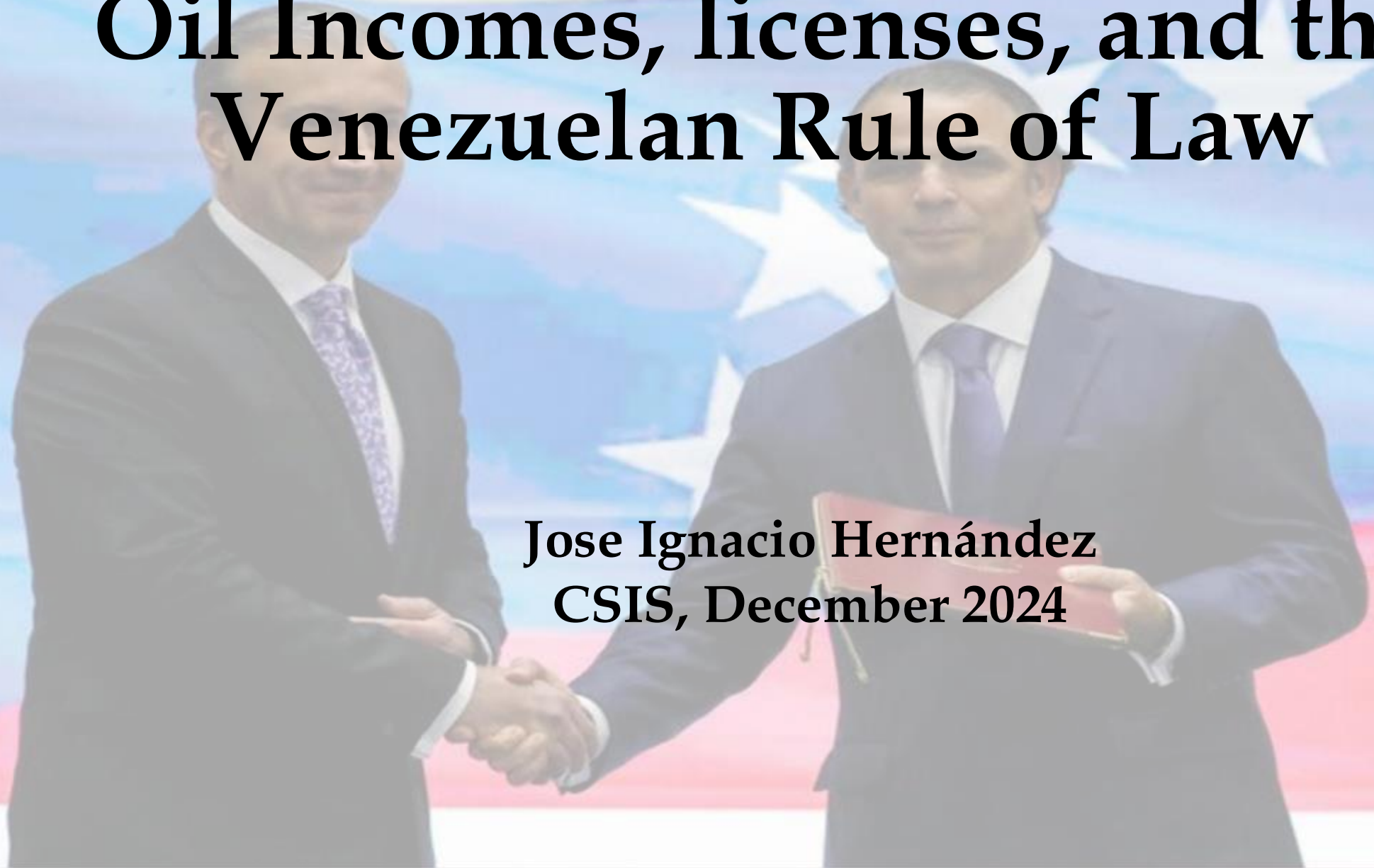


Oil Incomes, licenses, and the Venezuelan Rule of Law

Jose Ignacio Hernández
CSIS, December 2024



Summary

- Understanding the institutional arrangements under which oil production has increased (the Chevron model).
- The *government take* under the Chevron model.
- The opacity of the *government take* and the Anti-Blockade Law.
- Corruption and human rights violations.
- More Oil for Fewer Migrants?

Understanding the institutional arrangements under which oil production has increased (the Chevron model).

- Under licenses granted by OFAC and based on the unconstitutional emergency decrees and the Anti-Blockade Law, PDVSA transferred the exercise of oil rights from JVs to the minority shareholder.
- The minority shareholder captures the oil revenues in an escrow account.
- The minority shareholder acts as an agent of PDVSA.
- The oil agreements (CPPs) and other related contracts are confidential.

as en Venezuela: qué hay
ás del plan de Nicolás
ro para PDVSA y la
"privatización
bierta" de la petrolera estatal



...nció un plan especial para reflotar PDVSA.

The *government take* under the Chevron model and the Anti-Blockade Law.

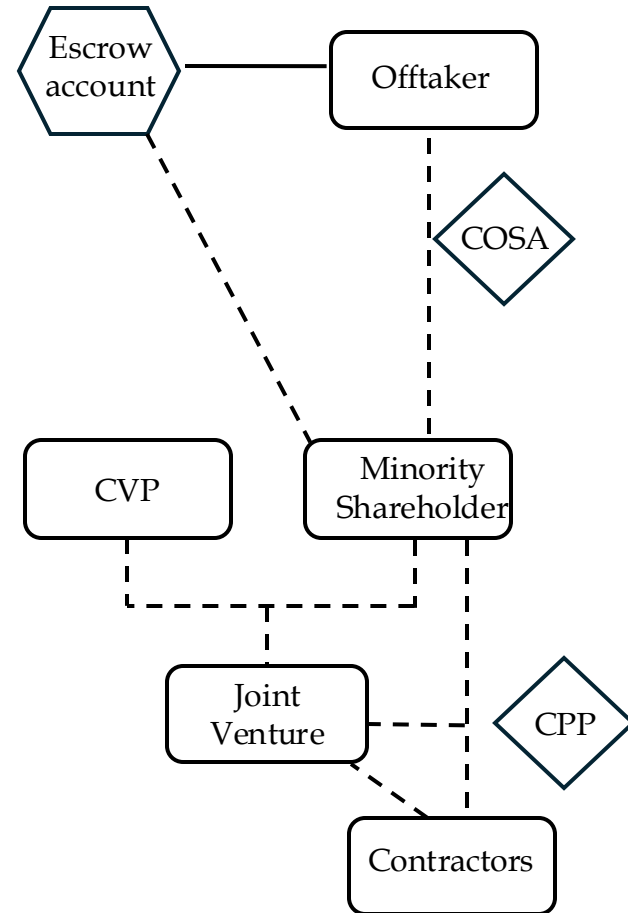
- Despite the confusing wording of licenses, JVs are contributing to the *government take* in favor of Maduro's Government.
- The government take is paid with the proceeds captured by the minority shareholder and deposited in the escrow account.
- The financial conditions of the CPPs are opaque and are not subject to checks and balances.

Venezuelan oil minister says
in connection with
authorities say



The *government take* under the Chevron model and the Anti-Blockade Law.

- **Moderate scenario:** Maduro receives 33,3% of production (royalties and extraction tax).
- **Intermediate scenario:** Maduro receives 50% of the production (shadow tax).
- **Aggressive scenario:** Maduro receives up to 60% (shadow tax plus revenue participation).



The government take under the Chevron model and the Anti-Blockade Law.

- The minority shareholders compensate their debt with 20% of the proceeds.
- This is the only debt that PDVSA is currently paying: there is discrimination among creditors.
- The rest of the proceeds are used to pay government take and operative expenditures (OPEX).

Tellechea arrests former oil minister

PM EDT · Updated a month ago



Aa



Minister Pedro Tellechea leaves after a press conference, in Caracas, Venezuela. [Purchase Licensing Rights](#)

The opacity of the *government take* and the Anti-Blockade Law.

Average production based on CPPs (October 2024) thousands bpd	Annual Revenue (billions)	Government incomes in a 33,3% scenario. (billions)	Government incomes in a 50% scenario. (billions)
267	6,529	2,174	3,265

Source: Aurora Macro Strategies

- The government take is paid in VEF (?). Minority shareholders sold petrodollars in the Venezuelan exchange market.
- There could be a legal interpretation for which VEF payments do not violate sanction regulations.
- The *government take* is based on opaque fiscal rules based on the Anti-Blockade Law.

Corruption and human rights violations

- Because of the lack of checks and balances and the opacity imposed by the Anti-Blockade Law, it is impossible to ensure that the government take is not used to finance corruption.
- As the Fact-Finding Mission concluded, there is a strong connection between corruption and gross human rights violations.
- IOCs executing CPPs are exposed to corruption and human rights violations risks.

Anticorruption Guidance for Partners of State-Owned Enterprises

Full Guidance

January 2022



More Oil for Fewer Migrants?

- The institutional fragility of the Chevron model deters the oil industry's recovery.
- OFAC licenses do not encourage transparency because of the opacity of the Chevron model imposed by the Anti-Blockade Law.
- From the perspective of corruption and human rights violations, it is irrelevant that the government take is paid in VEF.
- While Venezuela remains the worst country in terms of the rule of law, predatory policies will continue to erode the economy, fostering migration.

Venezuela's largest shrimp producer accused of plotting a coup

management of Grupo Lamar, which produces 60-70% of Venezuela's shrimp, have reportedly fled the country, and are accused by the Maduro government of plotting a coup.

Rob Fletcher

Senior Editor, The Fish Site

