

MNI: Political Drivers for Energy Markets Jan. 12-18

By Lawrence Toye (12/01/2026)

Executive Summary:

- **Protests rage across Iran** into their third week, shaking regime stability and threatening disruptions to its crucial oil supplies.
- As the **US floats lifting sanctions on Venezuela**, long-term stability will be key to attract investment
- There is renewed talk of **US-India trade deal negotiations**
- Current risks are seeing key **black-market supplies to China face pressure**, as the US diverts Venezuelan barrels and Iran moves to the brink.

Protests Continue in Iran

As protests - initially triggered by economic grievances - continue in Iran, talk is growing about the possibility that the Islamic Republic is under threat.

- So far, there have been no signs of reduced crude exports, and due to an internet black out in the country, it is unclear whether Khuzestan, the main oil-pumping province, has seen unrest.
- Trump is expected to hold a meeting with his national security team on Tuesday to discuss options for supporting the protests and weakening the Iranian regime.
- While Trump has been briefed on potential military strikes, there is a fear that kinetic action could undermine protesters. Moreover, Washington has not deployed additional troops to the Middle East. Thus, most options are non-kinetic, like cyber and information operations.
- US or Israeli intervention would concern regional leaders like Saudi Arabia and Qatar, fearing spillover risks.
- Iran has vowed to respond if attacked by the US or Israel. Given the stakes, Iranian action may be more aggressive than its previous "symbolic" strikes. This would threaten US military assets in the Persian Gulf as well as shipping in the straits of Hormuz.
- Analysts note that the regime has a smaller window and reduced toolset to crack down on dissent. It is also unlikely to receive direct support from key backers China and Russia.

OUTLOOK: The stakes could be high for oil if the regime cannot restore order. The Islamic Republic has proven to be resilient during past protests, meaning a collapse is in no way inevitable.

- A regime change installing the former crown prince to oversee a democratic transition would be the preferred outcome for both the USA and Israel. While this would spark rapid sanction relief it is a lower probability scenario.
- Continued internal conflict or a strict crack down would be a worst-case scenario as it could see either output disruption or a further tightening of sanctions.
- Bloomberg Economics have a base case scenario that the Islamic Republic will not survive in its current form by the end of 2026, with a leadership change or takeover by the Iranian Revolutionary Guard the base case.
- Polymarket currently has the probability that the Ayatollah will be out of power by the end of 2026 at 60%.

Trump Calls for Venezuela Investment

Washington is working on lifting some sanctions on Caracas, Treasury Secretary Scott Bessent told Reuters Jan. 10, helping stabilise the economy and facilitate the sale of Venezuela's oil. Bessent said sanctions could be lifted as soon as this week without specifying which restrictions could be rolled back first.

- Trump is trying to attract at least \$100bn in private-sector investment to revive Venezuela's crumbling petroleum industry, saying that US oil companies could be "reimbursed by us [government], or through revenue."
- However, Trump said he may block ExxonMobil from investing in Venezuela after its CEO said the country was "uninvestable" during a White House meeting last week.
- Currently, political and legal risks, coupled with low oil prices, are obstacles holding back oil companies from moving into Venezuela.
- There are also questions as to whether the current government, essentially the same as under Maduro, can be relied upon. Some in the state department see new President Delcy Rodriguez as essentially the same as Maduro.
- While keeping the government in place was seen as maintaining stability, it also poses risks for investors, given the very same government expropriated oil infrastructure under former leader Hugo Chavez.
- Even if the Rodriguez government cooperates with the US, there is no guarantee it can deliver success. Violence in Venezuela remains high, while powerful drug cartels and armed guerrillas operate outside of government control.
- Trump's capricious foreign policy which at times can be determined by a post on Truth social, also creates high uncertainty for investors.
- Outside of the US, India stands to benefit from potential opening of Venezuela's oil industry, offering them access after being squeezed out by US sanctions. India is currently looking for alternatives to Russian crude.
- Vitol and Trafigura have started discussions with refiners in India and China regarding Venezuelan crude oil to be delivered in March, according to Reuters.
- The resumption may be selective as only a few Indian refineries could process the heavy crude efficiently at present, Kpler said.

OUTLOOK: The moves of Exxon highlight the concerns investors may have of developing in Venezuela without sufficient guarantees for long-term stability and cooperation with the Venezuelan government.

- While Trump has tried to assuage concerns by saying that he "guarantees that they're going to be safe, that there's going to be no problem. And there won't be," US companies would need formal financial guarantees from the administration before oil companies commit any money.
- Under an appropriate contractual and tax regime, oil production would be profitable even at prices as low as \$25-\$30/b, according to Francisco J Monaldi, Director, Latin America Energy Program at the Baker Institute.

US-India Trade Talks

India and the US are continuing to actively engage on trade deal negotiations, Sergio Gor, the new US ambassador to India, has said Jan. 12 during a trip to Delhi.

- India has faced the highest US tariffs for an Asia nation at 50%, linked to its purchases of Russian oil. Those sales have partly unwound though are linked to Lukoil/Rosneft sanctions rather than outright trade deal pressure.
- On Jan. 9, India's foreign ministry spokesperson said that both sides have been "close to a deal" on several occasions but they remain engaged in negotiations.
- Delhi's comments came after US Commerce Secretary Howard Lutnick claimed that the trade deal between the countries stalled because Modi did not call Trump.
- India's buying of Russian oil hit a three-year low of just over 1m b/d of Russian oil in December.

OUTLOOK: While trade deal optimism is there, the variability of the US policymaking leaves some uncertainty on if and when an agreement can be struck.

- Were a deal to be agreed, part of the agreement would likely look for some move away from Russian oil buying, the extent of which will be determined by negotiations.
- Other countries, like Hungary, have received waivers and delays after developing good personal relations with Trump.