Drivers and Ramifications of U.S. Energy Sanctions

── 米国エネルギー制裁の行方 ──

Jane Nakano
Senior Fellow, Energy and National Security Program, CSIS

米国戦略国際問題研究所（CSIS）エネルギー・国家安全保障部シニアフェロー Jane Nakano氏による連載第６回（最終回）のテーマは、トランプ政権によるエネルギー戦略「米国エネルギー制裁の行方（Drivers and Ramifications of U.S. Energy Sanctions)」。最終回となる今回は、米国のロシア、イラン、ベネズエラに対するエネルギー制裁に焦点を当てることを通じて、原油価格に不確実性をもたらす、制裁の強化／緩和に導く要因やメカニズムを考察する。

As the global energy market continues its rebalancing after the collapse of oil prices in the middle of 2014, the threat of U.S. sanctions against major oil producing states warrants attention. The U.S. sanctions against Russia, Iran and Venezuela have very different origins as well as chances of success, yet they might have important ramifications for the global oil market.

The latest sanction on Russia, per the Countering America's Adversaries Through Sanctions Act of 2017, is a product of distrust between the White House and Congress rather than a manifestation of a long-term U.S. vision for bilateral relations with Russia. Highly concerned with the potential of an unearned and a hasty lifting of the 2014 sanctions by the Trump Administration, Congress accorded itself a role in blocking or approving any major step by the Administration to ease sanctions on Russia.

In terms of substance, the Act goes beyond strengthening the 2014 sanctions on Russia's new shale, deep-water and Arctic offshore projects. Most notable are the extensive new secondary sanctions. In particular, the Act provides authority for discretionary sanctions against those supporting or investing to develop Russian oil and gas pipeline projects. This particular provision, while applauded by eastern European countries that are wary of Russia's geopolitical influence through energy exports, met some strong criticism from major European countries. The criticism emerged due in part for lack of prior consultation from Washington, but also for the provision's potential impact on the Nord Stream 2 gas pipeline project, which would roughly double the transit capacity for Russian gas supply to Europe and is promoted by several major western European companies. The project has been a major test of European unity in recent years.

Although the Trump Administration, like his predecessor administration, opposes Nord Stream 2, the pipeline project is not under an imminent threat of sanctions as the Act only authorizes and not directs the president to impose sanctions on the pipelines and President Trump appears reluctant to impose non-mandatory additional sanctions on Russia. Nonetheless, the future of Russia sanctions is a highly political and complex question due to the unprecedented role of Congress in its process as well as continued revelations concerning Russian interference in the 2016 U.S. presidential election.

Iran is another major focal point. In mid-October, President Trump declined to certify to Congress the Joint Comprehensive Plan of Action (JCPOA), a 2015 multilateral agreement aiming to curb Iran's capacity to advance its nuclear weapons program. While not a total surprise as the President had been publicly discontent at the past two certifications, but the decertification decision was notable amidst a series of public affirmations on the Iranian compliance, even by several members of his cabinet, including the Secretaries of Defense and State.

Because the certification process is strictly a domestic affair per the Iran Nuclear Agreement Review Act (INARA) of 2015, there is no immediate effect on U.S. sanctions against Iran or on the integrity of JCPOA. Instead of taking an executive action to re-impose sanctions against Iran, however, President Trump has put Congress in the position to consider whether to reinstate the sanctions within 60 days. Whether Congress would re-impose sanctions is the most immediate question, but equally important is whether by January 13, 2018 the president would continue to waive sanctions—an action required under INARA.

Meanwhile, how effective the sanctions would be—if re-imposed—is hard to ascertain. Unless the United States garners support from its European and Asian allies, the sanctions may not materially curtail Iranian oil supply or reduce investment into the country. Thus far, the European Union remains committed to the JCPOA so long as Iran remains fully compliant per the IAEA monitoring. During the 2012-2015 sanctions, Europe nearly zeroed out Iranian crude imports, but since the JCPOA has increased investment in Iran. The new sanctions could deal some difficulties to U.S. companies and alter oil flows, but likely fall short of causing a major disruption to the global oil trade.

Although with much fewer headlines, the future of U.S. sanctions against Venezuela merits a closer examination. In response to the Maduro regime's convening of a Constituent Assembly to rewrite the country's constitution, the United States imposed financial sanctions in late August, prohibiting U.S. entities from financing or trading new debts issued by Venezuelan state-owned oil company PdVSA with maturities of over 90 days, as well as barring CITGO, U.S. refining subsidiary of PdVSA, from transferring profits back to Venezuela. Venezuela owes international investors over $100 billion, including an estimated $60 billion in debt that is issued in the United States or subject to U.S. law. In hopes of pressuring the Maduro regime without destroying the country's economy, the U.S. Treasury Department continues to allow U.S. export of light crude to Venezuela for mixing with its heavy crude as well as new debt issuance and ongoing secondary trading of existing debt by CITGO.

Following the Maduro declaration of victory in the major regional elections on October 15, the odds have risen that the Trump Administration would tighten the sanctions, such as to prohibit U.S. export of refined products or even embargo U.S. imports of Venezuelan crude. The U.S. is one of the few countries with refineries capable of processing Venezuelan heavy. The embargo would further strain Venezuela's ailing refining capacity, and exacerbate the shortage of fuels like gasoline.

The development could also drive Caracas closer to Beijing and Moscow. In particular, China has become Venezuela's chief banker since 2004. Reportedly, China has lent over $60 billion and the loans are mostly repaid in the form of oil shipments. Venezuela might in time replace the U.S. market by exporting to others, including China, although at a discount. In the meantime, the tighter sanctions could impact the global oil markets by forcing refineries in the United States to turn to alternative suppliers, and putting an upward pressure on the price of heavy crude.

Both the driving force and mechanics of these sanctions—expansion or reinstatement—are far from uniform. Also, they have no direct connections. But, the uncertainty over their timing, scope and durability could exert upward pressure on the global oil price level—a welcoming development to the OPEC and its non-OPEC partners as they struggle to raise the price level through production cut.

※著者略歴：Jane Nakano is a senior fellow at the Center for Strategic and International Studies. Her areas of expertise include U.S. energy policy, energy security issues in Asia, global gas market dynamics, and global nuclear energy trends. She frequently writes and speaks on these issues at conferences and to the media. Also, she has testified before Congress on energy issues in Asia. Prior to joining CSIS in 2010, Ms. Nakano was with the U.S. Department of Energy and served as the lead staff on energy engagements with China and Japan.