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## **The Outlook for Restructuring Venezuela’s Sovereign Debt Post-Maduro**

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The capture of Nicolás Maduro by US forces in the early morning hours of January 3, 2026 produced dramatic headlines, but a key question now is whether his removal alone significantly affects the dynamics that have underpinned Venezuela’s long-running crises. The reality, though, is that the fundamental challenges that shaped Venezuela’s trajectory before Maduro’s capture remain firmly in place today, and none of the country’s core problems can or will be resolved by Maduro’s removal alone.

Prior to Maduro’s capture, Venezuela faced three interrelated crises: a severe humanitarian crisis that has led to the exodus of an estimated eight million Venezuelans, a contraction of a peacetime economy on a scale unprecedented in modern times, and a sovereign debt overhang exceeding \$150 billion. It also faced an overriding governance crisis—namely, the absence of a government regarded as legitimate and credible by both the Venezuelan people and the international community. None of these challenges has disappeared simply by virtue of Maduro’s removal.

A case in point is Venezuela’s massive sovereign debt burden. With an estimated \$150 billion or more in liabilities across the Republic of Venezuela and its state-owned oil company, Petróleos de Venezuela, S.A. (PDVSA), Venezuela confronts one of the largest and most complex sovereign debt overhangs in modern history. Several features of this debt landscape will make any restructuring exceedingly difficult.

To begin with, Venezuela’s creditor body is unusually large and diverse, encompassing international bondholders, arbitration award holders, bilateral creditors such as China and

Russia, multilateral institutions, trade creditors, holders of blocked payments, and promissory noteholders. These constituencies have distinct interests and legal claims which could give rise to serious intercreditor conflicts and major coordination challenges between and possibly even within creditor constituencies.

Another obstacle to any eventual Venezuelan sovereign debt restructuring is the need for credible projections of future economic growth since those projections bear directly upon the government's future ability to generate revenues and repay restructured debt. Yet Venezuela's economy has contracted by roughly two-thirds since the onset of the current crisis—a contraction far greater than that experienced, for example, by the US during the Great Depression or by Greece during the eurozone crisis of the 2010s.

In addition, Venezuela's oil sector has been so severely degraded that it now produces less than one-third of its early-2000s output—under one million barrels per day compared to approximately three million barrels per day around 2000. It is therefore difficult to predict with great certainty or confidence how much oil Venezuela will produce in one or two years, much less over a number of years. Moreover, forecasting the price of a highly volatile commodity like oil compounds the uncertainty.

Under these conditions, generating reliable medium-term projections that creditors and Venezuela could both agree upon becomes extraordinarily difficult, and this lack of a credible economic baseline could prove to be a major stumbling block to any Venezuelan debt restructuring process. While certain so-called value recovery instruments such as oil-linked or GDP warrants might help mitigate some of the uncertainty, they might not fully eliminate the risks since implementation challenges could arise in their use.

Furthermore, the presence of China and Russia as major bilateral creditors to Venezuela adds a geopolitical dimension to Venezuela's debt restructuring challenge. Both countries may approach restructuring through lenses very different from those of commercial creditors, as they may have broader interests—whether access to natural resources, strategic influence, foreign policy considerations, or otherwise—that may diverge sharply from the priorities and interests of other creditor groups.

In the wake of the US military operation to capture Maduro, Russia and China may now find themselves facing increased friction with the US over the restructuring, particularly given the possibility of an expanded US role in Venezuelan affairs. How a new Venezuelan government engages with China and Russia, and how these two bilateral creditors respond, may have an important effect on the prospects for a comprehensive debt deal and the contours of any such deal.

Furthermore, the Republic and PDVSA face extensive litigation and arbitration in multiple forums. These proceedings risk carving up assets that might otherwise support a restructuring, as is most starkly illustrated by the auction targeting the ownership structure of Citgo, PDVSA's US-based refining subsidiary. The net effect is that, as a result of such litigation and enforcement actions, Venezuela may have far fewer resources at its disposal to support any eventual restructuring deal than would otherwise be the case.

In sum, although Venezuelan bond prices have rallied since Maduro's capture, this bullish market sentiment does not alter the stubborn underlying realities facing Venezuela. Even before Maduro's removal, Venezuela faced the prospect of a protracted and extremely complex sovereign debt restructuring, and the challenges of a Venezuelan debt restructuring remain equally daunting today.

*Steven T. Kargman has previously written in the OBLB concerning Venezuela: ['Venezuela: Prospects for Restructuring Sovereign Debt and Rebuilding a National Economy Against the Backdrop of a Failing State'](#) (published October 18, 2021), and ['Key Legal and Policy Considerations in Venezuela's Potential Debt Restructuring and Economic Recovery Efforts'](#) (published July 20, 2020).*

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