Wright: US will sell Venezuelan oil 'indefinitely'

The Energy secretary's statement comes after the U.S. seized another sanctioned crude tanker.

A tanker is docked on Lake Maracaibo, Venezuela, on Jan. 7. | Edgar Frias/AP

By JAMES BIKALES
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AVENTURA, Florida — Energy Secretary Chris Wright said Wednesday that the United States will sell Venezuelan oil "indefinitely" after completing sales of the crude currently accumulating in storage there.

Wright said the proceeds from those sales would be "deposited into accounts controlled by the U.S. government" and then "flow back into Venezuela to benefit the Venezuelan people." Wright made the statements even as the United States the same morning seized a Russian-flagged oil tanker that was linked to Venezuela.

"Instead of the oil being blockaded, as it is right now, we're gonna let the oil flow … to United States' refineries and around the world to bring better oil supplies, but have those sales done by the U.S. government," he said at Goldman Sachs' Energy, CleanTech & Utilities Conference.

"We're going to market the crude coming out of Venezuela, first this backed-up stored oil, and then indefinitely, going forward, we will sell the production that comes out of Venezuela into the marketplace," Wright added.

The move would be a huge step up in the Trump administration's moves to pressure Venezuela's interim government and essentially have the United States take over the country's oil industry. President Donald Trump announced late Tuesday that Wright would lead a U.S. plan to sell up to 50 million barrels of sanctioned Venezuelan crude turned over to the U.S. by the country's interim authorities, an amount market analysts estimated could yield up to $2.5 billion.

Proceeds from the sale will first settle in U.S.-controlled accounts at globally recognized banks to guarantee the legitimacy and integrity of the ultimate distribution of proceeds, the Energy Department said after Wright's remarks.

White House press secretary Karoline Leavitt said the oil will be arriving "very soon," although market analysts have said it could take months for the full amount to reach U.S. ports.

The oil is "basically sitting in barrels, sitting on ships because of the effective quarantine of the United States of America," Leavitt said at a press conference.

Leavitt added "there are no troops on the ground in Venezuela" but that "the president reserves the right to use the United States military if necessary."

Democratic lawmakers on the Hill said they were appalled by the Trump administration's plans to sell Venezuelan oil "indefinitely" and control the revenue, suggesting it would amount to a takeover of the country's fledgling oil industry.

"It's an insane plan," Sen. Chris Murphy (D-Conn.) told POLITICO coming out of a briefing Wednesday with Trump administration officials on Venezuela. "They are proposing to steal Venezuela's oil at gunpoint forever and use that leverage to run the country."

Republicans expressed tepid support and Wright's ability to manage the funds, though they also demanded some oversight over how the money would be spent.

"Chris Wright is brilliant when it comes to energy," North Dakota Republican Sen. John Hoeven said after the briefing. "Nobody's going to do a better job than him in terms of making sure that that oil is properly marketed. Congress will have an oversight role. He'll [Wright] be up here testifying in front of us exactly how they're doing it."

Wright said he has been in discussions with U.S. oil companies about the conditions they will require to return to Venezuela, acknowledging that restoring historic production levels in the country will require a massive amount of investment and "significant time."

The industry remains hesitant to re-enter Venezuela, however, given the high capital requirements and risk required to revive Venezuela's dilapidated oil sector. Oil executives had raised questions as to who will guarantee physical security, political stability and payment in a sound currency.

Wright met for hours with industry executives on the sidelines of the conference Wednesday but was tight-lipped afterward about the discussions.

He told CNBC that the executives of ExxonMobil, Chevron and ConocoPhillips have had a "tremendous reaction" to Saturday's raid and have been pledging their expertise and support for the administration's push — even if they are not immediately ready to jump back in, or in Chevron's case, up its investment.

"Are they going to put billions of dollars building new infrastructure in Venezuela next week? Of course not," Wright said. "You have to have transformation of the conditions there. But they want to be productive advisers and partners in that process."

ExxonMobil and ConocoPhillips are unlikely to collect anytime soon on the compensation they were awarded in arbitration for the Venezuelan government's seizure of their assets in 2007, however, Wright said. He also said he had spoken to the companies' CEOs "immediately" after the Saturday raid that nabbed Maduro.

"In the short term right now, what we need to do with the revenue from those oil sales is stabilize the economy in Venezuela," Wright said. "The huge debts that are owed Conoco and Exxon, those are very real and need to be recompensed in the future, but thats a longer term issue."

Representatives from the three oil majors did not immediately respond to requests for comment.

From the stage, Wright said the U.S. would initially supply the light crude oil needed to blend with Venezuela's sludgy crude to get the oil flowing again, and it plans to work with the government to send supplies and equipment needed for a larger-scale revitalization.

The administration will market the Venezuelan crude through commodity brokers Vitol and Trafigura, according to a person familiar with the process who was granted anonymity to discuss private conversations. The companies did not immediately respond to requests for comment.

Wright is also expected to meet with oil companies Friday at the White House, along with Trump and other top administration officials.

Industry analysts have warned that even in the best of circumstances, it would take tens of billions of dollars and more than a decade to completely rebuild Venezuela's oil fields. Oil executives have told POLITICO that it would be a tough battle to convince their shareholders to make such an investment when other oil fields around the globe offer easier returns.

As such, some officials were feeling trepidation over how Friday's White House meeting could go.

"Not that the industry doesn't want to support the president, but there is real concern that an information discussion could turn into a public boxing in of commitment to be part of the rebuild," said one executive granted anonymity to speak frankly about the upcoming meeting.

Josh Siegel, Ben Lefebvre and Cheyanne M. Daniels contributed to this report.

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