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Circular for P&I Clubs

DATE: 1st FEBRUARY 2019

Correspondents for:

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New US sanctions on PDVSA

Following recognition by the Trump administration of the opposition leader Juan Guaidó as the legitimate president of Venezuela (See our Circular for P&I Clubs dated 240119), on 28th January the United States announced new and severe sanctions on PDVSA by regarding it as a specially designated national, and so included in the list of companies with which US citizens are generally prohibited from dealing with it. Sanctions come as another way to push Mr. Maduro's to leave, paving the way for free elections. The inclusion in the SDN list means also that PDVSA will see restrictions in the access to the international banking system, limiting its ability to conduct businesses. The move, on the other hand, will foster Venezuela's oil shipments to India, China, Russia and new destinations with significant impact in the logistics and costs.

CITGO Petroleum, a US based refining and marketing company owned by PDVSA, will continue to operate but it will not be allowed to remit funds to PDVSA. It is estimated that as a result of the sanctions, Venezuela may experience a huge reduction in export revenues of around of US\$ 11 billion in the coming year. The Treasury's Office of Foreign Assets Control is said to have issued general licenses for certain companies to continue with some transactions with PDVSA and to conclude others, but it is not clear its scope so far.

The above sanctions, as it might be expected, have caused disruptions in terminals such as Jose and Amuay. Reuters recently reported that "PDVSA had ordered customers with tankers waiting to load Venezuelan crude bound for the United States to prepay for the cargoes or they will be

authorized to fill the vessels or leave the ports". This is in line with what the President of PDVSA, Mr. Quevedo, declared to the national news according to which all oil shipments had to be prepaid before sending them to destination, a decision affecting shipments of Valero Energy Corp. and Chevron Corp., among the largest buyers of Venezuelan crude in the United States.

Sanctions are also having significant impact on vessels loaded with Naphtha and other products intended for the internal market, since PDVSA is urging them to discharge their cargoes, even where there have been instructions to stop the operations. There are at least two very recent reported cases where PDVSA was sending on board terminal and military personnel to request to Masters the resuming of discharge operations, and later it managed to obtain court orders through constitutional injunctions, to force the discharge of cargo, the courts also granting prohibitions from sailing.

Therefore, members are strongly advised to follow up developments in the tanker business side, asking ship agents and P&I Correspondents for periodical updates. Despite the former, commercial ports handling general cargo and containers like Puerto Cabello, La Guaira and Maracaibo are normally working.

Should you need any assistance or further information regarding the topic stated above, please feel free to contact:

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