

MNI Oil Weekly: Venezuelan Uncertainty in Focus

By Andrew Couper and David Lee (07/01/2026)

Executive Summary:

- **Venezuelan Uncertainty in Focus:** Venezuela oil flows look set for significant redirection as US refiners win and Chinese refiners lose in the short term. Washington remains intent on enforcing the blockade while US oil companies show clear hesitance towards costly and risky development plans.
- **Oil Markets:** Brent crude front month has bounced between \$59.75/bbl and \$62.3/bbl in the last week with geopolitical risks in Venezuela, Russia and Iran set against supply/demand fundamentals. Gasoline crack spreads have found some support this week, but diesel spreads remain weak.
- **Analyst Views:** See oil market views and outlooks from key analyst names

Venezuelan Uncertainty in Focus:

Coming into the end of last year, oil markets had limited geopolitical headlines to react on, instead weighed upon by surging floating crude levels and seemingly misplaced optimism on a Russia-Ukraine peace deal. There were signs of things heating up in Venezuela with some vessels seizures, but what came next was a significant surprise.

- In a classic case of Trump volatility for the oil markets, Maduro's surprise capture at the weekend and Trump's vocal intentions for Venezuela's oil bring headlines and their related price swings back into the market.

Initial Response:

Looking at the oil price moves Jan 5-7, the market is struggling to assess whether the outcome for the Venezuelan oil situation is bullish or bearish for global markets. Prices are marginally down for the week at time of writing.

- Materially, it likely doesn't change the volume of oil on the markets. Short term, some Venezuelan production is reported to be shut in because of a lack of export ability because of the US blockade.
- It would appear that the significant change is that barrels from Venezuela will begin heading to the US Gulf rather than China in a boon for US refiners largely set up to take those sorts of barrels.
- From a production standpoint, the situation is limited at best given the required capital and time to develop the fields along with a lack of intent by US producers to get involved in the country as they still chase huge debts incurred in the past.

Key Developments:

Trump has been quite clear in his comments around Venezuelan oil, none more so than his Tuesday night Truth Social post. Trump said up to 50 million barrels will be handed to the US and sold at market price, with proceeds benefitting people in both countries.

- Venezuelan government officials and state company PDVSA have not commented on the remarks. Venezuela has millions of barrels of oil loaded on tankers and in storage tanks that it has been unable to ship due to the recent blockade imposed by Trump. (See Kpler chart on next page)
- Reuters sources said the move will result in oil bound for China being reallocated to the U.S. - likely creating further tensions with China.

- US energy secretary Chris Wright is in charge of executing the deal, Trump said, adding that the oil will be taken from ships and sent directly to US ports.

Vessel Engagements:

The Trump administration is taking a far harder stance on sanctions evasion in the oil sector, with more wriggle room in an oversupplied oil market against a weaker price backdrop. The last thing Trump wants is higher prices.

- Around 16 vessels were reported this week to have rushed the US blockade on Venezuelan related vessels in an attempt to evade US pressure.
- Wednesday saw two vessels being apprehended. The first was the *Marinera*, (previously *Bella 1*) that was chased across the Atlantic before being intercepted northwest of Scotland.
- Then later on Wednesday, reports emerged of another vessel, *Sophia*, intercepted in Latin America waters.
- The measures highlight Washington's intent to not let infringements with any vessels counter its intents with Venezuelan oil.

Political Events:

What came as a surprise has been Trump's intent to keep Maduro loyalists in power (at least initially) to try and pave the post-Maduro transition. Interim President Delcy Rodríguez is seen as the best option to tow the line for Trump.

- This came with a host of threats towards Rodríguez as Trump said more strikes could follow if certain conditions were not met, including selling oil to U.S. adversaries. After being sworn in as president by Venezuela's supreme court on Saturday, Rodríguez released a conciliatory statement late on Sunday in which she "invited the US government to work together on an agenda of cooperation".
- Meanwhile, by Tuesday's address, Rodríguez described Saturday's strike as a "terrible military aggression" and a "criminal attack." It remains to be seen whether Rodríguez intends to keep up the frostier rhetoric against an administration that has clearly shown its intent to control the narrative.

Flows:

Venezuelan oil exports fell to 300 kbd late-Dec from ~960 kbd, with 24 Mbbl now in floating storage based on Kpler tracking.

Venezuela Oil in Floating Storage (mbbls) – Source: Kpler



- China lost 690 kbd of Venezuelan crude in Dec; US imports (115 kbd) continue. Iran/Russia heavy sour differentials firm near term; LatAm grades gain in Asia highlighting some clear winners and losers from the events.

Oil Markets:

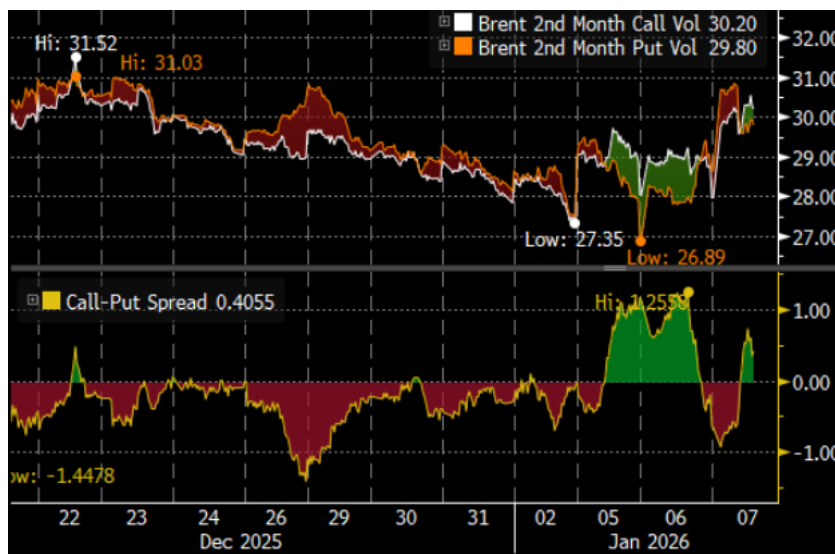
Brent crude front month has bounced between \$59.75/bbl and \$62.3/bbl in the last week amid uncertainty over future Venezuela crude output and heightened geopolitical risk after the US captured President Maduro over the weekend. Geopolitical risks in Venezuela, Russia and Iran are set against supply/demand fundamentals suggesting a market surplus expected in the coming months after OPEC+ production quota increases last year.

Markets:

Volatile moves in the near-term crude options skews have seen the spread bouncing either side of parity but currently in favour of the upside after a rally in call volatilities. The Brent second month 25 delta call-put skew has moved from a narrow put skew last week to around +0.5% having traded between -0.95% and +1.25% so far this week.

- The longer dated Brent Dec26 call-put spread has widening slightly since Jan. 5 after the narrowing trend seen throughout the second half of 2025.
- Money managers raised net long Brent and WTI crude positions to the most bullish in six weeks in the week to Dec. 30. The rise was driven by a recovery in Brent positions from the lowest since Sep. 2024 in mid-Dec.

Brent Second Month 25 Delta Call-Put Volatility Spread – Source: Bloomberg Finance L.P.

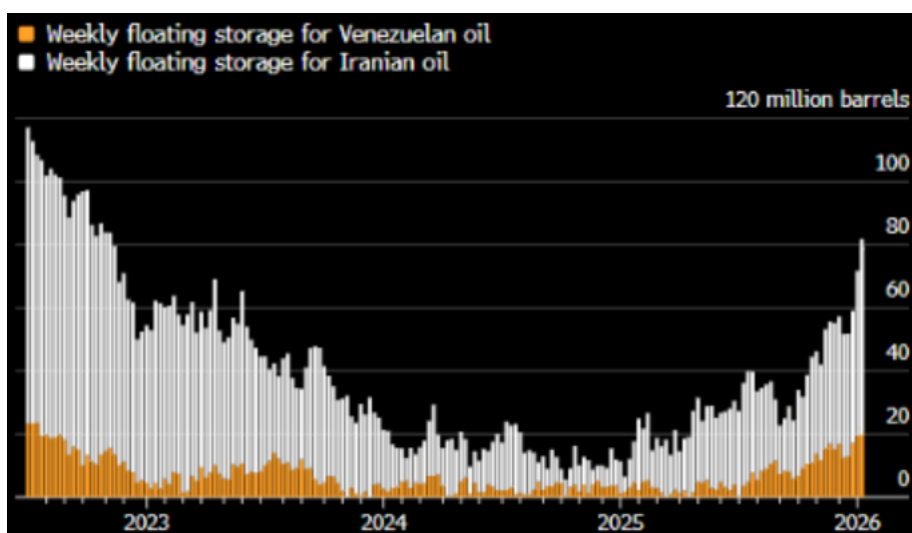


Venezuela:

Trump has unveiled a plan under which Venezuela will turn over 30-50m bbl of oil, to be sold by the US, days after it captured the country’s President Nicolas Maduro. The barrels will be handed to the US and sold at market price, with proceeds benefitting people in both countries, Trump said. Venezuelan government officials and state company PDVSA have not commented on the remarks.

- A small fleet of 11 oil tankers are scheduled to arrive at the ports of Jose and Bajo Grander in January, which would be the highest number since October, while PDVSA loadings destined for China cargoes are on hold.
- Oil tankers have left Venezuela without authorisations from PDVSA according to NY Times reports and TankerTrackers analysis. At least 16 oil tankers hit by U.S. sanctions appear to have made an attempt to evade a major American naval blockade on Venezuela's exports over the weekend.
- A number of vessels in Venezuelan waters, previously hit by U.S. sanctions for carrying Iranian/Russian oil, are now officially flying the Russian flag NY Times reports citing TankerTrackers/Kpler data.
- Venezuela's PDVSA had last week began cutting crude production because it is running out of storage, Reuters reports. PDVSA's move includes shutting down oilfields or well clusters as onshore stocks mount and the company runs out of diluents to blend Venezuela's heavy crude for shipment.
- Seaborne crude exports from Venezuela declined by 36% month-on-month in December to just under 600kb/d, according to Vortexa. The decline was driven primarily by a collapse in long-haul Asia-bound "shadow" flows. The drop reflects a breakdown in export execution rather than upstream supply availability leading to at least 15m bbl of crude into floating storage. Exports by Chevron remained comparatively resilient at approximately 100kb/d.
- US intervention in Venezuela will likely choke oil flows to China, though the short-term impact will be softened by large volumes of sanctioned crude stored at sea, Bloomberg reports. Almost 82m bbl are currently on tankers in waters off China and Malaysia, according to Kpler. More than a quarter is Venezuelan and the rest is Iranian.
- The US action in Venezuela threatens to be a headwind for most oil producers, especially Canadian oil sands producers, Morgan Stanley said. An easing of sanctions could add to an already very oversupplied oil market, though the near-term supply impact appears limited. That would widen the WCS discount to WTI.
- Phillips 66 says two Gulf coast refineries are ready to process Venezuelan crude amid any ramp up in supplies.

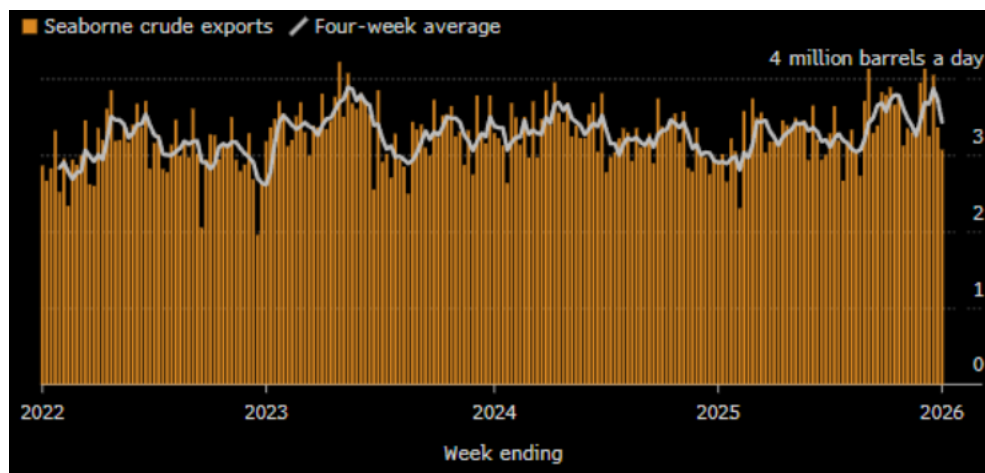
Sanctioned Oil in Floating Storage – Source: Bloomberg Finance L.P.



Russia:

Following a meeting of the 'Coalition of the Willing' in Paris on 6 Jan, France and the UK have formally committed to sending troops to Ukraine in the event of a peace deal. The declaration of intent is the most concrete security guarantee made by any of Ukraine's western partners to date. Commitments from the three biggest military spenders in Europe are notable but will mean little without continued US backing.

- Trump said on Jan. 4, he does not believe that Ukraine targeted Russian president Vladimir Putin's residence last week. The Kremlin appears to be using the apparent attack as a tactic to avoid progressing the current peace deal efforts.
- Zelenskyy says he hopes for a leaders' summit in the US by the end of January to discuss proposals on how to end the war with Russia.
- Security advisers from Ukraine's top allies met in Kyiv on Jan. 3 for talks on a US-brokered plan to end the war, days after Kyiv announced a deal was "90%" ready.
- Diplomatic efforts to end the war have gained pace in recent weeks, although both Moscow and Kyiv remain at odds over the key issue of territory.
- Chevron & Quantum are set to bid for Lukoil's assets after US imposed sanctions on Russia's oil majors, according to the FT.
- Russia's crude exports fell sharply during the final weeks of 2025 and into the new year, Bloomberg reports, with four-week average crude flows through Jan. 4 down by 440kb/d to 3.43mb/d from the equivalent period to Dec. 21. Deliveries are now just keeping pace with loadings again, bringing an end to the recent surge in the amount of Russian oil at sea as barrels are starting to offload again at key Indian ports.

Russia Seaborne Crude Shipments – Source: Bloomberg Finance L.P.**India:**

The US could raise tariffs on India if it does not meet Washington's demand to curb purchases of Russian oil, President Trump said on Jan. 4, cited by Reuters. Trump's comments follow months of trade negotiations after the US doubled import tariffs on Indian goods to 50% last year as punishment for its buying of Russian oil.

- Flows of Russian oil to India fell to a three-year low of about 1.2mb/d in December, Kpler data showed, a roughly 40% drop from a June peak of 2mb/d. Reuters' sources suggest imports of Russian crude will average below 1mb/d in the coming months.

- India's PPAC is asking refiners to provide weekly disclosures of Russian and US oil purchases, stating that it is required by Prime Minister Modi's office. Data is not expected to be made public.
- India's Reliance said it is not expecting any Russian crude oil deliveries in January and has not received any in the past three weeks, Reuters said. Two tankers carrying Russian Urals crude, signalling India's Sikka port as their destination last week, have switched to other nearby ports, Bloomberg shows. Delivery to Sikka was linked to the Jamnagar refinery operated by Reliance.

Iran:

US President Donald Trump threatened the Iranian government with the prospect of military action, saying that the US would come to the rescue of protesters in the country if Iranian forces continue to fire upon them.

- This marks a further escalation in Trump's rhetoric regarding Iran, after saying last week that the US could participate in airstrikes alongside Israel if Tehran resumes its nuclear and ballistic missile programmes.
- These comments come after five days of protests that have spread across the country and seen at least seven demonstrators killed in clashes with security forces.

OPEC:

On Jan. 4, OPEC as expected decided to stick to the plan to keep output quotas unchanged in Q1. The eight members agreed in November to pause output hikes for January, February and March due to relatively low northern hemisphere winter demand.

- The quick meeting avoided discussion of the geopolitical issues affecting several of the producer group's members.
- The eight countries OPEC are next scheduled to meet via video conference on Feb. 1.
- Tensions between Saudi Arabia and the UAE flared last month when a UAE-aligned group seized southern territory in Yemen from the Saudi-backed government.
- Observed crude exports from Saudi Arabia rose in December to 6.9mb/d, the highest since April 2023, according to Bloomberg. Flows to India rebounded to 860kb/d from 605kb/d in November, the highest since February 2023.

Kazakhstan:

Caspian CPC Blend loadings were revised down sharply to 1.2m-1.3mb/d for January, Bloomberg reports of the final loading program. That compares with 1.55m-1.65mb/d in the initial loading program released last month. CPC loadings for December dropped to 1.06mb/d, the lowest since October 2022.

- CPC normally loads from two moorings, with a third acting as a back-up. Only one is currently working. The work to bring back the second mooring from maintenance has been delayed several times, partly due to bad weather.
- Kazakhstan's energy ministry said it is seeking to ensure stable exports and to prevent "critical congestion" at storage sites.

China:

China issued a second batch of 2026 crude import quotas to private refiners last week, according to Energy Aspects cited by Bloomberg. The new quota is set at 140m tons. Most private refiners should now have received about 70% of their annual allowance, in contrast to this time last year when they already obtained their full-year volumes.

- The reduced allowance may mean that the government is seeking to exert greater control on teapots' crude buying depending on market conditions, while also limiting their ability to frontload their quotas for the year, Sparta Commodities analyst June Goh said.

Oil Products:

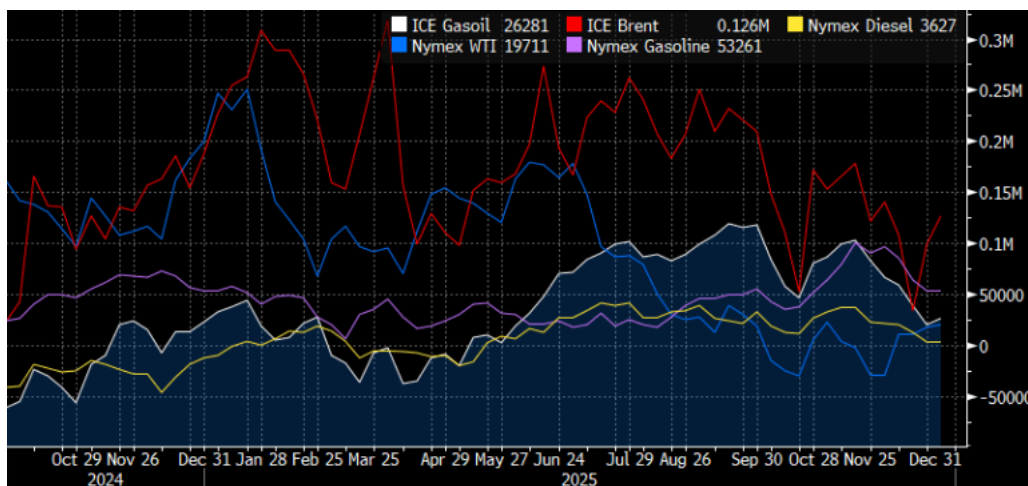
Gasoline crack spreads have found some support this week, but diesel spreads remain weak. ULSD futures have resumed a trend lower after finding support last week as cold in the Northeast US elevated heating oil demand.

- **ICE Gasoil net longs** edged higher on the week after falling to the lowest since June in the week to Dec. 30 the prior week. Nymex diesel and gasoline positions were both almost unchanged on the week to maintain small net longs. The diesel net long is near the lowest since May and gasoline is the lowest since October.
- **Monthly shipments of diesel-type fuel from Russia's Baltic Port** of Primorsk surged in December, according to a port report and Bloomberg ship tracking data. Exports stood at 1.67m mt (403kb/d) compared to 1.16m mt (289kb/d) in November and 906k mt (219kb/d) in October.
- **Ukraine's General Staff** said it had hit the 130kb/d Ilsky oil refinery in Krasnodar Krai on the night of Dec. 31-Jan. 1. Russian media also said there was an attack in Almet'yevskaya, hitting a storage facility in the area, igniting a fire that was quickly extinguished.
- Local media also suggest the 300kb/d **Yaroslavl refinery** was hit by Ukrainian drones overnight on Jan. 6 while a Ukrainian drone attack caused a fire at the Stary Oskol oil depot in Belgorod overnight on Jan. 7, regional governor reported.
- **Sanctions targeting Russian oil giants** are forcing a reconfiguration of Europe's refining sector, with roughly 765kb/d, or 6% of the region's capacity under pressure, according to Kpler. Refineries in Bulgaria, Hungary, Serbia and others are navigating reduced crude access, rising compliance costs and the threat of forced divestment or nationalisation. The region's refined product balances are expected to tighten, especially as facilities in Serbia and Bulgaria operate below capacity or shut entirely, Kpler says.
- **NIS will restart crude imports** ahead of a restart of refining operations on Jan. 18 after the US temporarily suspended sanctions, according to President Aleksandar Vucic cited by Bloomberg. OFAC gave NIS, which is controlled by Russia's Gazprom, a reprieve from sanctions until Jan. 23. The sanctions had halted crude supplies via Croatia's JANAF pipeline, shutting down production at the Pancevo refinery. Last week, OFAC gave NIS until March 24 to negotiate the sale of its Russian owner's stake.
- Crude imports to **Nigeria's 650kb/d Dangote** refinery increased by 7% on the month in December despite FCC maintenance, according to Bloomberg tanker-tracking data. Nigeria accounted for 94% of the December supplies, the highest since February. Import supplies arriving in December included almost 11.2m bbl from Nigeria and 707kbbl from the US.
- **The refinery began planned maintenance** as its main gasoline unit, the residue FCC for five weeks amid some design issues with the unit, Dangote said last month. The 50-day FCC turnaround started Dec. 8 and restart is expected by Jan. 26, IIR said. No major maintenance shutdown is currently planned, Dangote said.
- **Dangote production remained stable** and uninterrupted despite ongoing maintenance, Reuters reports. The refinery said late on Jan. 5 that it continued to supply 40m to 50m litres of gasoline daily through January and February, subject to demand.
- **Valero is expecting** to increase gasoline imports to San Francisco Bay to fulfil its contractual supply obligations in the California market amid plans to shut the Benicia refinery by the end of April. Valero

will proceed with the idling of the Benicia Refinery through a phased approach, starting with its processing units in February.

- **India's fuel demand** in December rose by 2.4% month-on-month and by 5.3% year-on-year to 21.75m metric tons, according to PPAC data. High speed diesel sales rose by 5.0% y/y but down 1.1% m/m to 8.46m tons while gasoline sales rose by 7.1% y/y and up 1.1% m/m to 3.56m tons.
- **Hindustan Petroleum Corp.** commissioned on Sunday a 3.55 mtpa capacity residue upgrade facility at its Visakhapatnam refinery, according to a company statement.
- **The Petroineos Lavera refinery** is restarting the atmospheric distillation unit after repairs to a faulty sensor, according to a community alert.

Managed Money Net Positioning – Source: Bloomberg Finance L.P.



Analyst Views:

Morgan Stanley:

Morgan Stanley expects a global oil market surplus to expand and peak in mid-2026 supported by OPEC+ and non-OPEC output, according to Bloomberg.

- The surplus is expected to peak in H1 2026 at about 2.7mb/d before eroding, “resulting in a balanced market by the very end of 2027.”
- The surplus will pressure prices with Brent forecasts cut for Q1, Q2 and Q3.
- Brent is expected to average \$57.50/bbl in Q1, \$55/bbl in Q2, and \$57.5/bbl in Q3, down from \$60/bbl, while Q4 and Q1 2027 are unchanged at \$60/bbl.
- Geopolitical risks in several countries can only have a sustained impact on prices if they cause actual production losses, and “the record shows that they rarely do.”
- The surplus will eventually become visible in key pricing centres due to limits to oil-in-transit, requiring a steeper contango.

Goldman Sachs:

Goldman Sachs analysts said in a January 4 note that any recovery in Venezuelan oil production would likely be gradual and require substantial investment.

- The analysts estimated a \$4 per barrel downside to 2030 oil prices in a scenario where Venezuela crude production rises to 2 million b/d. (was ~930kbd in November.)
- In the short term, Venezuela's oil production outlook this year will depend on how U.S. sanctions policy evolves, the Goldman analysts said.
- The latest developments likely increase the probabilities of an eventual transition to a policy setup that is more supportive of oil investment but also of short-run changes to oil flows the analysts said. This could mean more flows to the US Gulf and less to China.
- Production may edge up slightly in the short-run, including in a scenario with a US-supported government and full sanctions relief the analysts added.
- A gradual rise in heavy "diesel-rich" Venezuela crude production could also partially offset headwinds to the structurally bullish outlook for diesel margins.

JPMorgan:

The Venezuela regime change represents one of the largest upside risks for global oil supply outlooks in 2026-27 and beyond according to JP Morgan analysts.

- They said that Venezuela could raise oil production to 1.3-1.4 mbd within two years and potentially reach 2.5 mbd over the next decade, up from around 0.8 mbd currently.
- Combined oil reserves from Venezuela, Guyana and the US could have about 30% of global oil reserves if consolidated under its influence, giving it more ability to influence prices.
- These dynamics are currently not reflected into the back end of the oil futures curve according to JP's analysts.
- The analysts said it appears the administration may be inclined to implement secondary sanctions while channeling Venezuelan oil flows to and through the US, consistent with the America-first sanctions policy.
- The analysts note that the transition does however risk a short and sharp hit on production.

UBS:

The outlook for Venezuela remains highly uncertain, though short-term risks to oil production are skewed to the downside, UBS said in a note cited by Reuters.

- Nevertheless, over the next 12 months the bank does not see any significant impact on global oil market balances.
- UBS forecasts global oil demand to increase by ~1.2mb/d in 2026.
- It sees non-OPEC+ supply rising by around 0.8mb/d in 2026.
- The bank forecasts Brent to stand at \$62/bbl at the end of Q1, \$65/bbl at mid-year, and \$67/bbl at year-end.

Natixis:

The market impact of losing Venezuelan volumes is muted given that China takes the vast majority of the trade, Natixis said in a note.

- "Arguably China could lose these barrels with no urgent need to replace them given access to abundant excess sanctioned material via Iran and Russia, and largescale SPR buildup in recent years."
- Assuming the political situation stabilises, Natixis sees low-hanging fruit contributions to production of about 0.2mb/d given improved logistics and diluent availability.
- However, "lower prices in 2026 will also weigh on output given high costs and discounts applied to Meroy."
- A stabilisation of production at the Nov-25 level of 1.1mb/d would be a 'best-case scenario.'
- Longer-term there is more uncertainty with a return to 3mb/d dependent on major investment over a significant period.

- As such, Natixis sees a low probability of a major rebound across its forecast horizon and leaves its Brent forecast unchanged at \$62/bbl for 2026.

ANZ:

The regular timeframes to increase oil output in Venezuela are likely to be longer than elsewhere due to the challenges faced by the industry, ANZ said cited by Bloomberg.

- Investors should brace for the possibility of continued political instability with significant civil unrest and sustained US sanctions.
- “As such, it would be hard to see any impact from increased investment in oil production before the end of the decade, even if the project evaluation process started immediately.”
- Major final investment decisions typically take one to five years after an initial discovery, with first oil after a further one to two years for onshore conventional reserves and up to seven years for offshore projects.
- Annual investment more than the industry standard of roughly \$5.5 billion is likely required to maintain production of 1mb/d, ANZ added.
- “Expansion capex for conventional onshore deposits can range between \$10k–\$30k per barrel per day of capacity,” and with costs as high as \$60k per barrel per day for deepwater offshore projects.

OIES:

US actions in Venezuela threaten to cut China off, but the disruption to Chinese investors and buyers will likely be manageable, said Michal Meidan, Head of China Energy Research at OIES.

- The loss of discounted Venezuelan barrels hurts China’s independent refiners the most, but they still have Russian and Iranian crude. Chinese imports of Venezuelan crude averaged just over 300kb/d in 2024-2025 with roughly half to Shandong independents and state-owned majors account for roughly a third.
- Part of Chinese crude imports from Venezuela are linked to loans given to the country since 2007 with roughly \$10 billion outstanding. Chinese policy banks will likely find a way to restructure and renegotiate loans if needed.
- China’s state-owned CNPC has a JV with PDVSA, Sinovensa, with a stake estimated around 50% but production is only around 110kb/d.
- Small Chinese players have entered the upstream since 2023, mostly in production sharing agreements with PDVSA but have to date yielded limited production.
- It remains unclear what the post-Maduro regime will look like. China may lose flows and assets in the short term but may find a way back to Venezuela over time.

Kpler:

While there is mostly short-term downside to Venezuelan production, there is also an upside of roughly 100kb/d within three months in the event of a negotiated transition of power, according to Kpler.

- This could be achieved primarily via increased imports of naphtha to use at upgraders in the Orinoco Belt and via workovers in the Maracaibo basin, Kpler says.
- Assuming a US-backed transitional government and full sanctions relief, Kpler sees production upside of 300-400kb/d to 1.1-1.2mb/d by the end of 2026.
- This would require mid-cycle investment and repairs at the functioning Petropiar upgrader operated by Chevron as well as further workovers in the Maracaibo basin.
- By 2028, there is upside of 800-900kb/d to 1.7-1.8mb/d in output, contingent on major upstream capex and JV terms, and assuming the restart of Petromonagas and Petro Roraima upgraders.
- However, ramping up to 2mb/d and above is unlikely without sweeping reforms at PDVSA and new upstream contracts signed with foreign companies, Kpler says.

Energy Aspects:

Any significant Venezuelan oil production recovery will be slow and costly according to Energy Aspects' Director of Market Intelligence Amrita Sen.

- Simply restoring gas compression facilities is a huge task without which, oil production will not increase Sen said.
- Trumps vision for restoring production faces realities of Venezuela's massive debt obligation and legal challenges she added.
- "Just to increase production by 500k b/d would take at least two years and \$10bn, anything where you talk to going back to Venezuelan heyday production – you are talking \$100bn if not higher and up to 7-10 years," she said.
- "Oil companies do not want to go back in, they don't even know if contracts will be upheld by the new government," Sen said.