DATE: January 4, 2026
TITLE: Venezuela: Big Oil, Bigger Constraints

TRANSCRIPT:
Host:
Welcome to a special GIS Insights interview — our ad-hoc series where we step away from regular market updates and focus on specific developments shaping markets.

Today, Eric, we're talking about Venezuela — a country that's suddenly back in the energy headlines. Why now?

Eric:
Because the narrative has shifted very quickly — and in our view, a little too casually.
Over the past few days, Venezuela has been talked about as if it's a dormant oil superpower that can simply be switched back on. Huge reserves, geopolitical change, US influence — and suddenly people are talking about Venezuelan oil as a solution to future supply constraints.
The reality is more complicated.
Venezuela isn't short of oil.
It's short of infrastructure, functionality, and time.

Host:
Let's start with the basics. Venezuela does have enormous oil reserves — arguably the largest in the world. So what's the disconnect?
Eric:
The disconnect is between what exists underground and what can realistically be delivered to market.
Most of Venezuela's oil sits in the Orinoco Belt. It's extra-heavy crude — extremely viscous, very dense, and unwilling to flow. This isn't shale. It doesn't respond quickly to capital or confidence.
To produce it, you need continuous energy input, access to diluents just to make it transportable, specialised upgrading or complex refining, and functioning power, water and logistics systems.
Those systems have been decaying for years.
So while the geology is vast, the industrial plumbing is fragile.

Host:
Where does production actually stand today?

Eric:
Venezuela is producing around a million barrels a day — a fraction of historic levels.
Exports still happen, but they're volatile. Volumes depend on things like diluent availability, power reliability, shipping access and payment routes.
China has been the main buyer. The US re-entered at the margin through licensed flows, largely via Chevron, which still has people, assets and institutional memory on the ground. Cuba receives small volumes. Russia isn't really a customer — more an intermediary in parts of the system.
It works — but it works precariously.

Host:
There's been political rhetoric suggesting US firms could quickly "bring Venezuelan oil home." How realistic is that?

Eric:
That rhetoric confuses political influence with industrial capability.
Oil doesn't respond to sovereignty claims. It responds to boots on the ground, skilled labour, reliable electricity, water, blending systems, shipping insurance, and contract clarity.
In the short term, geopolitics is more likely to disrupt flows than unlock them. Tanker insurance matters more than speeches. Licensing matters more than intent.

Host:
So if we're realistic, what does an upside scenario actually look like?

Eric:
The best way to think about Venezuela is in time horizons.
In the next six months, you could see stabilisation — repairs, workovers, better blending. That's about stopping decline, not transformation.
Over six to twenty-four months, assuming a benign political and contractual framework, Venezuela might get back toward two million barrels a day — mostly by restoring existing capacity.
Beyond that — real growth — you're talking years, tens of billions of dollars, rebuilt upgrading capacity, and sustained governance stability.
Claims of a rapid return to ten million barrels a day are simply not credible.

Host:
Where does Venezuela fit into the global oil market structurally?

Eric:
Venezuelan crude is a specialist feedstock.
It matters to complex refiners — particularly in the US Gulf Coast, parts of China and India. When those refiners need heavy barrels, Venezuela is relevant. When they don't, price discounts widen quickly.
This makes Venezuelan oil cyclical, conditional, and niche — not a global swing supply.
Delivered costs are also much higher than people assume — somewhere in the $55 to $75 per barrel range once you account for everything.
Cheap in the ground doesn't mean cheap at the pump.

Host:
You mentioned Chevron earlier. Why is it so central to the discussion?

Eric:
Because Chevron is already inside the system.
It has joint ventures, experienced staff, access to diluents, blending infrastructure, and compliance frameworks that work. If Venezuelan production rises meaningfully in the near term, Chevron is the most credible channel.
But even Chevron is constrained by licensing rules and sanctions mechanics — which matter far more than headlines.

Host:
What about the broader oil market response — particularly OPEC?

Eric:
That's the other missing piece.
Venezuela is currently exempt from quotas, but if output rises meaningfully, that exemption won't last. OPEC+ has moved toward a more formal capacity-based framework precisely to prevent surprise supply grabs.
Any sustained Venezuelan comeback would likely be offset elsewhere — probably by Saudi Arabia or the UAE — to preserve market balance.
So again, Venezuela doesn't flood the market. It gets absorbed, managed, and constrained.

Host:
So what should markets actually be watching?

Eric:
Forget rhetoric. Watch mechanics.
Watch licensing decisions.
Watch diluent flows.
Watch upgrader uptime.
Watch tanker behaviour and insurance availability.
And watch how OPEC responds if volumes rise.
Those signals matter. Speeches don't.

Host:
Final takeaway?

Eric:
Venezuela is not a shale wildcard waiting to be unleashed.
It's a heavy-oil system that rewards patience, discipline and stability. The reserves are immense, but the deliverable opportunity is conditional and slow.
Any narrative that treats Venezuelan oil as geopolitically frictionless misunderstands both the barrels — and the business.

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