

Chevron and Biden-Harris: the dilemma of keeping Maduro in power

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*"ESG criteria have become the primary tool to measure real sustainability within organizations and their stakeholders." –
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Chevron's presence in Venezuela has triggered a series of dynamics that affect not only the U.S. multinational's economic interests but also the Biden-Harris administration's foreign policy and the stability of Nicolás Maduro's regime. This scenario presents a complex web in which actors with divergent interests seek to maximize their benefits while mitigating risks. The implications of these interactions include the continuity of a leader accused by the U.S. government of narcoterrorism and corruption, alongside concerns for human rights, democracy, corporate responsibility, and transparency.

Chevron is the only American oil company with significant operations in Venezuela through four joint ventures with minority stakes alongside PDVSA: Petropiar, Petroindependencia, Petroindependiente, and Petroboscán. Its role places Chevron at the center of a conflict of interest involving economic and political considerations.

The "Maximum Pressure" Policy

The international democratic community gravely questioned Nicolás Maduro's legitimacy as president of Venezuela after the 2018 presidential elections. His inauguration on January 10, 2019, was rejected by over 50 countries, including the United States, and international organizations like the OAS and the Lima Group, except Mexico. In response, the Trump administration (2016-2020) adopted a "maximum pressure" strategy to weaken the regime, imposing economic sanctions through Executive Order 13884, which prohibited U.S. citizens and companies from interacting with the Maduro government.

Nonetheless, Chevron received a special license to continue operating in Venezuela, though under restrictions. In April 2020, the Treasury Department renewed this license, limiting activities to essential operations, which reduced its daily production to a minimum of 60,000 barrels.

Pragmatic Flexibility

With Biden's arrival in the White House, Trump's "maximum pressure" policy was recalibrated toward a more pragmatic approach. The U.S. government opted to ease some sanctions to

foster a negotiated solution to the Venezuelan crisis. In this context, Chevron was granted General License 41 (GL41) in October 2022, enabling it to increase crude production, drill new wells, and export Venezuelan oil.

“Maduro’s Constituent National Assembly, which the U.S. administration deems illegitimate, passed the ‘anti-blockade law’ in 2020, ruling this new legal framework instead of the 2006 Hydrocarbons Law”. While the Biden-Harris government stipulated in the license that the Maduro regime should not gain revenue from Chevron’s oil sales to Gulf Coast refineries (PADD3), in practice, these revenues still flow into the country through taxes, royalties, and other payments.

The increase in oil production and exports generates crucial foreign currency for the regime, which in turn allows it to maintain social and political control, along with internal repression. The latest U.N. report has noted that Venezuela is experiencing “unprecedented” repression.

The Transparency Dilemma

Using game theory, Chevron and Maduro’s regime find themselves in a suboptimal equilibrium where both actors maximize their short-term benefits. Chevron sustains a profitable operation and avoids harsher sanctions while Maduro’s regime secures the necessary income to remain in power. It resembles a prisoner’s dilemma, where both parties prefer to collaborate in opacity, even though this comes at high long-term reputational costs.

For Chevron, the financial benefits are clear. In the first seven months of 2024, sales of Venezuelan crude generated gross revenues of over \$2.47 billion. Additionally, the company has supplied essential products to Venezuela, such as naphtha, gasoline, and automotive lubricants, which are critical for sustaining oil production, with a portion going to the government. However, this strategy risks Chevron’s reputation, particularly in a global context where investors and shareholders increasingly demand adherence to ESG (environmental, social, and governance) standards.

The Role of Shareholders

A key player in this dynamic is Chevron’s shareholders, many of whom are significant investment funds from the U.S. and the U.K. These investors face their own prisoner’s dilemma: pressing Chevron to comply with ESG standards could reduce short-term profits, but ignoring the lack of transparency in its operations in Venezuela could lead to reputational and financial consequences in the long term.

The growing international pressure for ESG compliance and deteriorating conditions in Venezuela may force Chevron to shift its strategy. Corporate incentives may change if U.S. shareholders demand greater accountability and transparency or if U.S. or international regulatory authorities harden their stance. Hence, Chevron could be compelled to reconsider its role in Venezuela.

Conclusion

The relationship between Chevron and the Maduro regime is delicate, and opacity is key. However, this balance is unsustainable in the long term. As ESG standards become more entrenched in the corporate world and investors demand greater accountability, Chevron must decide whether to continue maximizing short-term profits or actively promote transparency and accountability.

The Biden-Harris administration's policy of easing sanctions has shown its limitations. Any future approach toward Venezuela must go beyond individual sanctions. The U.S. needs to lead a multilateral effort combining stricter sanctions with renewed diplomatic pressure to isolate Maduro's regime.

Failure in Venezuela would not only represent a greater humanitarian tragedy but also a significant blow to U.S. credibility in the region. Suppose the U.S. government fails to act more firmly. In that case, it risks losing influence in Latin America, leaving space for powers like China and Russia, which pose a growing threat to U.S. security.

Chevron, its shareholders, the U.S. administration, and the international community must coordinate efforts to facilitate a democratic transition in Venezuela, ensuring respect for the popular will and halting the funding of Maduro's regime. Today's decisions will probably affect local fuel prices but will define the future of democracy and human rights in Latin America and the Caribbean.