

## **Putin draws out his political-financial arm from Venezuela**

Antonio De La Cruz

*Executive Director*

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The Kremlin's policy towards Venezuela was till now, directed by Igor Sechin, who is Chief Executive Officer, Chairman of the Management Board, Deputy Chairman of the Board of Directors of Rosneft, which is one of Russia's leading strategic companies. Additionally, Rosneft is responsible for 41% of all oil production in the country and 6% of world production. In terms of reserves and the production of hydrocarbons, it is also the largest state oil and gas company in the world. However, this description would be incomplete if the role of the company in the Russian political economy is not taken into account.

Sechin has been one of President Vladimir Putin's closest lieutenants. The two have known each other since the early 1990s when they worked in the office of the mayor of their hometown, St. Petersburg. When Putin moved to Moscow in 1996 to become a middle-ranking official in the Boris Yeltsin government, Sechin followed suit. This relationship made him the second most powerful person in Russia during Putin's third presidential term, 2012-2018.

With this influence, Sechin made Rosneft the political arm of the Kremlin in Venezuela. At the same time, he also bet on the transformation of the Russian state oil company into a global company through partnerships with PdVSA in Petrovictoria joint ventures (Carabobo-2,4), in which it owns 40%; Petromonagas, in which it owns 16.7%; Petromiranda (Junín-6), in which it has a 40% stake; as well as Boquerón and in Petroperijá. With these fields, the total proved reserves added to Rosneft's portfolio was 150,000 million barrels.

In the meanwhile, Rosneft became the financial arm of support for Maduro, after China began the lag of the disbursements agreed to in the Chinese Fund (tranche A, B, C) from 2014. So, the Russian oil company showing his commitment to the Chávez heir, prepaid PdVSA for the purchase of crude and refined products during the 2014-2016 period.

It was the moment when the Bolivarian regime began to feel the shortage of foreign currency due to the fall in oil prices and had to face the 2015 parliamentary election. According to official sources, Rosneft gave the Venezuelan state oil company a total of 6, 5 billion dollars in advance [payments for the supply of 4 million barrels per month](#) (133,000 barrels per day). Besides, in December 2016, it gave him 1.5 billion dollars for 49.9% of the shares of the PdVSA refinery in the United States, Citgo, as collateral.

Consequently, through Rosneft, Putin sought to kill two birds with one stone in Venezuela: advance Russian geopolitical interests in the Caribbean and make investments and economically

sustainable agreements even though many of the Russian companies complained about the increasing difficulties in doing business in Venezuela.

Initially, it was not Rosneft but Gazprom that led the Russian investment in Venezuela (2008). After investing nearly \$ 300 million in drilling a single well in Urumaco I, but finding no oil, the company began looking for an opportunity to leave the country due to inefficiency in the technical management of the project by PdVSA, as well as corruption and political instability in Venezuela, and the need to invest more resources.

It was then when [Rosneft bought the shares](#) of its partners in the Russian National Petroleum Consortium, NNK12, -Gazprom Neft, Lukoil, TNK-BP, and Surgutneftegaz- for the development of the Orinoco belt in 2014. At this moment, Rosneft's motivation to do so was geopolitical first and then economic.

In the end, the economic value added (EVA) would prevail on Putin's final decision. Since the financial results in the joint ventures with PdVSA made it difficult to continue operating in Venezuela. And the geopolitical fight against Trump to keep Maduro in power was affecting Rosneft's financial performance. The recent sanctions against the two trading companies, [Rosneft Trading S. A.](#), and [TNK Trading International S. A.](#), by the United States Treasury in February and March this year, ended up undermining Rosneft's export opportunities globally by preventing the use of the dollar as a currency for its commercial exchanges.

On the other hand, the pending debt that PdVSA had with Rosneft was fully collected by the Russian state oil company with the handling of crude oil exports during the last three years. In 2019, Rosneft managed to handle between 70% to 80% of Venezuela's oil exports, ignoring US sanctions on PdVSA.

Faced with this situation, Putin had to decide on the role of Rosneft: to continue using it geopolitically in Venezuela or to strengthen its global oil business. Putin opted for the second one and took his right hand, Igor Sechin, out of the country. And, all assets [Rosneft had in Venezuela were transferred to a Russian holding company](#), Roszarubezhneft, for an amount equivalent in shares to 4 billion dollars. The immediate result of the [Kremlin's decision](#) was that three VLCC-type tankers, chartered by Rosneft to load Venezuelan oil, withdrew from Caribbean waters, according to data from Refinitiv Eikon.

Hence, Putin draws out his political- financial arm from Venezuela.