

Congress of the United States
Washington, DC 20515

April 6, 2017

The Honorable Steven T. Mnuchin
Secretary of Treasury
U.S. Department of the Treasury
Chairperson
The Committee on Foreign Investment in the U.S.
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

Dear Secretary Mnuchin:

We write with concern over potential vulnerabilities in critical U.S. energy infrastructure, and we respectfully urge the Committee on Foreign Investment in the U.S. (CFIUS) to undertake an immediate review of a recent asset transfer between Venezuela's state-owned oil company, Petróleos de Venezuela (PDVSA), and a Russian oil company, Rosneft, which is under U.S. sanctions. This situation, if left unchecked, could severely undermine U.S. national security and energy independence.

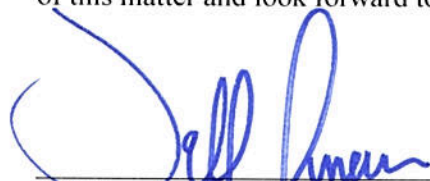
The Venezuelan government is the largest foreign owner of U.S. domestic refinery capacity through Citgo. According to numerous reports and Congressional testimony from a Subcommittee hearing we held on March 28, 2017, Venezuela's PDVSA gave Russia's Rosneft a lien on almost 50 percent of Citgo (the U.S.-based subsidiary of PDVSA) in exchange for a \$1.5 billion loan. Through Citgo, the Venezuelan government owns three U.S. refineries, including the sixth-largest refinery in the U.S., and a large network of pipelines. Citgo refineries are located in Texas, Louisiana, and Illinois, and the network of pipelines and terminals runs across 24 states.

In the event that the Venezuelan government defaults on its debt obligation to Rosneft, the Russian government could readily become the second-largest foreign owner of U.S. domestic refinery capacity. Such a development would give the Russians more control over oil and gas prices worldwide, inhibit U.S. energy security, and undermine broader U.S. geopolitical efforts.

Today, Venezuela is continuing to experience a horrific economic crisis. Extreme shortages in food, medicine, and basic goods have led to an unsustainable situation in the country. Although Venezuela possesses the largest oil reserves in the world, the country has become practically a failed state. Last year, the economy reportedly shrank by over 10 percent, and this year, the International Monetary Fund estimates that inflation will increase to over 1,600 percent.

Venezuela is indebted to Russia and China for billions of dollars in loans, but given the dire economic situation, it is doubtful that Caracas will be able to continue honoring those debts long-term. The Russians have a lot to gain through the PDVSA-Rosneft-Citgo asset transfer to the detriment of U.S. interests, and we remain deeply concerned over the implications for U.S. national security. We urge your immediate attention and review of this matter and look forward to working with you on this issue.

Sincerely,



Jeff Duncan (SC-03)
Chairman
Subcommittee on the Western Hemisphere
House Committee on Foreign Affairs



Albio Sires (NJ-08)
Ranking Member
Subcommittee on the Western Hemisphere
House Committee on Foreign Affairs