Our View

Trump's Venezuelan Oil Play: Destroying US Oil Producers, Part I

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The Trump administration likes to trumpet US energy dominance. Let's leave aside, for now, the fact that the United States is a high-cost producer and thus cannot be energy-dominant. I will turn to the dominance idiocy in a future missive. In this and several subsequent posts, I focus on the US plan to change Venezuela's oil industry. The steps involved will reduce the United States' oil production and cause significant economic harm to many US producers if trading companies such as Vitol and Trafigura fail to sell most Venezuelan crude to Asian refiners.[1]

In this first post, I describe the characteristics that make much of Venezuela's crude unique. I start by noting that the country has two discrete producing areas: one in the west, adjacent to Colombia, and one in the east, closer to the Atlantic Ocean. Output began in the western fields almost a century ago. Much of it comes from around Lake Maracaibo. The oil produced there is "heavy" and has a significant sulfur content. It is similar in many ways to the crudes exported from the Middle East.

Much of the oil from eastern Venezuela comes from the Orinoco Belt. Compared to the crude from the west, this oil is extremely heavy, as Bloomberg's Javier Blas noted:

> The Orinoco belt is completely different to the conventional basins. The oil there is so viscous it looks like marmalade, and it needs to be diluted with petrochemicals such as naphtha to flow. Back in the 1990s the region was a magnet for the global oil industry, attracting the likes of Exxon, ConocoPhillips and TotalEnergies SE. Apart from Chevron, most foreign players left or were forced out.[2]

A petroleum engineer from Exxon told me that if the company had really understood the quality of the Orinoco crude, "they would have dug a mine" rather than using conventional production techniques.

The Orinoco Belt oil is the heaviest and has the highest sulfur content of most oil moving in commerce. The figure below shows the crude's volume and gravity compared to the world's oil supply in 2007. I based the graph on data available from the Energy Intelligence Group, which cover roughly two-thirds of the world's output. EIG tracks 161 crude oils with cumulative production of

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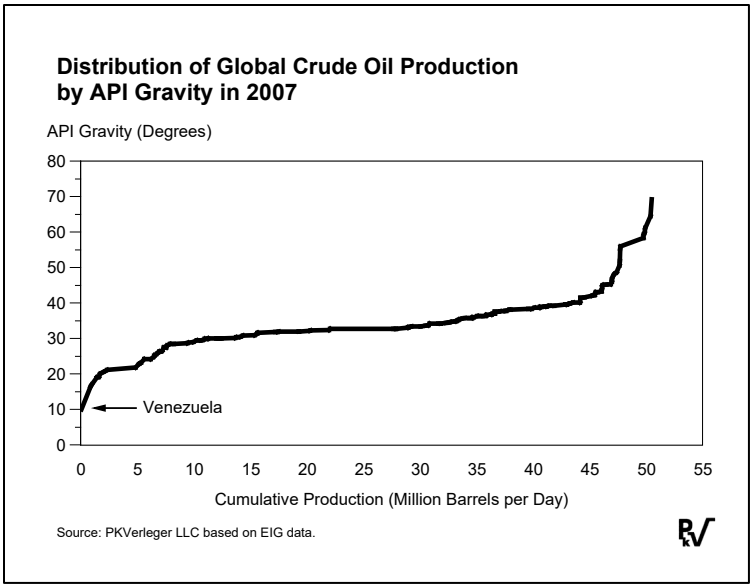
[1] "Trading Giants Want to Sell Venezuela Oil to Big Asia Buyers," Bloomberg, January 12, 2026 [https://tinyurl.com/279waj4f].

[2] Javier Blas, "Forget the Naysayers, Venezuela Offers Quick Oil Wins," Bloomberg, January 9, 2026 [https://tinyurl.com/3zv37kbk].

more than 50 million barrels per day, or about 63% of world production. As the figure illustrates, the API gravity for crude oil ranges from 10° to 70°, with Venezuela's oil at the low end.



Faisal Faeq of *Arab News* offered this comment on how Venezuelan crudes compare to those from the Middle East:

> Venezuelan Orinoco grades typically fall in the 8–16° API gravity range, with sulfur content frequently exceeding 3–4 percent.
>
> This places them at the extreme heavy end of the barrel spectrum. By comparison, heavy sour grades from the Arabian Gulf generally sit closer to 20–28° API, with lower sulfur content and more consistent quality.

This difference is not trivial. Heavy oil is exceedingly difficult to refine. A US Energy Information Administration tutorial explained the challenge:

> **Not all crude oil is the same**
>
> The physical characteristics of crude oil determine how refineries process it. In simple terms, crude oils are classified by density (API gravity) and sulfur content. Less dense (lighter) crude oils (with higher API gravity) generally have more light hydrocarbons. Refineries can produce high-value products such as gasoline, diesel fuel, and jet fuel from light crude oil with simple distillation. **When refineries use simple distillation on denser (heavier) crude oils (with lower API gravity), they produce low-value products. Heavy crude oils require additional, more expensive processing to produce high-value products. Some crude oils also have a high sulfur content, which is an undesirable characteristic in both processing and product quality** [emphasis added].[3]

Crude from the Orinoco Belt is the heaviest of all. As Faeq noted, there is a significant difference between the heavy oils exported from the Middle East and Venezuelan crude: "While both are classified as heavy sour, Arabian Gulf crudes are easier to run, require less blending, and offer more predictable yields. US refiners can process Venezuelan crude, but often only within narrow operating windows and with higher costs."[4]

[3] "Oil and petroleum products explained: refining crude oil," US EIA, June 20, 2024 [https://tinyurl.com/ycbve932].

[4] Faisal Faeq, "The problem with Venezuela's oil is technical, not political," *Arab News*, January 6, 2026 [https://tinyurl.com/bdf5e8td].

When processed in a simple distillation refinery, the heavy crudes produce no gasoline, 20% diesel, and almost 70% residual fuel oil.[5,6] The latter can be converted to marketable products through coking. Light and heavy gasoil, which can be further processed into diesel fuel, are the primary products.[7]

Orinoco crude yields as much as 60% diesel between distillation that produces the residual fuel oil and coking. This makes the heavy Venezuelan oil quite attractive at a time when global diesel supplies are limited by the sanctions on Russian diesel exports and diesel refined from Russian crude oil.

[5] *EIG, International Crude Oil Handbook [https://tinyurl.com/ydn5k3fa].*

[6] Martin Oliver, "Merey 16: Technical profile, history, market and challenges of Venezuela's heavy crude," Shale24, January 3, 2026 [https://tinyurl.com/3uz2njb6].

[7] "Coker unit," Grokipedia [https://tinyurl.com/mvubrt5h].