VENEZUELA INTERVENTION: IMPLICATIONS FOR OIL

January 2026

KEY POINTS

1 The U.S.' extraction of Nicolás Maduro could reshape Americas geopolitics, and Venezuela's ensuing political stability will determine the speed and scale of its oil industry revival.

2 The country holds vast oil reserves, but production is inefficient. With modest political stability, output could rise by about 1 million barrels per day (bpd) over 2 to 3 years to roughly 3 million bpd.

3 More Venezuelan barrels would add to long-term supply, exert downward pressure on crude prices, narrow volatility ranges, and strengthen U.S. energy security as shale depletes.

The U.S.' extraction of President Maduro from Caracas on January 4 could alter the trajectory of geopolitics in the Americas.

The degree to which the country's politics stabilize in the weeks and months ahead will likely determine the path for Venezuela's oil industry. On a global basis, we expect to see downward pressure on crude oil prices over the longer term.

However, Venezuela is the least efficient country when it comes to transforming those reserves into output. The country turns just 0.1%, or 1 million bpd, of its proven oil reserves into output every year.[3] Iran, another heavily sanctioned economy, turns about 1% (4.0 to 4.5 million bpd), which is still relatively inefficient.[4]

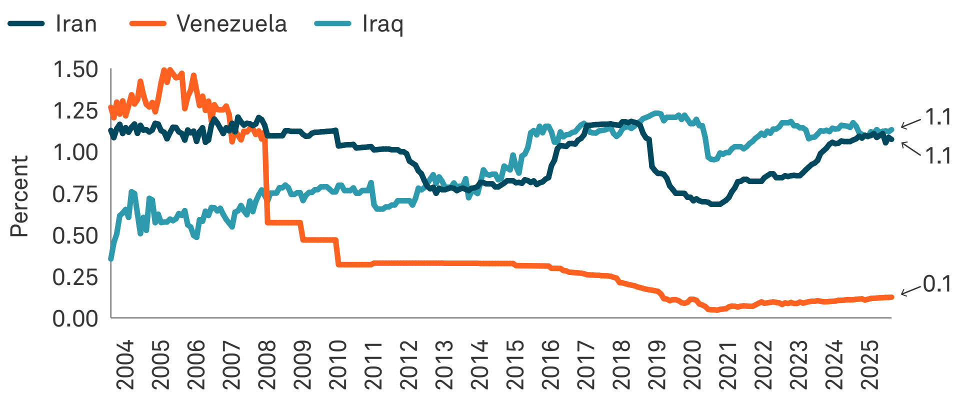
Further, Venezuela's oil production has been in decline since 2007 when the oil assets of the U.S. oil majors operating in the country were seized. Production fell further in the 2010s due to:

- political mismanagement resulting in profit erosion
- underinvestment in oil infrastructure
- a loss of skilled workers
- 2015 oil price downturn
- 2017 sanctions on Venezuela's state-owned oil company, PDVSA

Output Inefficiency

Venezuela holds the largest amount of proven oil reserves globally, amounting to 303 billion barrels. It is followed by Saudi Arabia's 267 billion barrels, Iran's 209 billion, and Canada's 163 billion.[1] The U.S. is ninth with 45 billion.[2] Questions have been raised about the robustness of Venezuela's reserve accounting — which is self-reported — and whether past political directives have inflated reported "proven" figures. Even with this caveat, market participants believe Venezuela's reserves are significant.

ANNUAL OIL PRODUCTION AS A SHARE OF PROVEN OIL RESERVES



Sources: BNY Investments, Macrobond. Data as of January 6, 2026.

[1] Organization of the Petroleum Exporting Countries (OPEC), 2025 OPEC Annual Statistical Bulletin. [2] Ibid. [3] U.S. Energy Information Administration (EIA), July 2025. [4] Ibid.

Could Production Climb?

If Venezuela matched Iran in terms of production efficiency, it is estimated it could add around 9 million bpd in new supply — almost equal to U.S. production.

But a more realistic outlook is for Venezuela to increase production by an additional 1 million bpd or so in over a 2- to 3-year timeframe. This would take production back up to its 2006 peak of 3 million bpd.

Recovery is likely to be slow in part because of the oil type. Venezuelan crude is "heavy" (tar-like), making it harder and more expensive to extract and process compared to lighter grades, such as Arabian or North Sea oil.

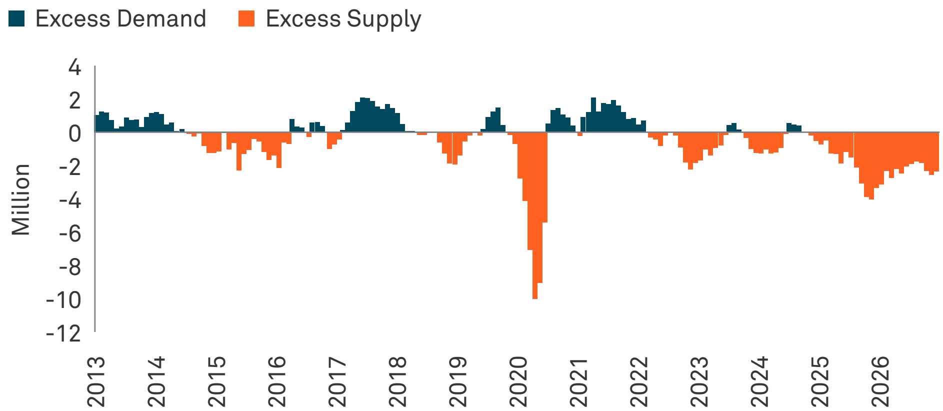
Much will also depend on the degree to which Venezuelan politics stabilize in the weeks and months ahead. The political climate would likely determine the speed and scale of the revival of its oil industry, including:

- a removal of sanctions and the re-entry of U.S.-led foreign direct investment into the energy sector
- access to U.S. refineries in the Gulf coast, which specialize in refining the heavier grade of crude which Venezuela produces

On balance, even a modicum of political stability would support an increase in long-term crude oil supply. This could lead to lower crude oil prices and improve U.S. energy security, especially once shale oil reserves start to deplete.

While this is the most likely longer-term scenario, pressure on oil prices has intensified in the near term. The oil market was oversupplied by about 1.5 million bpd on average in 2025, driving prices down roughly 20%. Oversupply is expected to increase further in 2026, and even a modest surprise in Venezuelan output could amplify this dynamic — exerting additional downward pressure on prices.

GLOBAL OIL DEMAND AND SUPPLY BALANCE



Sources: BNY Investments, Macrobond. Data as of January 6, 2026.

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