

U.S. Blocks Venezuela Oil Deals Using Its Financial System



Venezuela's state oil company and its customers will be blocked from using the U.S. financial system by late April, as the Trump administration ratchets up the pressure on President Nicolas Maduro to step aside and allow an opposition leader to take his place.

The U.S. already announced it would effectively prohibit imports of Venezuelan crude and bar companies from selling cargoes of light oil to the Latin American country, which are needed to keep its pipelines flowing. The latest measures posted on the U.S. Treasury's website suggest the sanctions could have an even wider impact on the petroleum exports that constitute the nation's economic lifeline.

Any transactions with Petroleos de Venezuela SA, or any entity in which it has a controlling stake, involving U.S. citizens or passing through the country's financial system must be wound down by April 28, the Treasury said. Americans who work

for non-U.S. companies must stop doing any business with PDVSA by March 29.

“Thinking about oil as being a dollar-denominated business, if U.S. banks are jittery and concerned about what they can do, that will cause them to decline all transactions,” said Daniel Martin, a partner at law firm Holman Fenwick Willan. “What is happening is that if you’re a non-U.S. entity you’ll be restricted as to what you can do with PDVSA, if that involves a U.S. person or nexus.”

The U.S. government’s decision to impose sweeping sanctions on Venezuela’s state-run oil firm already look like a de facto oil embargo on the country. The administration of U.S. President Donald Trump has made clear it believes Maduro’s re-election was illegitimate and is applying intense economic pressure after recognizing opposition leader Juan Guaido as interim president.

John Bolton, Trump’s national security adviser, tweeted that “bankers, brokers, traders, facilitators, and other businesses” should not deal in any Venezuelan commodities that he alleged were being stolen by the “Maduro mafia.”

Some European oil traders had temporarily stopped dealing with PDVSA while their lawyers weighed whether it’s possible for non-U.S. entities to continue buying Venezuelan crude without falling foul of American sanctions, people familiar with the matter said earlier this week.

Venezuela pumped 1.2 million barrels a day of crude in December, a decline of almost 50 percent in four years, according to data compiled by Bloomberg. About 500,000 barrels a day of that output was exported to the U.S., but could potentially be diverted to other markets, if buyers are able to find ways to avoid using the American financial system. Some tankers have already turned away from Venezuela without loading crude, Bloomberg data show. Disruption could reach as

much as 1 million barrels a day, Citigroup analysts including Ed Morse wrote in a report on Friday.

“The combination of ongoing domestic protests, global political pressure, and concerted economic pressure via sanctions could hasten a transition as well as lift oil prices,” the analysts said.