

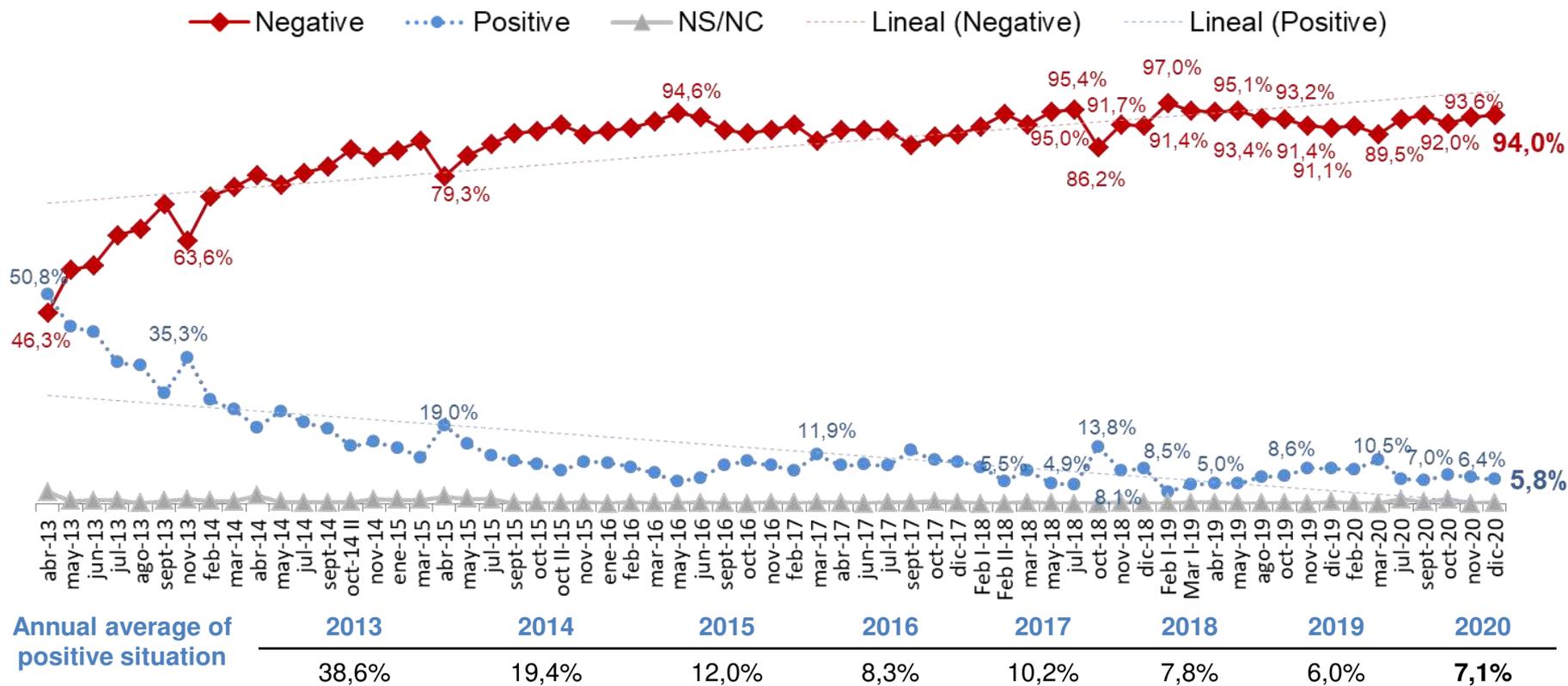
Effects of Diesel Ban on the Venezuelan People

February 2021

In the context of a country in crisis, where, in a sustained manner, almost the entire population values the situation negatively.

Country evaluation – NM Period

How do you rate the current country situation?

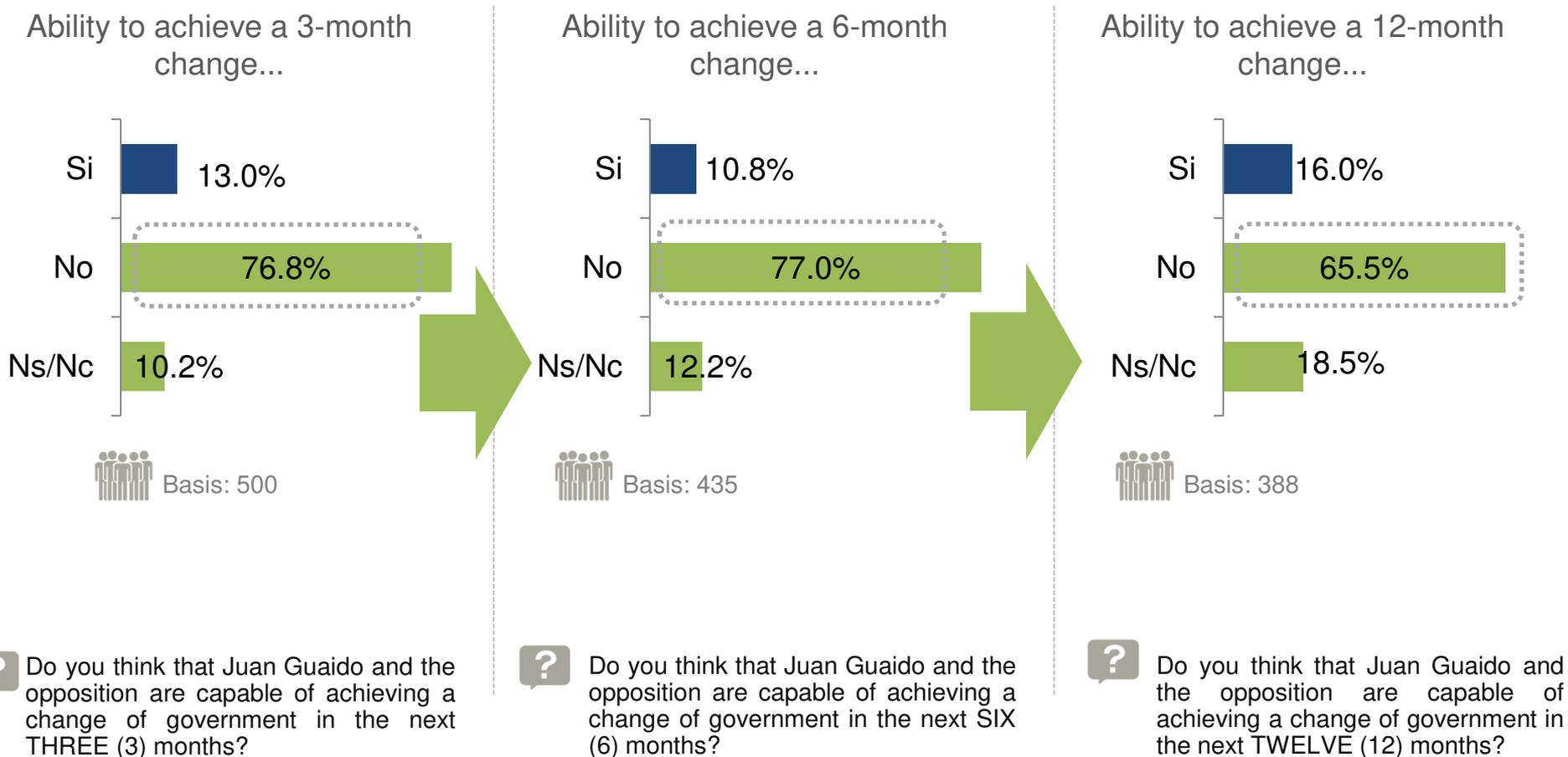


▲ Significant increase
▼ Significant decrease

Online survey - May 2020: Negative: 92,5% / Positive: 5,0% / Ns-Nc: 2,6%

Hopes for change are pulverized

Guaido's Possibility of Achieving a Change of Government



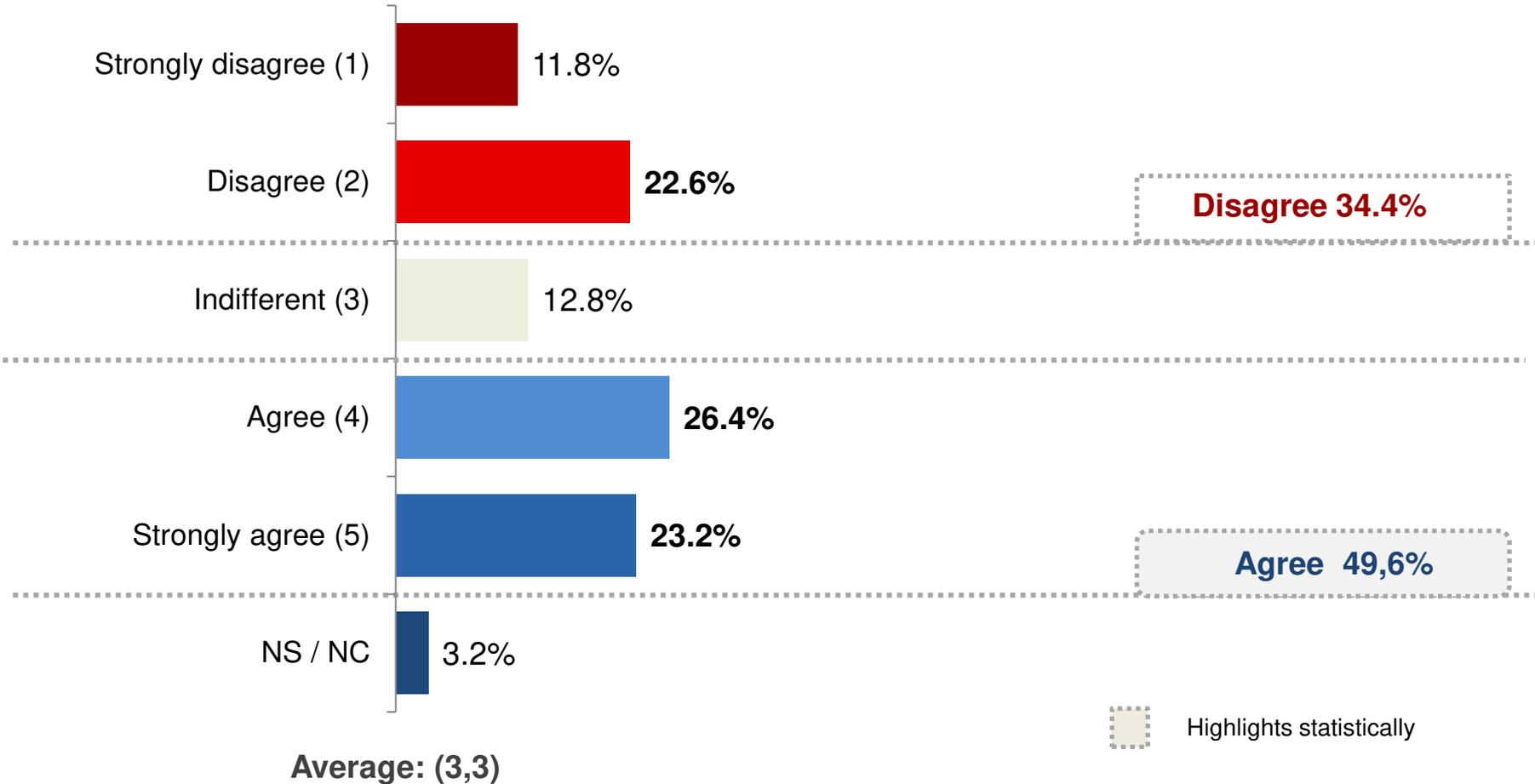
Why?

Because...

- . The desired and proposed objective (Change) has not been achieved
- . Internal struggle weakens and dependence on international support increases, without its capacity for action being effective.
- . The political discourse is divorced from the needs of the population, asking people useless sacrifices and offering them to rescue "their corpses".
- . Maduro takes advantage of his territorial control to show power and generate dependency.
- . The promise of change is "left hanging from a brush"

The United States government and the European Union have implemented personal sanctions against officials related to Nicolas Maduro, based on accusations of personal crimes.

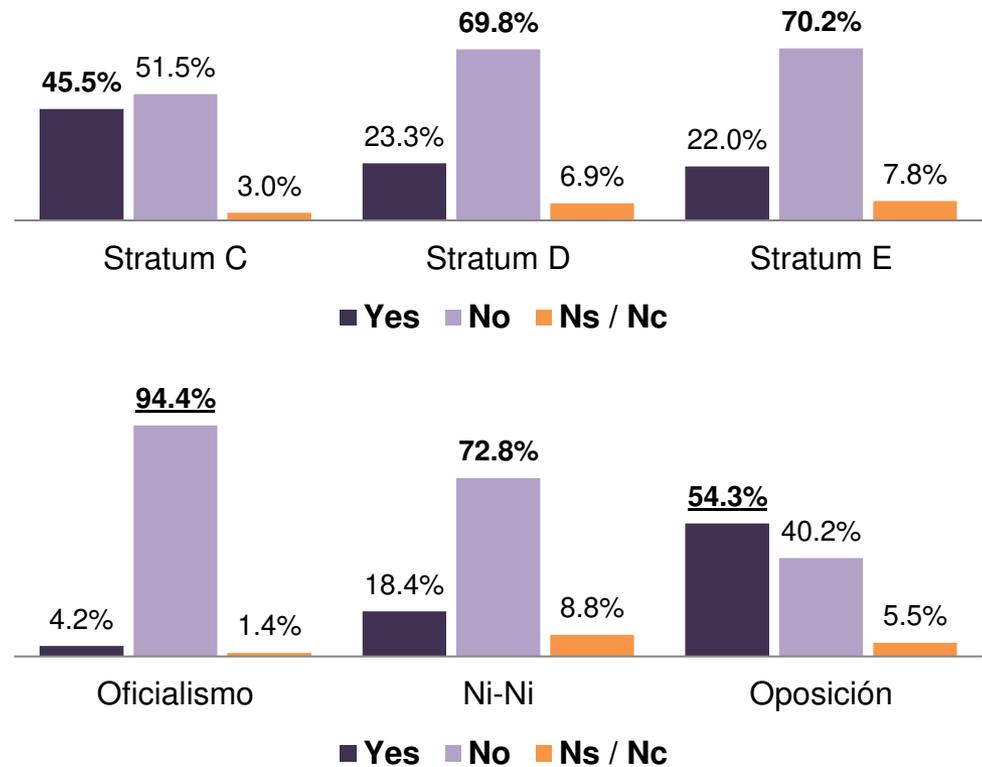
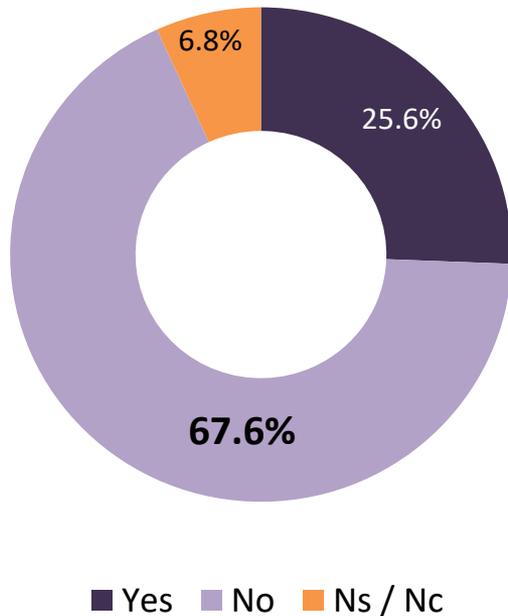
How much do you agree or disagree with these sanctions?



And international policy of general (non-individual) sanctions against the country is rejected by the majority of the population...

In January 2019, the U.S. government imposed sanctions on Venezuela that restrict the sale of Venezuelan oil, the import of goods needed by the Venezuelan oil industry and limit Venezuela's oil trade with other countries.

Do you agree with the oil sanctions imposed by the United States on Venezuela?



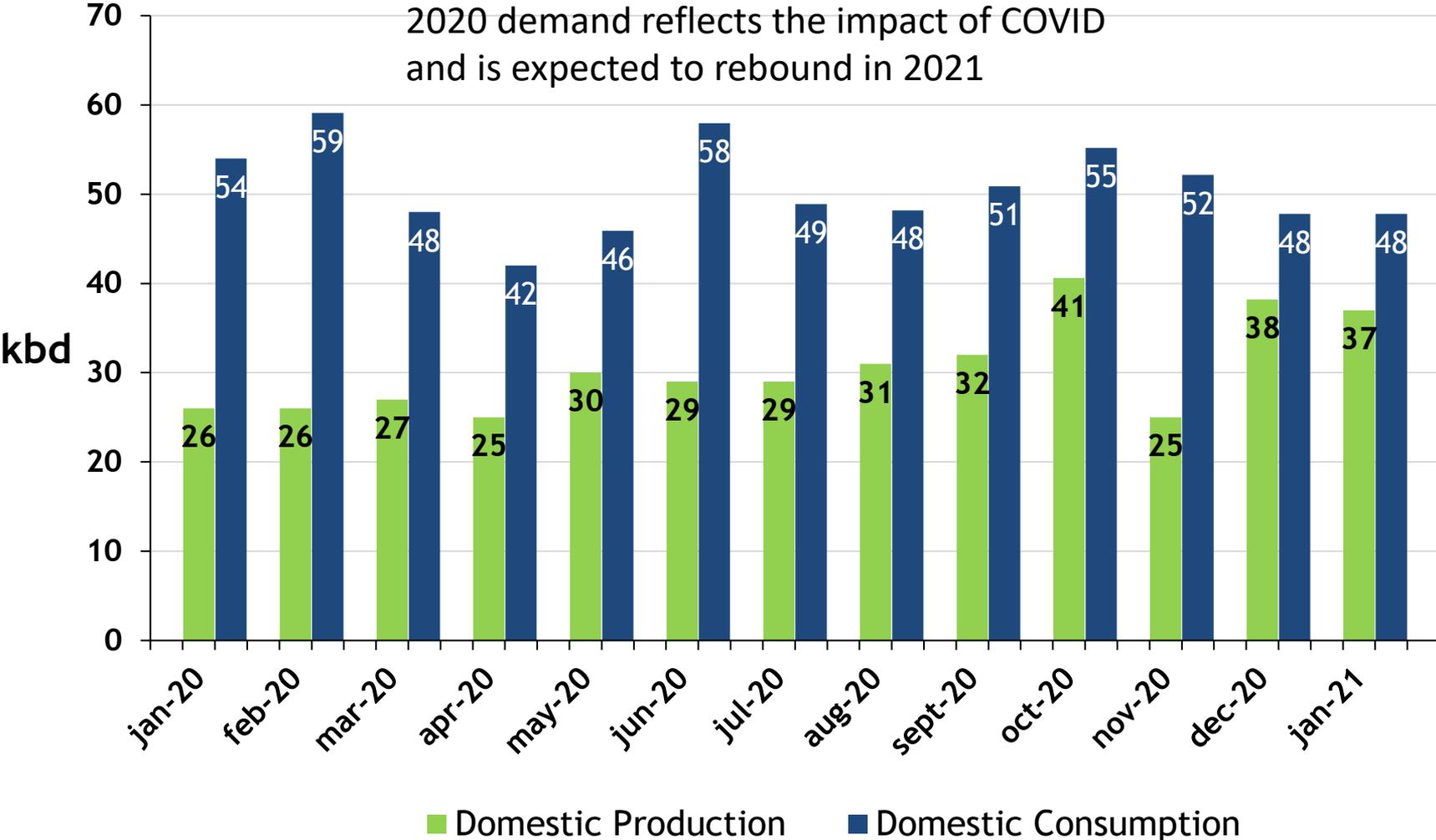
It is possible to expect that any measure that further restricts the activities of the country will have very negative effects on the lives of the population...



What will the new sanctions do in this context?

US diesel ban will have very negative effects on the Venezuelan people, without any political benefits . . .

Venezuela does not produce enough diesel to meet domestic demand, requiring imports to fill the gap (January 2020 – January 2021)



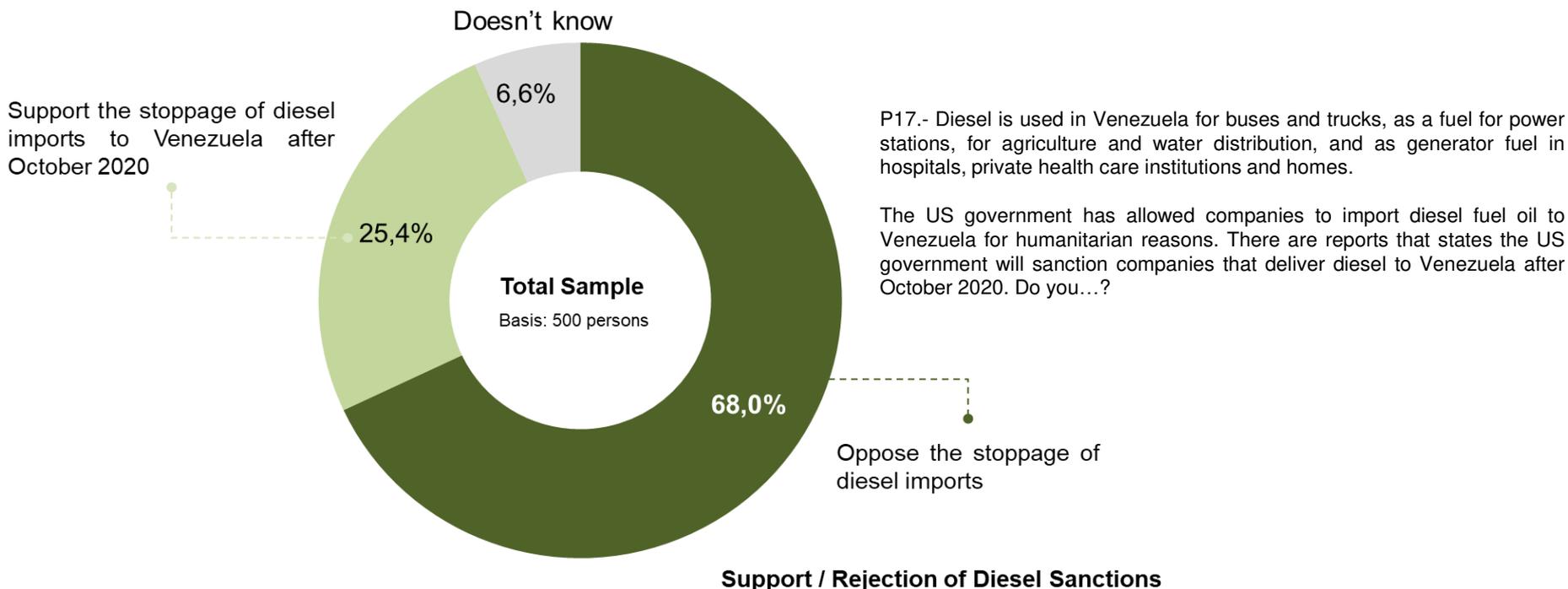
Source: GELA/Menpet/Pdvsa

And, new sanctions increase the level of rejection. It is higher as it gets closer to the daily life of the population.

Facts

The majority of Venezuelans (68%) reject the sanctions on diesel imports, 25% oppose, and the remaining 6.5% are not aware of them.

- ✓ The solid majority of interviewees (2/3) rejects a freeze on diesel imports. It is worth noting that the rejection on this indicator is more than 10 percentage points higher than the rejection of any other sanction.



Source: Datanalisis Survey - September, 2020.

Sample size: 500 interviews

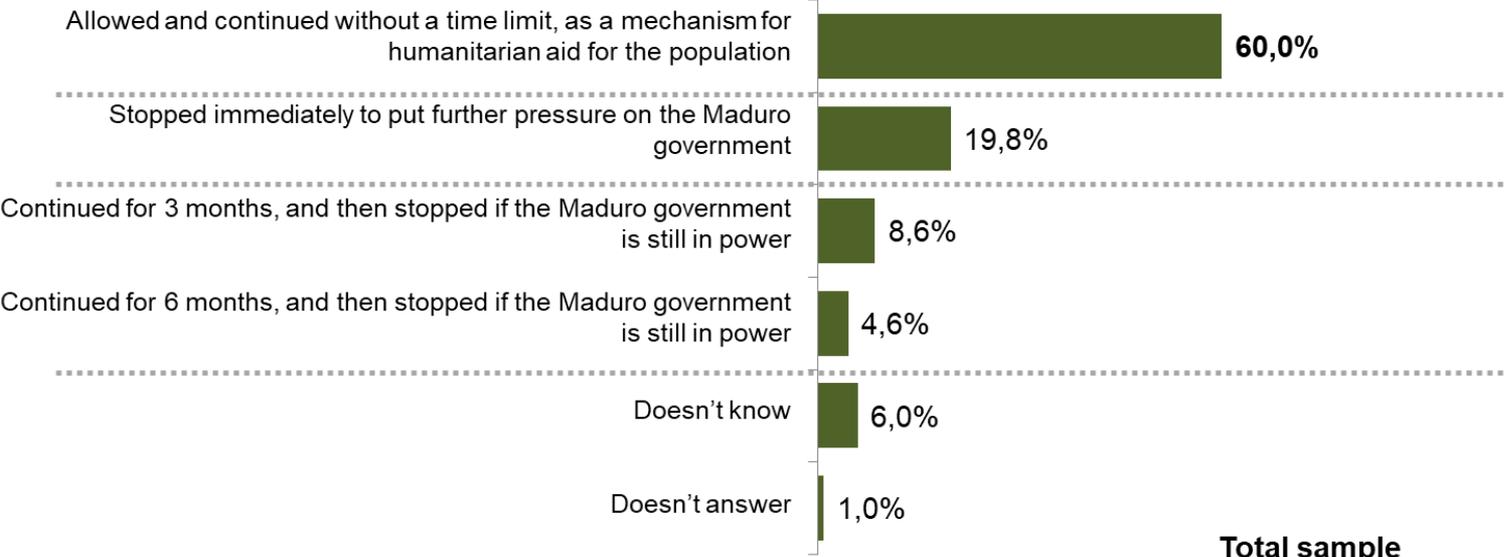
73.2% of the population supports the continuation of diesel exchanges, taking into account that it could be a humanitarian aid mechanism

Facts

60% support diesel exchanges without conditions and 13.2% under certain conditions.

P21.- PDVSA has been paying for diesel imports with crude oil (and the United States has allowed this so far), in what has become known as "diesel exchanges". This allows diesel to enter the country without giving money to the Maduro government. Do you think this should be...?

Continuity of the diesel exchange



Total sample

Basis: 500 persons

Source: Datanalysis Survey - September, 2020.

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Does restoring the diesel swap solve the underlying problem?

The diesel swap does not solve the country's main problem, but, could you solve it with sanctions?

Sanctions:



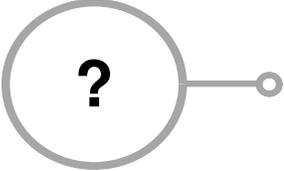
- US sanctions have failed to remove Maduro or to bring him to negotiations.
- Technically, this is not even a sanction, because the Diesel Ban is being applied to non-US suppliers. This is a “secondary” sanction imposed through arm-twisting of non-US companies. **No one is talking about removing any regular, primary sanction.**
- There is no evidence that causing severe diesel shortages will make Maduro negotiate. For the same reason, removing the Diesel Ban will not make it more difficult to negotiate.
- Sanctions would be much more effective if they are applied multilaterally, with the support of the EU and the LatAm countries. Both blocks have been moving away from sanctions, like the Diesel Ban, that have very serious humanitarian implications.
- Whenever applying sanctions policies, the US must weigh the effectiveness of the sanctions against the pain they cause to the people.

The diesel exchange is not a proposal to solve the country's problems, it is a proposal for humanitarian aid.



It would be better to make Maduro pay for it fuel, not only diesel, but also gas and gasoline and make it burn its resources, used for others purposes of sustaining its revolution?

- It would be very good if a comprehensive solution can be found in the short term, but that is not realistic. Maduro will not give up power any time soon.
- Trying to solve the Diesel Ban issue together with gasoline would make the discussion much more complicated.
- The use of swaps is a much better way for the US to manage the situation than allowing PDVSA to sell crude oil for cash and then use the cash to pay for diesel.
- US sanctions are designed to keep cash out of Maduro's hands.
- If Maduro sells oil for cash, there is no guarantee that he will buy diesel. He may just keep the cash.
- US is much better off in effect forcing Maduro to bypass money and force him to swap the oil for diesel or other humanitarian goods.

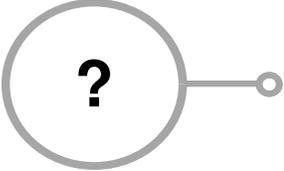
A large question mark inside a circle, connected to a blue box containing the main question.

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Diesel is not the main fuel in Venezuela in terms of volume. Why would it be so important to solve the supply problem immediately?

Diesel is used in a smaller proportion than gasoline but is of greater importance because it supplies the products distribution industry and part of the electricity generation.

- The fact that diesel is not as used as much as gasoline is no reason not to try to solve the Diesel Ban problem.
- Gasoline is used by wealthier people who can afford cars and by the Military and National Guards. Diesel is the “massive people’s fuel,” used for agriculture, food transport, power generation in the Andes and the West, water distribution, buses in cities and between them, and backup for some 5,000 medical facilities.
- Diesel should be a much easier problem to solve than gasoline

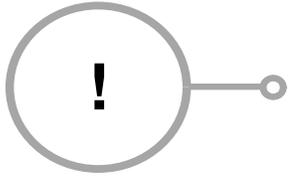
A white question mark is centered inside a light gray circle. A thin gray line extends from the right side of the circle to a small white circle, which is positioned at the top-left corner of the blue text box.

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The government has internal production capacity and demand is still reduce by the crisis. Is this an imminent problem?

It is true that Venezuela produces diesel, but demand exceeds production capacity and reserves are going down.

- Shortages are already happening today.
- Venezuelan refineries are in terrible shape. Imported diesel has been critical.
- Diesel produced at the refinery is not only high-sulfur and bad environmentally, but is it also really poor quality. It cannot be used at power plants (without blending it with clearer diesel) and it also has caused problems with trucks.
- Most importantly, we need to ask when shortages begin, which already is happening, and when they will become more serious and then severe. We should not wait until inventories are “depleted,” as by then VZ will fall off the diesel cliff and millions will suffer.
- We also need to take into account that the government will soon begin to ration diesel. That will mean that the supply will be controlled by Maduro, giving him more power to decide who gets the diesel. There’s the need to try to avoid more rationing and shortages, not to wait for inventories to run out.



Why restore the diesel swap if Maduro is exporting diesel to Cuba ?

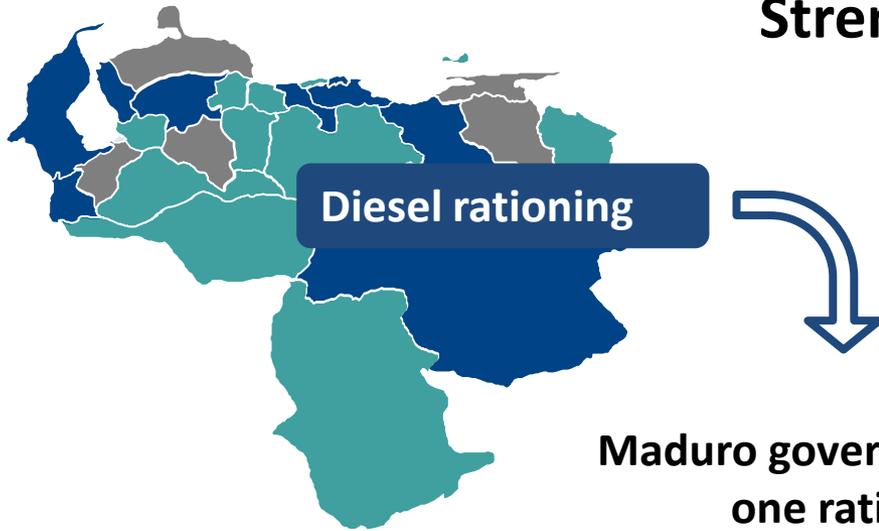
- I fully agree with the rejection of the unrepresentable strategy of the Maduro government to continue exporting diesel to Cuba, and even worse in the face of the supply crisis. But Maduros's action cannot be the basis for punishing the innocent venezuelan population, and neither can we leave the care of the people, that Maduro has repeatedly shown not to rank, in his hands.
- Beyond the questionable nature of this exports, the reality is that their amounts are not the cause of the most important part of the internal diesel deficit and they don not compensate for the absence of imports. I share here the conclusions of GELA study on diesel exports to demonstrate it.

GELAS's conclusions on diesel exports from Venezuela to Cuba

"Detailed analysis of vessel tracking data shows diesel shipped from Venezuela to Cuba from January 2020 to January 2021 represented 3.7% of total diesel supplies in Venezuela, production plus imports.

All of the diesel shipped to Cuba was domestically produced high-sulfur, poor quality diesel. Venezuela also shipped to Cuba crude oil and heavy fuel oil in much larger quantities. Similar vessel data shows that diesel represented less than 4% of the total volume of petroleum shipped to Cuba.

Strengthens Maduro's social control



Maduro government is the one rationing

Increases his discretionary power in the country

Allows monetization of who is in control

It leads to corruption and the generation of a black market

Increases productive sector's and population's dependence on the delivery agent

Early signs of trouble – accounts from November 2020

Problems are real and they are already here!

Lack of diesel worsens operation of public and private transport in Miranda state



Cane to produce 160,000 tons of sugar may not reach power plants for lack of diesel

Miners have protested charges for diesel that they need for their jobs



Liquid milk production migrates to hard cheese production in the face of falling consumption and lack of diesel



Fedeagro: For lack of fuel, crops are lost in Venezuela



Worsening conditions lead to recent protests, transportation sector could collapse



Another protest over lack of fuel in Puerto Cabello



Food production and transport are at high risk from diesel shortages



Chabasquén producers dry coffee on the streets for lack of fuel



Heavy-duty carriers take the José Antonio Páez highway for diesel shortages. Heavy-duty carriers warn oil shortage puts food distribution at risk