

## MNI: Political Drivers for Energy Markets Jan. 26-Feb. 1

By Lawrence Toye (26/01/2026)

### Executive Summary:

- The first **trilateral Russia-Ukraine-US meeting** concluded in the UAE over the weekend.
- The **US are moving military assets to the Middle East** in a warning to Iran.
- **Trump resumed tariff threats against Canada** over Ottawa's improving ties with Beijing.
- **Venezuela is set to pass its hydrocarbon law reform**, but **significant hurdles** remain for its oil industry.

### Russia-Ukraine Negotiations

The first trilateral US-Ukraine-Russia meeting took place in the UAE over the weekend. The parties agreed to meet again on Feb. 1, Bloomberg reported.

- While officials called the talks 'constructive,' the vague messaging came out following the talks suggesting little progress. The sticking points are said to be control over territory in eastern Ukraine and the Zaporizhzhia nuclear power plant.
- Following the talks, Ukraine's president Volodymyr Zelenskyy said that a US security agreement for Ukraine is "100% ready".
- Zelenskyy said Ukraine is waiting for its partners to set a time and place for the signing of the security guarantees document, after which it would go to the US Congress and Ukrainian parliament for ratification.
- Ukrainian drones reportedly struck an oil refinery in the town of Slavyansk in Russia's Krasnodar Krai overnight. Meanwhile, French authorities, which intercepted an oil tanker suspected of belonging to Russia's shadow fleet was heading to a port in southern France for inspection.

**OUTLOOK:** While parties attending the talks have called them constructive, the gulf between the acceptable Ukrainian and Russian terms remains. This is unlikely to change in the near term, with the conflict expected to drag on.

- The key factor to watch is any additional US pressure placed on Zelenskiy, which may force him to soften his position, particularly if US security guarantees can be obtained.

### US Moving Military Assets to Middle East

Trump said Jan. 22 that a US "armada" is heading towards the Gulf region with Iran being its focus, despite protests in the country appearing to have already been quashed.

- "We're watching Iran. We have a big force going towards Iran," Trump said. "And maybe we won't have to use it. ... We have a lot of ships going that direction. Just in case, we have a big flotilla going in that direction, and we'll see what happens," he added.
- Amid the buildup, multiple airlines have suspended flights over Iranian airspace due to safety concerns.
- Given the renewed US military buildup, Iran and its allies Kataib Hezbollah in Iraq and the Houthis in Yemen's have threatened to respond to any acts of aggression, risking conflict in Iraq, the Persian Gulf, and the Red Sea.

**OUTLOOK:** While Trump appeared to have been dissuaded by Middle East allies from intervening in Iran during the protests, the deployment to the Middle East keeps options on the table and thus keeps fears of a conflict elevated.

- It remains unclear what Trump's new threshold may be for kinetic strikes; any indications raising the likelihood of such action would be bullish for oil and gas prices.
- Middle Eastern actors such as Saudi Arabia will continue to lobby the US against acting, fearing that an Iranian response will be more aggressive than during the 12-day war or previous conflagrations.

### Trump Tariff Threat Resumes

With tariff fears around Greenland settling, Trump is now threatening Canada with 100% tariffs against all its exports to the US if it makes a trade deal with China.

- In the first visit by a Canadian leader to Beijing in eight years, China and Canada reached an agreement to lower some trade barriers and rebuild ties.
- Canada had already been exploring ways in which it can boost its oil flows to the country's west coast, which would make cargoes available to buyers in Asia. Over 90% of Canada's oil exports go to the US.
- Warmer Canada-China relations will draw the ire of Trump who is looking to limit Beijing's influence within the Americas.
- It is unclear whether the tariff threat includes goods covered by the USMCA trade deal. These goods, which include energy imports, have been exempt from previous tariffs.

**OUTLOOK:** Given the frequency of Trump's tariff threats and the infrequency in which materialise, the current likelihood of a 100% tariff on Canada's 4m b/d of crude or 8.8 Bcf/d of natural gas exports into the US remains low.

- Even if Trump follows through on tariffs, it is likely to be on non-MCA goods, sparing energy imports. Previous tariff threats have been short-lived, being either paused or abandoned after positive phone calls between the leaders or some type of negotiation.

### Venezuela Passes Oil Law Reforms

Venezuela wants to boost its oil production by 18% in 2026 through ongoing reforms expected to be approved this week by the country's national assembly.

- The reform would keep a 30% royalty but allow the government to reduce it to 15% in some joint ventures. While it permits independent arbitration, it does not specify whether it would be conducted abroad.
- OIES said that there is no visible interference by US interests in the bill, adding that it is in line with discussions within Venezuela for years. The Trump administration also pushed back against talk of US troop deployment in Venezuela and Energy Security Chris Wright confirmed that there are no intentions to provide direct security for oil companies.
- Furthermore, in one of the first transactions under the deal to allow 50mn bbl of Venezuelan exports to the US, Valero purchased a cargo of Venezuelan crude at around Brent minus \$9.50-\$8.50/b.

**OUTLOOK:** Given the current deal for 50mn bbl, it is likely that additional cargoes will flow to the US, displacing WTI and HSFO as refiners adjust slates to accommodate more heavy sour barrels.

- While the reforms will be seen as a positive step, analysts told WSJ that the bill does not go far enough to provide legal certainty for companies to commit the tens of billions of dollars required. With the current government analogous to the Maduro regime, concern remains as to long-term guarantees for potential investors.
- Oil prices will also be key for Venezuela's long-term trajectory. Rystad estimate around \$30-\$40/b breakeven at current output, rising to \$60/b to lift production by an additional 1m b/d, and an \$80/b breakeven price for 3m b/d supply.