Maduro is running out of dollars and time in office

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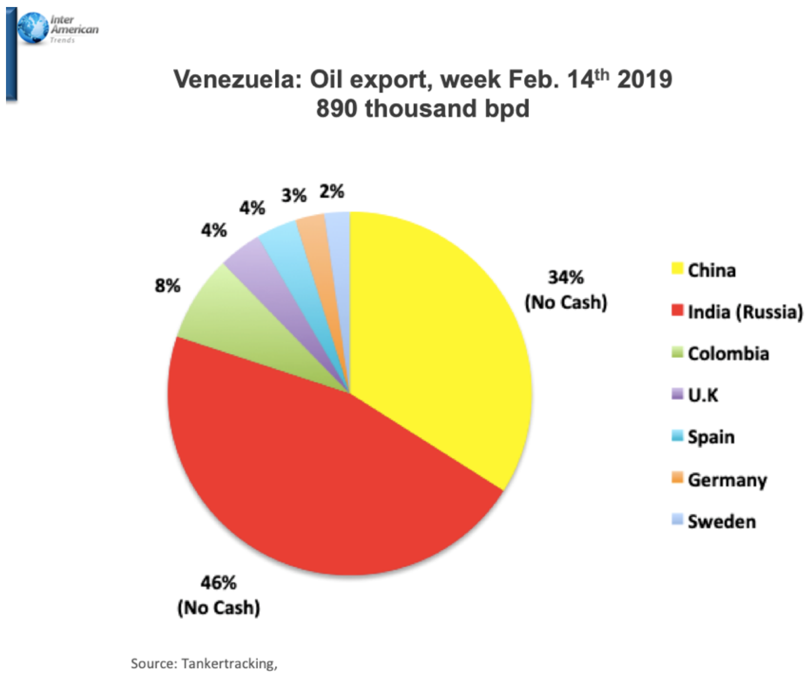
Two weeks have passed since the Office of Foreign Assets Control of the United States Department of Treasury (OFAC) sanctioned the state oil company Pdvsa, freezing the use of bank accounts of Pdvsa to the usurping regime of Venezuela.

When evaluating the first 14 days of the sanction, it is observed that Venezuela's oil exports have a 21% drop with respect to January's volume, standing at 898,391 barrels per day according to information from tankertrackers. Therefore, the immediate effect of the OFAC measure is an oil embargo by the usurper regime of shipments to the United States. The result is that in the third week of February the export of crude oil to the American refineries on the Gulf of Mexico coast was zero according to tankertrackers.

The US Energy Information Administration reported that preliminary weekly crude imports from Venezuela on the first and second week of February were equivalent to 345,000 bpd and 117,000 bpd, respectively. If we compare these volumes with those of the previous month, the collapse of Venezuela oil exports to the United States is 372,000 bpd, equivalent to 770 million dollars. That is to say, that the usurper regime will stop receiving around 800 million dollars in cash, monthly, which will affect the leadership that holds Maduro in power because part of this amount has been directed to embezzlement, bribery, and money laundering.

With this situation, Venezuela's oil exports could be rerouted to refineries in India and China. In the case of India, Nayara Energy (PDVSA's client) could acquire part of the oil that was delivered to the United States, because it would be used to pay PDVSA's debt to the Russian oil company Rosneft, which has 49% of Nayara shares.

It must be remembered that in November of last year Rosneft complained to Maduro about the breach of the oil quota to pay the debt owed to Russia. According to Reuters estimates, Pdvsa fulfilled 40% (177,000 bpd) of shipments to Russia in 2018. And, in the case of China, it delivered around 463,000 bpd, equivalent to 60% of the required volumes.



The placement -20% of the export of crude oil- from the barrels to Colombia, the United Kingdom, Spain, Germany, and Sweden seeks to obtain constant and sound dollars to increase loyalty to the usurper regime. In the case of last week, this volume reached 62 million dollars (36% of average exports to the United States).

Also, the importation of naphtha to mix with the extra-heavy crudes of the Orinoco oil belt jeopardizes the production of 300,000 bpd. One example is PDVSA's mandate to Petrocedeño (a joint venture with Total and Equinor) to stop production of 100,000 bpd of extra heavy crude. Another case, the independent companies, which resold 20% of exports of oil and products in 2018, have not found a way to mitigate the effect of the sanctions on PDVSA. A week later, the commodity trading and logistics company, Trafigura, said buyers of Venezuelan crude in the open market had not placed a purchase order.

Consequently, the storage capacity would be exhausted rapidly, which would produce a drop-in production. For now, PDVSA placed 36% of the volume of crude it was selling to US refineries, which will allow it to continue production in the Orinoco oil belt. If you lose the oil storage facilities in the Caribbean islands, Bonaire and Saint Eustatius, due to the default of payment of Pdvsa to ConocoPhillips this month, a product of the arbitration of almost 2,000 million, oil production will be affected in the very near period, one month to be precise.

Therefore, if Maduro continues to usurp the presidency, the incentives to maintain oil production are very low. The majority of joint ventures would have to close production. The only ones that will be able to continue operating the fields will be the Chinese and Russian companies that currently produce 25% (373,000 bpd) of the total production of Venezuela.

The usurper regime would have to suspend the payments of the debt with barrels of oil to China and Russia to alleviate the deficit of dollars in cash coming from the exports of crude oil to the United States, and to gain time. However, if China and Russia fail to receive the payments already committed, they are likely to give up the support to the oil industry, that is, grant future credits. With which Venezuela's oil production would fall to 350,000 bpd in 4 months.

In conclusion, the withdrawal of the dollars in cash by the Trump Administration to the usurping regime, places Maduro in a critical situation to maintain power. If the actual status of two governments, one in fact and the other in law, is kept, the lack of liquidity combined with the physical limitations for oil production will produce a very high-risk situation for the country because there will be money for one month of imports of goods.

The military establishment that holds Maduro in power must evaluate that he is running out of cash dollars, and as such the time as usurper.