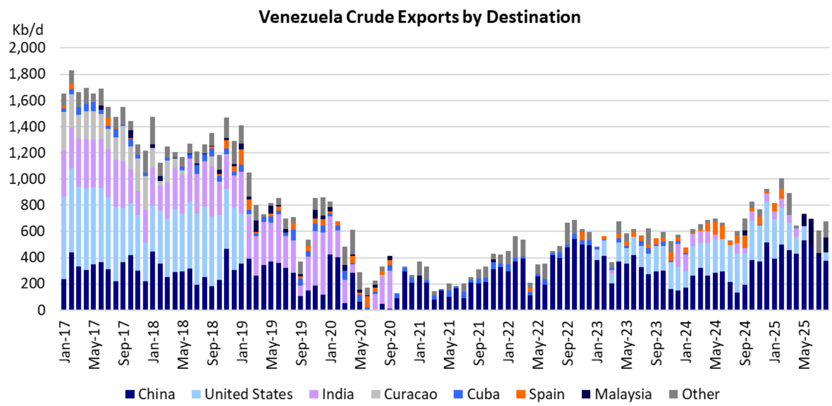
Crisis In Caracas

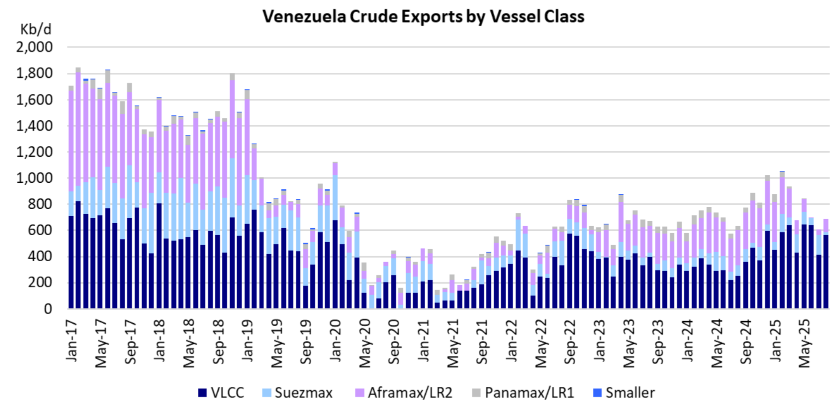
Turmoil around Venezuela heightens market uncertainty

Venezuela is never far from the news, especially in the United States. Its close proximity and status as a major oil producer made the country one of the largest crude oil suppliers to the United States. Until 1999, when Hugo Chavez came to power, the U.S. and Venezuela had a mutually beneficial relationship with close economic and diplomatic cooperation. This relationship shifted dramatically under Hugo Chavez who adopted socialist policies and took anti-US positions. He nationalized oil assets and established close alliances with adversaries of the U.S., such as Cuba and Iran. The relationship between the U.S. and Venezuela became one of deep distrust, sanctions, and near hostility. This downward trajectory continued under Chavez's handpicked successor Nicolás Maduro. The Trump administration has dramatically increased the pressure on the Venezuelan regime in recent weeks, and this could have implication for the oil and tanker markets. We'll discuss some possible scenarios in this week's Tanker Opinion.

On September 2, U.S. naval forces stationed in the southern Caribbean struck a vessel suspected of trafficking drugs from Venezuela, killing all 11 people onboard. At least seven warships, a nuclear submarine, more than two thousand marines, and several spy planes are monitoring Venezuela's coastline. This deployment represents the biggest naval mobilization in Latin America since the invasion of Panama in 1989. Prior to the navy's deployment, the U.S. designated Venezuelan cartels as terrorist organizations, and it authorized the Defense Department to use force against these cartels. The U.S. government also offered $50 million for information leading to the arrest of Nicolás Maduro, whom the U.S. does not recognize as a legitimate head of state. Not surprisingly, President Maduro does not appreciate the heightened attention. He complained to the United Nations and told Venezuelans to prepare for "imperial aggression", i.e. an invasion.

While the U.S. is highly critical of the Maduro regime, it did renew the license of U.S. major Chevron to produce and export Venezuelan oil. While this appears to be contradictory to the "maximum pressure" campaign, the goal of the U.S. is to bolster energy supply security and counter Chinese and Russian interests in Venezuela. Chevron's exports of Venezuelan crude are only allowed to designated markets (primarily the U.S.). The Chevron license also has a provision that none of the proceeds can benefit the Maduro administration directly. Chart 1 clearly shows the impact of the Chevron license on export volumes and destinations. Chevron's license was reinstated at the end of 2022 and crude oil exports to the U.S. restarted in January the following year, ramping up from an average of 150,000 b/d in





Sources: Vortexa

2023 to 250,000 b/d in 2024. The Trump administration pulled all export licenses in May 2025 but reinstated it for Chevron in late July. It is expected that – over time – Chevron will return to 200-250,000 b/d of production and exports. This crude will be shipped to the U.S. It is uncertain if and how these additional Chevron barrels will impact the volumes available for export to China, which has been the primary buyer of Venezuelan crude over the last five years. Since mid-2024, exports to China increased significantly. Total Venezuelan exports reached 1.0 Mb/d in February 2025, of which 50% went to China and 28% to the U.S. Chinese exports remained stable after Chevron lost its production license in May. Therefore, our current assumption (base scenario) is that Venezuelan exports will increase again as Chevron ramps up, without impacting the trade with China. Chart 2 shows the potential impact on the tanker market. Virtually all exports to China go on (dark) VLCCs and this will not change. However, mainstream Aframaxes will benefit from the restart of Chevron exports.

It is worth mentioning an alternative scenario. If the "maximum pressure" campaign is able to push Maduro out of office and if he is replaced by an administration that is more friendly to the U.S., sanctions could be lifted, and more investment will flow into Venezuela's energy sector. Increasing Venezuela's crude oil output will take time and money, but the lifting of sanctions would make all export barrels accessible to the global market and provide an immediate boost to the mainstream tanker fleet.

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