

## MNI: Political Drivers for Energy Markets Nov. 3-9

By Lawrence Toye (03/11/2025)

### Executive Summary:

- **Buyers of Russian oil continue to look for alternatives** ahead of the sanctions on Rosneft and Lukoil from Nov. 21.
- The market continues to see conflicting accounts towards the **US military build-up around Venezuela**.

### Russian Oil Buyers Holding Off on Cargoes

US sanctions on Rosneft and Lukoil appear to have been successful in disrupting flows of Russian oil in the near term, with buyers looking for alternatives.

- Overall seaborne oil product shipments averaged 1.89m b/d over Oct. 1-26, the lowest since at least the start of 2022, Vortexa said.
- The US appears to have hardened its stance on Russia, with the FT reporting last week that the US cancelled the planned Budapest summit due to a return of the Kremlin's maximalist demands for ending the war in Ukraine.
- However, Trump appears to be ruling out the provision of Tomahawk cruise missiles. When asked if he was considering sending the weapons to Ukraine the President responded, "No, not really... things can change but at this moment I'm not."

### China

Chinese oil refiners, especially state-owned giants, are staying on the sidelines of the Russian oil trade with Rystad estimating around 45% of Chinese imports of Russian crude (~400k b/d) affected by the sanctions.

- Notably, China has created a short-term supply buffer by importing excess crude in 2025 and building more storage capacity.
- China's independent refineries are also holding off on Russian barrels. This may follow UK and EU sanctions on the 400k b/d Yulong Petrochem refinery due to its Russian oil purchases.
- However, it is also likely due to a shortage of feedstock import quotas, which would block any buying even if demand for Russian barrels was there.

### India

India is having a more challenging time replacing Russian oil supply than China, with buyers turning to alternative crudes in the Middle East and the Americas.

- BPCL, one of the largest refiners in India, bought a cargo of Emirati Upper Zakum crude, Reuters said. The outlet also reported an Indian Oil tender for 24m bbl of crude from the Americas in Q1 26. Mangalore refineries and Petrochemicals also bought 2m bbl of the UAE's Murban crude from Glencore.
- The deadline for companies to wind up trading with Rosneft and Lukoil is Nov. 21. Kpler expects India's Russian oil imports to remain resilient until the deadline, before subsequently falling.
- India's Russian oil imports rose to about 1.48m b/d in October from 1.44m b/d in September, Kpler said.

### Turkey

Turkey's largest refiners are buying more non-Russian oil in response to the recent western sanctions.

- SOCAR has recently bought four cargoes of crude from Iraq, Kazakhstan and other non-Russian producers for December arrival, according to Reuters sources.
- Turkey's STAR refinery is reported to be buying Kazakh oil while Tupras is looking at more Iraqi oil.

Tupras is also likely to completely phase out Russian crude imports at one of its plants soon so that it can maintain fuel exports to Europe without falling foul of the EU's incoming sanctions.

**OUTLOOK:** The sanctions appear to have been effective in disrupting Russian crude flows to its main customers. Buyers in India, China, and Turkey appear to be pausing imports and looking for alternatives.

- In the near-term, the sanctions are bullish for Middle Eastern crudes and bearish for Russian grades. Russian crudes will be forced to widen discounts to levels where the price outweighs fears of sanctions.
- The enforcement of sanctions post Nov. 21 will determine the policy's success. Buyers are taking a cautious approach for the time being, but that could abate if the measures are lax. If the US takes enforcement seriously and cracks down on the inevitable circumvention attempts, it will seriously impede India's ability to restart imports from Russia.
- With an improving relationship between China and the US, state-owned majors in the former may continue to hold off on buying of Russian oil. However, independent refiners could return to the Russian oil market when they receive new import quotas in 2026.

### US Venezuela Strategy Spreads Uncertainty

Oil markets faced some volatility late last week after conflicting reports on planned US strikes on Venezuela.

- The build-up of the US military presence in the Caribbean, strikes on small boats leaving Venezuela, and threats of future land strikes have stoked fears of a regime change operation against Nicolas Maduro.
- The Miami Herald published an article Oct. 31 claiming Trump had decided to strike military targets in the South American nation, but Trump refuted the reports later that day. In an interview with 60 minutes, Trump said that he "doubted" the US would go to war with Venezuela. He refused to answer on the prospect of land strikes on Venezuela, but also said he believed the days of Maduro's presidency "were numbered".
- Chevron's CEO said that he hoped conflict with Venezuela would be avoided, and that a US presence in the country is good for both nations.
- However, Exxon appeared to take a more hawkish tone, having said the US and its allies were standing up to Venezuela as it tries to bully its neighbours. Venezuela continues to claim Guyana's Essequibo region, constituting two third of Guyana and the home to its oil industry.
- Exports of Venezuelan crude were down 37% on the month in October to 501k b/d, according to Kpler. Flows to the US fell 6% to 119k b/d.

**OUTLOOK:** Trump appears to be playing down a full-scale invasion of Venezuela, with some viewing the military build-up as a scare tactic to force Maduro to flee. This appears the most likely US strategy for now, but a shift in priorities or US risk appetite could change that reasoning.

- There is still a reasonable likelihood that the US will conduct land strikes in Venezuela without a full-scale invasion.
- Those strikes might target cartel infrastructure, such as headquarters, labs, headquarters, and warehouses. It may also go after Venezuelan military targets it claims are involved in the drug trade. Bloomberg said that such high-volume missile and air strikes would last days to weeks.
- The US is likely to avoid any target that would disrupt oil infrastructure: this would negatively impact on customers of Venezuelan heavy crude in the USGC and undermine Chevron's operations.
- Venezuela's oil production is largely concentrated around the Orinoco belt and Lake Maracaibo, with refineries and export terminals concentrated around the coast.
- The main issue for Venezuela is not that the oil industry is struck directly. Rather, the risk that Venezuela destabilises and the chaos hits output, for example by forcing Chevron to pause its operations.