MNI: Venezuela V. Canada – Battle of the Heavy Weights

By Erica Blake (January 14, 2026)

Executive Summary

- Guidance on Venezuelan crude reentering the market remains unknown, but speculation remains rampant.
- While the market focus has been on recent regulations, the similarity between Canadian and Venezuelan crude grades allowed Canada to outpace Venezuelan imports beginning in the early 2000's.
- Fundamentals suggest there is a path for Canadian crude to continue to be the import of choice, due to its steep pricing discount at the Gulf.

The Latest

Since the United States captured former Venezuelan President Maduro on January 3rd, US regulators have pushed the narrative that Venezuelan crude will be allowed back in US markets. While the unique quality of the crude is demanded by US Gulf Coast refineries specifically tooled to consume it, the shift in crude fundamentals over the last two decades may render the upcoming policy changes irrelevant. MNI reported the market struggled to assess whether the outcome of the Venezuelan oil situation is bearish or bullish in the first week following the US intervention. The latest understanding of the crude situation in Venezuela is:

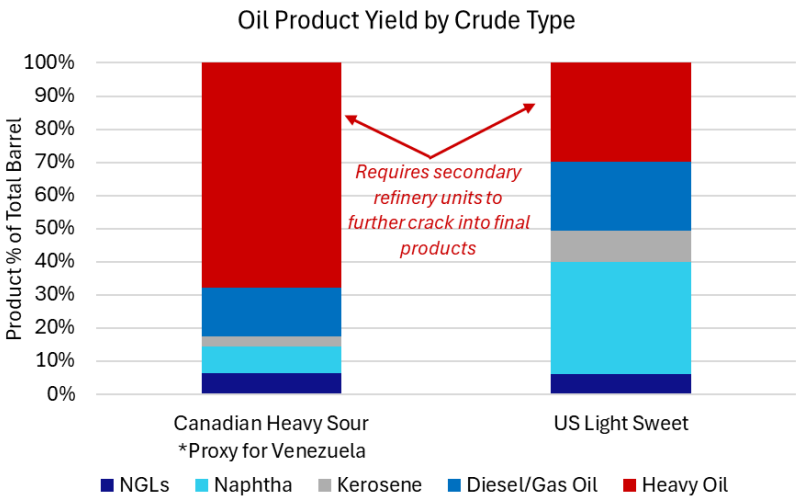
1. The US holding ongoing discussions with industry participants to determine the path forward for the Venezuelan crude market including producers, infrastructure, and exports. Oil executives emerged from a Friday meeting with President Trump skeptical of the president's plan to raise USD$100 billion to restore Venezuela's degraded oil infrastructure.
2. US Treasury Secretary Bessent stated additional US sanctions on Venezuela could be lifted as soon as this week to facilitate oil sales and he intends to meet with the Heads of the IMF and World Bank next week (January 19-23) on the organization's reengagement with Venezuela.
3. Vitol and Trafigura appear the potential leaders for crude transportation, and reports suggest some traders are offering Venezuelan Merey 16 crude barrels for -$6.50/bbl diff to Brent.
4. There are reports of the US exporting naphtha diluent to Venezuela to blend with the heavy barrels to ensure the ability to flow. Venezuela can produce its own condensate (diluent), so importing from the US would add an expense that previously wasn't needed.

All of these steps would certainly be helpful in resetting the Venezuelan oil industry; however, they do not guarantee the future production would be consumed in the United States. US oil fundamentals have shifted materially over the last few decades in favor of Canadian crude, which is more cheaply sourced and quicker to transport via pipeline.

US Crude Imports

Since the shale revolution in early 2010's, the US has grown to be the largest oil producer in the world. US crude quality being a light, sweet crude produces a large cut of gasoline and jet fuel, leaving US diesel demand short if refiners only ran US crude. Therefore, US demand for diesel must be met by importing a heavier crude capable of producing a larger diesel yield through primary and secondary refinery units.

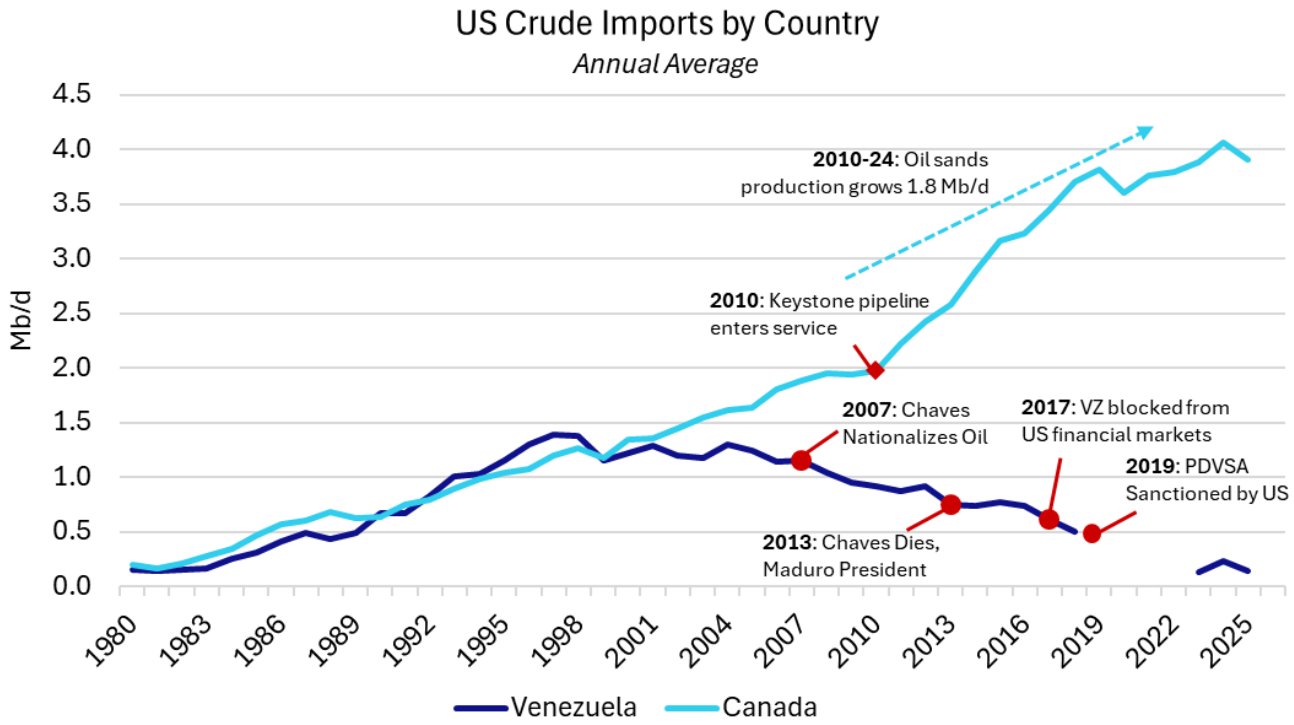
This heavy crude import demand has historically been met by Canada and Venezuela. While US sanctions on



Source: MNI, American Fuel & Petrochemical Manufacturers, Chevron Crude Assays
Note: Yields reflect atmospheric distillation only, no secondary units.

Venezuela contributed to import declines over the last decade, US consumption of Venezuelan crude began its decline in the early 2000's. From the 1980's to early 2000's, the US imported equal amounts of crude from both countries, which have very similar crude qualities and product yields. In the early 2000's there was a significant shift in trajectory of imports, with Canadian imports continuing to grow and Venezuela imports plateauing and then declining.

Canadian imports to the US were supported by (1) Keystone pipeline being placed in service in 2010 and (2) significant oil sands production growth between 2010 and 2024. In contrast, Venezuela faced several roadblocks to growth during the same period including (1) Chavez nationalizing oil infrastructure and reducing supermajor participation in operations and (2) losing access to US financial markets in 2017. The US has stated the potential for easing of sanctions to kickstart the oil industry but has yet to address providing full access to US financial markets, which may be necessary for a full resurgence of the industry.



Source: MNI, EIA

WCS Competitiveness

Canadian imports have more than offset Venezuelan imports over the last two decades, suggesting refineries are able to take the two crudes interchangeably at this point. This suggests the decision of which to run will fall to the market clearing price of the barrels and the competitiveness of the Venezuelan crude.

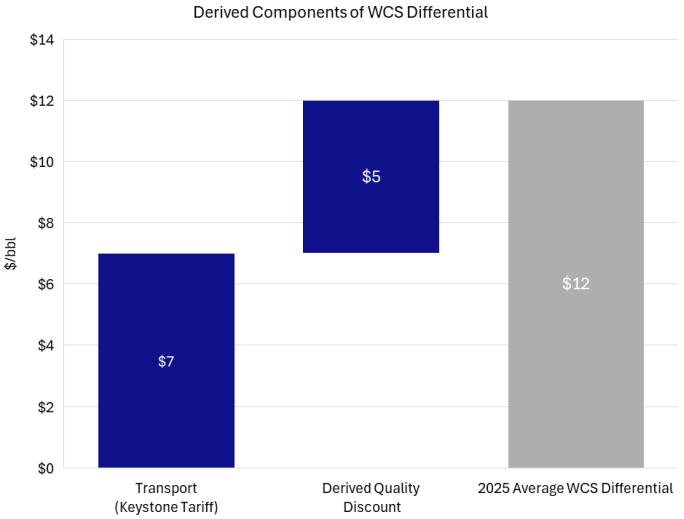
Venezuela and Canada would both receive a pricing discount to WTI reflecting the heavy and sour components of the barrel as well as any transportation costs. In the last five years the WTI-WCS differential has traded as tight as -$9.30/bbl and as wide as -$33.70/bbl, as the market contended with operational reductions from wildfires and pipeline constraints. WCS has averaged 79% of WTI since 2021, reflecting an average differential of -$16/bbl, but the differential tightened to average -$12/bbl in 2025. This suggests the Venezuelan crude would need to be sold in the US at discount greater than $12-$16/bbl to displace Canadian barrels.

If we assume both Canada and Venezuela receive the same discount for quality/grade, the key difference becomes the cost of transportation. For Canada, Enbridge Mainline exports the largest quantity of heavy crude, but would require stacking rates on multiple systems for it to reach the gulf. The most direct access to the Gulf is on Keystone

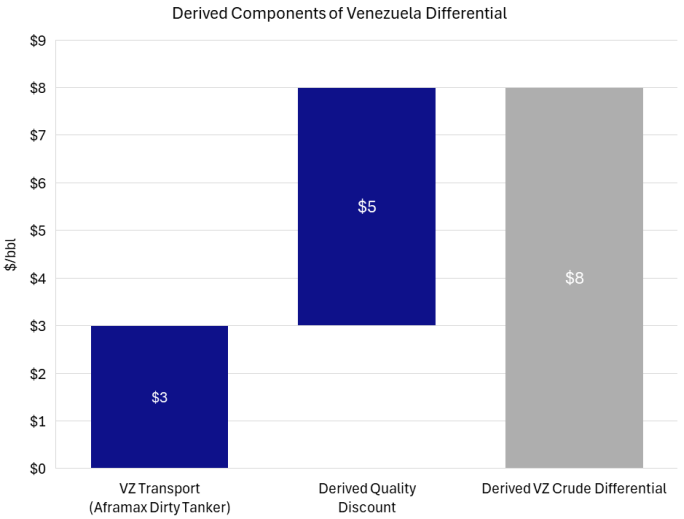
pipeline. The latest Keyston tariff for Haskett, MB (US-Canada border) to Houston, Texas lists the committed rate for heavy crude as $7.06/bbl and the uncommitted rate as $18.31/bbl. If the WCS differential averaged -$12/bbl and the transport cost was $7/bbl on the conservative side, then the implied quality discount for the heavy crude would be $5/bbl. This is further supported by the WTI Houston (MEH) to WCS Houston spread which averaged $5/bbl in 2025.

Applying similar logic to Venezuelan crude, we can derive the expected differential for the barrels at Houston. In 2025, most crude departing Venezuela for the US Gulf Coast were on aframax ships. Bloomberg's index for dirty aframax tanker rates in the Caribbean reported a $2.97/bbl average for 2025, up $1.00/bbl from the 2021-24 average but below the 2019 record of $3.39/bbl. If tanker rates hold at $3/bbl and the quality discount is the same as Canada heavy sour at $5/bbl, then the derived differential for a Venezuelan crude barrel to Houston would be approximately -$8/bbl.

These assumptions and the rumored price show Venezuelan crude would price at a tighter differential than WCS crude at the Gulf Coast, meaning it would cost more to import. Fundamentally, this suggests Canadian heavy would remain the competitive grade at the coast and face limited displacement from Venezuelan crude barrels.



Source: MNI, Southbow, General Index
Note: Differentials reflect crude quality and transport costs. The quality discount is derived as the remaining portion of the diff after accounting for the transport cost.



Source: MNI, Bloomberg, General Index
Note: Assumes Venezuelan barrel receive the same quality discount as a WCS barrel and tanker rates hold to the 2025 average.

What could be missing?

There has been no public communication on the mechanisms, prices, locations, or incentives being used to sell Venezuelan crude. A fundamental focused analysis suggests Canadian crude should continue to be consumed at the coast; however, prices can also be impacted by non-fundamental factors such as regulation, geopolitics, and refinery preferences. Some scenarios where Venezuelan crude displace Canadian barrels include:

1. If refineries have a preference from Venezuelan barrels for non-price reasons. There could be a heavy metal, salts, asphaltenes, or other organic component that makes Venezuelan crude advantaged and worth the higher price.
2. Negotiations for the crude with the Administration could include some kind of undisclosed incentive to encourage more imports. This is possible, but President Trump has stated it would be sold at market price.
3. Future federal regulations could be issued requiring the import of Venezuelan crude.
4. Potentially the crude is imported and used to build up the SPR instead of immediately consumed in refineries. This would allow for the continued import of Canadian crude in addition to Venezuelan crude.

The only certainty in the market is the intention and desire to reestablish Venezuelan crude production, but there is no line of sight to how or when. Until then, Canadian barrels at the coast are set up to win the heavy market battle.