this with his political opposition, and also to the continuance of the dialogue in Mexico City regarding free and fair elections in 2024.

The officials said the US is prepared to revoke or amend the license issued to Chevron, which will be in effect for six months, at any time if Venezuela fails to negotiate in good faith, writes The Wall Street Journal. "If Maduro again tries to use these negotiations to buy time to further consolidate his criminal dictatorship, the United States and our international partners must snap back the full force of our sanctions," said Sen. Robert Menendez (D., NJ), the chairman of the Senate Foreign Relations Committee.

Venezuela has the world's largest oil reserves, slightly more than Saudi Arabia, although its thick crude is more difficult to extract. Venezuela produces some 700,000 barrels of oil a day, compared to over 3 million barrels a day in the 1990s. Some analysts said Venezuela could hit 1 million barrels a day in the medium term, a modest increment reflecting the dilapidated state of the country's state-led oil industry.

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Sources from the US administration told The Washington Post that the new decision has only to do with Venezuela and its people. It was not an attempt to ease the situation on the global oil market, caused by the Russian

aggression against Ukraine.

"We have long made clear we believe the best solution in Venezuela is a negotiated one between Venezuelans," said a senior Biden administration official who spoke on the condition of anonymity under rules set by the White House. "To encourage this, we have also said we were willing to provide targeted sanctions relief."

The policy "remains open to further calibrating sanctions," the official said. "But any additional action will require additional concrete steps," including the release of political prisoners and recognition of the legitimacy of the opposition, as well as unfettered access for UN humanitarian missions.

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The official dismissed reports that the administration was acting to ease an oil shortage and high energy prices exacerbated by Russia's invasion of Ukraine. "Allowing Chevron to begin to lift oil from Venezuela is not something that is going to impact international oil prices. This is really about Venezuela and the Venezuelan process," the official said, where the United States is "supporting a peaceful, negotiated outcome to the political, humanitarian and economic crisis."

Under the new license, profits from the sale of oil will go toward repaying hundreds of millions of dollars in debt owed to Chevron by PdVSA, administration officials said. The US will require that Chevron report details of its financial operations to ensure transparency, they said.

According to The Wall Street Journal, Chevron spokesman Ray Fohr said the new license allows the company to commercialise the oil currently being produced by its joint-venture assets. He said the company will conduct its business in compliance within the current

framework.

The license prohibits Chevron from paying taxes and royalties to the Venezuelan government, which surprised some experts. They had expected that direct revenue would encourage PdVSA to reroute oil cargoes away from obscure export channels, mostly to Chinese buyers at a steep discount, which Venezuela has relied on for years to skirt sanctions.