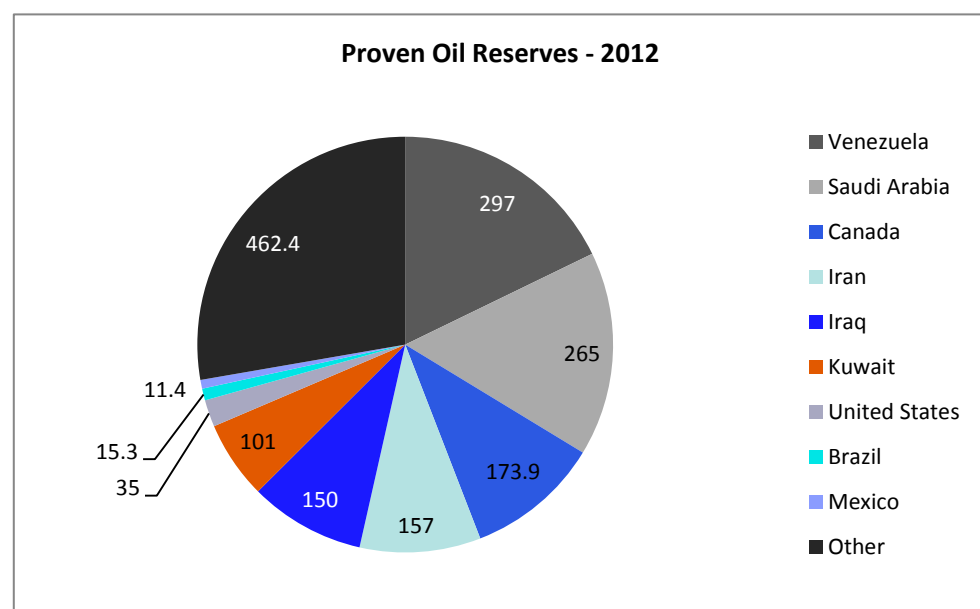


## Venezuela: Squandering a Gold Mine

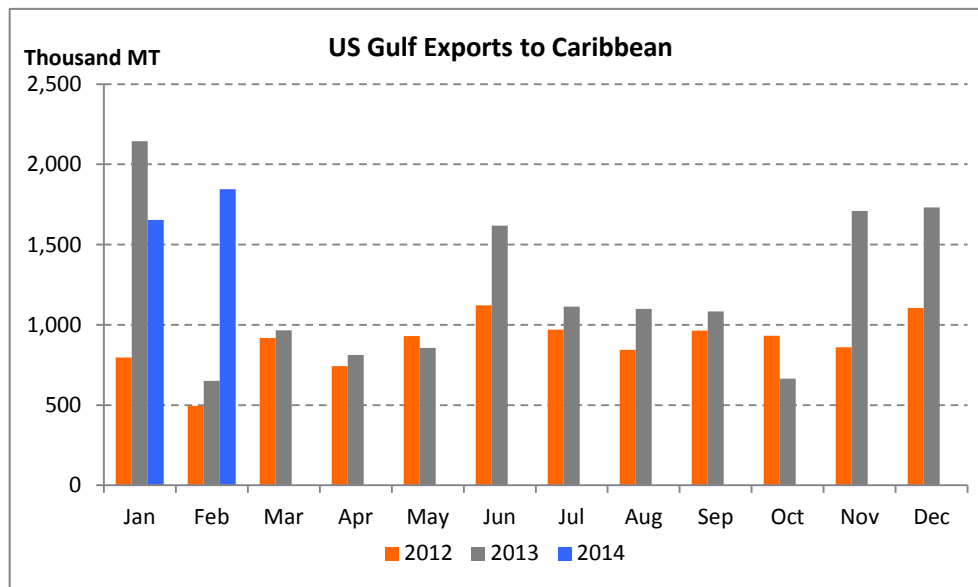
While it is difficult to assess the degree to which daily life in Venezuela has deteriorated since president-elect Nicolas Maduro has taken the reins, general consensus indicates that the situation will likely get worse before it gets better. Anecdotes of consumer good shortages widely pepper the international press and sound alarms for international companies with exposure to Venezuela. As recently as 2000, Venezuela was producing upwards of 3.5 million barrels per day of crude oil. However, the nationalist agenda, oil worker strikes and crumbling financial conditions led to a decade of infrastructure neglect which has ultimately cost the country 1 million barrels per day of production – or, at current prices, nearly \$980,100,000 per day in revenue. Today, the United States imports roughly 800,000 barrels per day of crude oil from Venezuela, but the current state of domestic Venezuelan affairs could impact its refining system increasing Venezuela's reliance on the United States.

The chart below shows the number of proven reserves for the top oil producing countries worldwide. It is specially interesting to note that the leader of the pack is Venezuela with 297 billion barrels (including the Orinoco belt), according to BP Statistics. A striking contrast to the widely held view that Saudi Arabia holds that very title.



Source: BP Statistics

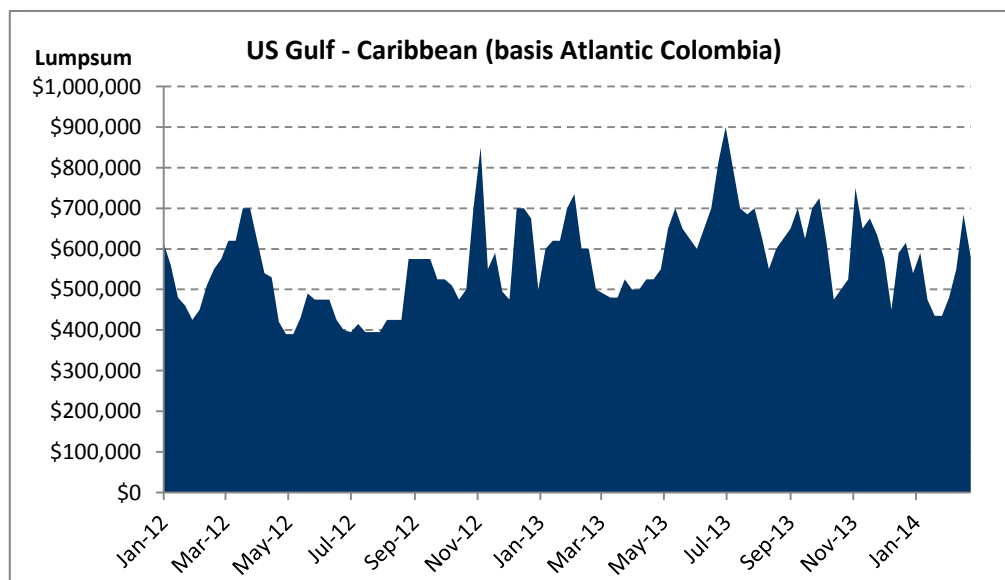
The following chart shows the seasonal trends for reported spot refined product exports from the United States to the Caribbean, in total. Helped by strong refining margins in the US Gulf, the number of exports increased 20% in the fourth quarter of 2013 as compared to the first three quarters of the year, on average.



Source: Poten & Partners

The export volumes edge higher-still in January and February of 2014. 1.8 million metric tons were reported for export in February, the equivalent of 49 38,000 metric ton stems.

The chart below shows historical freight rates on a lumpsum basis from the US Gulf to Atlantic Columbia, a proxy of what chartering costs would be to Venezuela.



Source: Poten & Partners

If export volumes increase further, the knock-effect for Medium-Range (MR) product tanker freight rates could be positive.

*Poten Weekly Tanker Opinions are published by the Commodity Consulting & Analytics department at Poten & Partners. For feedback on this opinion, to receive this via email every week, or for information on our services and research products, please send an email to [tankerresearch@poten.com](mailto:tankerresearch@poten.com). Please visit our website at [www.poten.com](http://www.poten.com) to contact our tanker brokers.*