

MNI: Political Drivers for Energy Markets Oct. 6-12

By Lawrence Toye (06/10/2025)

Executive Summary:

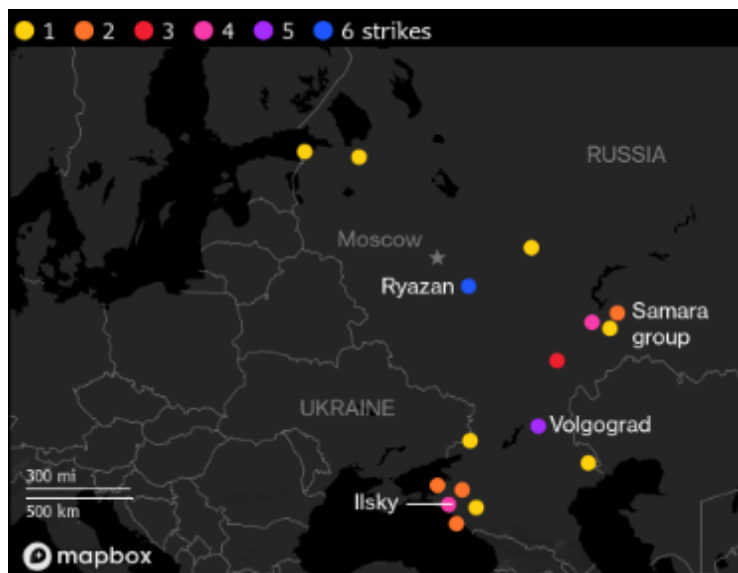
- Ukrainian attacks on Russia's refineries continue, with reports of increased US intelligence sharing for such operations.
- While Venezuela's oil exports tick above 1m b/d, tensions with the US ramp up further.

Russia & Ukraine Trade Strikes on Energy Infrastructure

Energy infrastructure remains a key target in the ongoing Russia-Ukraine war, with Russia launching further airstrikes overnight, hitting gas infrastructure ahead of the heating season.

- Meanwhile, Ukraine said it attacked the Kirishi oil refinery for the second time in a month as well as attempting to strike Tuapse again – both over the weekend.
- Ukraine has targeted at least 15 refineries across the European part of Russia since August, JP Morgan said, curtailing around 0.5m b/d of refining capacity.
- The WSJ reported last week that the US will provide Ukraine with intelligence on long-range energy infrastructure targets in Russia. The White House is also weighing the provision of missiles for use in such strikes.
- This comes as Russia's ability to divert its crude from curtailed refineries to the global market is diminishing. Bloomberg reported that the ports of Primorsk and Novorossiysk are operating near their upper export limits.
- The attacks have already created supply problems for Russia's domestic market, with a ban on gasoline exports until the end of the year, and a ban on diesel exports from non-producers. Russia's gasoline exports fell to zero in September.

Russian Refineries Targeted in 2025 – Source (Bloomberg Finance L.P.)



OUTLOOK: With Russia making incremental gains on the battlefield, and at a significant toll, Ukraine is likely to continue its strategy of attacking Russia's energy industry – a key component of its economy and war chest.

- While previous strikes on refineries under the Biden administration draw criticism, the same outcry has not been shown by the Trump administration. In fact, it largely fits with Trump's recent calls for allies to stop consuming Russian energy entirely.
- If WSJ reports of additional US intelligence to Kyiv for operations against Russia's energy infrastructure are accurate, the campaign of attacks on Russia's refineries may even accelerate.
- While Russia may view this as an escalation from the US, their options are also limited. However, they may ramp up their own attacks on Ukrainian civilian energy targets, such as gas storage, ahead of winter.
- If Russia faces further lost refinery capacity, it may run out of diversion routes for its crude. This may impact Russia's ability to raise crude output in line with OPEC+ quotas and could impact the bloc's plan for any further production hikes in the coming months.

Venezuela's Oil Exports Rise Despite US Strike Threats

US forces hit another vessel allegedly carrying illegal drugs off the coast of Venezuela on Oct. 4, with Trump declaring that his troops would start looking for drug traffickers on land.

- "They're not coming in by sea anymore, so now we'll have to start looking about the land because they'll be forced to go by land," Trump said.
- Hitting Venezuelan traffickers is as a strange tactic, given that 90% illegal drug flows to the US enter via the Mexican border, while Venezuela's role in trafficking fentanyl is negligible.
- Consequently, there are growing beliefs that the attacks are a measure to intimidate Maduro's regime in Caracas, possibly in an attempt to oust him. The US already has a \$50mn reward for Maduro's arrest, accusing him of being the head of a global drug trafficking cartel.
- Polymarket has US-Venezuela military engagement by end of 2025 at odds of 47%.
- Despite the febrile political environment, Venezuela was able to boost its oil exports in September to 1.09m b/d - the highest since Feb. 2020. Chevron also continues to operate, exporting crudes to the USGC.

OUTLOOK: While tensions could increase further and there is a realistic possibility for US strikes within Venezuela, a US-led ground invasion remains unlikely. It is also unclear whether there is any realistic opposition internally that could mount a coup to remove Maduro.

- Without the onset of armed conflict, Chevron's export operations are likely to continue, with a cancellation in the company's export license also unlikely.
- Venezuelan heavy oil provided 13% of Gulf Coast refinery imports in 2024, and given tightness elsewhere in the heavy sour market, it would undermine Trump's own refining industry to impede current flows.
- However, attempts by non-US companies like Repsol to negotiate their own licenses to export from Venezuela are unlikely to be successful in the near term. Repsol is said to have been negotiating with the White House since March.
- Overall, the status quo is likely to continue in Venezuela's oil industry as neither Trump nor Maduro has any incentive to impact flows. The key factor which could change that is any internal uprising or significant ramping up of US strikes against Venezuela.