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Round and Round – Many Steps Needed for Venezuelan Rebound

From Basic Repairs to Long-Term Investment, A Lot Needs to Happen



- Venezuela’s Oil Industry Could be Poised For a Sharp Recovery, But It Will Take Time
- Extra-Heavy Crude Oil Found in the Country’s Orinoco Belt is Thick With Potential, Pitfalls
- Rebound in Venezuelan Production Would Test U.S. Refiners’ Appetite for Canadian Crude
- Venezuela Remains Reliant on Diluent to Boost Output, Opening Market for U.S. Suppliers
- From Infrastructure Fixes to Hiring Workers, Revitalizing the Industry

1. Introduction

Venezuela took center stage in early January when U.S. forces removed President Nicolás Maduro from power, triggering a flood of speculation and market commentary about the country’s vast oil reserves and the potential for reviving its now-moribund upstream and refining sectors.

Venezuela was once a critical supplier of heavy sour crude to Gulf Coast refineries, providing more than 1 MMb/d in the late 1990s and early 2000s before Venezuelan production entered a long period of decline. Today, the country produces less than 1 MMb/d of crude oil, barely one-quarter of where it was in the late '90s at around 3.5 MMb/d.

The decline in Venezuelan crude oil production and refining capabilities is clearly reflected in the refined-product trade. From 1993 through the mid-2000s, the U.S. was a consistent net importer

of Venezuelan gasoline, diesel and jet fuel. After 2005, those inflows steadily eroded as U.S. refining capacity expanded, product exports surged and Venezuela's refining system weakened. By the early 2010s, net imports were hovering around zero and often turned negative, especially for diesel, as the U.S. became a net exporter of refined products to Venezuela.

Following the imposition and tightening of U.S. sanctions in 2019-20, the remaining trade all but disappeared, with a small uptick in volumes headed to Venezuela in the last few years.

With Maduro removed from power and the Trump administration focused on revitalizing the country's long-neglected oil industry, there's been plenty of discussion and debate about what needs to happen for a rebound to occur, but there are plenty of unknowns as well, including whether U.S. oil companies and oilfield service providers will agree to make the major commitments necessary for a return to Venezuela.

All of this is the focus of our latest Drill Down Report, which starts with a more detailed look at the history of Venezuela's oil sector and the heavy crude it produces. It then examines the country's refining industry, what a return of Venezuelan barrels might mean for the global market, the critical role of diluent in future plans, and the many steps needed to effect a long-term, sustainable recovery.

This RBN Energy Drill-Down Report is available for individual purchase or as part of RBN's Backstage Pass premium content service at rbnenergy.com.

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