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October 31, 2017

Mr. Gary Cohn
Assistant to the President for Economic Policy
and Director, National Economic Council
Executive Office of the President
1600 Pennsylvania Ave., NW
Washington, DC 20500

Lt. General H.R. McMaster
Assistant to the President for National
Security Affairs
Executive Office of the President
1600 Pennsylvania Ave., NW
Washington, DC 20500

RE: Potential Venezuelan Energy Sanctions

Dear Mr. Cohn and General McMaster,

The Petroleum Equipment & Services Association (PESA) is the national trade association for the oilfield service, supply and manufacturing sector (OFS Sector). PESA members constitute the single largest assembly of oil and gas service providers around the globe, companies which provide the services, technology, equipment and expertise necessary to safely and efficiently explore and produce the world's oil and natural gas. Our members are committed to advancing safety, environmental stewardship, and ensuring that society's continued economic progress is fueled through the sustainable development of our natural resources.

We share the concern of the Trump Administration regarding the deteriorating situation in Venezuela. It is a tragedy to see Venezuela's wealth hoarded and squandered when the country's abundant natural resources should be securing prosperity and freedom for all of its citizens. PESA supports the Administration's efforts to safeguard Venezuela's citizens against an unacceptable erosion of democratic norms and living standards.

PESA encourages the Trump Administration to continue to work with its allies, particularly those in Latin America, to help resolve the crisis. In August, Mercosur suspended Venezuela indefinitely to put pressure on President Maduro to dismantle the pro-government constituent assembly and restore democracy. While Venezuela was able to avoid a similar suspension from the Organization of American States (OAS), the U.S. government should encourage the OAS to revisit the issue. Working with our allies to exert multilateral diplomatic pressure will be more effective than any unilateral action by the U.S government.

PESA specifically urges caution as the Administration reportedly considers unilateral energy sector sanctions that would prohibit American companies from working in Venezuela's oilfields or bar the import of Venezuelan oil.

The U.S. OFS Sector holds an undisputed global edge in technology and expertise; our international competitors are eager to seize any advantage to grow market share. Sanctions already imposed by the Trump Administration in August will impact U.S. OFS companies in 2018 and beyond, as the options narrow for structuring financial arrangements with Venezuela's national oil company to secure existing debt and finance new activities. This will lead to loss of U.S. exports and jobs but will have minimal impact on Venezuela since it will be able to procure equipment from foreign competitors. Further targeting U.S. companies conducting business in Venezuela would only expand this artificial opening for competitors from Russia, China, and elsewhere at the expense of U.S. businesses.

A unilateral oil embargo would be similarly counterproductive—simply constraining U.S. supplies, driving up prices for U.S. and Venezuelan consumers while doing little to harm the Maduro regime.

It is vital that the U.S. be perceived as a partner in rebuilding Venezuela. The continuing presence of U.S. companies in the country's energy industry is an important part of that effort. Their operations are providing much needed private sector jobs and helping to prevent the total collapse of Venezuela's domestic energy market. Any U.S. action that the Venezuelan people perceive as aggravating their dire situation may do reputational harm that outlasts the Maduro regime, diminishing future U.S. opportunities to influence and participate in necessary reconstruction activities. Targeted sanctions against those misappropriating national wealth and suppressing political opposition are more appropriate and effective than blunt economic sanctions that impose broad hardship on the Venezuelan people.

PESA and its member companies are available to provide input on policy options the Trump Administration is considering advancing. We greatly appreciate your continuing consideration of the views of the OFS sector.

Sincerely,



Leslie Beyer
President
Petroleum Equipment & Services Association