Ultraflash: US & Venezuelan Crude Oil Trade

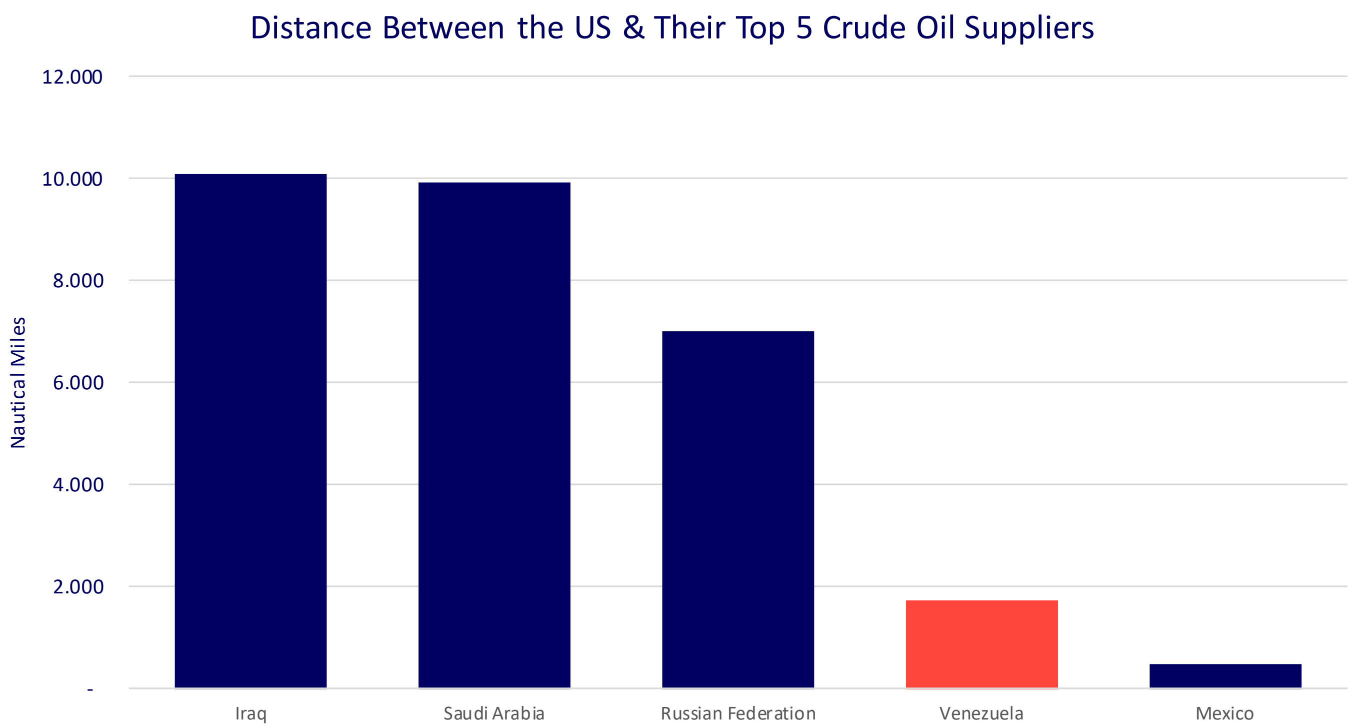
On 28 January 2019 the US announced sanctions against Venezuela's state-owned energy company PdVSA. The sanctions will most likely increase the distances between the US and their suppliers of crude oil and therefore affect the market for tanker vessels positively.

- Venezuela exports 3.1 pct. of the global crude oil demand. Venezuela is therefore the 9th largest crude oil exporter in the world. The US, India and China are the primary importers of crude oil from Venezuela and have a market share of 31 pct., 23 pct. and 19 pct. respectively.[1]

- The new US sanctions against PdSVA will change the global trade flows of crude oil. The most likely outcome is an increase in US import of crude oil from the Middle East, while Venezuela will increase its exports of crude oil to India and China.

- A longer distance between the load country and the discharge country increases the demand for shipping. Therefore, moving crude oil from the Middle East to the US instead of moving the same volume of goods from Venezuela to the US, is positive for the tanker market and can increase freight rates for vessels carrying crude oil.

- Fundamentally, free trade between equal-minded partners is beneficial for shipping companies. Nevertheless, in this specific case the trade diversion may well increases the demand for shipping in a short and medium term perspective.



[1] Thomson Reuters Eikon is the data source for all numbers and figures in this analysis.

DanishShipping

This analysis has been drawn up by Danish Shipping, for any futher information please contact:

Jacob K. Clasen Executive Director M: +45 3023 1973 E: jc@danishshipping.dk
Jonas Hoffmann Analyst M: +45 6024 7588 E: jh@danishshipping.dk