

U.S. Oil Sanctions on Venezuela: Helping or Hurting?

By Christina Scully, J.D. Candidate 2021 | March 1, 2019

Last month, the Trump administration implemented sanctions on Venezuela's state-owned oil company, Petroleos de Venezuela (PDVSA), in an attempt to support the opposition in toppling President Maduro's government. The sanctions prohibit U.S. companies from engaging in further business with PDVSA, which provides [approximately 90%](#) of Venezuela's hard currency. Additionally, the sanctions freeze all PDVSA assets located within the United States. Citgo Petroleum, the U.S. based refining arm of PDVSA, is currently undergoing a change of control and its future, along with that of the broader Venezuelan economy, [remains unclear](#).

At a macro level, the sanctions directly impact existing [pricing dynamics](#) across global oil markets. Heavier sour crude, the kind of oil that Venezuela sells to U.S. refineries for the production of gasoline, typically trades at a lower price than that of lighter grades due to the additional costs undertaken by its purchasers to refine it. Given these sanctions and other restrictions in supply, heavy oil is now trading at a higher price than its lighter grade counterparts and U.S. refineries are paying a premium. As a result, U.S. oil prices are up approximately 5% and the global benchmark for oil is up 8%. Despite these [identifiable increases](#), most industry analysts do not see the sanctions as the direct cause. Instead, they point to the culmination of decreasing output in Mexico and Canada, instability in Libya, and the OPEC-plus cuts.

While some media focus has been on the sanctions themselves, the more pressing issue is the humanitarian crisis occurring within Venezuela's borders. Since Maduro came into power in 2013, the Venezuelan economy has halved and the supply of basic necessities - such as medicine and food - has severely diminished. Although the U.S. implemented these sanctions with the intention of helping Venezuelan people by halting Maduro's plundering of the country, the PDVSA sanctions could cut oil exports by two-thirds and lead to a further 26% contraction in Venezuela's economy. With Maduro still in power, and the sanctions in place, the Venezuelan people can only brace themselves for further economic weakening until a new administration is established and the sanctions are lifted.

