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Market Commentary

Venezuela Developments and Their Potential Implications for Energy Markets and Investments

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On Friday, we hosted a livestream where we focused on recent developments in Venezuela and what they could mean for global energy markets and for investors. The first half examined the macro and commodity implications of a potential increase in Venezuelan oil supply, while the second half addressed how private capital evaluates the risks and opportunities around investing in energy, including Venezuela, North America, and energy transition themes. Here are some of our key takeaways:

Economic & Energy-Market

- Venezuela is currently producing well under historical levels, but it is viewed as one of the few regions globally with the potential to add large volumes of oil supply over time.
- Venezuelan crude is heavy, which is especially valuable for US Gulf Coast refineries that are designed to process heavier blends and must mix them with lighter US shale oil to maximize fuel output.
- Additional Venezuelan supply could be additive to global oil markets rather than simply displacing other producers, with potential implications for global prices.
- Any meaningful ramp-up depends on non-economic factors such as security, political stability, and contract certainty.
- The US refining system is already operating near capacity, making the type and quality of crude as important as total volume.

Investment & Capital-Markets

- Investors require stable governance, enforceable contracts, and physical security before committing large amounts of capital to Venezuela.
- Historical expropriations and unpaid claims increase the perceived risk and slow new investment.

- Large integrated energy companies and refiners are better positioned to benefit from any near-term increase in Venezuelan production than smaller or private operators.
- Private equity tends to act as a “fast follower,” waiting until regulatory and political frameworks are clearer before deploying capital.
- In North America, investment remains focused on acquisitions, cash-flow-generating assets, and opportunities tied to rising natural-gas demand from data centers and AI-driven electricity usage.

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