

## **An Oil Change to Start off the New Year**

On January 3, 2026, the United States of America launched a large-scale strike on Venezuela, capturing President Nicolás Maduro and his wife. President Donald Trump announced that the action taken by the United States of America was a part of a campaign to dismantle a “narco-dictatorship”. President Trump has also announced that the USA will be running Venezuela (which is notably being opposed by the current interim President and former Vice President of Venezuela, Delcy Rodríguez). The talk of the town on this current predicament is how 17.3 trillion dollars' worth of oil reserves has now fallen into the hands of the ever-oil-loving USA, right as tensions have escalated between Yemen and Saudi Arabia (the second largest oil reserve in the world). This seems awfully well-oiled for the world economy.

Oil reserves are measured using a physical attribute called ‘barrels’ (one barrel is approximately 159 litres) rather than monetary value to avoid fluctuations due to market volatility. Venezuela holds around 303 billion barrels of oil reserves, which at current prices of around \$57-\$60 per barrel, leads to a valuation of nearly \$17.3 trillion. To put this value into perspective, it is equivalent to more than 50% of the USA's GDP and exceeds the GDP of every single country combined when excluding the USA and China. Now doesn't that sound wonderful for American energy companies!

Initial volatility is warranted for oil prices. Oil futures WTI (West Texas Intermediate) and BZ (Brent Crude Oil) are likely to spike in the short term, while the medium and long-term market valuation depends on Maduro's trial and the Trump administration. The petrodollar (dollars earned from oil trade) system, although quite prevalent, is perceived to be in decline due to BRICS negotiations and Saudi Arabia's ending of the 50-year petrodollar agreement. Recent circumstances in Venezuela could have the ability to counter this decline by strengthening the dollar and weakening de-dollarisation propositions. Renewable energy investments, on the other hand, are likely to slow down in the momentary oil dominance. However, as American economist Peter Bernstein once said, “The history of markets is one of overreaction in both directions.”

A major area to look at is geopolitics. Russia and China are quite heavily invested in Venezuela. They would likely resist the USA taking control, with Russia already demanding the release of former President Maduro and China publicly condemning the USA's action by calling it a violation of international law and sovereignty (how ironic). For both China and Russia, Venezuela is key to their strategy aimed at diminishing US dominance in the world economy. In late last year, Venezuela extended joint ventures with Russian firms for 15 years, covering expected investments of about \$616 million. Meanwhile, it owes China nearly \$113 billion in debt, causing China to be in a rare position of a ‘credit-trap’ with Venezuela. Losing influence in Venezuela now weakens both China and Russia's global positioning (as if Russia's wasn't bad enough already).

The USA strike on Venezuela and the capture of Maduro signal turm-oil (pun intended) ahead in geopolitics and short-term market volatility. In the end, the world's largest oil reserve didn't so

much change governments as it changed management. For ordinary people, it leaves us like nervous shareholders hoping that the new quarterly report doesn't end up cranking a surprise surcharge at the gas station on the next trip.

Links:

- Jan 3: [Nicolas Maduro captured: Who is in charge of Venezuela now? Trump says US will 'run' the country - The Times of India](#)
- Narco dictatorship: [Why did the US strike Venezuela and capture its President Nicolas Maduro?](#)
- 57-60: [Oil Prices Forecast: WTI \\$57, Brent \\$60 After Steepest Drop Since 2020](#)
- 50 year petrodollar deal: [US-Saudi petrodollar deal ends after 50 years: What are petrodollars? - India Today](#)
- Russia demanding release: [Russia Demands Release of Maduro After U.S. Military Strikes Venezuela - The Moscow Times](#)
- China condemn: [US Attacks Venezuela: What China Said After US Forces Captured Venezuela President Nicolas Maduro](#)
- 15 years: [Venezuela Extends Russian Oil Joint Venture Agreements By 15 Years - RUSSIA'S PIVOT TO ASIA](#)
- 113 billion debt: [The 30 countries heavily indebted to China](#)