



Gulf Research Center
Knowledge for All

The US-Venezuela Oil Deal & Its Implications on the Gulf

Dr. Naji Abi-Aad

Senior Energy Advisor – Gulf Research Center

September 2026



@Gulf_Research Gulfresearchcenter gulfresearchcenter gulfresearchcenter

مركز الخليج للأبحاث
المعرفة للجميع
منذ عام 2000م

The recent agreement between the United States and Venezuela concerning oil supplies raises significant questions regarding the potential impact of increased Latin American production on Gulf exporters.¹ In light of the continuing instability across the region, the prospects of greater Venezuelan crude entering global markets may influence the strategic importance of the Gulf and the broader Middle East within the international energy landscape.

Notwithstanding these developments, Gulf producers continue to occupy a central position in global oil supply. A substantial proportion of their exports—amounting to nearly one-fifth of worldwide petroleum liquids consumption—transits through the Strait of Hormuz. This reliance renders Hormuz not merely a regional vulnerability but a critical global energy-security concern.

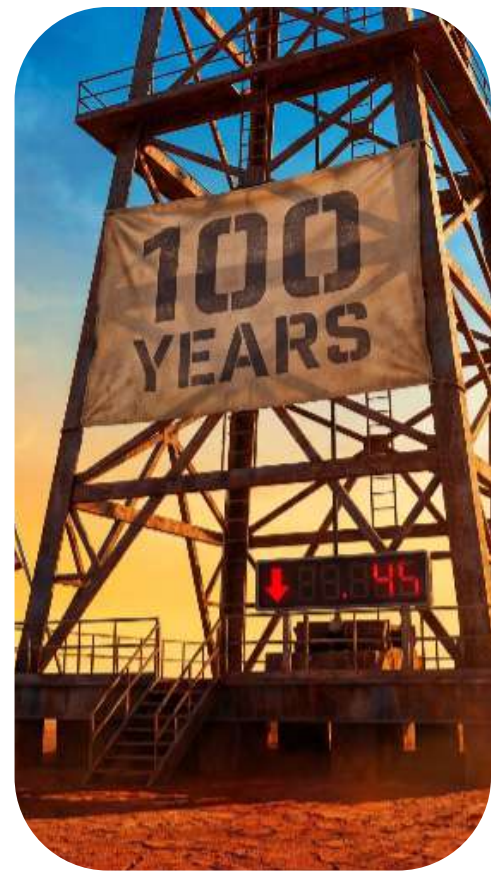
As energy security is increasingly shaped by maritime chokepoints, sanctions regimes, and regional conflict, the notion of Venezuelan oil serving as a partial substitute for Gulf crude has nevertheless become an increasingly compelling consideration.

The US-Venezuela Oil Deal

In late August 2026, the United States entered an agreement to gain majority control of 65 billion barrels of Venezuelan oil reserves for a period of 100 years. The deal, described by US President Donald Trump as the “biggest oil deal in world history” that “came at no cost to American taxpayers,” follows the American military operation in January that removed former President Nicolás Maduro from power, allowing Washington to manage Venezuelan oil sales and facilitate American investment in the country’s energy sector.

Apparently, the agreement is intended to stabilize US crude supply for domestic refineries amid global disruptions, including the ongoing US-Israel war with Iran, and expand the US Strategic Petroleum Reserve, which has been at historically low levels. The deal more than doubles American oil reserves, potentially lowers domestic gas prices, and strengthens energy security.

¹ The Gulf in this paper refers to the following eight countries: Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates (UAE).



”

**This reliance renders
Hormuz not merely a
regional vulnerability
but a critical global
energy-security
concern**

“



The deal involves a combination of government oversight and private sector participation. The Department of Defense and the Pentagon's Office of Strategic Capital are reportedly involved in managing investments and overseeing operations in up to 17 Venezuelan oil fields, including areas in the Orinoco Belt and Lake Maracaibo. Meanwhile, large US oil companies, particularly Chevron, are positioned to benefit from expanded operations, while ExxonMobil and ConocoPhillips are evaluating potential reentry into the Venezuelan oil market.

Comparative Analysis of Venezuelan Oil and Gulf Crude

According to the latest OPEC Annual Statistical Bulletin (2026), Venezuela possesses approximately 304 billion barrels of proven crude oil reserves, representing nearly 19 percent of global reserves and ranking as the largest reserve holder worldwide. This constitutes a significant resource base outside the Gulf region, which collectively accounts for roughly 867 billion barrels, or more than 55 percent of the world's total.



”
Venezuela possesses
approximately 304
billion barrels of proven
crude oil reserves
representing nearly
19 percent of global
reserves and ranking
as the largest reserve
holder worldwide
“

The majority of Venezuelan oil reserves consists of extra-heavy, sour crude concentrated in the Orinoco Oil Belt. This crude is characterized by its extreme density and viscosity, resembling bitumen, and requires specialized extraction techniques such as steam injection and the use of diluents. In contrast, Gulf crudes are predominantly sweet, light to medium in grade, cleaner, easier to refine, and highly valued in international markets.²



Consequently, Venezuelan crude cannot be substituted barrel-for-barrel with Gulf crude across all markets. Its processing often necessitates blending, advanced cracking units, and specialized refineries. Gulf crude, by comparison, can be refined in most facilities worldwide with minimal modification, conferring far greater flexibility in global trade.

Reserves alone also do not equate to substitutable supply. According to OPEC data, Venezuelan production peaked at approximately 3.5 million barrels per day (b/d) in 1998, declining to around 1.3 million b/d by 2018. Subsequent US sanctions further reduced output to some 0.64 million b/d in 2021, before recovering to an average

² Oils are rated as “heavy” or “light” based on their viscosities, or “gravities”. Crudes are also classified by sulfur content, with high-sulfur grades called “sour” and lower-sulfur varieties referred to as “sweet”. Heavy, sour grades are more difficult and costlier to refine into petroleum products such as gasoline, diesel, kerosene and jet fuel.



”

**Venezuelan crude
cannot be substituted
barrel-for-barrel with
Gulf crude across all
markets**

“



of about 1.08 million b/d in 2025—equivalent to just 1.5 percent of global production. By contrast, Gulf producers collectively generated more than 23 million b/d in 2025, representing around 31 percent of global output.

From both commercial and technical perspectives, Venezuelan crude ranks among the costliest to be produced, with extraction and processing expenses estimated between US\$25 and US\$35 per barrel. Gulf oil remains significantly more competitive, with production costs typically ranging from US\$3 to US\$5 per barrel, among the lowest globally.

Despite these constraints, Venezuelan heavy crude retains strategic importance for the United States. Geographic proximity and longstanding refining expertise in processing heavy sour crude enhance its relevance. Approximately 70 percent of the US refining capacity—particularly Gulf Coast facilities in Texas and Louisiana—were designed to accommodate Venezuelan crude. Moreover, as American production increasingly emphasizes on light tight and shale oil, domestic refineries require heavy crude to balance operations.

Although Canadian heavy crude has displaced Venezuelan imports in recent years due to US sanctions, this dynamic may now shift. Should US-Canada relations continue to deteriorate, Venezuelan heavy oil exports could expand, potentially displacing Canadian crude, which is generally marketed at higher prices.

More Diversification Expected but No Displacement of the Gulf's Primacy

The integration of Venezuelan oil as a significant additional source of heavy crude outside the Gulf has the potential to mitigate exposure to disruptions in the Strait of Hormuz. For the United States, this development is particularly salient: Venezuelan crude is geographically proximate compared to Gulf supplies and is more compatible with segments of the US Gulf Coast refining system than much of the domestically produced light shale and tight oil.



”

Gulf oil remains significantly more competitive with production costs typically ranging from US\$3 to US\$5 per barrel among the lowest globally

“

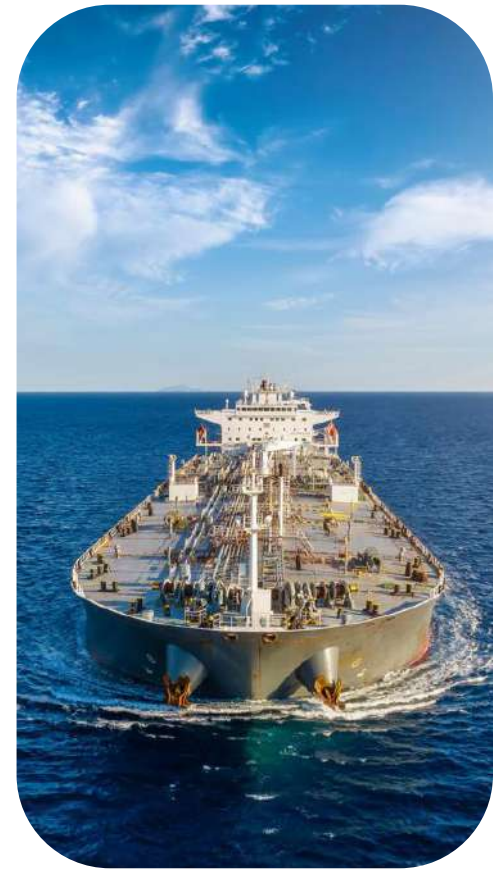


For other importers, including those in Asia and Europe, Venezuelan barrels could serve as an additional safeguard during episodes of instability in the Gulf.

In strategic terms, Venezuela's role could become increasingly consequential without supplanting the Gulf's primacy. While Gulf producers would remain central to global energy markets, the inclusion of Venezuelan supply would broaden and diversify the international energy matrix, thereby reducing reliance on a single chokepoint and providing an alternative source of supply during periods of geopolitical tension.

From the perspective of Gulf producers, Venezuela's oil recovery does not constitute an immediate strategic threat. Gulf crude exporters continue to enjoy structural advantages, including lower production costs, greater export capacity, established market relationships, and superior flexibility in adjusting output. Nevertheless, over time, a more reliable Venezuelan oil supply could diminish the geopolitical risk premium associated with Gulf disruptions and afford importers greater flexibility. This would not displace the Gulf's centrality but would render the global oil system somewhat less dependent on a single strategic corridor.

A further critical implication of Venezuela's re-emergence in the global oil market concerns its impact on prices. Although crude quality remains a relevant factor, market fundamentals are ultimately governed by supply and demand dynamics. A foundational principle of the oil market endures: an expansion in supply exerts downward pressure on prices, irrespective of crude quality. This economic reality continues to shape global pricing mechanisms, and market behavior will continue to have strong consequences on the Gulf economies.



”

**An expansion in supply
exerts downward
pressure on prices
irrespective of crude
quality**

“



Gulf Research Center
Knowledge for All



مركز الخليج للأبحاث
المعرفة للجميع

*The views and opinions expressed in this publication are those of the author
and do not necessarily reflect views of the Center.*



**Gulf Research Center
Jeddah
(Main office)**

19 Rayat Alitihad Street
P.O. Box 2134
Jeddah 21451
Saudi Arabia
Tel: +966 12 6511999
Fax: +966 12 6531375
Email: info@grc.net



**Gulf Research Center
Riyadh**

Unit FN11A
King Faisal Foundation
North Tower
King Fahd Branch Rd
Al Olaya Riyadh 12212
Saudi Arabia
Tel: +966 112112567
Email: info@grc.net



**Gulf Research Center
Foundation**

Avenue de France 23
1202 Geneva
Switzerland
Tel: +41227162730
Email: info@grc.net



**Gulf Research Centre
Cambridge**

University of Cambridge
Sidgwick Avenue,
Cambridge CB3 9DA
United Kingdom
Tel: +44-1223-760758
Fax: +44-1223-335110



**Gulf Research Center
Foundation Brussels**

4th Floor
Avenue de
Cortenbergh 89
1000 Brussels
Belgium
grcb@grc.net
+32 2 251 41 64



@Gulf_Research GulfResearchCenter gulfresearchcenter gulfresearchcenter

www.grc.net

مركز الخليج للأبحاث
المعرفة للجميع