

## MNI Research: What US-Venezuela Tensions Could Mean for Oil

By Lawrence Toye (04/12/2025)

### Executive Summary:

- A **rapid US military build-up** in the Caribbean raises the prospect of **regime change in Venezuela**.
- Any shift in power — negotiated or military — could **reshape Venezuela's oil supply**.
- A **negotiated exit remains the base case**, but limited US strikes are now a plausible near-term trigger for disruption.

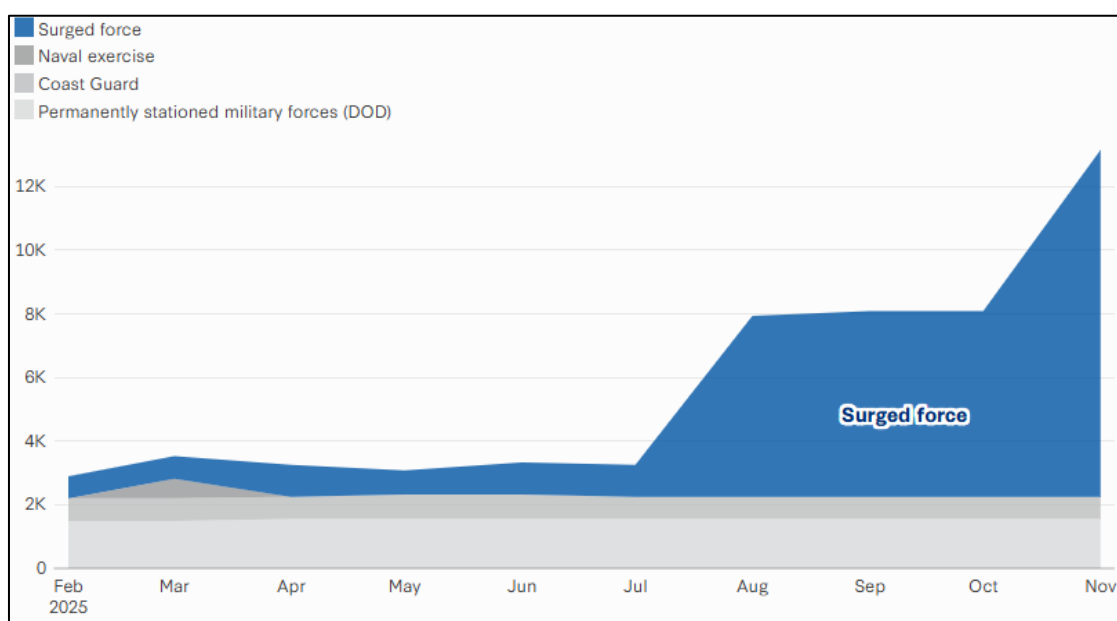
With Washington intensifying pressure on Nicolás Maduro, oil markets are bracing for potential shockwaves.

### US Counter-Narcotics Operation Overkill

Over recent weeks, the US has expanded its military presence in the Caribbean, under the auspices of a counter-narcotics operation.

- Washington has deployed a major naval presence including the USS Gerald Ford aircraft carrier, several escort warships, fighter jets, and up to 15,000 personnel, far exceeding typical counter-narcotics missions.
- As under 10% of cocaine traffic to the US and virtually no fentanyl passes through Venezuela, observers see the build-up as an effort to oust Maduro.
- Washington has tried to link Maduro to drug gangs as a way to justify any potential operations, accusing him of heading the *Cartel de los Soles*, which the US Department of State has designated as a *Foreign Terrorist Organization*. The US also placed a \$50m bounty on Maduro's head.
- The cartel's existence is disputed, but the designation reinforces the counterterrorism framing.

### US Military Deployment to the Caribbean - Source (CSIS)



## Limited Appetite for Diplomacy

Both leaders held a 15-minute call on Nov. 21, during which the US President reportedly gave Maduro an ultimatum: leave office within a week in exchange for safe passage. That offer would have expired Nov. 28.

- Previous pressure on Maduro had focused on allowing the repatriation of Venezuelan migrants set for deportation. These flights appear to have restarted as of Dec. 4.
- Maduro had offered Washington a dominant role in its oil and mineral industries in mid-October, but the proposal was reportedly rejected by the US.
- Trump has also reportedly refused Maduro's offer to leave office in exchange for amnesty and the lifting of sanctions on him and more than 100 officials.
- Markets are now weighing Trump's next move: wait and see, back down, or proceed with military action.

## Venezuela's Oil Industry

Venezuela holds the world's largest oil reserves at around 303bn bbl, mainly heavy sour grades.

- The reserves are concentrated in the remote Orinoco Belt, comprising extra-heavy crude and bitumen.
- These extra-heavy crudes require diluents (naphtha or condensate) and upgrading to produce lighter grades. Orinoco production flows mainly via pipeline to the Jose terminal on the Caribbean Coast.
- In addition, a smaller proportion of Venezuela's reserves are in Lake Maracaibo, which produces light, medium, and heavy crude grades. The region accounts for around 20% of recent Venezuelan output, with barrels exported via terminals at Baja Grande and Puerto Miranda on the Caribbean coast.

### Key Oil Infrastructure in Venezuela- Source (Al Jazeera)



## Production & Exports

Venezuela's industry has been crippled by decades of underinvestment as well as US sanctions.

- Output imploded in the mid-2010s from around 2.5m b/d to as low as 400k b/d, since recovering to the roughly 900k b/d today.
- Chinese refiners take roughly 80% of exports due to limited buyers.
- Among Western IOCs, only Chevron holds a license for limited operations, exporting around 150k b/d to US refiners configured for heavy sour crude.
- Platts said that around 14% of heavy crude imports to the US Gulf Coast and 17% of heavy crude imports to the US East Coast were Venezuelan grades in the 12-month period to August 2025.

### Venezuela's Oil Production & Exports (K b/d)- Source (Bloomberg Finance L.P)



## Trump's Preferred Option: Forcing Maduro Out in a Negotiated Departure

Despite rhetoric and threats of strikes, US action has so far been limited to targeting suspected drug boats.

- Trump is holding off on escalation in favour of seeking an orderly handover.
- However, Washington is reluctant to offer amnesty or safe passage to Maduro's inner circle, which remains the main sticking point as Trump presses Maduro to acquiesce.
- Venezuelan defaulted sovereign bonds have risen recently, possibly an indication it expects Maduro's days to be numbered. Meanwhile, Polymarket has a 17% chance Maduro leaves power by Dec. 31, and a 57% chance he exits by March 31.
- Given Maduro's ICC indictment, \$50m bounty, and lack of long-term guarantees, Maduro may still view remaining in Venezuela as his safest option. The same logic applies to loyal military figures who benefit from the regime's patronage networks.
- As a result, Washington will need a carrot-and-stick approach – credible guarantees for the safety and freedom of key regime members, with a credible threat of military action. Failure risks pushing Trump toward escalation.

### Limited Short-Term Oil Impact

Without any kinetic military action, Venezuela's oil production would continue at current levels in the near term. Chevron would likely maintain or even expand its operations.

- A naval blockade remains an option which could taper exports but would require far greater resources.
- In the longer term, the outlook for oil production in a post-Maduro Venezuela depends on the future stability (more below).

### Land Strikes Options

Trump has repeatedly threatened land strikes on Venezuela, even declaring that the country's skies were closed on Truth social. While yet to make good on his threats, this is the most likely scenario if an organised transition cannot be agreed.

- Analysts at the Center for Strategic and International Studies (CSIS) said that with the military assets in place today, US forces could conduct strikes against Venezuela from a sanctuary offshore—albeit diverting resources from the Indo-Pacific.
- The think tank added that if strikes do occur, the choice of target will reflect the desired aim of the operation: it could be restricted to counter-narcotic sites, military targets for regime change, or a mix of the two.
- Limited strikes could break Maduro's resistance or precede larger operations.
- Trump could also escalate or scale back, depending on initial results.

### Short-Term Oil Output Stable

Both Platts and Kpler expect minor impact from strikes on Venezuela's oil production. Military action would focus around the capital and Caribbean coast, well away from the rural Orinoco Belt. While Maracaibo is more at risk, it is an unlikely target.

- Moreover, organisations like CSIS and International Crisis Group determine that oil refineries or terminals would not be targets of such strikes: the US would be planning for a short operation and would seek objectives outside of civilian areas.
- The short-term disruption, such as temporary port closures, could curb oil production and exports by around 10-15%, Kpler forecasts.
- The general consensus is that Chevron's license will remain under any scenario, given US dependence on heavy sour crudes and its earlier revocation and restoration.
- Despite stable short-term flows, land strikes may produce the longer-term impacts to oil markets. The air-strike option would pose significant risks and leave Washington with limited control over events on the ground, the International Institute for Strategic Studies (IISS) warns.
- Any destabilisation could disrupt oil production even if infrastructure is not directly targeted, potentially triggering a spillover into Colombia, where the Maduro-supporting ELN guerrilla group operates in the border regions.



## Trump Backs Down

The US could back down and leave Maduro in power, but this is a lower probability scenario.

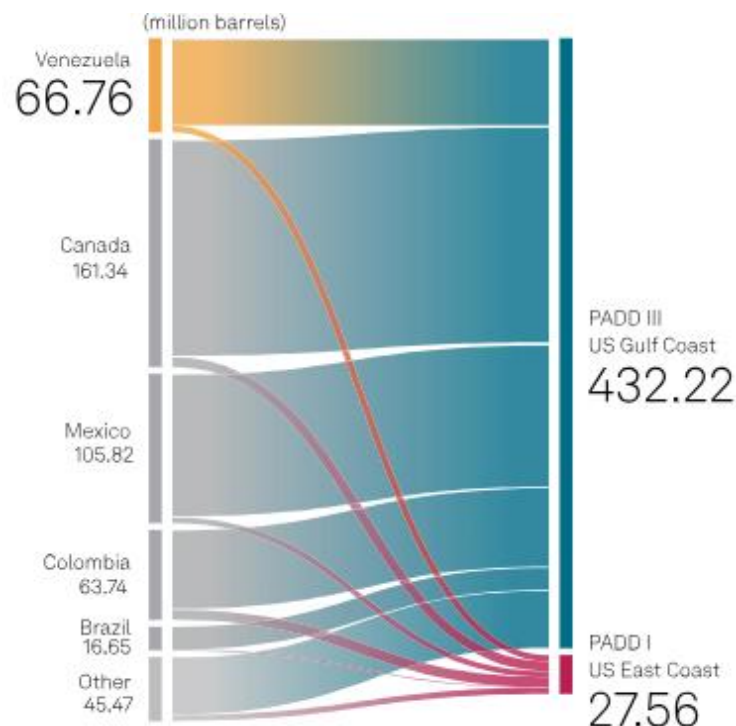
- With major conflicts in the Middle East and Ukraine, coupled with domestic resistance to foreign intervention, Trump might look for an off-ramp if Maduro holds on.
- Even under pressure from LatAm hawks in the administration, Trump could opt out of military engagement, framing the drug-boat strikes as a decisive success. He could also revisit widened access to Venezuela's oil industry.
- Without expanded US access, oil output remains stable. With expanded access, production and exports could rise.

## Full-Scale Invasion (Least Likely Scenario)

A full-scale US amphibious invasion remains the lowest-probability outcome, but it would have the most severe impact on Venezuela's oil sector.

- To undertake a ground invasion, troop levels in the region would need to surge further to at least 50,000 for a viable invasion or 150,000 for overwhelming force, CSIS estimates.
- "A full-scale US invasion remains unlikely because it would have really high political costs, operational costs, humanitarian costs. It could trigger a proper conflict, an armed conflict, a civil war even, with so many different factions involved," according to Annette Idler, associate professor in global security at University of Oxford's Blavatnik School of Government.

### Key Heavy-Crude Supplies to the USA- Source (Platts)



## Oil Impact: Highly Disruptive

A US invasion would almost certainly drive Venezuelan production sharply lower. Operators would pull staff and sabotage risks would rise.

- Even with Maduro toppled, militias and guerrilla factions could prolong disorder.
- Kpler forecasts that a moderate invasion force – with fighting near coastal oil assets – could cut output by 15-25% (~720k b/d) and drive down exports by 20-30% to as low as 525k b/d.
- A full-scale invasion with infrastructure damage could knock out 50% of production and slash exports by up to 60%, Kpler added. Furthermore, recovery could take years.
- The Atlantic Council notes Venezuela's output has collapsed even without war—during the 2002–03 workers' strike, production fell from 3m b/d to 200k b/d—underscoring its vulnerability to disruption.

## Long Term Stability Key Under Maduro Exit

If Maduro leaves—whether voluntarily or by force—Venezuela's long-term oil recovery hinges on political and security stability.

- The military—still dominated by Maduro loyalists with illicit revenue streams—would need security guarantees to avoid resistance.
- A negotiated, orderly transition would facilitate a more market-orientated government. The opposition already released a plan to raise output above 3m b/d by shrinking PDVSA, opening up assets to foreign investors, and improving terms for current joint ventures.
- With relative security, Venezuela could attract major new investment and an influx of IOCs.

## Instability Risks Derailing Recovery

Conversely, a path to 3m b/d becomes impossible without an orderly transition.

- Armed groups could ignite internal conflict without a secure transfer of power, hampering IOC investment and hitting exports.
- Bloomberg notes Iraq's experience: despite a US-backed occupation, output fell after the 2003 invasion and did not return to 1990 levels until 2012.
- The stakes are high for Washington. With a tighter heavy-sour market in the Americas this year, stability in Venezuela is important.

## Trump “Shot Clock”

The USS Gerald Ford's deployment therefore creates a ‘shot clock’ before redeployment elsewhere.

- If it departs with Maduro in place, he will claim victory over “US imperialism,” a situation the Trump administration will struggle to sell politically.
- For Trump, forcing Maduro out without an organised transition risks a failed petro-state on his doorstep.
- The fallout from this political standoff may not be confined to the Americas — it could shape global markets.