

Venezuela's External Public Debt: *Institutional Aspects*

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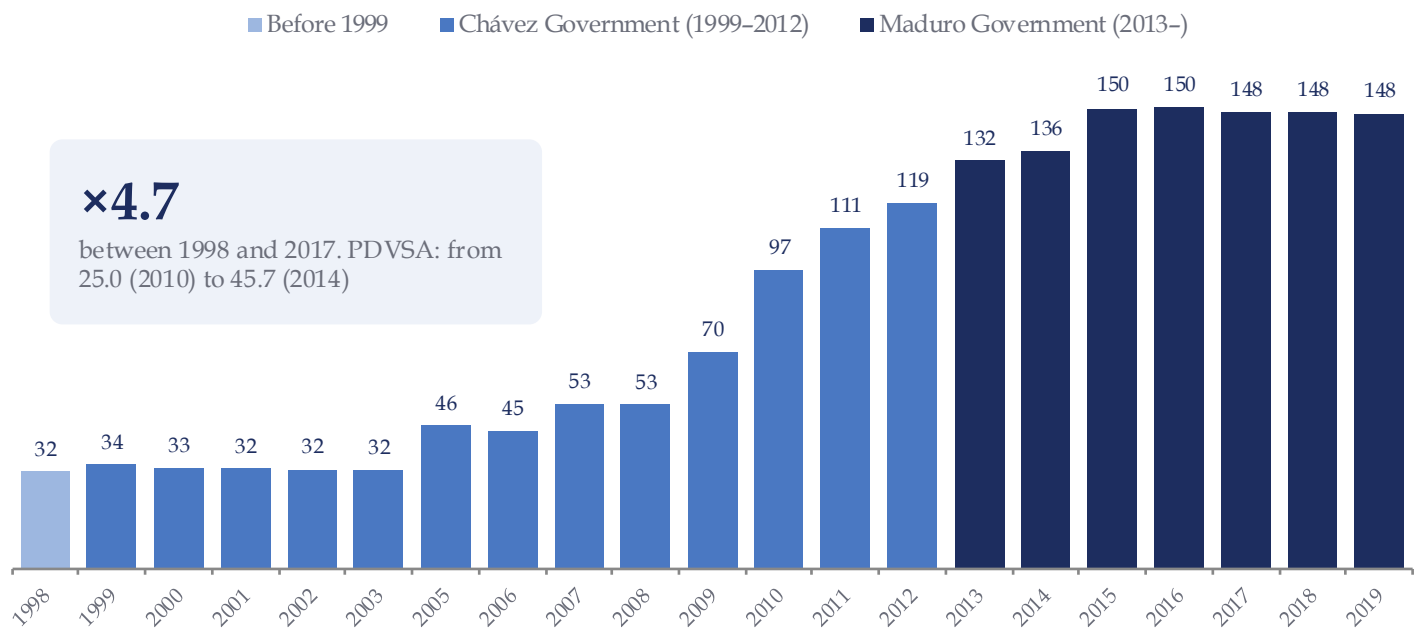
Outline

- 1 How did we get here?
- 2 The long and winding road to restructuring
- 3 The perimeter of the external public debt
- 4 The international bonds
- 5 The China puzzle
- 6 PDVSA: Citgo and the peculiar nature of its debt
- 7 Restructuring challenges: legitimacy
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Origins of the external public debt: from Chávez to Maduro

Debt grew at the height of the oil boom, as checks on fiscal management were being dismantled

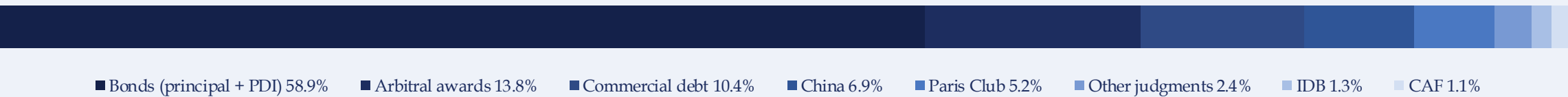
Total gross external debt outstanding at year-end (USD billions)



Dismantling of checks and balances



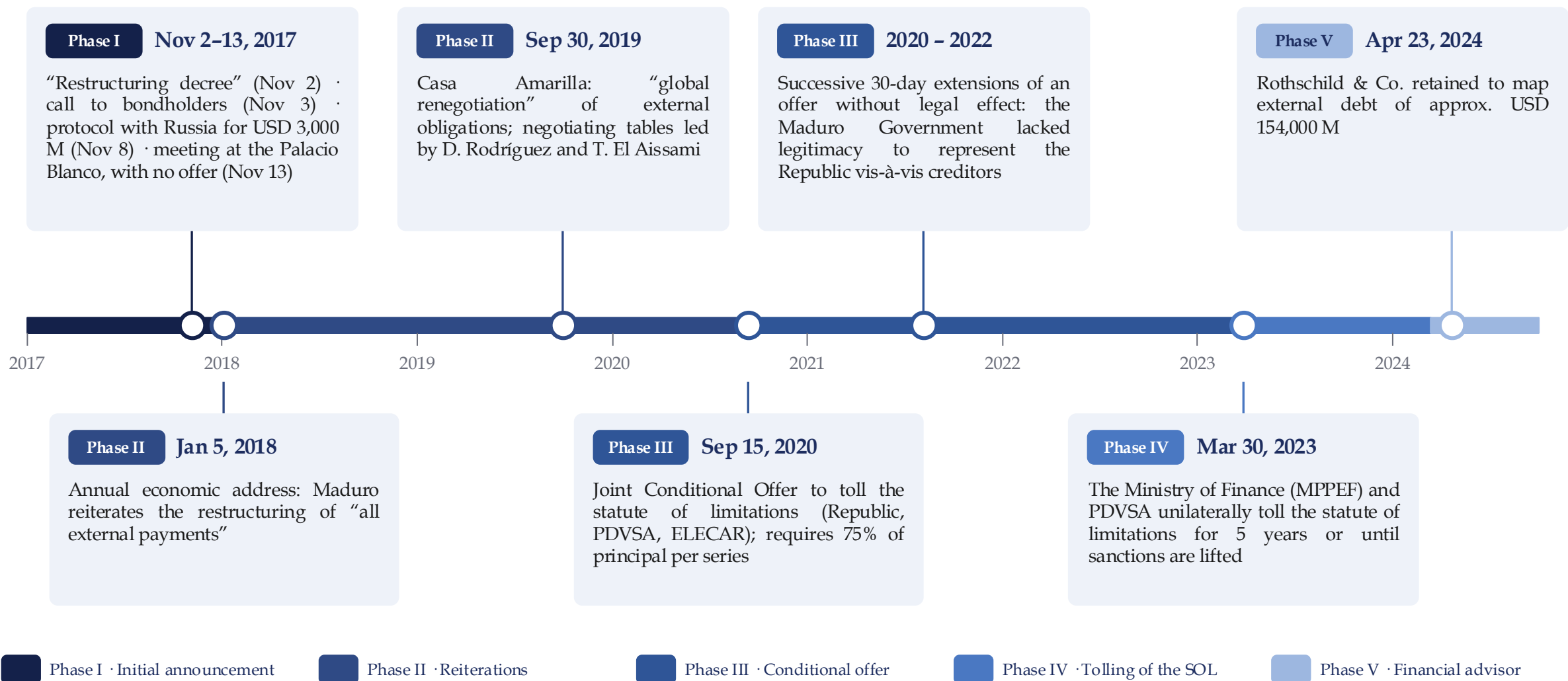
Result: current perimeter of the external public debt ≈ USD 172.8 billion



Source: own calculations based on ECLAC, *Economic Survey of Latin America and the Caribbean* (2004, 2014, and 2022 editions). For illustrative purposes only.

Debt restructuring announcements, 2017–2024

Nicolás Maduro's Government: from the restructuring decree to the hiring of a financial advisor



Source: Aurora Macro, based on official announcements (Presidency, Presidential Commission, MPPEF, PDVSA) and Bloomberg. SOL: statute of limitations.

The perimeter of the external public debt

Venezuela – Perimeter of the external public debt · USD millions · October 2026

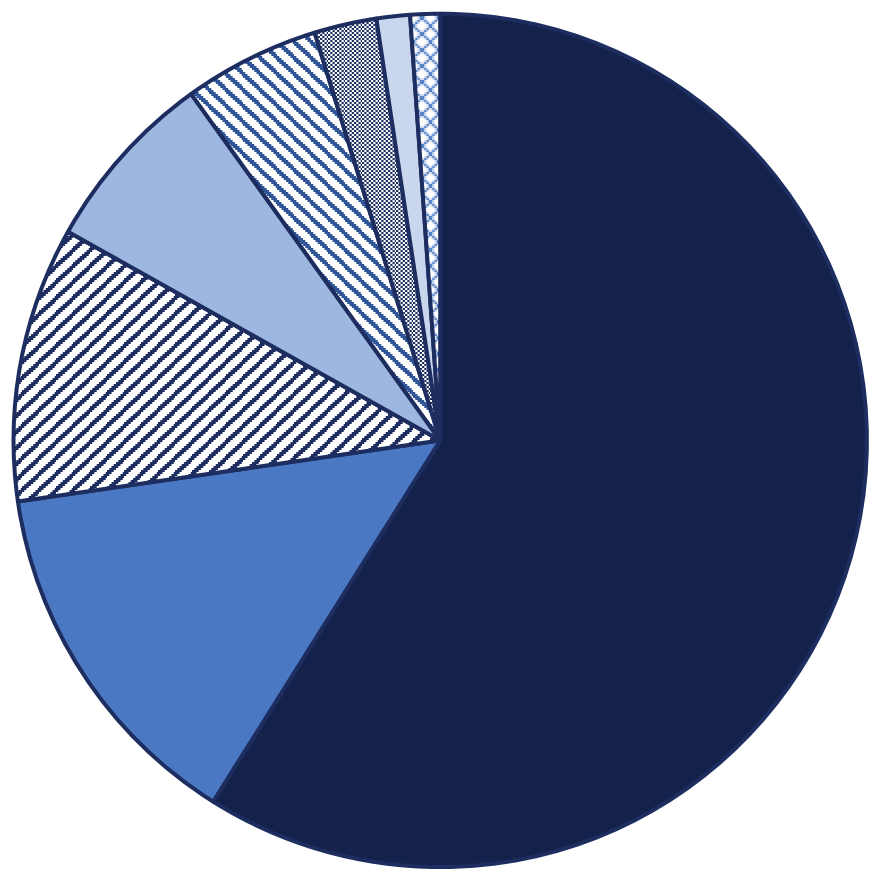
Item	Amount (USD mn)	% of total
International bonds (principal and PDI)	101,813.4	58.9%
Arbitral awards (including judgments)	23,812.8	13.8%
Commercial debt	18,000.0	10.4%
China	12,000.0	6.9%
Paris Club	8,927.3	5.2%
Judgments (unrelated to bonds or ICSID awards)	4,080.8	2.4%
IDB	2,187.0	1.3%
CAF	1,945.9	1.1%
Total	172,767.3	100.0%

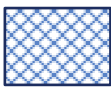
Conservative estimate

For an analysis, see: <https://saldarladeuda.com/>

The perimeter of the external public debt

Composition of the external public debt (% of total)

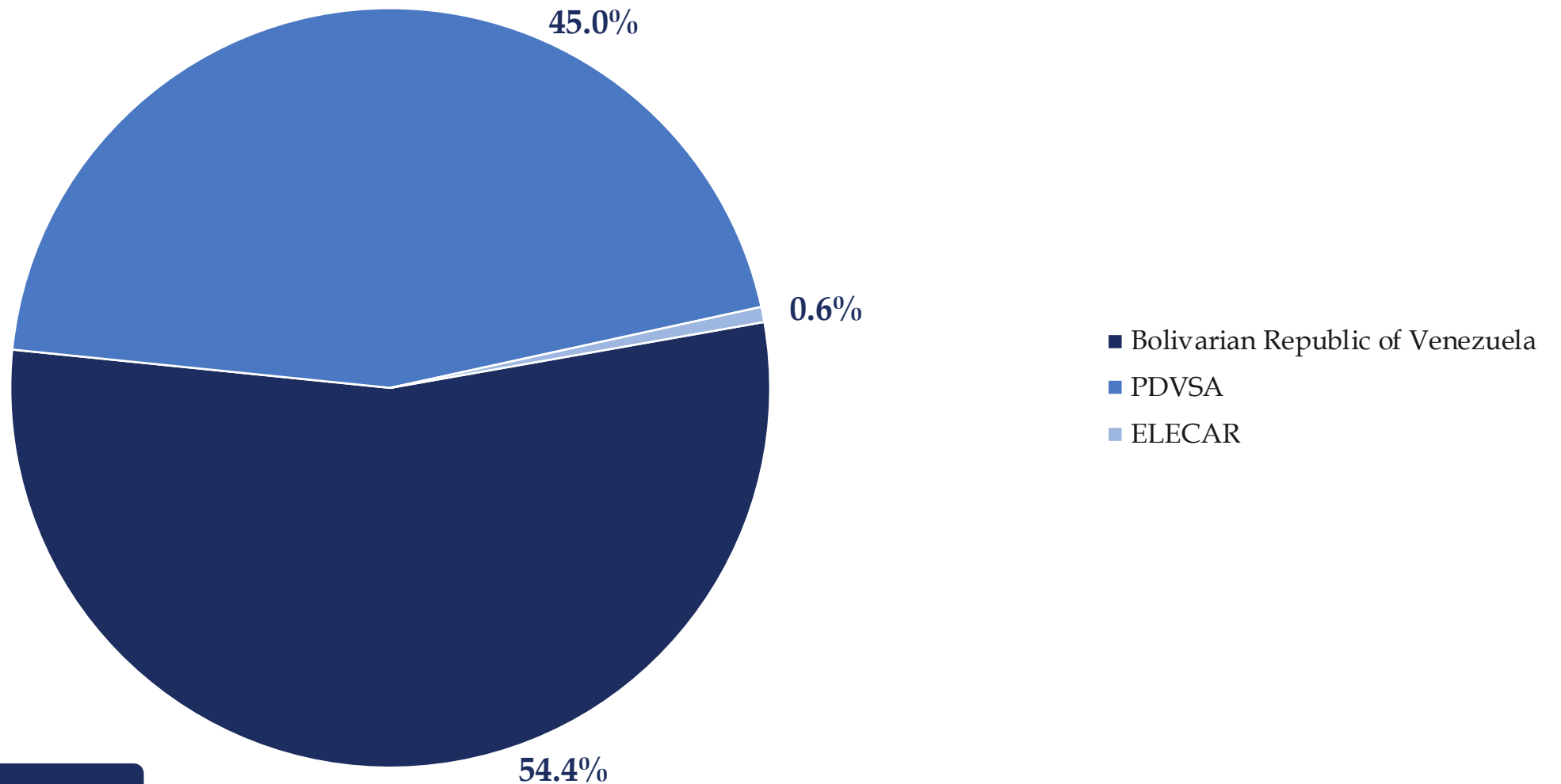


	International bonds (principal and PDI)	58.9%
	Arbitral awards (including judgments)	13.8%
	Commercial debt	10.4%
	China	6.9%
	Paris Club	5.2%
	Judgments (unrelated to bonds or ICSID awards)	2.4%
	IDB	1.3%
	CAF	1.1%

Conservative estimate

The perimeter of the external public debt

External public debt by obligor (% of total)



Conservative estimate

The perimeter of the external public debt

Venezuela – External public debt by obligor · USD millions · October 2026

Obligor	Amount (USD mn)	% of total
Bolivarian Republic of Venezuela	93,961.9	54.4%
PDVSA	77,690.4	45.0%
ELECAR	1,115.0	0.6%
Total	172,767.3	100.0%

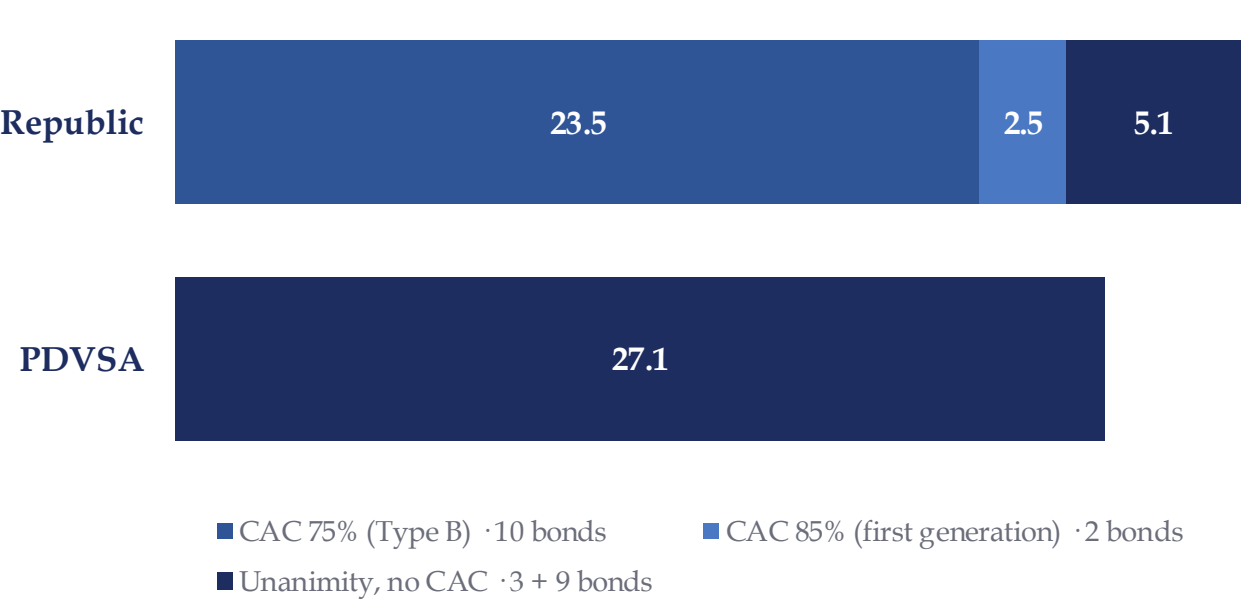
Conservative estimate

Anatomy of the international bonds: Republic and PDVSA

Outstanding principal, collective action clauses (CACs), and governing law



Principal by voting threshold required to amend payment terms (USD billions)



Contractual architecture

75%

Type B CAC threshold for reserved matters (2001 FAA, as amended)

Series

Series-by-series voting, no aggregation: holdout risk bond by bond

100%

PDVSA bonds lack CACs: unanimity required; exit consents (>50%) are the available path

FAA

Republic: Fiscal Agency Agreement, no trustee · PDVSA: indenture with trustee

CITGO

PDVSA 2020s: pledge of 50.1% of CITGO Holding · PDVSA bonds guaranteed by PPSA

China-Venezuela loans: anatomy of the joint funds

From “debtor’s trap” to “lender’s trap”: a lose-lose relationship

50.3

USD billion disbursed (2007–2015)

230,000

barrels per day committed by PDVSA

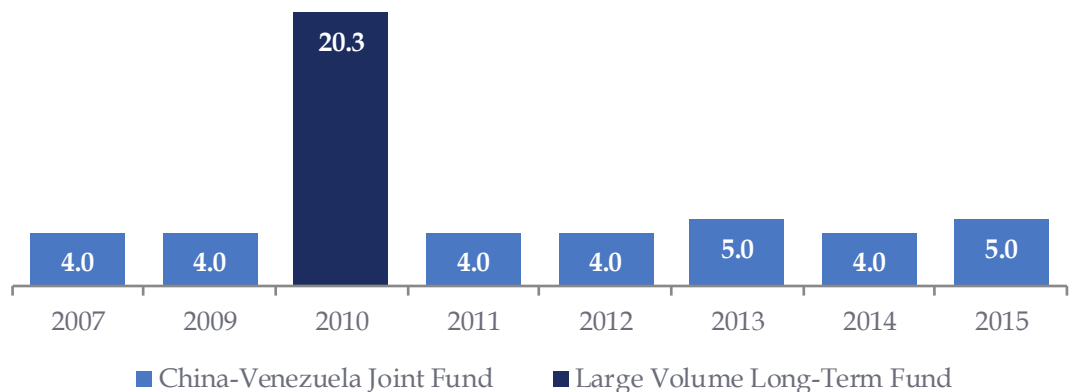
1.3x

debt service coverage ratio: installment + 30%

15.6

USD billion outstanding (2023)

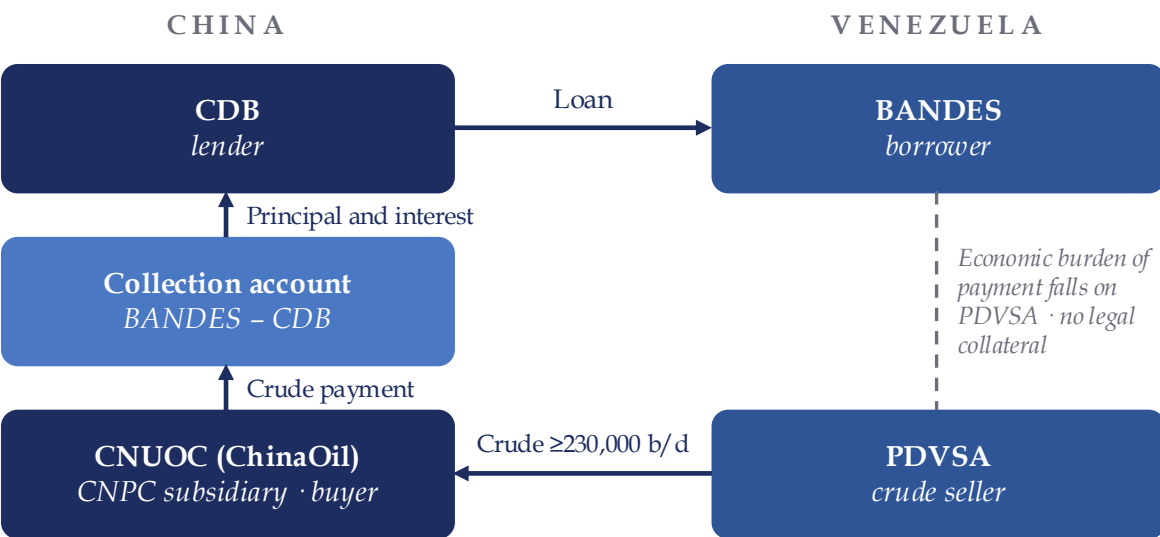
Disbursements by tranche (USD billions)



Three-tier joint governance



Oil-for-payment structure



Legal characterization

Standard commercial contracts: English law, UNCITRAL arbitration, waiver of immunity, *pari passu*. No legislative oversight.

Odious debt?

Challenging argument: foreign governing law; repudiation is an event of default. Better path: CDB breached its oversight duties.

PDVSA and Citgo

≈45%

of the external debt

PDVSA accounts for about 45% of the external debt. The share could be higher, to the extent U.S. courts uphold that PDVSA is the Republic's alter ego.

PDVSA's principal foreign asset is the refiner Citgo Petroleum Corporation (Citgo), which is heavily encumbered by the external public debt:

50.1%

50.1% of the shares of Citgo Holding, Inc. were pledged as collateral to holders of the PDVSA 2020 bonds. The validity of the bonds is being litigated.

Attachments

Several creditors obtained writs of attachment on the shares of PDV Holding, Inc., the parent of Citgo Holding. The U.S. District Court for the District of Delaware ordered the sale of the shares. The case is on appeal.

PDVSA: a peculiar situation

Five features that set PDVSA's debt apart within the restructuring

1 Alter ego

Diverse creditors, including creditors of the Republic pursuing PDVSA as its alter ego: the burden of the debt ends up falling on PDVSA.

2 Promissory notes

Significant commercial debt, part of it converted into promissory notes of ambiguous seniority, which complicate any future restructuring.

3 China

De facto obligor under the China agreements: although BANDES is the borrower, PDVSA remains obligated to supply the oil used to repay the debt.

4 PDVSA 2.0

Under the amended Organic Hydrocarbons Law and the production participation contracts (CPPs), much of the cash flow shifts to private operators, to the detriment of PDVSA's creditors.

5 The reorganization knot

Implementing the new oil policy (Organic Hydrocarbons Law)



requires a thorough reorganization of PDVSA



and reorganizing PDVSA requires restructuring its debt

Absent a restructuring, any reorganization of PDVSA heightens the risk of litigation with its creditors.

PDVSA and Citgo

Attachments on PDV Holding shares – priority order · U.S. District Court for the District of Delaware (Crystallex case) · amounts as of 6/30/2026 · USD millions

Priority	Creditor	Amount (USD mn)	% of total
1	Crystallex Corporation	1,019.7	5.0%
2	Tidewater Caribe S.A., Tidewater Investment SRL	78.4	0.4%
2	Tidewater Caribe S.A., Tidewater Investment SRL (Fees)	2.9	0.0%
3	ConocoPhillips (Petrozuata/Hamaca) (19-mc-00342)	1,411.8	6.9%
4	OI European Group B.V.	686.9	3.3%
4	Huntington Ingalls Incorporated	139.5	0.7%
5	ACL1 Investments Ltd., ACL2 Investments Ltd., LDO (Cayman) XVIII Ltd.	118.9	0.6%
6	Red Tree Investments, LLC (19-cv-2519)	218.2	1.1%
6	Red Tree Investments, LLC (19-cv-2523)	126.1	0.6%
6	Red Tree Fee Judgment	2.9	0.0%
7	Rusoro Mining Limited	1,568.6	7.6%
8	ConocoPhillips (Corocoro) (22-mc-00264)	48.3	0.2%
9	Koch Minerals Sarl and Koch Nitrogen International	470.9	2.3%
10	Gold Reserve Inc.	1,255.6	6.1%
11	Siemens Energy Inc.	232.7	1.1%
12	Consorcio Andino, S.L., Valores Mundiales, S.L.	718.1	3.5%
13	Contrarian Capital Management, L.L.C. (October 2020 Judgment)	291.3	1.4%
13	Contrarian Capital Management, L.L.C. (May 2021 Judgment)	60.2	0.3%
13	Contrarian Capital Management, L.L.C. (October 2021 Judgment)	44.5	0.2%
14	ConocoPhillips (ICSID) (22-cv-00464)	11,487.7	55.8%
15	Gramercy Distressed Opportunity Fund LLC (18-1371-CRC)	258.7	1.3%
15	Gramercy Distressed Opportunity Fund LLC (18-1373-CJN)	281.6	1.4%
16	Saint-Gobain Performance Plastics Europe	57.4	0.3%
Total		20,580.8	100.0%

Restructuring challenges: legitimacy

1

The default on international obligations began in 2017, including the default on international bonds.

2

Since then, seven restructuring processes have been announced, with no progress.

3

The main cause is the process's lack of legitimacy. Without legitimacy, any restructuring faces enormous coordination challenges (Lienau).

4

The 2026 announcement was made under special institutional conditions (U.S. support and expectations of a transition). But the interim authorities lack the necessary legitimacy.

Restructuring challenges: claims reconciliation

Iraq

As Lee Buchheit has observed, Venezuela's external public debt shares features with the Iraq case: a significant portion consists of claims that must be reconciled.

Fragility

The debt reconciliation process faces an additional challenge: state fragility.

6-12 months

A reconciliation process, needed to define the debt perimeter, may take between 6 and 12 months.

Step zero

Under IMF-recommended standards, reconciliation is part of "step zero." The restructuring could begin only after reconciliation is completed.

Restructuring challenges: economic sanctions. A process “steered” by the U.S. Government

Prohibition

The Venezuela sanctions regulations prohibit restructuring the debt (E.O. 13857, E.O. 13884, GL 3I, and GL 9H).

GL 58

GL 58 authorizes only preparatory activities, including retaining advisors (Centerview Partners and Hogan Lovells). It does not permit direct negotiations with creditors.

E.O. 14373

Under E.O. 14373, the U.S. Department of the Treasury controls all Venezuelan government revenues from natural resource sales, including oil exports.

Attachments

The sanctions regulations prohibit attachments and any other creditor enforcement action against the assets of the Government of Venezuela.

OFAC

Any enforcement action against Citgo requires a license from the U.S. Department of the Treasury (OFAC).

Restructuring challenges: state fragility (I)

1 Fragile state

Venezuela is included in the IMF's Fragile and Conflict-Affected States (FCS) program.

2 Debt data

The institutions responsible for providing debt data (the Central Bank of Venezuela and the National Public Credit Office) lack sufficient capacity to produce quality data.

3 Statistical capacity

Rebuilding statistical capacity is a necessary condition for a credible debt sustainability analysis (DSA).

Restructuring challenges: state fragility (II)

1 IMF support

Rebuilding statistical capacity requires IMF support under the FCS program.

2 DSA credibility

IMF technical assistance is needed to address the weaknesses that undermine the DSA's credibility.

3 Coordination costs

Attempting to move forward with a restructuring based on a DSA prepared without IMF support significantly increases the coordination costs of the process.

Restructuring challenges: the collective action problem

Starting point: according to the sovereign debt literature, restructuring faces a collective action problem (Buchheit, Gulati, and Gelpern).

In Venezuela, four circumstances aggravate the problem

1 Side deals

Some creditors have already renegotiated their claims outside a comprehensive process, particularly oil companies that are minority partners in joint ventures (*empresas mixtas*).

2 Risk of discriminatory treatment

While some creditors wait, others move ahead. PDVSA's reorganization may strip the company of much of its cash flow, to the detriment of its creditors, including bondholders.

3 State fragility

It hinders consensus on the basics: the debt perimeter and the *financial envelope* of the process, including the DSA.

4 Creditor heterogeneity

Creditors of different kinds, with divergent interests.

Consequences

Holdout risk

Particularly high, especially given the absence of collective action clauses (all PDVSA bonds and three Republic bonds).

Litigation risk

If certain claims are restructured ahead of others, claims of discriminatory treatment will increase.

Restructuring scenarios

Four possible paths depending on what is restructured, and when, while debt reconciliation proceeds

1

Scenario

Conservative

What is restructured now?

Nothing yet

Reconciliation begins and the DSA is prepared. The U.S. maintains its protection over the assets. The restructuring is left to the new democratic government.

2

Scenario

Cleary Gottlieb

What is restructured now?

Everything, on an interim basis

While the restructuring proceeds, the bonds (and other claims) are exchanged for “mirror bonds,” which will later be restructured.

3

Scenario

Early exchange

What is restructured now?

The international bonds

While reconciliation proceeds, the international bonds are restructured, with new-money bonds and value recovery instruments (such as oil warrants).

4

Scenario

Staggered

What is restructured now?

Strategic claims

While reconciliation proceeds, claims that are strategic for the recovery (such as investor claims) are restructured.

Common baseline: debt reconciliation and debt sustainability analysis (DSA) under way