

The Venezuelan Gambit: Reshaping the Global Energy Chessboard



Figure 1. The Venezuela Gambit: Energy End-Game

Key takeaway: We view Venezuela as a structural, multi-year energy-power rebalancing; the investable angle is execution, not headlines.

1. Executive Summary

We see the U.S. special forces operation of January 3, 2026, codenamed “Operation Absolute Resolve,” not as a routine regime change, but as a calculated geopolitical gambit. In our view at MoatPeak, this is a deliberate attempt by the United States to move beyond being the world’s largest oil producer and instead become the primary arbiter of global oil prices—directly challenging the role of the established petro-states (see Figure 2).

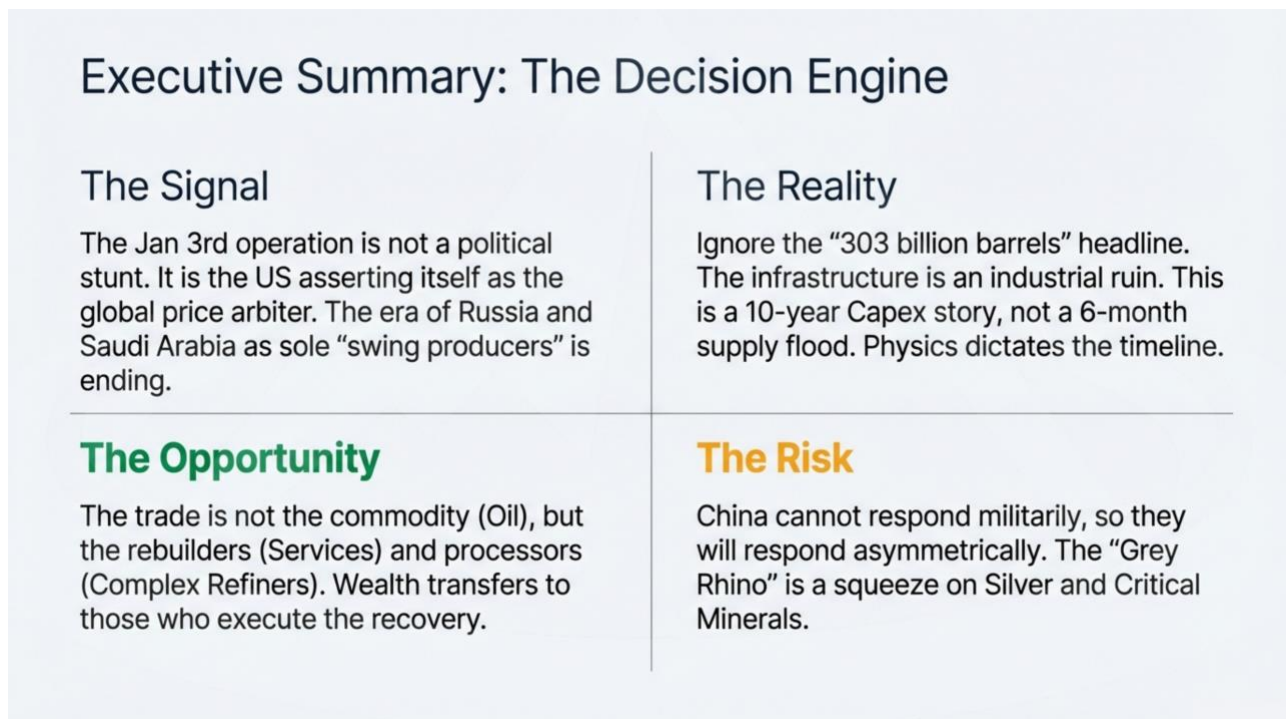


Figure 2. Executive Summary: The Decision Engine

Key takeaway: We see Operation Absolute Resolve as a bid for price-setting power. The opportunity is the rebuilders and complex refiners; the key risk is China’s asymmetric retaliation.

We do not anchor our investment thesis in Venezuela’s headline figure of 303 billion barrels of oil reserves. To us, that number functions like a “Ponzi bond”—impressive on paper, yet masking a far more complex physical and economic reality. The real opportunity lies in the capital-intensive rebuilding of Venezuela’s decayed energy system. We see this as a long-duration infrastructure reconstruction story, not a short-term crude oil trade (see Figure 4).

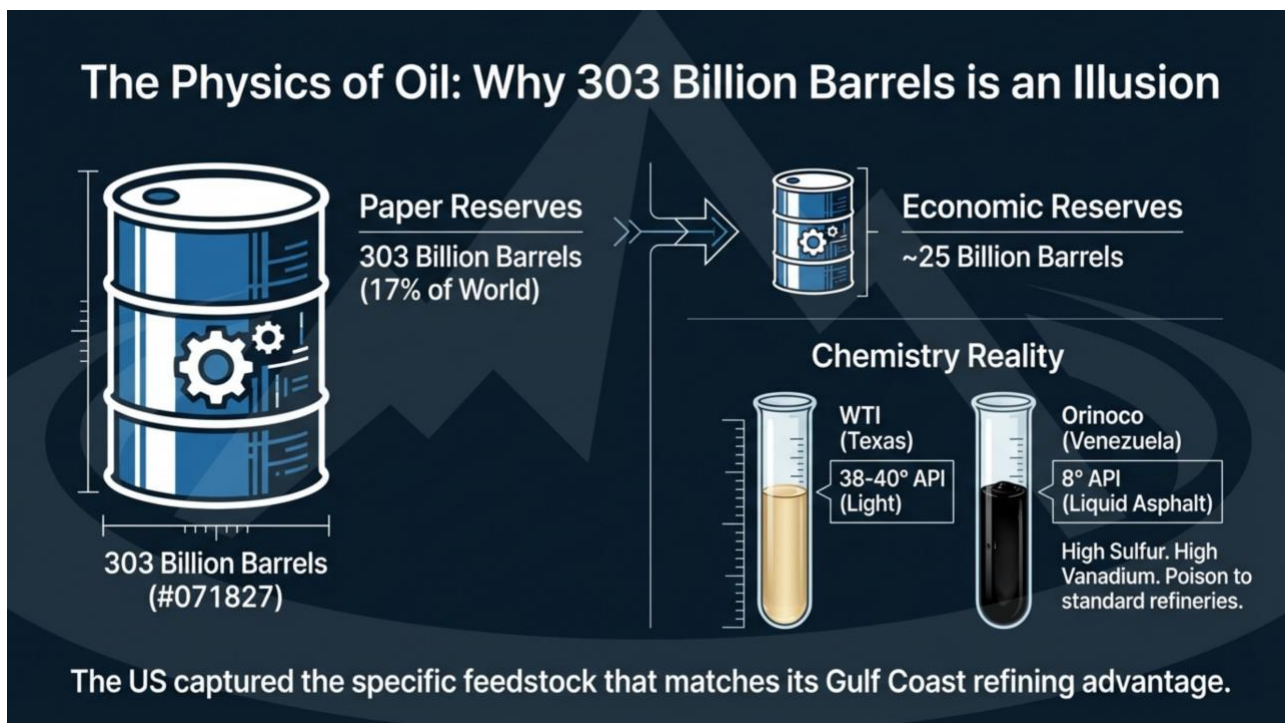


Figure 4. The Physics of Oil: Why 303 Billion Barrels is an Illusion

Key takeaway: We do not anchor on Venezuela’s headline reserves; the binding constraint is chemistry, infrastructure, and capital—making this a reconstruction story.

From our work, several conclusions for investors stand out. We believe the primary winners will be specialized oilfield service companies with the technology to handle ultra-heavy oil, and the U.S. Gulf Coast refiners uniquely positioned to process it. The most serious risks, as we see them, are twofold: a slide into prolonged internal chaos in Venezuela, and an asymmetric economic response from China—more likely focused on U.S. technological supply chains than on the oil market itself. Under our base case, we expect Brent crude to stabilize in the \$50–60 per barrel range as Venezuela’s recovery unfolds slowly over years rather than quarters.

In our assessment, this operation marks the start of a multi-year rebalancing of global energy power—a structural shift that will define clear winners and losers across markets, sectors, and countries.

2. Impact on U.S. Markets

When we look at the U.S. markets, we focus less on the military action itself and more on its second-order effects. The real story, in our view, is how shifts in global oil prices may alter the U.S. Federal Reserve’s reaction function—and, through it, the path of both equities and bonds.

We see a potential fork in the road for U.S. equities. In a more optimistic path, where Venezuela transitions relatively smoothly and oil falls into the \$40–45 per barrel range, the S&P 500 would likely

gain a strong tailwind. Cheaper energy would lower corporate costs and dampen inflation, giving the index a realistic chance to move toward, and possibly above, Goldman Sachs's 7,600-point target.

In a darker scenario—where Venezuela descends into disorder and other producers retaliate by constraining supply, pushing oil into the \$70–80 per barrel band—persistent inflation becomes a serious problem. In that world, we would expect margin pressure, renewed fears of higher-for-longer rates, and the real possibility of a 10–15% market correction.

For U.S. bonds and monetary policy, our conclusions are just as stark. A sustained drop in oil prices would be a gift to the Federal Reserve, providing the disinflationary impulse needed to justify more aggressive rate cuts. Under those circumstances, we could easily see the federal funds rate fall into the 3.0–3.25% range in 2026. But if energy prices stay elevated, we believe the Fed will have little choice but to keep policy tight, maintaining higher rates for longer to lean against stubborn inflation.

While Wall Street debates the Fed's next move, we think the most profound geopolitical impact will be felt in Moscow and Riyadh, where national budgets—and, by extension, political stability—are now squarely in Washington's line of fire.

3. Impact on Europe & Global Markets

We view the U.S. action in Venezuela as a direct challenge to the existing global energy order. Its most powerful second-order effects, in our opinion, will not be felt first in Europe's consuming economies, but in the petro-states that have long shaped pricing power—Russia and Saudi Arabia—and in China, the world's largest energy consumer, whose interests in Venezuela have been overtly undermined.

For Russia, we see the fiscal and geopolitical implications as severe. With a budget breakeven oil price around \$77 per barrel, a Brent environment of \$40–45 would almost certainly trigger a fiscal crisis. In that scenario, we estimate a budget deficit of 4–5% of GDP, forcing the Kremlin into a painful choice between deep cuts in military expenditure and a resort to large-scale money printing.

Saudi Arabia, in our view, faces a less immediate but still meaningful strain. To balance its budget and fund its flagship megaprojects, the Kingdom needs an oil price in the \$85–91 per barrel range. Low debt and substantial reserves give Riyadh more room to maneuver than Moscow, but we doubt it can sustain its current level of ambition if Brent settles in the \$50–60 band. Under such conditions, we would expect highly visible projects like "The Line" to be slowed, scaled back, or quietly shelved.

We also see this move as a fundamental disruption of global commodity flows, with China as the biggest loser. Previously, Venezuela shipped roughly 430,000 barrels per day to China, much of it at a steep discount to work off an outstanding \$10–12 billion debt. The new U.S.-backed leadership in Caracas has a clear priority: divert crude away from China's "dark fleet" and toward U.S. Gulf Coast refiners. In our eyes, this is a major realignment of the global energy supply chain.

Yet we believe the most far-reaching global response may not appear in the oil market at all, but in a quieter theater: the supply chain for critical minerals.

4. Sectoral Movements & Specific Ideas to Monitor

The macro story is compelling, but we ultimately earn returns at the company level. In this section, we focus on the corporate players we think are best positioned to benefit from the multi-year rebuilding of Venezuela’s energy sector. We see markets beginning to discount this shift, but in our judgment, the opportunity is still not fully priced.

The Kings of Service: The Purest Bet on Reconstruction

We view oilfield service leaders SLB (Schlumberger) and HAL (Halliburton) as the clearest, most direct investment expression of Venezuela’s recovery. Our conviction rests on three realities we see as non-negotiable.

First, the infrastructure is catastrophic. PDVSA’s assets are in a state of near-total collapse. Many pipelines are more than 50 years old and riddled with leaks, and refineries are running at only 10–20% of capacity (see Figure 5).

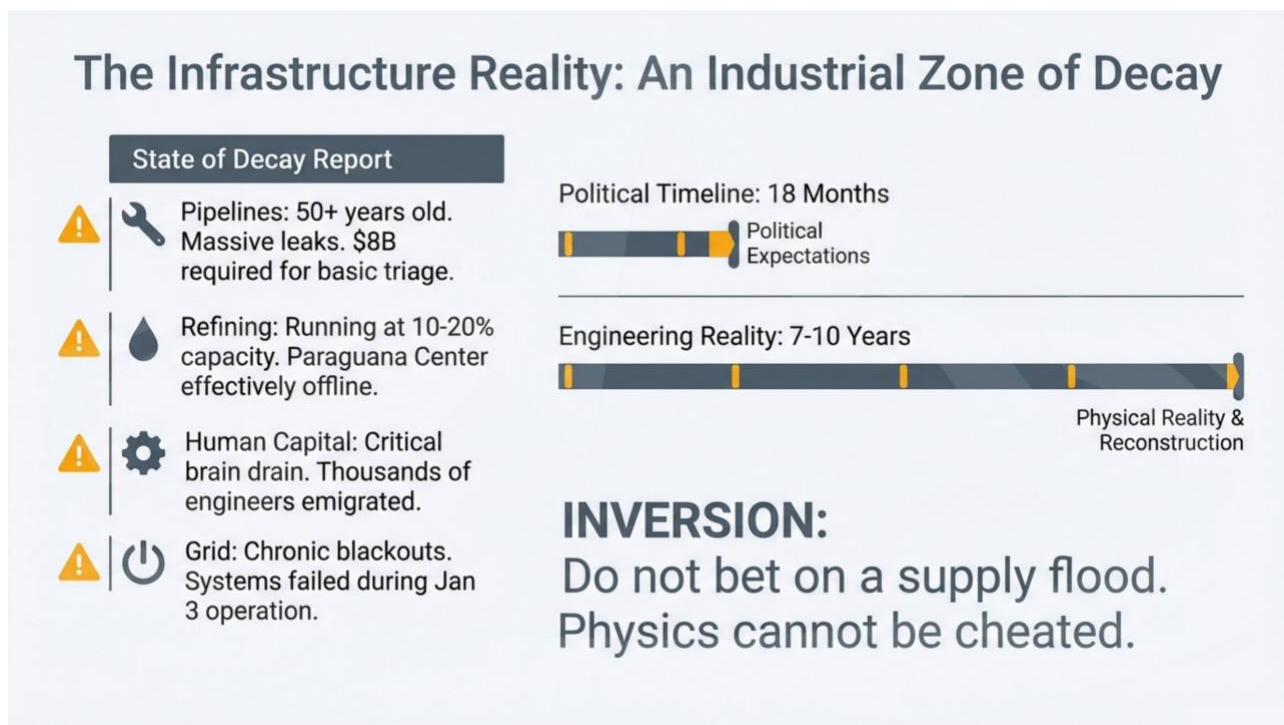


Figure 5. The Infrastructure Reality: An Industrial Zone of Decay

Key takeaway: PDVSA’s system is in industrial ruin, implying a 7–10 year engineering timeline. We do not bet on an imminent supply flood.

Second, we are at the start of a massive capital cycle. Current estimates suggest Venezuela will need somewhere between \$50 billion and \$200 billion in capital expenditures over the next 5–10 years to

restore its oil sector. To us, that implies a long, visible contract cycle for the service providers who win this work.

Third, there is a clear technological moat. Crude from the Orinoco Belt is an ultra-heavy, viscous oil of about 8° API, closer to “liquid road pavement” than conventional crude. Producing and upgrading it is technically demanding. We believe both \$SLB and \$HAL possess the specialized know-how and equipment that give them a durable edge in this niche (see Figure 6).

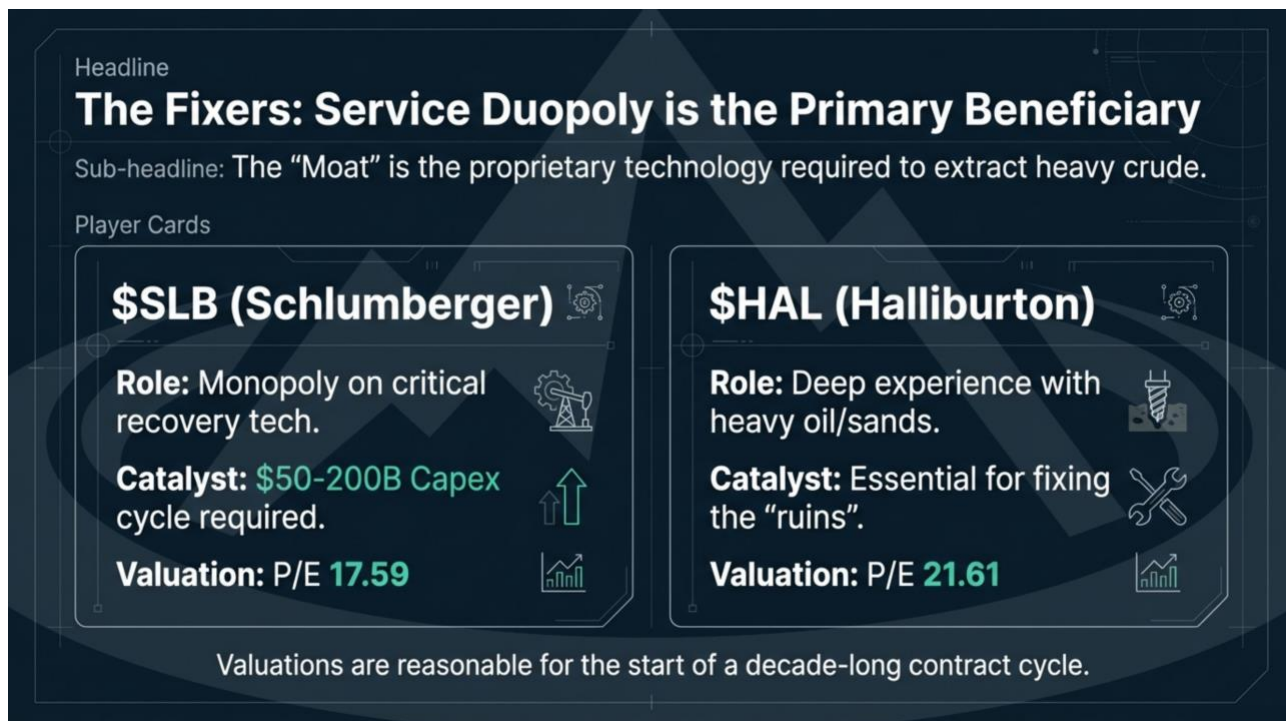


Figure 6. The Fixers: Service Duopoly is the Primary Beneficiary

Key takeaway: We see \$SLB and \$HAL as the clearest expression of the rebuild, supported by a multi-year \$50–200B capex cycle and technical moat in heavy oil.

We have already seen markets quietly position for this scenario. In the six months leading up to the operation, HAL gained +53.84% and SLB added +28.41%. Even after that run, current P/E ratios—21.61 for \$HAL and 17.59 for \$SLB—still look reasonable to us when set against the prospect of a decade-long cycle of high-margin contracts (see Figure 3).

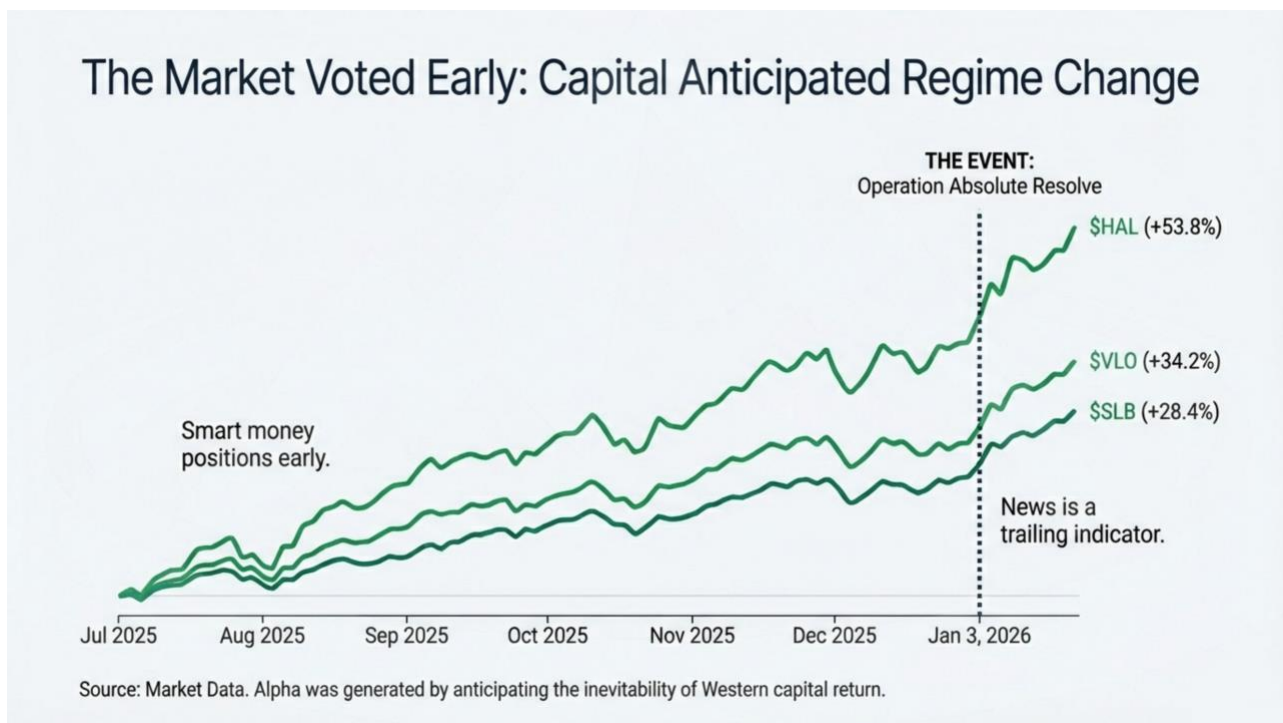


Figure 3. The Market Voted Early: Capital Anticipated Regime Change

Key takeaway: Markets positioned ahead of the operation: services leadership suggests capital anticipated a long contract cycle, not a short oil spike.

The Incumbent: Chevron’s Unique Foothold

Among the oil majors, we see \$CVX (Chevron) as uniquely advantaged. Chevron never fully left Venezuela; even under sanctions, it maintained operations and produced around 200,000 barrels per day. That continuity means it has what new entrants lack: an in-country team, granular geological understanding, and deep institutional relationships. We believe this will allow Chevron to ramp production faster and more efficiently than any competitor starting from scratch.

The Refiners: Turning Heavy Crude into Gold

The chemistry of Venezuelan crude makes U.S. Gulf Coast refiners an essential part of this story. Venezuelan oil carries high levels of vanadium, which is effectively “poison” for standard refining catalysts. Only the most complex coker refineries, many of which are clustered along the Gulf Coast, can handle this crude profitably (see Figure 7).

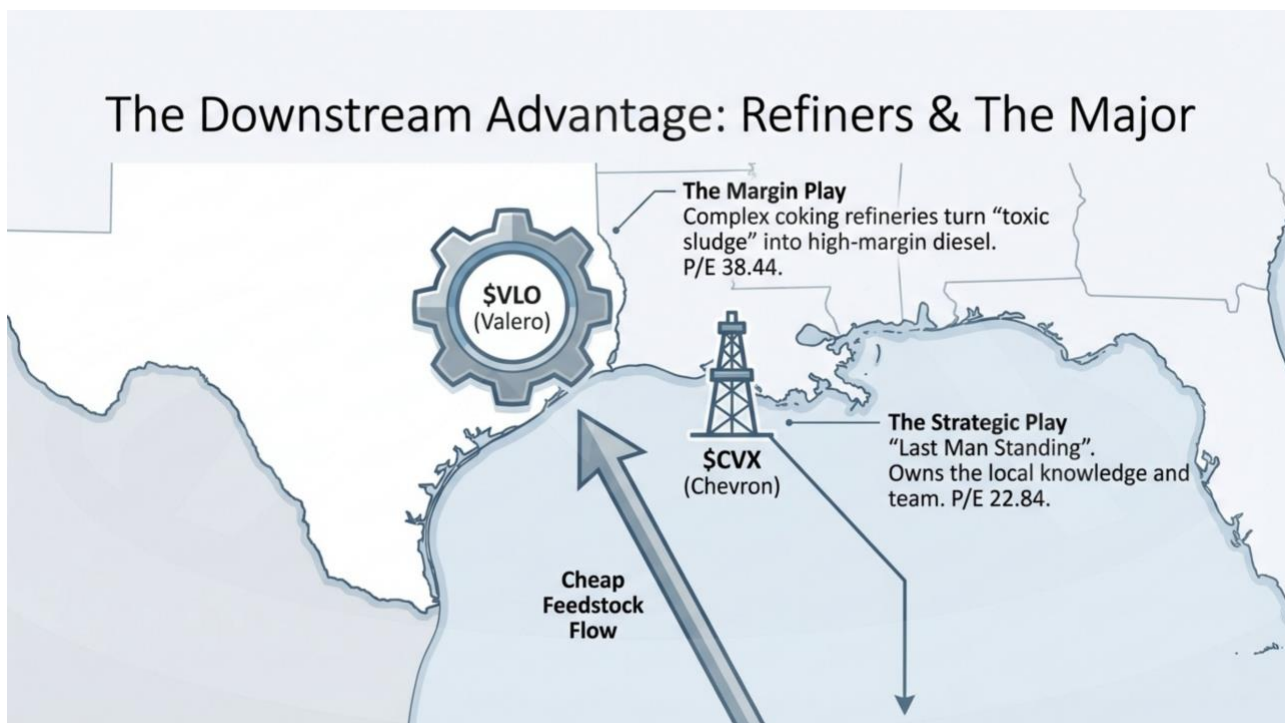


Figure 7. The Downstream Advantage: Refiners & the Majors

Key takeaway: U.S. Gulf Coast complex refiners are structurally advantaged in processing Orinoco heavy crude; \$VLO is our most focused way to express that edge.

Within this group, we see \$VLO (Valero Energy) as the most focused way to express the theme. As a less vertically integrated business, its earnings are tightly linked to refining margins. Its relatively high P/E multiple of 38.44 signals that the market already expects discounted Venezuelan heavy crude to meaningfully enhance those margins—and we think that expectation is justified if the political path holds.

\$XOM (Exxon Mobil) is also a significant refiner in the region, but as a far more diversified energy giant, its performance will be driven by a much broader array of global factors. We see Venezuelan crude as a positive tailwind for Exxon, but not the defining driver it could be for Valero.

Having laid out who stands to gain the most, we now turn to what we view as the underappreciated “gray rhino” risks that could threaten the entire thesis.

5. “Gray Rhinos”: China’s Asymmetric Revenge

We use the term “gray rhino” to describe a highly probable, high-impact risk that is plainly visible yet often ignored. In this case, while much of the market is transfixed by barrels of oil, we believe the most serious and underpriced threat is China’s capacity for asymmetric economic retaliation, especially against U.S. technological vulnerabilities (see Figure 9).

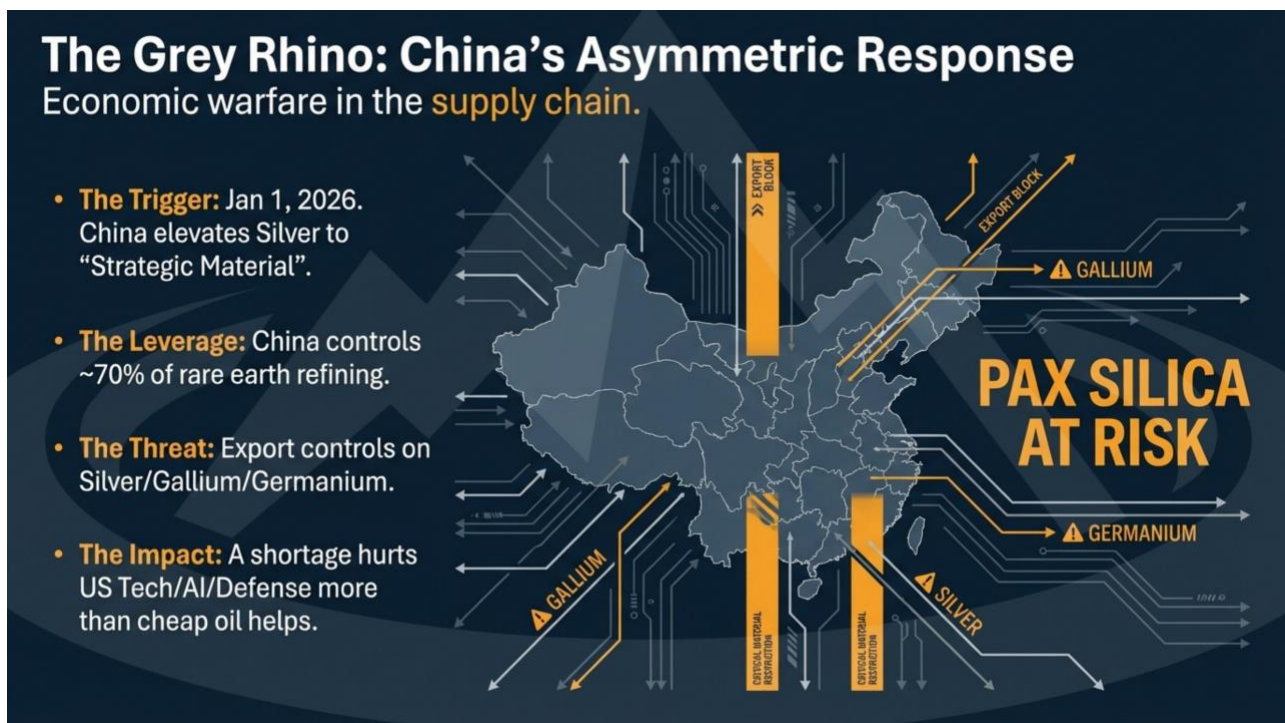


Figure 9. The Grey Rhino: China's Asymmetric Response

Key takeaway: We see the most underpriced risk as China shifting the battleground to critical supply chains (silver, REEs, gallium, germanium), not the oil market.

We have already seen Beijing prepare the ground. On January 1, 2026, China officially designated silver as a strategic material, vital for solar panels, electronics, and advanced defense systems. If Beijing were to impose an export embargo, we believe the shock to U.S. technology and renewable energy sectors could be substantial.

What deepens this calculus, in our eyes, is a less-discussed prize in Venezuela: rare-earth elements (REEs). Official estimates suggest the country may hold up to 300,000 metric tons of REEs, with a potential market value of more than \$200 billion. That perspective reframes the U.S. move in Venezuela as a two-pronged strategy: one aimed at reasserting dominance in the 20th-century energy system (oil), and another at securing the 21st-century technological backbone (critical minerals). This strikes directly at Beijing's current position, where China controls over 70% of REE mining and almost all global processing.

From this vantage point, we think it is reasonable to expect a spectrum of asymmetric responses from China, such as curbing exports of silver, rare earths, gallium, and germanium; accelerating strategic oil purchases to support global prices; deepening financial and technological support for Russia and Iran; and using the Belt and Road Initiative to lock up resource assets elsewhere, often ahead of U.S. interests.

In our judgment, a sustained shortfall in critical metals engineered by Beijing could inflict more lasting damage on the U.S. economy than any temporary spike in oil prices.

6. Our Scenarios & Probabilities

To move beyond headline noise and day-to-day risk premiums, we have built three core scenarios for the oil market. Our framework centers on the speed of Venezuela’s production recovery and how OPEC+ responds. This gives us a structured way to think about risk and opportunity over the next 12–24 months (see Figure 8).

Scenario	Probability	Impact & Trigger
Bearish Oil / Bullish Stocks	25%	Brent \$40–45. Rapid stabilization. Fed cuts aggressively to 3%. S&P 500 breaks 7600.
The ‘Slog’ (Base Case)	60%	Brent \$50–60. Slow recovery. Legal fights. Fed cuts to 3.5%. \$SLB/\$HAL outperform.
Chaos / Inflationary	15%	Brent \$70–80. Insurgency. China retaliates. Fed holds rates. Market correction.

Figure 8. Scenario Planning: Three Paths for Brent Crude

Key takeaway: Our base case is Brent \$50–60 with a slow recovery; the tails are \$40–45 (equity-positive) versus \$70–80 (equity-negative) depending on chaos and retaliation.

In our Oil Pessimistic / Equity Optimistic scenario (25% probability), we imagine a relatively smooth political transition, production rising by roughly +500,000 barrels per day by 2027, and creeping OPEC+ indiscipline. That combination could push Brent into the \$40–45 per barrel range. In such an environment, we would expect Russia to slide into a 4–5% of GDP fiscal deficit and face a genuine budget crisis, Saudi Arabia to halt or defer major megaprojects, the Fed to cut rates aggressively toward 3.0–3.25%, and the S&P 500 to have a real shot at moving beyond 7,600.

Our Base Case (60% probability) assumes a slower, more troubled transition. Here, we see Venezuelan output rising by +200,000–300,000 barrels per day by 2027–28, with OPEC+ discipline largely intact. That should anchor Brent in the \$50–60 per barrel band. Under this path, we expect Russia to

experience budget pressure with deficits of 2–3% of GDP, Saudi Arabia to selectively delay some projects rather than cancel them wholesale, the Fed to proceed with 2–3 measured rate cuts, and the S&P 500 to deliver moderate, but not spectacular, gains.

In our Oil Optimistic / Equity Pessimistic scenario (15% probability), we assume Venezuela spirals into chaos, China and Russia respond asymmetrically, and a global demand shock adds fuel to the fire. In that world, Brent moves into the \$70–80 per barrel zone. Russia and Saudi Arabia would enjoy a comfortable price environment, but we would expect the Fed to hold rates higher for longer with only limited room for cuts, and the S&P 500 to face a 10–15% correction.

Across all three scenarios, the factor we watch most closely—the one that will prompt us to revisit these probabilities—is the pace and size of actual capital flowing into Venezuelan infrastructure. In our view, that hard data will tell us far more than any speech or press conference.

7. MoatPeak Insights: A Marathon, Not a Sprint

At MoatPeak, we ground our perspective in a simple discipline: before we talk about upside, we insist on understanding the difficulty and duration of the task. Venezuela’s energy sector is not a switch to be flipped; it is a shattered industrial system that needs to be rebuilt piece by piece. We think investors who assume a quick fix are falling into a familiar trap—projecting political headlines straight onto complex physical systems and trying to trade a multi-decade realignment off intraday news.

When we look at Venezuela, we see an industrial disaster zone. Aging pipelines—many more than 50 years old—suffer from chronic leakage. Refineries, including the huge Paraguana complex, are limping along at 10–20% of capacity. Years of crisis have driven out thousands of engineers and skilled operators, hollowing out the human capital base. The national power grid is fragile and unreliable—an obvious weakness in a sector that is intensely energy-dependent.

We consistently contrast political promises with these physical realities. S&P Global Energy CERA estimates that adding 500,000 barrels per day will require 12–24 months and billions of dollars even under very optimistic conditions. RBC Capital Markets suggests that returning to early-2000s output levels of 3 million barrels per day would demand more than \$100 billion in capital and 7–10 years of sustained effort. For context, we often point to the Korea Zinc plant in Tennessee: even in a stable, well-regulated U.S. environment, this \$7.4 billion project will take more than three years just to come online.

Our core thesis remains unchanged: this is not a fast-money story. We see Venezuela as part of a multi-decade structural shift, one in which the United States is positioning itself to replace Russia and Saudi Arabia as the world’s pivotal swing producer.

8. What This Means for the Retail Investor

For us, navigating this environment starts with a clear, disciplined framework—one that balances near-term opportunities with long-term positioning and explicit risk controls. We aim to capture the upside of this structural shift while staying honest about its uncertainties.

On a 3–6 month tactical horizon, we see the most direct way to participate in the reconstruction theme as taking measured exposure to SLB and HAL, the oilfield service leaders we discussed earlier. We treat these as tactical positions because of the elevated political risk. In our own thinking, we would pair such positions with strict risk controls, such as stop-loss levels around –15% from entry, to guard against sharp volatility.

On a 1–3 year strategic horizon, we favor gradually increasing exposure to U.S. Gulf Coast refiners, with \$VLO as the most focused expression of that view. We believe these refiners enjoy a durable structural advantage: they are among the few globally that can consistently and efficiently process incoming Venezuelan heavy crude.

We also continue to see gold and silver as essential hedges within a broader portfolio. For us, they do double duty: acting as havens during geopolitical flare-ups and serving as long-term protection against the gradual trend of de-dollarization. We take seriously the fact that central banks now hold more gold than U.S. Treasuries for the first time since 1996—to us, that is a clear and underappreciated signal of how global reserve behavior is evolving (see Figure 10).

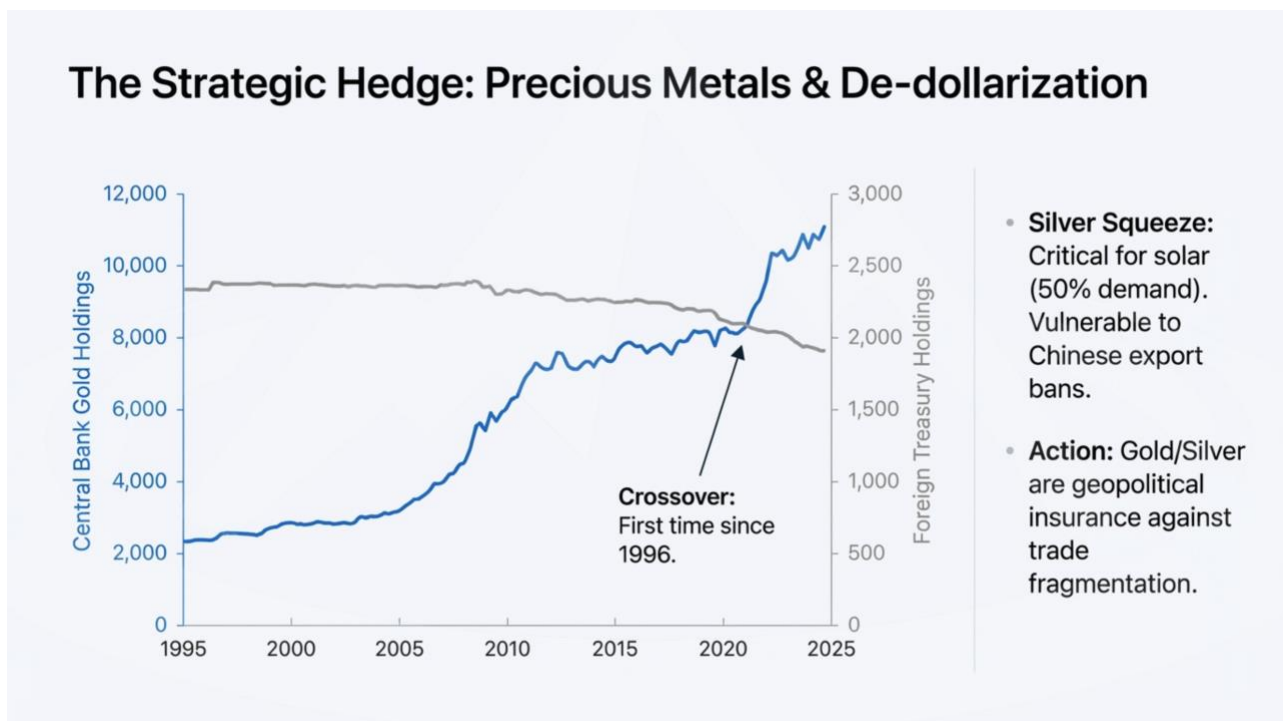


Figure 10. The Strategic Hedge: Precious Metals & De-dollarization

Key takeaway: We treat gold and silver as portfolio insurance against trade fragmentation and de-dollarization signals in reserve behavior.



Figure 12. Actionable Intelligence: The MoatPeak Buy List

Key takeaway: Tactically, we favor measured exposure to \$SLB/\$HAL with explicit risk controls; strategically, we prefer \$VLO, with gold/silver as hedges.

Our Base-Case Targets

In our base case (60% probability), built around Brent at \$50–60 per barrel and a slow, uneven Venezuelan recovery, we have set the following directional targets:

- \$SLB and \$HAL: we see scope for +20–30% upside by the end of 2026.
- S&P 500: we view a move into the 7,200–7,400 range as achievable.
- Gold: we see a path toward \$4,200–4,500 per ounce.

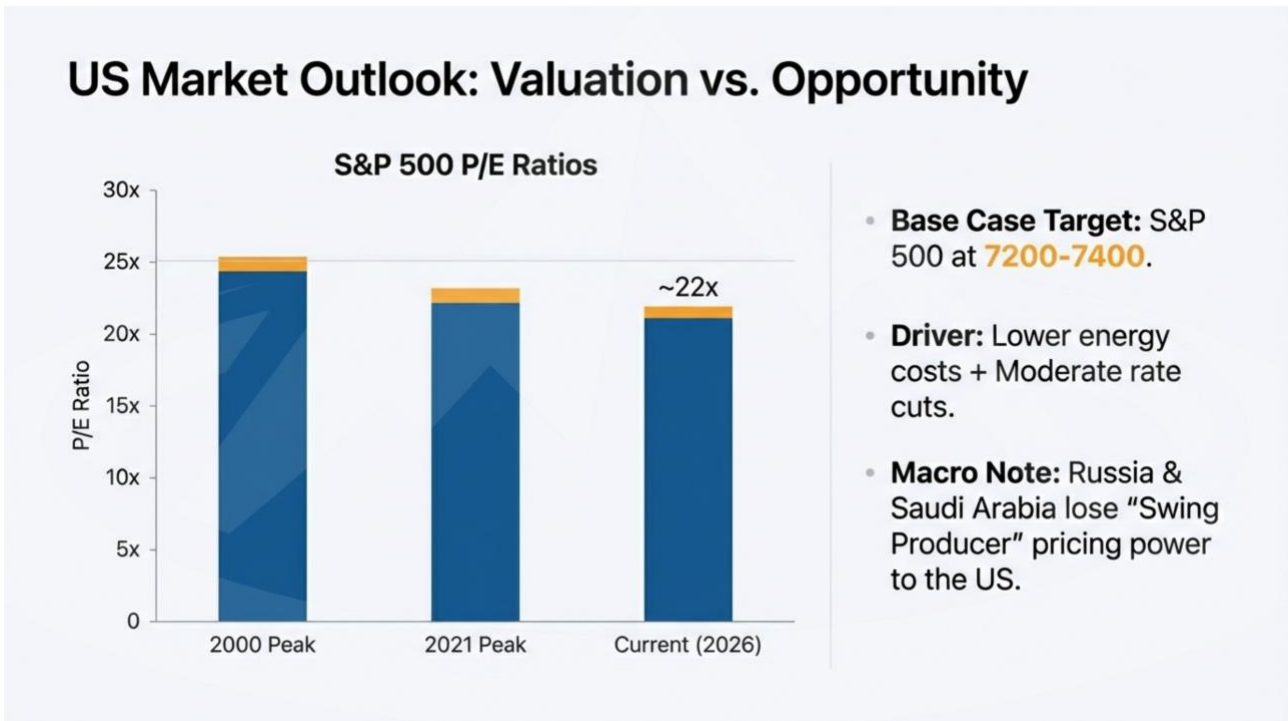


Figure 11. US Market Outlook: Valuation vs. Opportunity

Key takeaway: In our base case, lower energy costs and moderate cuts support a constructive equity backdrop, but ~22x P/E leaves limited margin for error.

What We Urge Investors to Avoid

Inversion: What NOT To Do





-  • **DO NOT** sell naked Puts on oil. Volatility gaps are likely.
-  • **DO NOT** go full 'Risk-On'. 22x P/E leaves no margin for error.
-  • **DO NOT** ignore China. Watch export license news daily.
-  • **DO NOT** believe the political timeline. Infrastructure physics cannot be cheated.

Figure 13. Inversion: What NOT To Do

Key takeaway: We avoid unhedged oil optionality and broad risk-on at stretched multiples, and we do not ignore China's supply-chain leverage.

In this environment, we strongly caution against three specific behaviors.

First, we are wary of a full “risk-on” mentality in equities. With the S&P 500 trading around 22x P/E, valuations already embed a great deal of optimism, leaving the market vulnerable to macro or geopolitical shocks.

Second, we advise against aggressive options strategies such as selling unhedged puts on oil. Geopolitics tends to surface as sudden price gaps rather than smooth trends, and in our experience, that is how “unlikely” events can translate into catastrophic losses.

Third, we think the market still underestimates China's willingness and ability to retaliate. In our view, the biggest blind spot today is the potential for Beijing to weaponize its dominance over critical mineral supply chains—an arena that could matter far more for future growth than the daily oil price.

Timing, in our experience, is everything. We believe the events in Venezuela have launched what may be remembered as the “American oil century,” an era in which Washington's influence over energy markets becomes more pervasive and more deliberate. In this setting, we expect success to belong not to those who chase headlines, but to those who execute calmly and methodically—anchored in structural realities, patient about time horizons, and rigorous about risk (see Figure 14).



Figure 14. Conclusion: The Long Game

Key takeaway: This is a marathon: wealth transfers from headline-chasers to those positioned for execution and the multi-year rebuild.

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Figure 15. Important Disclosures & Disclaimer

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