

## Caracas electricity market trends

Venezuela's electricity sector has been facing a deep crisis. By 2020, the electricity production plummeted to 74.5 TWh, a drastic 43% reduction with respect to the peak of 132.5 TWh registered in 2013. The reasons behind the collapse of Venezuela's electricity sector are multifactorial and widely described in the literature.

The IDB's 2020 report *A Look to the Future for Venezuela* estimates the cost of improvements to the electricity sector for the first five-year period at \$7.1 billion, with the minimum funds necessary for the first year estimated at \$217 million, potentially increasing to \$1 billion if funding becomes available.

The electricity sector in Venezuela is heavily dependent on hydroelectricity, which accounted for 64% of the nation's electricity generation in 2021. Besides hydroelectric power, Venezuela also relies on natural gas and petroleum, contributing 25% and 11%, respectively, to the total electricity output that year.

In doing so, the paper explores four central issues: The balance between reconstructing Venezuela's historic electricity system and building new systems. Urgent humanitarian needs and the demands of Venezuelan citizens call for the restoration of electricity supplies.

The Venezuela power market is expected to grow at a CAGR of more than 6.92% during the forecast period 2020-2025. With a growing population, the demand for power is increasing tremendously. Adding to this, factors such as rapid urbanization, technical advancement, and industrialization is increasing the demand for electricity.

Venezuela's leading opposition candidate Mara Corina Machado plans to privatize the upstream and downstream sectors and restructure the Caribbean country's debt if elected president in 2024. Her main obstacle: she's barred from holding public office.

CARACAS, Venezuela--Venezuela's leading opposition candidate Mara Corina Machado says she would privatize the upstream and downstream sectors of the Caribbean country if elected president in 2024.

"Our plan will open Venezuela's energy sector to attract investors by ending the state monopoly and transitioning the oil sector to private ownership," Machado said July 18 during a webinar. "My plan is to privatize all hydrocarbon extraction and downstream activities that can safely be assumed by the international and national private sector, and transform Venezuela."

While admirable, the plan would be a massive undertaking by any government given Venezuela's epic collapse in the last 10 years. In Machado's case in particular, the largest headwind she faces is her recent restriction from holding public office for 15 years by the Venezuelan government of Nicolas Maduro due to her radical tone, which includes backing U.S. sanctions.

Venezuela has been under so-called "socialist" rule since 1999 when the late Hugo Ch?vez first won the presidency. After his death in 2013, his predecessor Nicolas Maduro took the reins and has been in charge since.

For Machado, the journey towards a transition government requires addressing several crucial and concurrent crises: security, sovereignty and state territorial control, public services and economic and humanitarian troubles.

The last crisis has seen over 7 million citizens flee Venezuela, including many from the oil sector due to low wages and dangerous work environments, resulting in a massive brain drain of talent. Many citizens that have fled the Caribbean country will likely not return due to ongoing uncertainties, even if an opposition leader were to win the presidency.

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Web: <https://www.sumthingtasty.co.za/contact-us/>

Email: [energystorage2000@gmail.com](mailto:energystorage2000@gmail.com)

WhatsApp: 8613816583346

