

## MNI: Political Drivers for Energy Markets Dec. 15-21

By Lawrence Toye (15/12/2025)

### Executive Summary:

- As talks continue, negotiators say that progress has been made toward a **Russia-Ukraine peace deal**
- US' seizure of Venezuelan oil tankers shows **Washington's continued push to oust Maduro**

### Ukraine-Russia: Zelenskiy Considers Abandoning NATO Membership

A US delegation said "a lot of progress was made" on the Russia-Ukraine peace plan yesterday, with talks resuming today in Berlin.

- President Volodymyr Zelenskiy signalled that Ukraine could accept security guarantees from the US and Europe to prevent future Russian aggression as a substitute for joining NATO.
- Zelenskiy told reporters that a bilateral agreement with the US would function like NATO's Article 5 provision (an attack on one is an attack on all), while Ukraine could also have defence agreements with the likes of the EU, Japan, or Canada.
- NATO membership for Ukraine is a red line for Russia, but a commitment to joining the organisation is enshrined in Ukraine's constitution.
- While this may be seen as progress on a key obstacle, there is likely still wide disagreement between the sides on the scope of any security guarantees. For example, Russia has repeatedly rejected the prospect of EU, US, or NATO military personnel or equipment in Ukraine.
- Zelenskiy also said that a ceasefire along the current front lines would be a fair option in any peace deal. In contrast, Russia continues to take a maximalist position, demanding Ukrainian withdrawal from the remaining 10% of territory Kyiv controls in the Donbas region (Donetsk and Luhansk oblasts), while freezing the lines in other oblasts such as Kherson and Zaporizhzhia.
- Zelenskiy had previously floated a referendum on ceding the Donbas. This could aid him in two ways: if approved, it would give him political support to make the difficult decision to give up territory. If rejected, he could claim to be acting in accordance with the will of the Ukrainian people by rejecting concessions.
- Trump has repeatedly complained about Zelenskiy remaining in power without an election. Ukraine's constitution stipulates a suspension of elections during periods of martial law. Hence, the referendum suggestion may be a tactic to placate the US and "play for time" in negotiations.
- However, surrendering the remaining fortress cities in the Donbas would afford Russia a strategic advantage in retaking further territory if the conflict were to restart.
- Moreover, it is not clear how easily a plebiscite could take place, given that 20% of Ukraine is occupied and over 5 million citizens have fled as refugees.
- Meanwhile, talks within the EU on using frozen Russian assets to fund Ukraine's war efforts are ongoing.
- Ukrainian strikes against Russian refineries also continue. Russia is reported to be considering extending the ban on gasoline exports until February. Diesel export restrictions may be lifted at the beginning of 2026.

**OUTLOOK:** Peace plan talks appear to have made progress, but Russia continues to maintain a hard-line approach.

- Key to watch is Russia's response to any options suggested in Berlin. Russia continues to stall negotiations while grinding forward on the front lines.
- The Kremlin's strategy is twofold: to engage just enough to avoid frustrating Trump, and to string out the peace process to keep gaining territory. This aims to prevent further sanctions and strengthen its hand.

- While sanctions on oil and LNG are unlikely to change unless a peace deal is concluded, engagement could help prevent further action or stricter enforcement. This ultimately allows Russia to boost circumvention techniques.

## Venezuela Escalation Ramps Up

The US continues to ramp up pressure on Venezuelan leader Nicolás Maduro, although for the time being is stopping short of land strikes. This is despite Trump's repeated threats.

- Last week, the US took a step further up the escalation ladder by seizing a tanker of sanctioned Venezuelan oil bound for Cuba. POTUS has pledged to seize more tankers. Washington has also expanded sanctions on Venezuelan crude tankers and regime personnel.
- While the legality of seizing vessels in international waters is a grey area, it further pressures the regime by hampering its ability to generate income from oil - the dominant sector of the economy.
- The seizure has caused a sharp drop in Venezuela's oil exports, bringing tanker movements to a near standstill.
- The US military buildup had already made Caracas' crude less desirable for buyers due to the risks of disruption. Discounts for barrels had widened prior to the seizure, with prices likely to fall further.
- While Washington seems determined to dislodge Maduro, his resistance to US pressure leaves Trump with a dilemma: either escalate further, potentially using military action, or back down.
- Trump has also threatened to go after drug traffickers wherever they are, a threat that could involve Colombia and Mexico. Despite the rhetoric, this is highly unlikely at present. First, it could disrupt US-Mexico trade which is crucial for the economies of California and Texas.
- Secondly, targeting Colombia could cause a rally around President Gustavo Petro. His approval rating is currently low, but US intervention could galvanise his left-wing political allies in next year's presidential election.

**OUTLOOK:** Trump is likely to continue escalation via non-military means in the hope of forcing out Maduro. This means further tanker seizures and additional sanctions are likely. The current objective is to disrupt Venezuela's oil revenues and leave Maduro's position untenable.

- Seizures will almost certainly not impact Chevron's operations but will likely further widen discounts for Venezuelan heavy crudes and will curtail overall exports.
- How effective this strategy becomes in removing Maduro is unclear: Venezuela has already suffered from heavy sanctions and an economic crisis since 2019.
- While this tactic ramps up, land strikes remain less likely given they are higher risk and their consequences are more unpredictable.
- However, the longer Maduro stays, the higher the possibility that Trump will be pushed to employ more kinetic force.