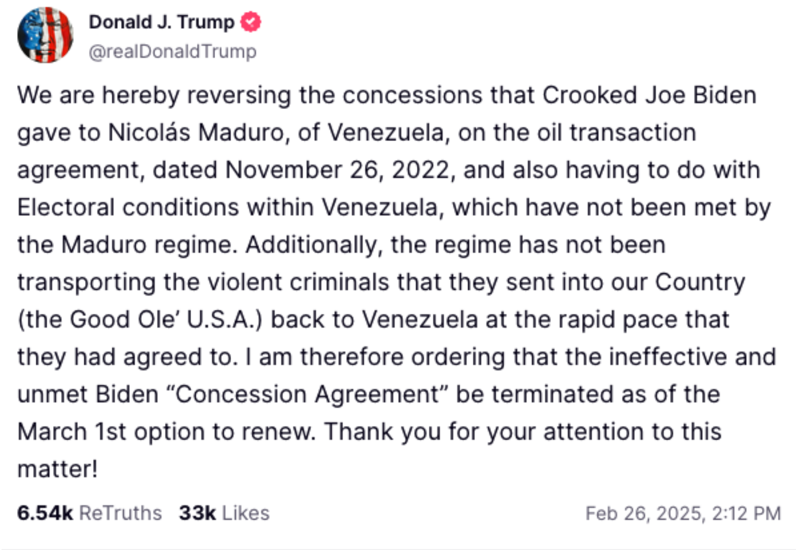
Aurora Venezuela Report: Chevron License Hits the Skids
February 27, 2025

1. Tearsheet

- Yesterday afternoon, President Trump dropped a bombshell on Truth Social announcing the termination of the "oil transaction agreement" with Venezuela which has allowed Chevron to resume oil production and commercialization there since November 2022.


Donald J. Trump
@realDonaldTrump

We are hereby reversing the concessions that Crooked Joe Biden gave to Nicolás Maduro, of Venezuela, on the oil transaction agreement, dated November 26, 2022, and also having to do with Electoral conditions within Venezuela, which have not been met by the Maduro regime. Additionally, the regime has not been transporting the violent criminals that they sent into our Country (the Good Ole' U.S.A.) back to Venezuela at the rapid pace that they had agreed to. I am therefore ordering that the ineffective and unmet Biden "Concession Agreement" be terminated as of the March 1st option to renew. Thank you for your attention to this matter!

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- Late Wednesday night, former Florida Senator and current Secretary of State Marco Rubio, expanded upon this, tweeting that he would be "providing guidance" to "terminate all Biden-era oil and gas licenses that shamefully bankrolled the illegitimate Maduro regime."
- The announcement has blindsided many investors, disrupting a growing market consensus that had recently been converging on a normalization thesis.
- Rumors are circulating within both the Beltway and the investment community that Trump may have been pressured by holdout Florida Republican legislators leveraging the razor-thin House vote on budget reconciliation.
- Others speculate this may be yet another tactical feign, following the familiar pattern of striking hard rhetorically and retreating quickly—similar to recent moves on Ukrainian mineral rights,on Colombian deportation flights, and Mexico/Canada tariffs.
- Aurora's own view is somewhat more nuanced. And while the particulars of the license "termination" remain under wraps, there is much that can be extrapolated contextually. This does not appear to be a bluff.

1. A Sudden Shift

- To date the Trump administration's approach towards Venezuela has been broadly pragmatic, focused primarily on repatriation flights, the migration crisis, and terrorist organizations. As Aurora reported, this was as expected.
- Oil licenses have been a secondary consideration in the policies towards Venezuela, particularly after Trump, on many occasions, said that the U.S. does not have to buy oil from Venezuela (a statement he repeated on February 18). As our February 2 report explained that "if Maduro is found unwilling or unable to mitigate security risks, the U.S. will adopt a stricter approach."

- In his social media announcement, Trump explained the reasoning behind revoking Chevron's license, citing both the worsening electoral situation in Venezuela and Maduro's failure to uphold his promise concerning repatriation flights.
- Simultaneously, the Maduro regime lacks the political cohesion and power needed to heighten tensions with the Trump administration over this incident. Additionally, the loss of the oil licenses could be welcomed by hardliners like Diosdado Cabello, who consider such deals dangerous.

2. Reading the Trump Leaves

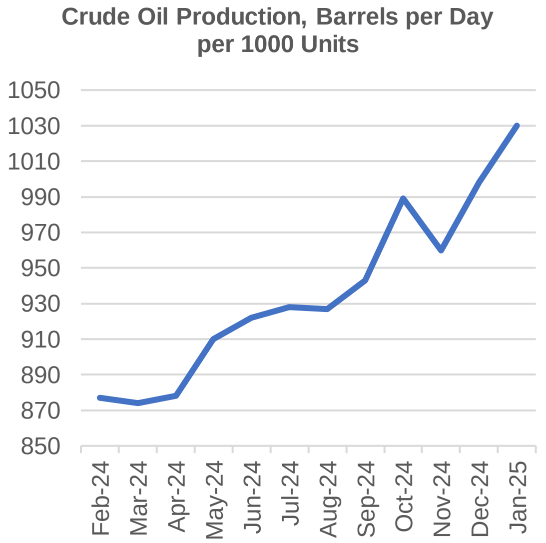
- One plausible read of Trump's announcement is that it's a pressure play—an attempt to strongarm Maduro into ramping up Venezuela-funded repatriation flights, which have so far failed to meet agreed-upon targets. At the same time, it serves as a message to his base that he is delivering on migration enforcement.
- While a last-minute reversal or new bargain can never be entirely ruled out, our strong base case remains that General License No. 41 will not be renewed on March 1, setting it on course to expire—most likely—on August 1, and signaling a broader shift toward renewed escalation between Washington and Caracas.
- It is still early, and much remains unknown, but our current assessment is that the weight of evidence suggests a genuine policy shift rather than a negotiation bluff for three key reasons:
  - **Timing and Coordination:** The announcement went public as Donald Trump Jr. recorded an interview with Venezuelan opposition leader María Corina Machado. This suggests deeper coordination with anti-Maduro leadership than previously seen, reinforced by rhetoric that "we're not going to enable or enrich tough dictators."
    1. **State of the Migration Issue:** While migration remains a priority, Trump has already laid the groundwork for deporting Venezuelans elsewhere (e.g., Panama, El Salvador). The underperformance of Maduro's deportation commitments—something much of Trump's base is unlikely to track numerically—is, on balance, an insufficient justification for a market-moving reversal.
    2. **Domestic Political Constraints:** Unlike other foreign policy negotiations with Mexico, Colombia, and others, a reversal here could carry lasting domestic political cost within the president's own party. Trump's budget reconciliation bill passed the House by just two votes on February 26. If reports are accurate that South Florida Republicans leveraged the Venezuela issue to secure their support, reversing course now would risk undermining future governability—for, at best, marginal implementation gains on a deal the administration already framed as a victory and moved on from weeks ago.
- If we tentatively assume the termination does move forward, the legal framework broadly establishes the timeline: General License No. 41, issued for a six-month term, renews automatically on the first of each month. As a result, its February 1 renewal extended its validity until August 1.
- The language in Trump's announcement strongly suggests that OFAC will not process the next renewal on March 1, effectively initiating the countdown to termination.
- As of Thursday morning, the General License No. 41 remains listed on the OFAC website (and therefore valid). Explicit confirmation from OFAC regarding its fate would need to

be forthcoming within the next 48 hours or else another automatic renewal for March 1 would be expected to take place Saturday.

- Another key question is whether OFAC will introduce a "wind-down" period, mirroring its 2024 approach when General License No. 44 expired and was replaced by General License No. 44A, which included a structured exit period. For reference, General License No. 44 had allowed PDVSA to engage in previously restricted transactions.

3. Potential Impact on Chevron and Venezuela

- Under General License No. 41, Chevron executed an oil contract under the Anti-Blockade Law, allowing the company to engage in oil production and commercialization. As Aurora has explained, Chevron is not merely a minority shareholder in PDVSA's joint ventures (JVs) but operates as an oil producer.
- The license has allowed Chevron to maintain operational control, bringing critical expertise to Venezuela's deteriorating oil industry. The company has leveraged its cash flow to optimize operations while simultaneously recovering outstanding debts. At the current production pace, Chevron is expected to fully amortize its debt by year-end.



Source: Organization of the Petroleum Exporting Countries

- Chevron has become the primary driver of Venezuela's recent production increases, contributing approximately 225,000 barrels per day (bpd) to total output by the end of 2024 and adding 95,000 bpd so far this year—accounting for nearly two-thirds of total production growth. All of this output is shipped to the United States.
- The implications for Chevron are significant. Until 2022, its operations fell under General License No. 8, which imposed numerous restrictions. Following the issuance of General License No. 41, License No. 8 (now License No. 80) applied only to select oil contractors—such as Halliburton—and is set to expire on May 9. If General License No. 41 lapses, Chevron will be left without regulatory cover.
- Chevron's stock slid in response to the announcement and had continued to weaken in after-hour trading. In a terse reply acknowledging the administration's directive, Chevron spokesman Bill Turenne said only that *"we are aware of today's announcement and are considering its implications."*
- The impact on overall import levels and oil revenues will depend on how the license revocation is executed—whether it ends abruptly or includes a wind-down phase. This, in turn, could influence the Venezuelan government's decisions regarding the operation and ownership of the oil fields where Chevron is involved.
- Regardless of how the revocation unfolds, Chevron's exit as an operator will immediately reduce production. While a sudden collapse is unlikely, output is expected to decline by 50,000 to 80,000 bpd in the months following Chevron's departure, as PDVSA struggles with technical challenges to maintain efficient output.

- Additionally, crude from these fields would need to be redirected to alternative markets via sanction-evasion mechanisms—something the Venezuelan government has experience with. While viable, this would require a pricing discount. However, part of this impact would be offset by the fact that Chevron's current operations already involve a 20% revenue discount due to debt repayment.
- If General License No. 41 expires after August 1, or earlier if OFAC revokes it, Chevron will cease oil production and exports, effectively ending its role as a minority shareholder in PDVSA.
- Eventually, Maduro may attempt to replace Chevron with a non-U.S. firm under the Anti-Blockade Law. However, this would depend on whether the Trump administration maintains the current policy of non-enforcement of secondary sanctions inherited from the Biden administration.
- Secretary Rubio's statement suggests that the U.S. government will move to terminate *"all Biden-era oil and gas licenses that have shamefully bankrolled the illegitimate Maduro."*
- These licenses include individual authorizations for Maurel & Prom and Repsol, which operate under contracts similar to Chevron; purchase authorizations for traders such as Reliance and Global Oil Terminal; and licenses related to gas projects in Trinidad and Tobago. Additionally, the Biden administration issued a comfort letter to non-U.S. firms, such as Eni, that could also be affected by the current policy shift.
- If the revocation is accompanied by the termination of individual licenses for Repsol and Maurel & Prom, as implied by Rubio's tweet, additional production losses could reach 10,000 bpd.
- Should it be broadly implemented, such a policy could ultimately subject the Venezuelan oil industry to restrictions similar to those imposed in 2019.

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